

January, 2020

Management Review & Analysis Tax Increment Financing Districts

FOR THE CITY OF ROSEVILLE, MINNESOTA







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Management Review and Analysis

OVERVIEW

Tax increment is a financing tool authorized by State law, that allows an authority to capture and use most of the increased local property tax revenues from new development within a defined geographic area for a defined period of time without approved of other taxing jurisdictions. Tax increment revenues are used to encourage creation or retention of jobs, redevelopment of blighted areas or polluted sites and construction of affordable housing. Since creating its first TIF district in 1982 (TIF 1 – Centre Pointe Redevelopment), the City has certified 22 districts, of which only six (6) are in existence today. Revenue from these tax increment financing (TIF) districts is a financial asset of the City of Roseville. The revenue generated is first used to pay debt service on outstanding bonds, interfund loans and developer pay-as-you-go (PAYGO) TIF notes. A portion, but not all, of the remaining revenues may be used to participate in other eligible development and redevelopment projects and City initiatives.

The factors that produce tax increment revenues change every year. At the same time, the State property tax laws have changed significantly since 1997, including the major reforms enacted in 2001. In addition to property tax reform, significant changes enacted by the Legislature in 1990 have changed the way that cities can utilize TIF for development.

The Office of the State Auditor (OSA) has a TIF division which is mandated by state law to collect annual reporting forms and, if necessary, audit the use of TIF. Such audits could result in a letter to the county attorney or attorney general for enforcement actions. To date the City has not been audited. Due to legislative and market changes and oversight of TIF districts by the OSA, the management of the City's TIF districts is an ongoing activity. Because of legislative changes, the potential to be audited by the OSA, and to be more proactive in ensuring districts are performing as intended, Ehlers worked with City staff to create the following plan for the management of its TIF districts and their related obligations.

USE OF TIF POOLING

An authority can utilize up to 25% of the TIF generated from a redevelopment district to pay for redevelopment related expenses outside of the TIF district, but within the city's development district or for projects within the TIF district if being completed after year five (5) of certification of the district. This 25% is inclusive of the maximum administrative costs of 10% so the net amount available for pooling is typically less than 25%, as noted in the following examples:

25% Pooling - 10% admin = 15% for pooling 25% Pooling - 3% admin = 22% for pooling

Pooling restrictions do not apply to housing districts so essentially an authority can utilized any unused TIF from a housing district for affordable housing related activities, as long as the original housing developed in the district still reports to the authority annually that they are meeting the required income and unit thresholds of 20% affordable at 50% of area median income (AMI) or 40% affordable at 60% of AMI. For the City, this would be TIF District 18 – Sienna Green. TIF could be utilized for capital expenditures, but may be used for non-capital expenditures on a limited basis as follows:

Potential rental housing projects would include:

- 1. New affordable rental housing (20/50 or 40/60 election)
- 2. Renovation of an existing rental housing development (20/50 or 40/60 election)
- 3. Providing subsidy to an existing project that is earmarked for new or additional affordability (20/50 or 40/60 election)

TIF from this district could also be utilized for owner-occupied housing projects as long as the homeowner's income is at or below 100% of the median income for a family of two or less or 115% of the median income for a family of three or more.

Potential owner-occupied projects would include:

- 1. Site acquisition and demolition for infill lots that will be sold for new housing construction
- 2. Acquisition of foreclosed homes for resale to income qualified buyers
- 3. Rehabilitation loans for home improvements and second mortgages to qualified home buyers

USE OF TIF POOLING CONTINUED

Over the years, the City utilized unobligated revenues from older TIF districts to complete the following projects:

- Greater Minnesota Housing Corporation (GMHC). In 2015, the City used \$1,120,017 in pooling dollars from TIF #10 (ETC) and TIF #12 (NCR) for a land write down to assist GMHC in developing eighteen (18) for-sale single-family homes on the City's former Fire Station Site. The homes were developed in 2016-2018 and as required by the TIF agreement which included a lookback provision. The lookback was completed in the summer of 2019 to determine if the land write down was necessary and if GMHC was required to repay a portion of the TIF pooling dollars. Pursuant to the TIF agreement, if their developer fee exceeded an 8% return (total development costs minus total sales), then 50% of the excess above the amount need to attain an 8% developer fee would be paid to the City. The lookback determined that the developer did not meet the 8% profit threshold and therefore none of the TIF assistance needed to be repaid.
- <u>SE Roseville Redevelopment Fund</u>. In 2017 the City transferred \$781,000 to this fund for use for redevelopment activities associated with the redevelopment. To date, none of these dollars have been expended.

TIF DISTRICT SUMMARY

Currently, the City has four (4) redevelopment districts, one of which is also a hazardous substance subdistrict, one (1) housing district, and one (1) economic development district. These districts are outlined in the following chart. A more detailed explanation of each district can be found starting on page 13.

Category	TIF 17 & 17A Twin Lakes	TIF 18 Sienna Green	TIF 19 Applewood Pointe	TIF 20 McGough	TIF 21 Colder	TIF 22 Twin Lakes II
District Type	Redevelopment & Hazardaous Substance Sub District	Housing	Economic Development	Redevelopment	Redevelopment	Redevelopment
Project/Costs Financed	Public Improvements/Roadways	50-unit apartment complex (rehab and new construction)	48-unit senior cooperative	53,675 Sq/Ft Corporate Office	131,100 Sq/Ft Office and Manufacturing Facility	117 market rate apartmenst, 40,000 sq/ft Office, 56,200 sq/ft retail and 476 units of affordable rental units
Project Area	Development District 1	Development District 1	Development District 1	Development District 1	Development District 1	Development District 1
Certified	9/3/2005	12/22/2009	5/20/2011	9/19/2018	Requested 6/20/2019	Not Yet Requested
Legal max term	12/31/2031	12/31/2038	12/31/2020	12/31/2045	12/31/2046	12/31/2046
Anticipated term	12/31/2031	12/31/2038 (If TIF agreement is amended)	12/31/2019	12/31/2045	12/31/2046	12/31/2039
First Increment	2006	2013	2013	2020	2021	2021
Current Obligations	\$3,060,000 GO TIF Bonds, Series 2015A	\$935,005 Pay-As-You-Go TIF Note	None	\$1,316,000 Pay-As-You-Go TIF Note (Yet to be issued)	\$2,200,000 Pay-As-You-Go TIF Note (Yet to be issued)	\$2,900,000 PAYGO TIF Note for RW Apartments, \$650,000 PAYGO TIF Note to RW for Office, \$3,990,000 PAYGO TIF Note to Dominium for Sr. Apts and \$3,450,000 PAYGO TIF Note to Dominium for non-age restricted apts (all notes yet to be issued)
2019 Anticipated TIF	\$906,264	\$104,722	\$298,784	\$0	\$0	\$0
Pooling Amount	\$407,580 in 2019 for HSS purposes & \$297,812 for redevelopment	\$67,700 in 2019	\$267,000 in 2019	N/A	N/A	N/A
Use of Pooling Dollars	Clean up of HSS parcels and/or redevelopment	Affordable Housing (Rental and/or Owner-Occupied)	Economic Development (Manufacturing/Warehouse)	Redevelopment	Redevelopment	Redevelopment

