

MEMORANDUM

City of Northfield
Economic Development Authority

DATE: August 14, 2019

TO: Andrew Ehrmann, President of the Economic Development Authority
Economic Development Authority Commissioners
Nate Carlson, Economic Development Coordinator
Mitzi Baker, Community Development Director

FROM: Enoch Blazis, Economic Development Authority Commissioner and EDA
Loan Review Sub-Committee member

RE: Committee Member Comments on Fifth Street Lofts Subsidy Request

EDA President Ehrmann, Members of the EDA and City Staff, due to my absence at the August 22 meeting of the EDA I am providing this memo with my comments regarding the Fifth Street Lofts subsidy request.

Overall, the intent of this project meets many of the desirable characteristics for economic development for the City of Northfield specifically that it is a downtown in-field residential development project that should bring increased business to downtown. These elements are essential to our core intent of keeping downtown Northfield vibrant and prosperous. If successful it could serve as a catalyst to bring other development to the downtown area. It has complimentary effect of triggering the move of Premier Bank to the Crossings location creating new development and replacing its former dated building. I do not think the added expense of the climate controlled parking is advantageous without a specific parking study to indicate otherwise. I am skeptical that people will pay for climate controlled parking in a town of this size and I believe the relief of the additional planned parking spots will provide are not worth the cost proposed in this project.

The numbers are challenging for this project given that the 3.1% cashflow return which is below market expectations of 8-10% as noted in the Ehlers Aug 12 memo so I would characterize this as a risk and reward scenario.

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Based on the discussion and information presented to me on this project to this point, I would be inclined to support the project with the following considerations:

- TIF- with pay as you go and future lookback and recourse provision
- Property (510 Washington)- given to the developer
- Loan- with deferred development fee of approximately \$250,000 and other recourse provision

This substantial project will need all of these elements for it to be undertaken by the Developer. Although this is a considerable investment, it seems appropriate given that it is a unique opportunity—no other projects of this scope are waiting in the wings—and it could be transformational for the downtown.

The upside is clear. Assuming that the project is built, if we look at the potential downside—the inability of the developer to pay back the loan—the project still yields redevelopment at two sites (Crossings and Fifth Street). The additional investment of the property is worthwhile as it will be productively developed. The question of “are we in a better place given this investment?” given this scenario is an essential one for the EDA to answer in making its decision. And I believe that we will be.