



# Three Rivers Community Action TIF Request

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July 21, 2020



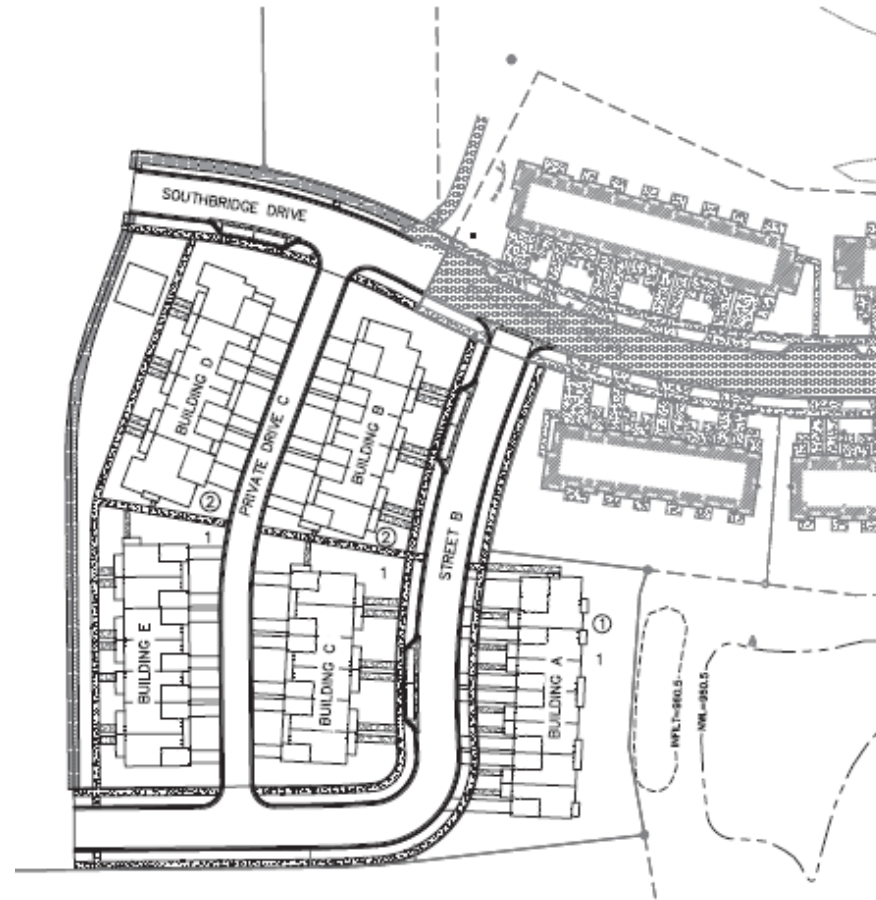
# Project Overview

- Three Rivers Community Action – Housing Development
    - Southeast and South Central Minnesota housing developer specializing in affordable housing
    - Located in Zumbrota, MN
    - Completed projects in several different communities totaling over 700 units of housing
      - Including Spring Creek I townhomes constructed in 2013.
  - Housing Project Opportunity
    - Identified the demand for affordable housing in Northfield
    - Partnered with HRA and City on Spring Creek I townhomes – 28 units
    - Approached HRA regarding Spring Creek II project in 2018
    - Applied for Low-Income Housing Tax Credits (LIHTC) through State of MN
    - Received Tax credit allocation in Fall 2019
    - Request for Business Subsidy (Tax Increment Financing)
      - Site Improvements and Cash Flow constraints
    - Requested 4.5 acres of property from HRA
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# Site Location

- 4.5 Acres
- Southbridge Drive to be extended to service the project

## SPRING CREEK TOWNHOMES II PRELIMINARY PLAT NORTHFIELD, MINNESOTA



LOCATION MAP

**SHEET INDEX**

0.1	COVER SHEET
0.2	LEGEND SHEET
1.1	EXISTING CONDITIONS PLAN
2.1	PRELIMINARY PLAT
3.1	PRELIMINARY SITE PLAN
4.1	PRELIMINARY REMOVAL PLAN
5.1-5.2	PRELIMINARY SANITARY & WATERMAIN PLANS
6.1-6.2	PRELIMINARY STORM SEWER PLAN
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8.1	PRELIMINARY GRADING PLAN
9.1	PRELIMINARY EROSION CONTROL PLAN
10.1	PRELIMINARY CORRECTION PLAN
11.1-11.3	PRELIMINARY GRADING DETAILS

L1. PRELIMINARY LANDSCAPE PLAN


# Type of Housing

- Affordable Housing
  - 32 townhome units to be constructed
  - 8 – two bedroom units; 22 – three bedroom units; 2 – four bedroom units
  - Renters – 24 families will be at or below 60% AMI; 8 families will be at or below 30% AMI
    - Employment income for households of 60% AMI – Between \$15 and \$20 per hour
    - 4 units will be designated for CAC use
    - 4 units will be designated housing for people with developmental disabilities


# Project Examples



# Business Subsidy/Tax Increment Financing

- Project need for assistance
    - For project to occur in Northfield, major site improvements are required
    - Significant costs related to road construction, site preparation and foundation
    - \$11.1 million project
  - Tax Increment Financing
    - Housing Development TIF District (25-year duration)
    - Capture increment for affordable housing projects (i.e. rent restricted per statute)
    - Current request set up for a “Pay-as-you-go;” no up-front financing requested, assistance with cash flow over the duration of the TIF
    - Potential Captured TIF from development - \$1,580,236
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# Schedule of Events

