



# Public Hearing: Sale of 115 5<sup>th</sup> Street

April 23, 2024 City Council Special Session

Ben Martig, Jake Reilly,

Nate Carlson, Nick Anhut

# Northfield News Building



- **Acquired to catalyze future redevelopment**
  - City purchased building on 6/21/2022
  - Purchase Price: \$1.2 million
  - Appraised on 1/19/2022 for \$850,000
  - Appraised on 3/29/2024 for \$960,000
  - 2024 County assessed value, \$694,400



# Loon Liquor Co.



- **Loon Liquors Co.**
  - Northfield High School graduates
  - First Organic Distillery in MN
  - 90% of products are sourced from within 10 miles
  - Current location, Armstrong Road
- **High-profile setting: “win-win-win”**
  - Expansion to meet business need
  - Enhanced Northfield-area farm-to-table experience
  - Increase value of site
- **“But-For” the City’s acquisition**

# Loon Liquor Co.



- **Downtown “Destination” Distillery**
  - Purchase property
  - Build out Interior
  - Purchase new equipment
  - Employment projection: 35+ jobs
  - More than 100 seats for customers
  - Estimated total cost to develop: \$4-\$5 million
  - 70-80% of customers are from out of town

# Northfield News Building



- **Sale Terms**
  - Price: \$960,000
    - Based on March 29, 2024 appraisal
  - 120-day due diligence period
  - Closing on or before October 31, 2024
  - Exploring additional financing with EDA and other partners
    - Rice County, SMIF and MCCD

# Northfield News Building



- **Site Acquisition/Holding Costs Paid to Date**
  - \$1.25 million
  - City used temporary financing “internal service loan” from sewer fund to use as temporary financing for the original purchase
  - ~\$290,000 gap from sale and repayment of internal service loan
- **Plan for Investment Recovery for Internal Service Loan**
  - Loon sale proceeds of \$960,000 will go to majority loan obligation
  - Tax abatement for new taxable value of this property for the City and Rice County for a period of time proposed to recover remaining
  - Northfield Public School District property tax not included in abatement

# Northfield News Building



- **Tax Abatement Analysis**
  - *Conversion to taxable use and new site improvements will create new city and county property tax revenue*
    - *Estimated taxable value upon project completion: \$1,300,000*
    - *Individual abatement can be granted for up to 20 years*

## Tax Abatement Analysis

	<u>Annual Amount</u>	<u>15-year Cumulative*</u>
City Taxes:	15,712	235,680
County Taxes:	8,870	133,050
<b>Combined Abatement:</b>	<b>24,582</b>	<b>368,730</b>

*\*Projection at current local tax rates and does not assume any appreciation on property value*

# Economic Development Tools



- **Land & Property Assembly as a Strategy**
  - Cities commonly assemble land or buildings to facilitate economic development to achieve public goals
  - Downtown redevelopments and industrial parks are particularly common
  - May be councils, eda's, hra's (like Northfield has done), port authorities
- **“Write Down” is Common Using Tools Granted by State**
  - Tax Abatement, Tax Increment Financing, EDA or HRA Levies, Grants, etc.
  - “public goals” can have other returns on investment versus market real estate transactions that have “private goals” with different returns
  - “public returns” benefit to other business, property tax returns, amenity attraction for residents, blight removal, job creation, etc.

# Northfield News Building



## Tonight Actions:

- Close Public Hearing
- Consider approval of Purchase Agreement
- Consider request of County Abatement participation

## Next steps:

- Staff schedule City and County Tax Abatement hearings

# Purchaser Comments

## Loon Liquor Co.



*Simeon Rossi & Mark Schiller*



- Council Questions
- Open Public Hearing
- Council Discussion
- Council Motion to Close Public Hearing