TIF AS A DEVELOPMENT TOOL

In October 2016, the Roseville Economic Development Authority adopted a Public Financing Criteria and Business Subsidy Policy. Before this policy, other policies existed that attributed to creation of districts prior to 2016. Continuous redevelopment is vital to maintaining the City's long-term economic health and vitality. Utilizing TIF to accomplish the various goals of the City has strengthened the overall diversity of housing options, jobs, land uses and tax base. One immediate benchmark of the benefit in utilizing TIF is the overall increase in market value from when the district was created to when it is fully developed and aging. As illustrated in the following table, the City's overall market value within the TIF Districts has increased since 1982 by nearly 900%.

District	Status	Original Market Value	Pay 2019 Taxable Market Value	Percent Increase in Value
TIF 1 - Centre Pointe		\$1,338,179	\$141,662,500	10486.2%
TIF 2 - Lido, Burger, Everest		\$813,707	\$96,161,400	11717.69%
TIF 3 - Housing Alliance Sr. Housing		\$27,720	\$9,408,100	33839.75%
TIF 4		\$1,062,347	\$46,933,800	4317.94%
TIF 5		\$9,347,181	\$86,073,800	820.85%
TIF 6		\$7,200	\$1,541,200	21305.56%
TIF 7		\$2,744,102	\$54,592,900	1889.46%
TIF 8	Decertified	\$30,592	\$5,497,400	17870.06%
TIF 9	Decertified	\$3,036,520	\$37,328,800	1129.33%
TIF 10 - ETC		\$15,542,913	\$55,340,700	256.05%
TIF 11 - Twin Lakes		\$35,741,500	\$214,272,000	499.50%
TIF 12 - NCR		\$52,938	\$25,572,800	48207.08%
TIF 13 - College Prop		\$1,285,800	\$42,559,200	3209.94%
TIF 14		\$2,200,000	\$15,409,800	600.45%
TIF 15 - Tower Place Area		\$2,769,600	\$14,044,900	407.11%
TIF 16		\$102,800	\$33,877,400	32854.67%
TIF 17 & 17A - Twin Lakes		\$18,124,300	\$60,539,600	234.02%
TIF 18 - Sienna Green		\$5,000,000	\$20,133,300	302.67%
TIF 19 - Applewood Pointe	Active	\$1,522,700	\$23,517,300	1444.45%
TIF 20 - McGough		\$1,978,600	\$1,978,600	0.00%
TIF 21 - Colder		\$3,681,300	\$3,681,300	0.00%
TIF 22 - Twin Lakes II	Approved	\$28,891,700	\$28,891,700	0.00%
TOTAL	N/A	\$135,301,699	\$1,019,018,500	877.14%

TIF AS A DEVELOPMENT TOOL CONTINUED

As noted above in the table, some districts have significantly higher increase in market value compared to others. Typically, districts that allow for high density housing, multi-story office, other higher valued uses, along with a lower original market value (OMV), will typically see the largest increase in valuation. As we look at your current, active districts, the overall increase is a little over 300%. As noted, TIF 19 – Applewood Pointe has a significant increase in valuation, due to a lower OMV and construction of high-density housing on it. The other districts had either a higher OMV (TIF 17 and TIF 22) and/or had office/manufacturing (or predominantly office/manufacturing) development on them, which produces a lower overall valuation. However, in these districts and many of the others, increase in market value isn't the driving factor for their creation. It is removal of blight, creation of housing options within the City for its residents, job creation and business retention.

District	Original Market Value	Pay 2019 Taxable Market Value	Percent Increase in Value
TIF 17 & 17A - Twin Lakes	\$18,124,300	\$60,539,600	234.02%
TIF 18 - Sienna Green	\$5,000,000	\$20,145,500	302.91%
TIF 19 - Applewood Pointe	\$1,522,700	\$23,631,400	1451.94%
TIF 20 - McGough	\$1,978,600	\$1,978,600	0.00%
TIF 21 - Colder	\$3,681,300	\$3,681,300	0.00%
TIF 22 - Twin Lakes II	\$28,891,700	\$28,891,700	0.00%
TOTAL	\$59,198,600	\$138,868,100	323.24%

Note: The percent increase in value excludes McGough, Colder and Twin Lakes II since construction did not start for pay 2019 values.

Even though there are many benefits to utilizing TIF as a development tool, cities still wonder if they are utilizing the tool too much or not enough. One way to measure a city's use of TIF is to compare the use of TIF with similar cities. A common measure of the use of TIF is the percentage of the gross tax base captured in TIF districts. On the following page is a chart which demonstrates Roseville's current and projected tax base which is captured in TIF districts with similar cities.

