

ESTABLISHMENT OF TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT No. 26

**Public Hearing / City Council Meeting
February 13, 2023**



Proposed Establishment TIF District 26

- Application from Roers for TIF assistance
 - Project consists of the demolishing of the existing Moon Plaza retail strip center and constructing an approximate 168-unit residential apartment building plus underground and surface parking and associated amenity areas, both indoor and outdoor
 - Located on University Avenue between 61st Ave NE and 63rd Ave NE in Fridley

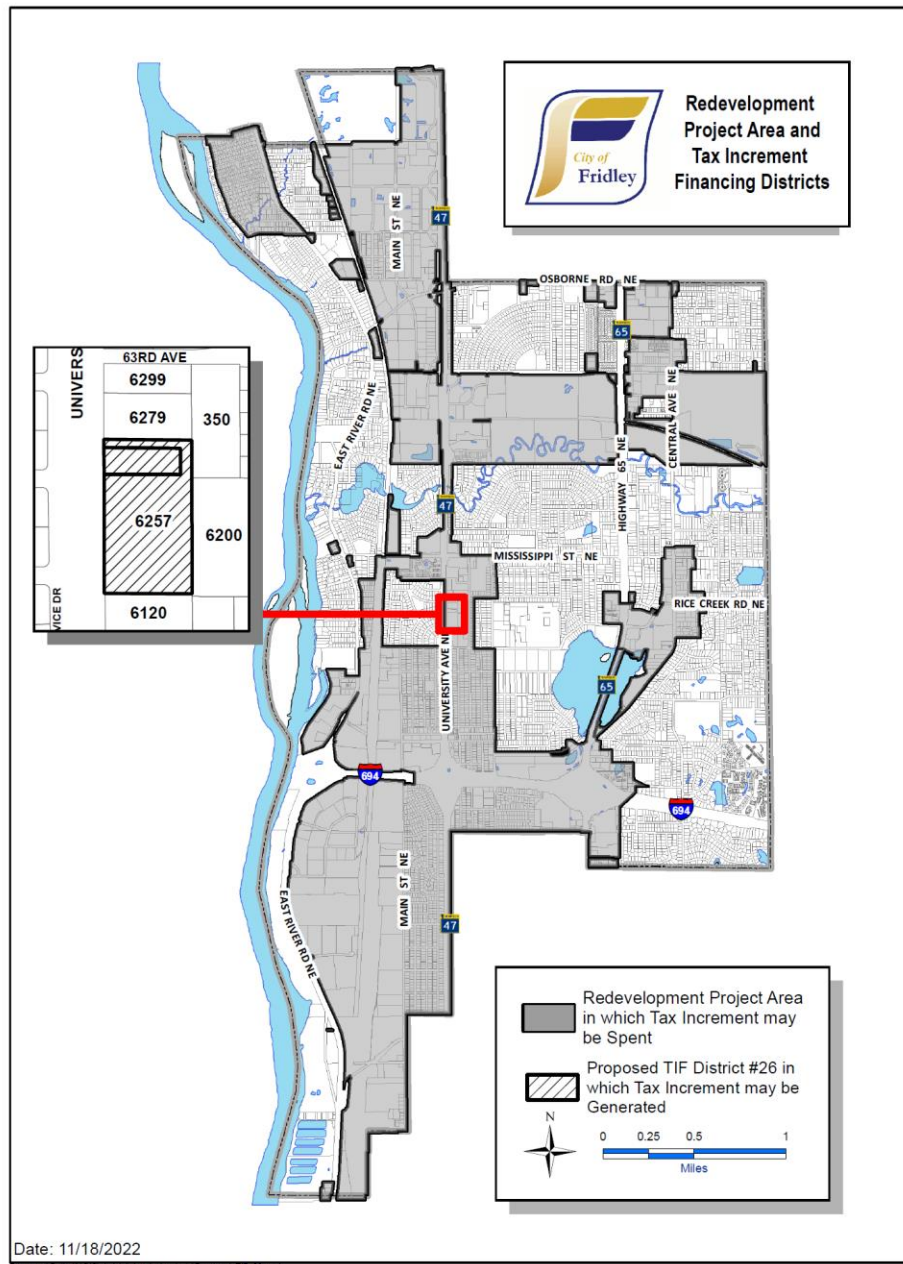
TIF Plan

- The laws that govern TIF require the following, among other requirements for the TIF Plan:
 - Describe the project to be financed with tax increment and provides specific information about the development activity that is to occur
 - TIF plan created by the HRA/City, reviewed by the county and school district, and approved by the HRA/City, authorizes the establishment of the TIF district
 - Each type of TIF district has different statutory requirements governing its creation which require specific findings to be included in the TIF Plan

Project Site

- Site is currently occupied by a retail strip center
- Inspection found the building to be sub-standard pursuant to the TIF Act
- Condition of the buildings and overall area of the site meet the statutory criteria for establishment of a “redevelopment” TIF district

Proposed Boundaries of TIF District Includes Two Parcels



How Does TIF Work?

- Property taxes on base valuation, value that existed before development, will be payable to local taxing jurisdictions and are not captured for TIF
- Difference between base valuation and new valuation , estimated increase of value of \$33.9 million will be captured for TIF

Estimated Annual Property Taxes and TIF from District

Taxing Jurisdictions	Current Taxes (Pay 2022)	With Establishment of TIF District and Completion of Project (Estimated for Tax Payable Year 2026)		
		Annual Taxes Received by Taxing Jurisdictions from Property within TIF District	Annual Captured Taxes (Tax Increment) from TIF District	Combined Total Estimated Annual Taxes Payable from Property
City	12,141	17,984	178,295	196,279
School District (ISD 14)	16,159	81,042	172,214	253,256
Anoka County	7,945	8,754	116,671	125,425
Other Taxing Jurisdictions	37,147	1,549	20,638	22,187
Total	73,391	109,328	487,818	597,146

Notes:

1. Estimated for Tax Year 2026, based on estimated taxable market value upon completion of project.

