

State of Minnesota
Counties of Scott & Le Sueur
City of New Prague



Special City Council Meeting
Monday, February 13, 2017

Mayor Nickolay called the special meeting to order at 6:00 p.m. with the following members present: Nickolay, Bruzek, Jirik, Ryan, Tuma

Staff Present: City Administrator Mike Johnson, Planning/Community Development Director Ken Ondich, Finance Director Patty Solheid, Police Chief Jim Gareis

Others: Mikaela Huot, Vice President of Springsted, Inc. and Mark Appelbaum, Developer for the Makado Group LLC

Police Chief Gareis requested the reallocation of 2017 Budget CIP Funds for the Police Department.

Specifically Chief Gareis was looking to re-allocate funds for the purchase of a 2017 Police Squad Car (\$27,000) and use them towards the purchase of 8 new portable radios at an estimated cost of \$26,928 (\$3,366 per unit). The reason for the change is that the City was able to replace a police squad car in 2016 earlier than expected due to an accident (thus allowing 2017 vehicle purchase to be delayed) and the price of portable radio units was going to go up \$900 - \$1,000 per radio on the 2017 Motorola Contract. The expected contract change date was February 24, 2017. By re-allocating capital funds now, the purchase price of portable radios would be lower (cost savings estimated at \$7,200 - \$8,000); and the old portables could be re-purposed for use by the Public Works and Public Utilities Departments for emergency management situations and better communication within departments.

Following discussion, it was moved by Nickolay and seconded by Bruzek to reallocate funds in the 2017 Police Department Capital Improvement Plan from the purchase of a squad vehicle to the purchase of eight additional portable radios. All voted in favor of the motion. (5-0)

Mayor Nickolay introduced the next item which was an overview of Tax Increment Financing and a review of the application from New Prague Senior Living Associates I, LLC (Mark D. Appelbaum - Developer for the Makado Group, LLC).

Mikaela Huot V.P. for Springsted, Inc. was present and provided the Council with about a 45 minute PPT Presentation and overview on Tax Increment Financing (TIF) and the specifics on a Housing TIF District for affordable senior housing. She also outlined a schedule of the next steps if the City proceeds to undertake the creation of a Housing TIF District.

Mr. Mark Appelbaum, developer of the Makado Group LLC, reviewed with the Council his application from New Prague Senior Living Associates I, LLC and his proposal to construct a 90 unit Senior Housing Project on a 3.83 acre parcel of land south of the State Bank of New Prague at an estimated total project cost of about \$19,000,000.

The composition of the 90 unit senior housing development would contain approximately 49 independent living units, 28 assisted living units, 12 memory care units and 1 guest suite. The building would

State of Minnesota
Counties of Scott & Le Sueur
City of New Prague



Special City Council Meeting
Monday, February 13, 2017

contain approximately 105,000 square feet of finished space on 4 stories above ground, and approximately 26,300 square feet of underground parking for 50-55 parking stalls. The developer is seeking \$4.4 million in TIF assistance over 26 years to support the \$19 million project. Funding to support the request would come from the property taxes generated and paid by the development, assuming that the project could generate the needed funding being requested.

The City and Springsted will need to evaluate the level of financial assistance being requested by the developer to determine if, what amount or what level of public assistance should or should not be provided on a project of this nature (the "But For" Test under TIF).

Assuming full development of the project when the building is fully stabilized could result in approximately 36 FTE positions being employed at this facility. The positions included would be: Health Care Nursing (RN's, LPN's, Aids); Kitchen Staff (Chef, Asst. Servers); Activity Programmers; and Building Maintenance; and Administrative Staff.

Following Mr. Appelbaum's presentation, Ms. Huot of Springsted provided a brief overview on the "Preliminary" Tax Increment Financing Projections for the proposed 90 unit development. Early property tax estimates (subject to certain assumptions), indicated that the proposed development would generate approximately \$262,300 in annual gross tax increment. However, additional financial analysis and clarification of the developer's pro-forma/and project assumptions would need to be completed to answer questions on the development and provide answers to questions from the Council.

Ms. Huot tried to explain that in the creation of a TIF Housing District, that 20% of the units must be restricted for persons or families at 50% of area median income or 40% of the units restricted at 60% of area median income. The 2016 income guidelines for Le Sueur County would indicate that for a 1 person household at the 50% income guideline would be \$25,350 and for 2 person households it would be \$28,950. The purpose of providing TIF assistance for the project is designed to assist in providing affordable senior housing and to assist in the construction of various TIF eligible construction elements that are costly to the developer in the building project.

Following considerable discussion, questions and clarification of information, the Council was asked whether they wanted City Staff and Springsted, Inc. to continue to evaluate the developer's request for TIF assistance on the 90 unit senior housing project or discontinue discussion/deliberations on the proposed project. Additionally, did the Council want to take the next steps to continue to move the project forward.

It was moved by Ryan and seconded by Bruzek to take the next steps to move the proposed project forward and to obtain the necessary information to answer the financial questions raised by the Council. All voted in favor of the motion. (5-0)

City Council Proceedings

848

State of Minnesota
Counties of Scott & Le Sueur
City of New Prague



Special City Council Meeting
Monday, February 13, 2017

It was moved by Nickolay and seconded by Tuma to adjourn at 7:47 p.m.
All voted in favor of the motion. (5-0)

Charles L. Nickolay, Mayor

ATTEST:

Michael J. Johnson
City Administrator