TIF AS A DEVELOPMENT TOOL CONTINUED

City of Roseville Projected Captured TIF Tax Capacity and Comparison with Other Cities

								Projected		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TIF 10 Rosedale	362,430	0	0	0	0	0	0	0	0	0
TIF 11/11A Twin Lakes	856.285	877.894	500,552	0	0	0	0	0	0	0
TIF 12 NCR	129,760	131,635	0	0	0	0	0	0	0	0
TIF 13 College Prop.	379,847	333,347	0	0	0	0	0	0	0	0
TIF 17/17A Twin Lakes	505,653	534,167	580,396	701,324	771,631	775,489	779,367	783,263	787,180	791,116
TIF 18 Sienna Green	66,806	71,711	68,737	101,065	105,769	106,298	106,829	107,363	107,900	108,440
TIF 19 Applewood Pointe	179,487	178,290	204,568	230,035	251,739	0	0	0	0	0
TIF 20 McGough	0	0	0	0	0	49,490	49,737	49,986	50,236	50,487
TIF 21 Colder	0	0	0	0	0	0	865	148,614	149,357	150,104
TIF 22 Twin Lakes II	0	0	0	0	0	0	93,030	579,347	868,363	872,705
Captured TIF Tax Capacity	2,480,268	2,127,044	1,354,253	1,032,424	1,129,139	931,277	1,029,828	1,668,574	1,963,037	1,972,852
Total Tax Capacity (Gross)	52.370.094	52,683,388	55,674,350	59,304,042	63,351,516	63,669,030	63,705,958	63.742.908	63,779,879	63.816.871
Percentage of Tax Base in TIF	4.7%	4.0%	2.4%	1.7%	1.8%		1.6%	2.6%	3.1%	3.1%

Note: Assumes 1% annual increase in tax base and TIF beginning in payable 2020

Comparable	Final Pay 2019	Final Pay 2019	Bond
City	Captured TIF as a % of Tax Base	City Tax Rate	Rating
Golden Valley	1.7%	53.780%	AA+
Edina	3.5%	27.380%	AAA
Minnetonka	2.7%	34.676%	AAA
Brooklyn Park	1.6%	51.869%	AA+
Minneapolis	7.6%	57.312%	AAA
Roseville	1.5%	37.422%	AAA
St. Louis Park	11.4%	44.706%	AAA
Bloomington	2.6%	40.045%	AAA
St. Paul	8.6%	50.266%	AAA
Maplewood	2.7%	44.693%	AA+
Arden Hills	2.1%	25.555%	AAA
Shoreview	2.3%	32.959%	AAA
Richfield	9.4%	53.275%	AA+
New Brighton	11.6%	40.589%	AA+

TIF AS A DEVELOPMENT TOOL CONTINUED

The following is a table which demonstrates the historical market value growth of the City of Roseville.

Tax Year	Taxable	Percent Change
Payable	Market Value	From Prior Year
2019	4,740,536,700	7.63%
2018	4,404,560,100	6.07%
2017	4,152,526,300	6.01%
2016	3,916,961,800	0.86%
2015	3,883,569,100	6.55%
2014	3,644,972,400	2.42%
2013	3,558,966,800	-5.14%
2012	3,751,962,400	-8.46%
2011	4,098,719,200	-4.12%
2010	4,274,909,700	-4.05%
2009	4,455,162,600	-1.49%
2008	4,522,375,200	7.02%

Tax Year	City	Percent Change
Payable	Tax Rate	From Prior Year
2019	37.422	-1.98%
2018	38.177	-0.97%
2017	38.552	-1.96%
2016	39.324	1.07%
2015	38.909	-3.02%
2014	40.121	3.14%
2013	38.899	16.30%
2012	33.446	12.39%
2011	29.758	8.73%
2010	27.369	11.51%
2009	24.545	4.97%
2008	23.383	1.60%

The above two tables show the history for the City's taxable market value and the City's tax rate. Factors such as total general and debt levy needs, State law and economic factors will influence both the market value and the corresponding tax rate. A correlation cannot always be made when considering market value, tax rate and total tax capacity captured by tax increment districts.

As noted in the table on the prior page, today the City's use of TIF is below average compared to similar cities that are undertaking significant redevelopment. However, the City's adoption of its updated Policy in 2016 has generated significant activity which is incorporated in the table and future projections show the amount captured will be approximately 3%, which is still comparatively low. Also shown in the table are comparable cities' tax rates and bond ratings. Although this is a small sample of municipalities, the amount of TIF used by a City does not seem to correlate directly with a City's tax rate or bond rating. In conversations with rating agencies, we do know that market value growth and redevelopment are important factors in maintaining Roseville's AAA bond rating.

IMPACT OF DECERTIFIED TIF DISTRICTS

As shown on Page 6, the City has seen the gradual decertification of TIF districts from 2015 to 2018. These decertified districts have begun to return value to the tax rolls for general taxing purposes, and the City has seen a corresponding increase in its tax base. Moreover, the City will also see another TIF district decertify in 2020 and based on Pay 2019 tax rates, the City will see an additional \$250,000 returned to its tax rolls. One frequent question we receive is what are the additional levy dollars the City can expect to receive for the other future TIF districts? The table below shows how much more the City could levy and still maintain a stable tax rate.

City of Roseville Projected Additional Tax Levy Dollars As A Result of Decertified TIF Districts

		Projected								
TIF District	Decertifies	2020	2032	2039	2040	2046	2047			
TIF 17 - Twin Lakes	12/31/2031	-	771,630	-	-		-			
TIF 18 - Sienna Green	12/31/2038	-	-	116,282		-	-			
TIF 19 - Applewood Pointe	12/31/2019	251,731	-	-	-	-	-			
TIF 20 - McGough	12/31/2045	-	-	-	-	70,779	-			
TIF 21 - Colder	12/31/2046	-	-	-	-	-	148,614			
TIF 22 - Twin Lakes II	12/31/2039	-	-		856,248		-			
Total Annual Captured Net Tax Capacity Returned to Tax Rolls		251,731	771,630	116,282	856,248	70,779	148,614			
City Tax Rate for Taxes Payable in 2019 (1)	37.422%									
Estimated Additional Annual Tax Levy Available (1)		\$ 94,203	288,759	\$ 43,515	\$ 320,425	\$ 26,487	\$ 55,614			

(1) - Assumptions:

- Calculates additional dollars the City could levy and still maintain the same tax rate as Pay 2019.
- Assumes no change in existing tax base from prior year
- Assumes no change in the Fiscal Disparities Distribution Dollars from Pay 2019

OBLIGATIONS OF THE TIF DISTRICTS

The revenues from these districts are largely site specific, meaning that the revenues are restricted by law and by contract with the developers. The revenues must be used primarily to address blight, contamination, housing or redevelopment needs for the parcels in the TIF district within a specified period of time. The City has one GO TIF Bond and seven (7) PAYO TIF Notes outstanding (after the August 1, 2019 actual bond and PAYGO TIF note payments were made) as noted in the table below:

Outstanding Obligations									
District	Bonds/PAYGO	Original Bond/PAYGO Amount		Outstanding After 8/1/2019		Term			
TIF #17 - Twin Lakes	2015A GO TIF Bonds	\$	3,246,065	\$	2,940,000	3/1/2032			
TIF #18 - Sienna Green	Aeon PAYGO	\$	935,005	\$	716,578	8/1/2028			
TIF #20 - McGough	McGough PAYGO	\$	1,316,000	\$	1,316,000	2/1/2046			
TIF #21 - Colder	Colder PAYGO	\$	2,200,000	\$	2,200,000	2/1/2047			
	Reuter Walton Apt PAYGO	\$	2,900,000	\$	2,900,000	2/1/2036			
TIF #22 - Twin Lakes II	Reuter Walton Office PAYGO	\$	650,000	\$	650,000	2/1/2040			
TIF #22 - TWIII Lakes II	Dominium Sr. Apt PAYGO	\$	3,990,000	\$	3,990,000	2/1/2040			
	Dominium Non-Age Restricted Apt PAYGO	\$	3,450,000	\$	3,450,000	2/1/2040			
TOTAL		\$	18,687,070	\$	18,162,578	N/A			

Note: The PAYGO obligations for TIF #20, #21 and #22 have not yet been issued

ADMINISTRATIVE EXPENSES

Minnesota TIF law defines certain costs to administer and maintain the district as allowable costs that can be paid for from tax increment revenues. These generally include City staff time, legal expenses, financial advisory expenses and publication and reporting expenses. This allows a City to defray documented staff time that is most likely a General Fund expense, such as staff time in Finance, Community Development, and Administration. Time spent can be paid for from TIF revenues rather than general property tax or other revenues. The table below compares the statutorily calculated percent of administrative costs used to date with the maximum allowable statutory admin. The table also includes an estimate of the yearly amount of documented admin that can be charged to the district without exceeding this limit.

District	TIF 17 & 17A Twin Lakes	TIF 18 Sienna Green	TIF 19 Applewood Pointe	TIF 20 McGough	TIF 21 Colder	TIF 22 Twin Lakes II
TIF Admin Budget	\$4,110,000	\$260,223	\$245,056	\$305,384	\$401,483	\$4,560,105
Statutory Limit	10%	10%	10%	10%	10%	10%
Actual Admin Used to Date	\$261,280	\$1,425	\$19,325	N/A	N/A	N/A
Yearly Admin Estimate	\$0	\$200	\$200	N/A	N/A	N/A
Statutory % Used to Date	5.00%	0.30%	1.70%	N/A	N/A	N/A

Note: Yearly admin estimate is through December 31, 2018.

ASSUMPTIONS

Before discussing the recommendations of the current TIF analysis, it is important to understand the assumptions used in making these projections.

- 1. **Fund Balances.** Fund balances shown for debt service funds are based on actual audited amounts for December 31, 2018.
- 2. **Tax Increment.** Pay 2019 tax increment revenues are based upon Ramsey County reports.
- 3. Projected Revenues. Projected revenues account for anticipated development in the new districts.

RECOMMENDATIONS

The updated financial analysis of the City's TIF Districts offers the following recommendations:

Pooling. The City's three (3) TIF districts have cash balances within them due to funds not being utilized for administration or other projects within or outside the district. Following is a chart outlining the cash balances available for pooling at the end of 2019, as well as the end term of the Districts. We recommend the REDA continue to utilize these pooling funds to advance affordable housing and redevelopment efforts (see specifics for pooling limitations in recommendations numbers 2-4).

District	End Date of Obligation	Pooling Through 2019				Cumulative Pooling Available Through Term of District	Type of Project Eligible
TIF 17 Twin Lakes		\$	297,812	\$ 2,351,901	Redevelopment		
* TIF 17A Twin Lakes HSS	3/1/2032	\$	407,580	\$ 1,127,187	Clean up of HSS parcels within District so no pooling		
TIF 18 Sienna Green	2/1/2028	\$	67,178	\$ 1,184,608	Affordable Housing (Rental and/or Owner-Occupied)		
TIF 19 Applewood Ponite	8/1/2019	\$	267,617	\$ 267,617	Economic Development (Manufacturing/Warehouse)		
TOTAL	N/A	\$	1,040,187	\$ 4,931,313	N/A		

^{*} TIF Pooling for 17A is net of \$550,000 to TIF 22 - Twin Lake II (Reuter Walton Apartments)

TIF 17/17A – Twin Lakes for Redevelopment. At the end of 2019, TIF 17 balance available for pooling is approximately \$297,812, and TIF 17A (HSS) balance available for pooling is approximately \$407,580. We recommend REDA utilize the current and future cash balances under TIF 17 to pay for acquisition/demolition of blighted property, environmental remediation and/or public infrastructure costs associated with redevelopment. Cash balances

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RECOMMENDATIONS CONTINUED

(current and future) under TIF 17A (HSS) can only be utilized for clean-up of hazardous substances identified in an approved Response Action Plan (RAP) and pursuant to the special TIF legislation received in 2019.

3. <u>TIF 18 – Sienna Green TIF for Affordable Housing</u>. If the current fund balance of \$62,000 and future TIF not needed for the Note continues to accumulate, at the end of the term of the District, the fund balance will be approximately \$1.185 million. Since the current Development Agreement only requires them to meet the income guidelines and report until the TIF Note is paid in full (anticipated to be August 2028), we recommend that staff engage with Aeon to amend the Agreement to require reporting through 2038, allowing generation of additional dollars for affordable housing in light of other identified affordable housing needs in the community. If Aeon is unwilling, then REDA would need to decertify the District when the obligation is paid in full (August 2028) and the cash balance REDA would have available for the pooling would be approximately \$123,000.

This increment may be used to pay eligible costs for housing projects that are rental or owner-occupied and intended for occupancy by low and moderate-income families. The income guidelines are defined in MS 469.1761 as follows:

Rental Housing: 20% of the units occupied by families at 50% of median income (20/50) or 40% of the units

occupied by families at 60% of median income (40/60).

Owner Occupied: Assistance to homeowners with an income at or below 100% of the median income for a family of

two or less or 115% of the median income for a family of three or more.

Typically, TIF is utilized for capital expenditures, but may be used for non-capital expenditures on a limited basis.