TIF Plan – Budget for TIF District

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$12,850,000
Interest and investment earnings	\$200,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
Total Estimated Tax Increment Revenues	\$13,050,000
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$3,500,000
Site improvements/preparation costs	\$2,626,000
Utilities	\$0
Other qualifying improvements	\$0
Construction of affordable housing	\$0
Administrative costs	\$1,285,000
Estimated Tax Increment Project Costs	\$7,411,000
Estimated financing costs	
Interest expense	\$5,639,000
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$13,050,000
Estimated Financing	
Total amount of bonds to be issued	\$7,411,000

Terms for Assistance to Developer

- City and HRA will consider approval of TIF Plan
- TIF Plan provides the “framework” for the terms for assistance to the Developer
- HRA will consider approval of a TIF agreement with the Developer
 - Specific terms for assistance with the Developer are included in a proposed TIF agreement

Terms for Assistance to Developer

- TIF will reimburse up to \$6.126 million of land and site improvements paid by the developer on a “pay-go” basis from 90% of the TIF
 - TIF revenue note will bear simple interest and the rate will be the lesser of the rate for the long term or permanent financing of the Minimum Improvements, or 5.0%
- HRA to retain 10% of TIF for administrative costs

Terms for Assistance to Developer

- Based on current market conditions, the Project as proposed, would not happen solely through private investment in the “reasonably foreseeable future”
- Without TIF, return to investors and debt service coverage are not at sufficient levels that it is reasonable to assume the Project would proceed

Terms for Assistance to Developer

- Decision to not approve the TIF Plan and establishment of the TIF District does not necessarily mean no development will occur... but rather that the “Project as proposed” would not proceed

Key Steps in TIF Approval Process

- January 4 Letter of notice sent to County Commissioner
- January 13 Draft TIF Plan to be distributed to county and school district for 30-day review/comment period
- February 2 HRA considers recommendation to City on approval of TIF District/Plan and approval of TIF agreement subject to approval of TIF District/Plan by City
- February 13 Public hearing and City consideration of approval of TIF District/Plan*

Questions

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