

Vergas EDA/HRA
Vergas Event Center Council Chambers and Zoom
2:00 PM on Tuesday, June 6, 2023

The City of Vergas Economic Development Authority (EDA) and Housing Redevelopment Authority (HRA) met on Tuesday, June 6, 2023 at 2:00 pm on zoom with the following members present: Joy Summers, Duane Ditterich and Vanessa Perry. Absent: Bruce Albright and Kevin Zitzow . Also Present: City Clerk-Treasurer Julie Lammers.

Call to Order

Meeting was called to order by Clerk-Treasurer Julie Lammers at 2:05 pm.

Motion by Perry, seconded by Summers to approve Julie Lammers to Chair the meeting as both President and Vice President were absent.

Agenda Additions and Deletions

Approve agenda with the following addition: July meeting date.

July Meeting Date

July meeting is scheduled for July 4, 2023.

Motion by Perry, seconded by Summers to not have a meeting in July unless Lammers feels there is a reason to call one. Motion passed unanimously.

Minutes

Two members present were not present for meeting in May, minutes will be discussed in August.

Status of Recommendations to City Council

Lammers stated the Council gave general support in favor of purchasing the lots.

Financial Update

Lammers stated financial information is the same as given to members in May. (no report was provided)

Old Business

2023 Housing and Economic Goals.

The goals and timelines have not changed.

Tax-Forfeited Land in Vergas

Discussed Sunny Oaks Development with 11 lots that have been given back to the State of Mn. Lammers sent a letter to County for City to purchase 11 lots and have Ottertail County HRA regarding senior housing on 2-3 of the lots. County questioned why they would provide lots to City for \$1.00 and then buy them back. They also questioned City using one lot for a park. Summers stated we do not have an option with the County Senior housing lots. The committee wants senior housing from the County and do not see any reason not to have them keep those lots. Ditterich stated customers coming into the store are looking for basic housing and these lots are what they are looking for. They would like to see the county build on lots 210 and 220 Eva St. Discussed adding a park. Committee does not see a value in having a park for the following reasons: City is already struggling to keep up the parks they already have – not sure the City can afford or maintain another park; we have the Lion's park approximately 3-4 blocks away from this development, may have issues in park due to no visibility and do we want to have children playing this close to the gravel pit.

New Business

Tax Abatement & Gap Financing

The City of Vergas Property Tax Rebate Program provides a refund of up to \$5,000 of future property taxes for the construction of new homes.

The Otter Tail County Property Tax Rebate Program provides a refund of up to \$10,000 of future property taxes for the construction of new homes.

Program Overview

- Refund of the County's portion of the property tax, along with the City's portion in participating cities (currently Battle Lake, Fergus Falls, Henning, New York Mills, Ottertail, Parkers Prairie, Pelican Rapids, Perham, and Vergas), based on the increase to real estate taxes as a result of building a new home
- Provides up to \$15,000 refunded over five years (\$10,000 throughout the county plus \$5,000 if residence being built is located within a participating city)
- Primary residences only (no seasonal owners)
- Rebate paid to the property owner of record in December of the year, transfers with the sale of the property
- Applicant can be the future homeowner or the builder/developer

The property tax rebate program for new single and two-family homes ends December 31, 2024.

The County has a program for Owner-Occupied Development Value Gap Grants.

Value Gap Grant funds are available for owner-occupied developments where there is a demonstrated need to fill the gap between the cost per unit to build and the sale price.

- A grant for up to \$50,000 per unit, maximum of \$100,000 per development
- One-to-one match requirement between County funding and local municipality where development is located. Other options will be considered when municipalities do not have adequate financial resources to provide the match
- Homebuyers must have annual household incomes at or below 115% of Area Median Income (AMI) or the income limits established by the State for Tax Increment Financing (TIF) Districts
- Application must be approved before construction begins

The goals of the program are to increase the tax base and improve the quality of life by supporting activities in the following three areas:

- Affordable Housing: Promote the development of affordable workforce and supportive housing.
- Redevelopment: Assist with the redevelopment of blighted and under-utilized areas to maximize their potential economic value and minimize their negative impact on the livability of a community.
- Commercial Rehabilitation: Support business creation/retention and main street revitalization through exterior improvements and reinvestment.

The application must be made by the city in which the project is located.

The committee discussed the amount of development that may occur in the next 5 years – found there may be 3-4 developments. Summers stated the real estate market is currently slowing down and lots with homes on are selling faster than bare lots. The applications and payments would be handled through the County. This would affect the city by not receiving property taxes on the improvements until the \$10,000 is received. The financial effect would be not receiving the improved taxes as quickly on the properties.

Motion by Summers, seconded by Perry to recommend to Council to allow applications for Owner-Occupied Development Value Gap Grants for \$10,000 per lot for a cost to the city of \$50,000 per development for the next 5 years. Motion passed unanimously.

Motion by Perry, seconded by Summers to adjourn the meeting at 3:00 p.m.

Julie Lammers
City Clerk-Treasurer
City of Vergas

Council Recommendations

Allow applications for Owner-Occupied Development Value Gap Grants for \$10,000 per lot for a cost to the city of \$50,000 per development for the next 5 years.

Follow up Actions.

Lammers to add Give to the Max Fundraiser to the August meeting agenda.

Lammers to write letter to County tax forfeited lots. (letter sent – waiting for response)

Lammers to look into a City sales tax.

Lammers provide map of available lots in the City limits to Joy Summers.