Examples of potential rental housing projects would include:

- 1. New affordable rental housing as part of redevelopment (20/50 or 40/60 election)
- 2. Renovation of an existing rental housing development (20/50 or 40/60 election)
- 3. Providing subsidy to an existing project that is earmarked for additional affordability (20/50 or 40/60 election)

RECOMMENDATIONS CONTINUED

Examples of potential owner-occupied projects would include:

- 1. Site acquisition and demolition for infill lots that will be sold for new housing construction
- 2. Acquisition of foreclosed homes for resale to income qualified buyers
- 3. Rehabilitation loans for home improvements
- 4. Second mortgages to qualified home buyers

If the income requirements are not met on any given year, the City will need to return that year's increment to the County for redistribution.

- 4. TIF District 19 Applewood Pointe Pooling for Economic Development. As of December 31, 2019, this District has a legal pooling fund balance of approximately \$267,617. These funds can be retained by REDA in the TIF account and spent only on documented administrative expenses (only projected to use 1.5% of the 10% maximum allowed) or for economic development purposes (public infrastructure related to economic development TIF eligible uses such as land acquisition, utilities, parking, etc.). If REDA does not anticipate that there will be any economic development projects (manufacturing/warehouse) that require public infrastructure for them to proceed and/or assistance, then the fund balance should be returned to the County for redistribution. If REDA does the later, we anticipate that the City's portion of the \$267,617 will be approximately \$85,868. If returned, these funds are non-restricted (not considered TIF) and we recommend that when the City receives them, they place them in the EDA Fund for future redevelopment/development projects.
- 5. <u>TIF 19 Applewood Pointe Return of Increment.</u> The PAYGO Note was paid in full as of the August 1, 2019 payment. REDA will need to return the unused portion of the first half TIF plus the second half settlement it receives (\$226,735). These dollars will be redistributed to the City, County and School District upon receipt. It is estimated that the City will receive approximately \$72,750 of this. Since these returned funds are non-restricted (not considered TIF) we recommend that when the City receives them, they place them in the EDA Fund for future redevelopment/development projects.</u>

RECOMMENDATIONS CONTINUED

6. <u>TIF District 20 – McGough Lookback and TIF Note Issuance</u>. Since construction is completed and they have officially moved into their new building, <u>we recommend requesting the required documentation from McGough and completing the necessary lookback. In addition, upon completion of the lookback the TIF note should be sized accordingly and issued to McGough.</u>

Development District No. 1

The City adopted a Development Program and established Development District No. 1 in 1982. Over the preceding years leading up to 2015, the City created, modified, and decertified several Tax Increment Financing (TIF) Districts. These districts include TIF District Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 11A, 12, 13, 14, 15, 16, 17, 17A, 18, 19, 20 and 21.

On November 30, 2015, the City approved Resolution No. 11277, a resolution enabling the creation of the Roseville Economic Development Authority (REDA) pursuant to Minnesota Statutes, Sections 469.090 to 469.1081. Moreover, the City also approved Resolution No. 11278, a resolution relating to the REDA and transferring all projects and programs of the Housing and Redevelopment Authority to the REDA.

On February 26, 2018, The City approved Resolution No. 11492, a resolution relating to the REDA and transferring the control, authority, and operation of Development District No. 1, the TIF Districts contained within Development District No. 1, and any tax increment financing district to be created within the Development District No. 1 in the future.

Currently, Development District No. 1 contains five (5) TIF Districts; TIF District Nos. 17 and 17A Twin Lakes, 18 Sienna Green, 19 Applewood Pointe, 20 McGough, and 21 Colder.

Tax Increment Financing Districts

TIF 17 AND 17A TWIN LAKES

Description

TIF District 17 & 17A (County #259-0 and 259-1) is a Redevelopment District located within Development District No. 1 and contains a Hazardous Substance Subdistrict certified on September 3, 2005. Originally, this district encompassed twenty-one (21) parcels, collectively referred to as Twin Lakes area, which were decertified parcels from TIF District 11 & 11A. It was established to remediate contaminated land and facilitate the construction of various residential and commercial developments within the Twin Lakes area. The primary purpose however was to finance significant public improvements and entice private redevelopment.





On August 8, 2011, the City approved an interfund loan of \$6,000,000 between TIF Districts 11 and 17 for the temporary use of funds in connection to land acquisition and public improvements within TIF District 17. Since these uses required funds to be spent prior to development and sufficient tax increment being generated, the City determined it would be in its best interest to

use the funds from TIF District 11 rather than traditional bond financing. The interfund loan was set to be repaid semi-annually at an interest rate of 4% once tax increment was available. Due to the downturn in



the economy, the development activity within the Twin Lakes area failed to meet expectations and the district was unable to repay the interfund loan. Subsequently, on September 9, 2013, the City determined it necessary to recategorize the interfund loan as a permanent transfer due to the extenuating circumstances.

On September 3, 2015, the City issued GO Tax Increment Revenue Bonds, Series 2015A in the amount of \$3,060,000 to finance public improvements, specifically completion of Twin Lakes Parkway (Phase III); construction of a north-bound interchange on I-35W at the intersection of Twin Lakes Parkway and Cleveland Avenue, and signalized intersection improvements for proper traffic control.

In addition, in 2019 the City provided \$550,000 in HSS TIF pooling dollars to TIF 22 – Twin Lakes II, Reuter Walton apartment development, to pay for costs covered under an approved Response Action Plan (RAP). They also provided \$868,000 to TIF #21 – Colder and \$164,000 to TIF #20 - McGough, under special legislation received in 2019 for costs covered under an approved RAP (non TIF 17A pooling).

Adopted	06/20/2005
Requested Date	06/29/2005
Certified Date	09/03/2005
First Increment	07/2006
Decertification	12/31/2031

Former and Current PID Numbers

Former PID#	New PID#	Use					
04-29-23-32-0007	04-29-23-32-0014	Vacant					
04-29-23-32-0012	04-29-23-32-0015	Calyxt					
	04-29-23-33-0014	MetroTransit Park and Ride					
04-29-23-33-0001	04-29-23-33-0033	Hampton Inn Minneapolis-Roseville & Home2 Suites					
	04-29-23-33-0034	Aldi					
04-29-23-33-0002	04-29-23-33-0036	Denny's					
	04-29-23-33-0037	Definy's					
04-29-23-33-0003	04-29-23-33-0028						
04-29-23-33-0004							
04-29-23-33-0009	04-29-23-33-0029	Walmart Supercenter					
04-29-23-33-0010							
04-29-23-33-0011	04-29-23-33-0027						
04-29-23-33-0007	04-29-23-33-0032	Vacant					
04-29-23-34-0002	04-29-23-34-0036	Vacant					
NA	04-29-23-31-0021	ROW					
NA	04-29-23-31-0022	ROW					
NA	04-29-23-31-0026	ROW					

Note: Decertified parcels have been removed from the table above.

