

# Memo: 1.2.1.1, 1.2.1.2 & 1.2.1.3

## THE CITY OF

**Troy Klecker**  
Community Development Director



## OWATONNA

540 West Hills Circle  
Owatonna, MN 55060-4794  
Ph. (507) 774-7316  
FAX: (507) 444-4351

DATE: December 30, 2020  
TO: Mayor and City Council  
FROM: Community Development Dept. - Troy Klecker  
SUBJECT: Downtown Hotel Project

### **Purpose:**

City Council to hold public hearing to modify Development District No. 10, establish Tax Increment District 10-2 and the use of tax increment financing for redeveloping the east side of the 200 block of North Cedar Avenue for project which includes construction of a new hotel. The project also requires an Interfund Loan which City Council will approve a resolution approving the terms of this loan.

### **Background:**

The developer, Mac Hamilton, is requesting the use of tax increment financing to assist with the costs associated with the construction of a 106-unit hotel and the redevelopment of the east of the 200 block of North Cedar Avenue. The project includes the renovation of the buildings south of the alley that contain Old Town Bagels and the former Jerry's building. The Flooring Frenzy building and the former Bishman Insurance building would be demolished as well as the triplex on Pearl Street. A new restaurant will be added to the renovated space and a new 106 room hotel will be constructed. The TIF Plan calls for \$7,225,088 in TIF dollars to assist with eligible TIF expenditures on the project. The City will be reimbursed \$500,000 from the TIF for payment for the purchase of the old theater lot and the public parking lot on Pearl Street and well as for streetscape improvements. This would be a redevelopment TIF district so it can go for up to 25 years. For the City to be reimbursed from the TIF for the land and streetscape improvements, an Interfund Loan Resolution must be adopted.

### **Budget Impact:**

The City will receive \$500,000 from the TIF for payment of the land the City owns and for streetscape improvements. There are consulting fees for the TIF financing which will be paid by the EDA. Administrative costs have been figured into the TIF plan so that consulting expenses can be reimbursed through the life of the TIF District.

### **Staff Recommendation:**

Staff recommends adoption of Resolution 1-21 approving the modification to Development District 10; adoption of Resolution 2-21 to approve the establishment of Tax Increment District 10-2 and use of tax increment financing and adoption of Resolution 3-21 setting the terms of an Interfund Loan for this project.

# 1.2.1.1

## RESOLUTION NO. 1-21 RESOLUTION APPROVING MODIFICATIONS TO DEVELOPMENT DISTRICT NO. 10

WHEREAS, the City Council of the City of Owatonna, Minnesota (the "City"), pursuant to Resolution No. 82-17, adopted on September 19, 2017, approved the creation of Development District No. 10 (which area is herein called "Development District No. 10" or the "Development District") and in connection therewith adopted a development program; and

WHEREAS, pursuant to Minnesota Statutes, section 469.126, the City now desires to modify the development program of the Development District; and

WHEREAS, the City has reviewed "Development District No. 10 Plan, dated January 5, 2021" (herein called the Plan), which sets forth a development program for the Development District; and

WHEREAS, it is desirable and in the public interest that the City modify the development program, pursuant to Sections 469.124 to 469.133 of Minnesota Statutes encompassing the area described in the Plan; and

WHEREAS, the City's Planning Commission has been consulted with concerning the modification of the Development District; and

WHEREAS, the City Council has received and considered the comments of the City's Planning Commission relating to the Plan; and

WHEREAS, the City Council on January 5, 2021, after having published a notice of public hearing in the official newspaper of the City, conducted a public hearing on the Plan and received public comments on the same.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Owatonna, Minnesota, as follows:

Sec. 1. It is hereby found that there is a need for the Project activities in Development District No. 10.

Sec. 2. It is hereby found that Development District No. 10 is an area "already built up" within the meaning of Section 469.124 of Minnesota Statutes for the following reasons:

A. The vicinity of the Development District is urban. Existing land uses in the vicinity include residential, office/service and commercial properties. Zoning in the vicinity corresponds to the land use pattern.

B. City sanitary sewer, storm sewer and water lines service the Development District.

C. Existing City streets service the Development District.

D. The City's comprehensive plan designates the Development District appropriate for residential and commercial development.

Sec. 3. It is hereby found that the development program set forth in the Plan will carry out the objectives of Development District No. 10 by assisting private development in its efforts to redevelop private property with rental apartments and commercial properties; thus, accomplishing the goals of preventing blight, adding housing, creating employment, enhancing the tax base of the municipality and improving the general economy of the area.

Sec. 4. That the development program as set forth in the Plan, having been duly reviewed and considered, is hereby approved, and the area described in the Plan is designated as a development district pursuant to Section 469.126, Subdivision 1, of Minnesota Statutes.

Sec. 5. That the City will use revenues generated through Tax Increment Financing Districts No. 10-1 and No. 10-2 to finance activities relating to Development District No. 10.

Sec. 6. That the City Council designates the City Administrator to act as administrator of the Development District.

Sec. 7. That the City states the environmental controls to be applied in connection with the execution of the development program shall consist of the applicable ordinances of this City, and the applicable provisions of Minnesota Statutes.

Sec. 8. That the City Clerk is hereby directed to file a copy of this resolution with a copy of the Plan with the Minnesota Department of Revenue and Office of the State Auditor.

Passed and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2021, with the following vote:

Aye\_\_\_\_; No\_\_\_\_; Absent\_\_\_\_.

Approved and signed this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Thomas A. Kuntz, Mayor

ATTEST:

\_\_\_\_\_  
Kris M. Busse, City Administrator/City Clerk