- Staff and Ehlers Review
    - Recommended approval of the Business Subsidy (TIF)
  - HRA Board met June 23
    - Reaffirmed Resolution 2018-004 recommending Council approval of Business Subsidy (Housing Development TIF District)
  - Planning Commission held review of TIF Plan conformance with Comp Plan on June 24
    - Approved Resolution
  - City Council to hold Public Hearing on July 21 on TIF District
    - Public Hearing for TIF District
    - Action to approve TIF District
  - City Council to approve TIF Assistance Agreement at a later date
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# Spring Creek II TIF District

Nick Anhut – Senior Municipal Advisor

July 21, 2020

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# Public Hearing

- City of Northfield – Creation of a New TIF District
  - ✓ What is Tax Increment Financing (TIF)?
  - ✓ Spring Creek II Housing TIF District
  - ✓ TIF Plan
  - ✓ Findings / But-for Analysis
  - ✓ Considerations



# What is Tax Increment Financing?

- The ability to capture and utilize most of the increased local property tax revenue from new development within a defined geography
  - ✓ Taxes derived from a school operating referendum are not captured
- Authorized by Minnesota Statutes 469.174 to 469.1794 (“TIF Act”)
- Used to encourage certain types of development or redevelopment that would not reasonably occur without assistance (“But For” test)
  - ✓ Example: Construction of Affordable Housing
- Subject to annual reporting to the Office of State Auditor



# What is Tax Increment Financing?

- TIF District approval requires public hearing and adoption of a Tax Increment Financing Plan within a Development Program
  - ✓ Program and TIF Plan declare policy objectives and set budget for TIF revenues and expenditures
  - ✓ Fiscal Impact analysis sent to County and School District for comment
- Terms and use of TIF governed by a contract with a Developer
  - ✓ “TIF Assistance Agreement”
  - ✓ Sets city expectations for project development, amounts / types of public assistance, etc.



# What is Tax Increment Financing?

- City has eight existing TIF Districts (decertification year)
  - 5<sup>th</sup> & Washington (2047), Maple Brooke (2046), Aurora Pharma (2028), Spring Creek (2040), Jefferson Square (2037), Hiley Neff (2028), Riverfront (2032), and Presidential Commons (2026).

Entity	Pay 2020 Total Net Tax Capacity	Pay 2020 Captured Tax Capacity (CTC)	Percent of Total
Rice County	70,764,814	713,469	1.01%
City of Northfield	17,153,344	459,602	2.68%
ISD # 659	31,826,138	459,602	1.44%

*Table represents that 2.68% of the City's gross tax base is captured within existing TIF Districts*



# Spring Creek II Housing TIF District

- Housing TIF District (under provisions of the TIF Act)
  - ✓ Maximum term – 25 years after first TIF revenue received
  - ✓ Boundaries: encompasses HRA property anticipated for new townhome development
    - Spring Creek Townhomes 2<sup>nd</sup> Addition Preliminary Plat
  - ✓ Qualifications: Must maintain affordable housing income restrictions
    - At least 13 units (>40%) restricted for occupancy at affordable levels
    - Rice County Income limits - \$49,440 for a four-person household



# TIF Plan

- Establishes the purpose, boundaries and term for the TIF District
  - ✓ Parcel ID: TBD; site under process of subdivision
  - ✓ Maximum term – 2023 to 2047 as long as qualifications are met
- Sets a Budget for the TIF District
  - ✓ \$5.3 million Assessor's estimate for Taxable Market Value
  - ✓ TIF revenue estimate supports up to \$1.58 million (includes 1% inflator)
    - 90% budgeted for affordable housing assistance
      - Pay-As-You-Go TIF Note payments
    - 10% retained to offset City Administrative and Reporting costs



# Findings: “But For” Analysis

- The development is only possible but for the use of tax increment assistance
  - ✓ Developer has stated the project will not proceed solely through private investment in the reasonably foreseeable future
  - ✓ Also Northfield HRA, Federal Tax Credits and MN Housing Finance Agency support
- Estimated Project Pro Forma
  - ✓ \$11,105,162 Project development costs
  - ✓ \$9,555,162 of committed sources – tax credit equity and others
  - ✓ \$1,550,000 mortgage need - TIF Paygo Note secures amount



# Considerations

- Resolution to establish TIF District and adoption of the TIF Plan
  - ✓ Establishes tool to assist Affordable Housing at this site
    - Developer works to close the project's Tax Credit and other financing
    - TIF Assistance Agreement to be finalized in Fall 2020
      - PAYGO TIF Note to reimburse housing development costs
      - Risk placed on developer to fund and construct project; pay taxes
      - Payments limited to only 90% of TIF actually received – no other City funds
    - Developer required to meet requirements of City's development agreement and annual affordable housing compliance
    - Agreement subject to approval by City Council at a future date





# Considerations

- Alternative:
  - ✓ Do Not approve TIF
    - Townhome development does not occur in near-term
    - HRA must explore other potential developers / uses for site
    - Property remains tax-exempt