Fiscal Disparities Election

The City elected to calculate fiscal disparities from inside the district, or Option B.

Frozen Tax Rate

102.078%

Special Legislation

The City received special legislation for the Hazardous Substance Subdistrict 17A in 2019 after approval of the omnibus tax bill (SS HF 5) by the House, Senate and Governor. The special legislation stipulates that the City may use any or all increment generated from the district for the purpose of financing environmental remediation pursuant to one or more response action plans on the parcels within or adjacent to the subdistrict as originally certified, regardless of the date of approval by the Pollution Control Agency of the response action plan (utilized for TIF #21 – Colder - \$868,000).

Allowable Uses

MN Statute 469.176 subd. 4j specifies the activities in which tax increment from a redevelopment district may be spent as subd. 4e specifies the activities in which tax increment from a hazardous substance subdistrict may be spent. In general, tax increment must be spent on correcting those conditions which caused the area to be designated a redevelopment district. Allowable uses include property acquisition, demolition, rehabilitation, installation of public utilities, road, sidewalks, public parking facilities, and allowable administrative expenses.

Obligations

There is one (1) obligation in this district as follows:

• \$3,060,000 2015A GO Tax Increment Revenue Bonds. These bonds have a current outstanding amount of \$2,940,000 and mature on March 1, 2032.

Four Year Rule

MN Statute 469.176 subd. 6 requires that, within four years from certification date, certain activities must have taken place on each parcel with the TIF district. Required activities include demolition, rehabilitation, renovation and site improvements. If these activities have not taken place within the required time, the parcel is 'knocked down' from the district, meaning, that no increment may be collected from that individual parcel for the duration of the district. The law, does, however allow for reinstatement procedures should the required activity later occur on the parcel. TIF District 17 had an original Four-Year Rule deadline of September 3, 2009 and it was met by the activates conducted by the City.

Five Year Rule

MN Statute 469.1763 places limits on the amount and length of time in which revenues from TIF districts may be used for activities outside the district. In general, for TIF District 17, at least 75% of tax increment revenues must be used to pay for qualified costs within the district. This is considered the 'in district' percent. Subdivision 3 of this section of the statute further specifies that within five years, tax increment must actually be paid for activities, bonds issued, and contracts entered into in order for revenues to be considered spent. The original five-year deadline was September 3, 2010 but pursuant to Subdivision 3(c), the five-year rule was extended for redevelopment districts or renewal and renovation districts certified after June 30, 2003 and before April 20, 2009 due to unanticipated economic circumstances. Since TIF District 17 was certified on September 3, 2005, the five-year deadline was September 3, 2015 and was met by the 2015A bonds being issued.

Geographic Enlargements

MN Statute 469.175 subd. 4 (f) places limits on the length of time a TIF district may add parcels. No parcels may be added five years after the certification date. TIF District 17 has passed its deadline and the City may no longer enlarge its geographic size.

Recommendations

1. <u>Pooling for redevelopment</u>. At the end of 2019, TIF 17 balance available for pooling is approximately \$297,812, and TIF 17A (HSS) balance available for pooling is approximately \$407,580. <u>We recommend REDA utilize the current and future cash balances under TIF 17 to pay for acquisition/demolition of blighted property, environmental remediation and/or public infrastructure costs associated with redevelopment. Cash balances (current and future) under TIF 17A (HSS) can only be utilized for clean-up of hazardous substances identified in an approved Response Action Plan (RAP) and pursuant to the special TIF legislation received in 2019.</u>

	DISTRI	CT INFORMATION		
		ORIGINAL	HSS	Geo. Enlargemen
District Type		Redevelopment		
Project Area				
Fiscal Disparities		B Election		
County Number		259, 259-1		
Frozen Rate	UTA #1	102.078%	0.000%	0.000%
	UTA #2	102.078%		
	UTA #3	0.000%		
Current Vear 2010				

ASSUMPTIONS		RECOMMENDATIONS	
Interest Income	0.75%	1) Consider pooling options.	
Admin Expense	2.00%	2) Budget Mod: Not Recommended at this time	
		3) Admin. Expense is currently: 4.5%	

TIF PLAN BUDGET ANALYSIS																			
			_	Decertifie	es		Revenues				Expenditures								
							HSS Tax					_							
	City Approved	Cert Request	Certified	Legal Term Ex	xpected Term	Tax Increment	Increment	Interest Income	Transfer In	TOTAL REVENUES	Project	Trai	nsfer Out	Bond	Admin	County Admin	Outside District	TOTAL EXPENSE	Total Budget
Original Budget	6/20/2005	6/29/2005	9/30/2005	12/31/2031	12/31/2031					•									
Cumulative Modified						83,200,000		822,000		84,022,000	30,722,000			48,190,000	4,110,000			83,022,000	83,022,000
			Enc	d of District Projected	d Actual Total	8,819,482	6,708,747	614,067	9,079,716	5 25,360,673	8,146,284		1,373,539	4,052,365	402,970	40,331	550,000	16,043,623	14,565,489
				Under //	(Oune) Budget	74 200 510	(C 700 747)	207 022	(0.070.714	c) E0 CC1 227	22 575 716			44 127 626	2 707 020		(550,000)	66 070 277	60 070 201

