

# City Council Item

June 24, 2024



<b>Item</b>	Adopt a Resolution approving Tax Increment Financing (TIF) Private Development contract between the Chanhassen Economic Development Authority and Roers Chanhassen Bennett Apartments Owner LLC, and the Private Development contract between the Chanhassen Economic Development Authority and Roers Chanhassen Harlow Apartments Owner LLC for the development of Chanhassen Market Street Addition.  <b><u>Resolution being prepared by the City's TIF attorney and will be added to this case.</u></b>	
<b>File No.</b>	Planning Case File 24-01	<b>Item No:</b> B.2
<b>Agenda Section</b>	7:00 P.M. - ECONOMIC DEVELOPMENT AUTHORITY	
<b>Prepared By</b>	Eric Maass, Community Development Director	
<b>Reviewed By</b>	Laurie Hokkanen	

<b><u>SUGGESTED ACTION</u></b>	
Motion to adopt the resolution approving the Chanhassen Economic Development Authority entering into two contracts for Tax Increment Financing assistance for the Market Street Addition redevelopment.	
<b>Motion Type</b>	Simple Majority Vote of members present
<b>Strategic Priority</b>	Development & Redevelopment

## **SUMMARY**

The attached private development contracts establish the terms related to Tax Increment Financing (TIF) to be provided in support of the redevelopment of the Chanhassen Cinema and Country Inn & Suites properties into a vertical mixed-use development that consists of two buildings which total 310 market-rate apartments and approximately 14,880 square feet of leasable commercial space. Each

building will have separate ownership entities which necessitates the individual private development contracts. Because TIF utilizes future property tax revenue to repay the TIF financing it is necessary that each building have its own redevelopment contract.

## **BACKGROUND**

The City Council approved the preliminary plat and site plan for the redevelopment of the Chanhassen Cinema and Country Inn & Suites properties. The City Council and the Economic Development Authority (EDA) approved a Tax Increment Financing (TIF) plan associated with this redevelopment. The next step in the redevelopment process related to TIF is for the EDA to approve a contract for private development between the EDA and the developer. A later step will also include the City Council approving the project's Final Plat and regular development contract.

Since the City Council's approval of the preliminary plat and site plan, city staff and the city's TIF financial and legal consultants have been negotiating the terms of the Redevelopment Contract with the developer, consistent with what was presented throughout the approval process.

While each building is contained within its own TIF contract, each contract stipulates that tax increment financing payments will not be provided for one building if the other building has not at a minimum began construction of the foundation for the other building. Both buildings are required to begin construction by December 31, 2024 and complete construction by December 31, 2026.

Following adoption of TIF contracts for private development, the next step in the development process would be for the city to approve the final plat and development contract for the proposed project. The final plat and development contract are standard elements of a development project and are not unique to this proposed redevelopment. Those are anticipated to go before the City Council in August.

## **DISCUSSION**

Through the entitlement process, the City Council expressed that the following should be included in the TIF contracts for private development. Each of the below is included in the contracts proposed for approval.

### **TIF Priorities**

1. Fair labor laws - Construction of the project shall comply with fair labor laws.
2. Permitted Use Restriction - During the term of the redevelopment contract, neither a standalone liquor store nor a standalone tobacco or cannabis business shall be permitted to operate on the property. A restaurant, brewery, or distillery do not apply.
3. All Sewer Access Charges (SAC) and Water Access Charges (WAC) paid by developer - During the term of the redevelopment contract, payment of all SAC and WAC charges associated with residential and business operations within the development shall be paid for by the Developer
4. Lookback provision in the event of a property sale - If the project is sold prior to the expiration of the TIF payments, then there shall be a lookback provision included so that the city can review the financial specifics of that sale to determine if the terms of the sale provided an adequate Internal Rate of Return (IRR) such that the TIF payments are no longer necessary.
5. Laredo Drive Extension (West Building Contract) - If the city acquires the necessary interest in the land currently owned by Kraus Anderson that would be necessary for the second half of the Laredo Drive extension, then Roers would be responsible for constructing the full extent of Laredo Drive. The draft redevelopment agreement gives the city up to December 31, 2025, to acquire the necessary right of way. If the city does so, then the Laredo Drive South extension

would be required to be built by the Developer per the terms of the redevelopment contract. Estimated \$400,000 in city right-of-way acquisition costs. Those funds would be recouped by the city through TIF on the front end of the term of TIF assistance. Estimated \$1,100,000 in additional construction and design costs for the second half of the Laredo Drive. In the event that the city acquires the necessary additional right of way, then the Developer would construct the southern half of Laredo Drive. If that were to occur, the redevelopment contract is structured such that the EDA would remit up to 95% of the generated TIF of the West Building back to the developer to offset the increased cost associated with designing and building the second half of Laredo Drive. The agreement stipulates that the TIF amount increase would be up to but the lesser amount of \$1,100,000 or the actual reasonable amount it costs to design and build the southern extension of Laredo Drive to Market Street. Each of the above is currently included in the Private Development Contract between the Developer and the city's EDA.

## **BUDGET**

## **RECOMMENDATION**

Staff recommends that the EDA approve the private development contracts as proposed.

## **ATTACHMENTS**

[Redevelopment Contract \(West Building & Laredo Drive\)](#)

[Redevelopment Contract \(East Building\)](#)

[EDA resolution approving both redevelopment contracts](#)

[Presentation](#)