

B.E.D.A. CITY COUNCIL PROCEEDINGS BEMIDJI, MINNESOTA

December 18, 2006

Pursuant to due call and notice, a regular meeting of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, December 18, 2006, at 7:00 p.m. in the Council Chambers of City Hall, President Lehmann presiding.

Upon roll call, the following Commissioners were declared present: Lehmann, Markeson, Hellquist, Erickson, Downs. Absent: Meuers, Johnson.

President Lehmann stated that the purpose of the meeting was to review the Tax Increment Financing request from Eldercare of Bemidji.

Jim Holmes, Holmes & Graven, reviewed the request stating that the BEDA has two actions to consider. First, approval of a Development Agreement between the BEDA and Eldercare and second, approval of a draft Tax Increment Financing Plan. Holmes stated that the Development Agreement provides for construction of 32 senior rental assisted living units adjacent to the existing nursing home. Upon completion, as reimbursement to Eldercare for certain acquisition costs, the BEDA would issue a "pay as you go" tax increment note in the principal amount of \$275,000, with interest at 7%, payable exclusively from the tax increment generated by the new facility for a 15-year period. The Council would need to make a "but for" finding that this development would not go through if not for the funding.

Holmes stated that Eldercare is obligated to make 20% of the units available to persons with annual incomes under 50% of the area median. It was suggested at the last EDA meeting that there be an additional limitation that 50% of the units be made available to persons receiving Medicaid/Medical Assistance.

President Lehmann stated that the EDA is still looking for information that answers the "but for" requirement.

Holmes referred to a letter dated 12/18 from Mr. Birchem which states that the rents will increase by \$200 per month and the initial cash demands would be very detrimental to the success of the project. If Mr. Birchem is correct in his assessment, Holmes stated that a "but for" test could be made.

Erickson asked for clarification of the taxing jurisdictions involved. Holmes replied that the school district and county would also be included.

Jim Birchem, Eldercare of Bemidji, stated that their intention is to sell the note to a lender which will give them additional equity in the project.

Downs stated that he felt that approving the TIF for Eldercare was unfair to the competition in the area. Downs then asked Birchem what percentage of units dedicated to lower income individuals would he be comfortable with.

Birchem commented that the campus is expanding and will benefit the community. Birchem stated that they do not like the requirement of 50% of the units be kept for those on medical assistance.

Hellquist asked Birchem if TIF was not approved would this project go forward. Birchem replied that it would but not as it is proposed. Hellquist commented that the market study indicates that there is a growing need for elderly housing and assisted living in our community. Birchem replied that in the future part of the nursing home will be downsized and the units built are for the future.


Discussion continued on the loss of taxes to the City and impacts on the other taxing jurisdictions.

Motion by Commissioner Downs, second by Commissioner Erickson, to deny the request for Tax Increment Financing by Eldercare of Bemidji. Motion carried unanimously.

ADJOURN

There being no further business a motion by Hellquist, second by Downs, to adjourn the meeting. Motion carried. Meeting adjourned at 7:50 p.m.

Respectfully submitted,


Kay Murphy-Schuett
BEDA Secretary