					CASI	I FLOW PROJEC	TIONS ROLL UP										CAS	H FLOW PROJECTI	ONS ROLL UP				
			TAX C	APACITY						Revenues				Expenditures									
						Current Local			HSS Interest													HSS Restricted Fd	
TIF Year	Year	Base	Current	Fiscal Disparities	Captured	Tax Rate	Tax Increment	Increment	Income	Interest Income	Transfer In	TOTAL REVENUES	Project	HSS Project costs	Transfer Out	Bond	Admin	County Admin	Outside District	TOTAL EXPENSE	Ending Balance	Bal	Bal
9	2014					133.506%	555,140	2,415,036	25,723	3,768	8,763,020	11,762,687	7,289,504	91,436	1,373,539		256,998	6,605		9,018,082	2,744,605	2,349,323	395,282
10	2015	409,910	934,404	86,161	438,333	133.506%	149,318	176,812	46,156	46,156	316,696	735,138									3,479,743	2,572,291	907,452
11	2016	571,562	1,273,902	234,627	467,713	133.506%	282,129	489,914	1,140	1,140		774,323	774,657	18,268		152,768				945,693	3,308,373	3,045,077	263,296
12	2017	571,562	1,442,742	286,239	584,941	128.654%	324,946	265,382	54,811	4,766		649,905	74,065	360,430		118,031	4,282			556,808	3,401,469	3,004,840	396,629
13	2018	571,562	1,561,566	325,185	664,819	128.852%	423,471	125,481	10,831	1,475		561,258	8,058			186,231		2,409		196,698	3,766,029	3,141,152	624,877
14	2019	355,212	1,517,432	390,590	771,630	124.897%	544,960	357,694		28,245		930,899		1,008,000		252,331	10,899	2,409	550,000	1,823,639	2,873,289	2,490,846	382,443
15	2020	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		21,550		806,379				253,156	10,899	2,409		266,464	3,413,203	2,730,715	682,488
16	2021	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		25,599		810,428				278,456	10,899	2,409		291,764	3,931,866	2,970,584	961,282
17	2022	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		29,489		814,318				272,456	10,899	2,409		285,764	4,460,420	3,210,453	1,249,967
18	2023	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		33,453		818,282				265,456	10,899	2,409		278,764	4,999,937	3,450,322	1,549,615
19	2024	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		37,500		822,328	-			257,456	10,899	2,409		270,764	5,551,501	3,690,191	1,861,310
20	2025	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		41,636		826,465				249,456	10,899	2,409		262,764	6,115,202	3,930,060	2,185,142
21	2026	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		45,864		830,693				251,256	10,899	2,409		264,564	6,681,330	4,169,929	2,511,401
22	2027	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		50,110		834,939				254,581	10,899	2,409		267,889	7,248,380	4,409,798	2,838,582
23	2028	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		54,363		839,192				254,434	10,899	2,409		267,743	7,819,829	4,649,667	3,170,162
24	2029	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		58,649		843,478				253,888	10,899	2,409		267,196	8,396,111	4,889,536	3,506,575
25	2030	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		62,971		847,800				252,781	10,899	2,409		266,089	8,977,821	5,129,405	3,848,416
26	2031	355,212	1,517,432	390,590	771,630	124.897%	544,960	239,869		67,334		852,163				250,950	10,899	2,409		264,258	9,565,725	5,369,274	4,196,451
27	2032					0.000%										248,675				248,675	9,317,050	5,369,274	3,947,776

Pursuant to M.S. 469.176 Subd. 3:

Admin limit is based on: Revenues

	ADMINISTRATIVE EXPENSE TEST	
TEST 1:	Admin per TIF Plan	\$4,110,000
TEST 2:	Estimated TIF Admin Allowable (10%)	\$8,402,200
	Estimated Total TIF Revenues per TIF Plan	\$84,022,000
TEST 3:	Cumulative TIF Admin Allowable (10%)	\$1,557,516
	Total TIF Revenues for the Project	\$15,575,156
RESULTS:	Cumulative TIF Admin Allowable (10%)	\$1,557,516
1	Actual Admin Expenses	\$403,621
1	Available Admin	\$1,153,895
	Actual Percentage	2.6%

Pursuant to M.S. 469.1763 Subd. 2:

Y District Type: Redevelopment
Does this section apply? Yes
Certification Request Date: 6/29/2005
Does TIF Plan Specify Assisting Housing Outside Project Area? No
If so, What is the Additional % Allowed in TIF Plan (Up to 10%): 0%
Total Pooling %: 25%

		ADMINISTRAT	IVE EXPENSE CA	LCULATION			POOLING CALCUL	ATION (25% Out	side of District)		
		Accummulate	ed Totals		Tax Incr	ement					
TIF Year	Year	Admin. Expenses	Total	% Allowable	Current Year	Cummulative	Admin Costs	25% for Qualified Costs	Smant Outside	Cumulative	Available for Pooling
	rear	Admin. Expenses	Iotai	% Allowable	Current Year	Cummulative	Admin Costs	Costs	Spent Outside	Cumulative	Pooling
9	2014	256,998	2,970,176	8.7%	555,140	555,140	256,998	(118,213)	-	(118,213)	(118,213)
10	2015	256,998	3,296,306	7.8%	149,318	704,458	256,998	(80,884)	-	(80,884)	(80,884)
11	2016	256,998	4,068,349	6.3%	282,129	986,587	256,998	(10,351)	-	(10,351)	(10,351)
12	2017	261,280	4,658,677	5.6%	324,946	1,311,533	261,280	66,603	-	66,603	66,603
13	2018	261,280	5,207,629	5.0%	423,471	1,735,004	261,280	172,471	-	172,471	172,471
14	2019	272,229	6,113,893	4.5%	547,466	2,282,470	272,229	298,388	550,000	(251,612)	(251,612)
15	2020	283,179	6,902,331	4.1%	547,466	2,829,936	283,179	424,305	-	424,305	424,305
16	2021	294,128	7,690,770	3.8%	547,466	3,377,402	294,128	550,223	-	550,223	550,223
17	2022	305,077	8,479,208	3.6%	547,466	3,924,868	305,077	676,140	-	676,140	676,140
18	2023	316,027	9,267,647	3.4%	547,466	4,472,334	316,027	802,057	-	802,057	802,057
19	2024	326,976	10,056,086	3.3%	547,466	5,019,800	326,976	927,974	-	927,974	927,974
20	2025	337,925	10,844,524	3.1%	547,466	5,567,266	337,925	1,053,891	-	1,053,891	1,053,891
21	2026	348,875	11,632,963	3.0%	547,466	6,114,732	348,875	1,179,808	-	1,179,808	1,179,808
22	2027	359,824	12,421,401	2.9%	547,466	6,662,198	359,824	1,305,726	-	1,305,726	1,305,726
23	2028	370,773	13,209,840	2.8%	547,466	7,209,664	370,773	1,431,643	-	1,431,643	1,431,643
24	2029	381,723	13,998,278	2.7%	547,466	7,757,130	381,723	1,557,560	-	1,557,560	1,557,560
25	2030	392,672	14,786,717	2.7%	547,466	8,304,596	392,672	1,683,477	-	1,683,477	1,683,477
26	2031	403,621	15,575,156	2.6%	547,466	8,852,062	403,621	1,809,394	-	1,809,394	1,809,394
27	2032	403,621	15,575,156	2.6%	-	8,852,062	403,621	1,809,394	-		

City of Roseville, MN

\$3,060,000 G.O. Tax Increment Revenue Bonds, Series 2015A **Debt Service Schedule**

Fiscal Total	Total P+I	Interest	Coupon	Principal	Date
-	-	-	-	-	09/03/2015
-	92,887.33	92,887.33	-	-	09/01/2016
164,590.46	71,703.13	46,703.13	3.000%	25,000.00	03/01/2017
-	46,328.13	46,328.13	-	-	09/01/2017
187,656.26	141,328.13	46,328.13	3.000%	95,000.00	03/01/2018
-	44,903.13	44,903.13	-	-	09/01/2018
254,806.26	209,903.13	44,903.13	3.000%	165,000.00	03/01/2019
_	42,428,13	42,428,13	_	_	09/01/2019
254,856.26	212,428.13	42,428.13	2.000%	170,000.00	03/01/2020
-	40,728.13	40,728.13	-	-	09/01/2020
281,456.26	240,728.13	40,728.13	3.000%	200,000.00	03/01/2021
-	37,728.13	37,728.13	-	-	09/01/2021
275,456.26	237,728.13	37,728.13	3.000%	200,000.00	03/01/2022
-	34,728.13	34,728.13	-	-	09/01/2022
269,456.26	234,728.13	34,728.13	4.000%	200,000.00	03/01/2023
	30,728.13	30,728.13	-	-	09/01/2023
261,456.26	230,728.13	30,728.13	4.000%	200,000.00	03/01/2024
-	26,728.13	26,728.13	-	-	09/01/2024
253,456.26	226,728.13	26,728.13	4.000%	200,000.00	03/01/2025
-	22,728.13	22,728.13	-	-	09/01/2025
255,456.26	232,728.13	22,728.13	4.000%	210,000.00	03/01/2026
-	18,528.13	18,528.13	-	-	09/01/2026
257,056.26	238,528.13	18,528.13	2.250%	220,000.00	03/01/2027
-	16,053.13	16,053.13	-	-	09/01/2027
257,106.26	241,053.13	16,053.13	2.375%	225,000.00	03/01/2028
-	13,381.25	13,381.25	-	-	09/01/2028
256,762.50	243,381.25	13,381.25	2.500%	230,000.00	03/01/2029
-	10,506.25	10,506.25	-	-	09/01/2029
256,012.50	245,506.25	10,506.25	2.750%	235,000.00	03/01/2030
-	7,275.00	7,275.00	-	-	09/01/2030
254,550.00	247,275.00	7,275.00	3.000%	240,000.00	03/01/2031
-	3,675.00	3,675.00	-	-	09/01/2031
252,350.00	248,675.00	3,675.00	3.000%	245,000.00	03/01/2032
	\$3,992,484.32	\$932,484.32		\$3,060,000.00	Total

TIF 18 SIENNA GREEN

Description

TIF District 18 Sienna Green (County #298-0), formerly known as Har Mar Apartments (County #288-0) is a Housing District located within the Development District No. 1 and encompassed one (1) parcel which was subsequently replatted into two (2) parcels. This TIF district was established on December 22, 2009 to facilitate the redevelopment of the Har Mar Apartments.

On June 20, 2011, the City entered into a development agreement with AEON to construct affordable housing for persons and families of low to moderate incomes. The project was to be completed in two (2) phases. Phase I incorporated a complete renovation of the 120-unit Har Mar apartment building while phase II consisted of the construction of a 48-unit apartment building adjacent to the Har Mar Apartments. In total, the project rehabilitated and constructed 168-units for individuals experiencing long-term homelessness and who earn less than agreed upon area median income levels (AMI), as detailed in the development agreement.



On September 15, 2012, after the City received and reviewed documentation verifying AEON's TIF eligible expenditures, the City issued a Pay-As-You-Go TIF Note pursuant to the development agreement in an amount of \$935,005 at an interest rate of 4.25%. The TIF Note is paid with 95% of the tax increment generated from within the district.

Moreover, pursuant to the development agreement, the City is required to substantiate that the applicable income limitations and rent restrictions are being met on an annual basis for the project. Aeon has been submitting the required documentation on an annual basis and have continued to meet the requirement that 40% of the units are affordable to persons at or below 60% of the area median income. Should AEON ever not meet the income requirements for a housing district in any given year, the City will need to return that year's tax increment to the County for redistribution.

Adopted07/13/2009
Requested Date09/18/2009
Certified Date12/22/2009
First Increment07/2013
Anticipated Decertification12/31/2028

Former and Current PID Numbers

Former PID#	New PID#	Use				
09-29-23-44-0247	09-29-23-44-0248	Sienna Green Apartments				
09-29-23-44-0247	09-29-23-44-0251					

Fiscal Disparities Election

The City elected to calculate fiscal disparities from inside the district, or Option B.

Frozen Tax Rate

99.368%

Allowable Uses

MN Statute 469.176 subd. 4d specifies the activities on which tax increment from a housing district may be spent. In general, tax increment must be spent on housing projects meeting the income guidelines, public improvements directly related to housing projects and administrative expenses. The City has used tax increment from this district to support affordable housing initiatives, in compliance with TIF law.

Obligations

There is one (1) PAYGO Note outstanding in this district as follows:

• \$935,005 Pay-As-You-Go Note to AEON, for the Sienna Green Apartments, issued on September 15, 2012 payable with 95% of tax increment received from the project and paid at an annual interest rate of 4.25%. After the 8/1/2019 payment, the current balance is \$716,577.88 and the projected final payment is on August 1, 2028.

Other Development Agreement Compliance

<u>Annual Income Monitoring</u>. REDA is required to substantiate that the applicable income limitations and rent restrictions are being met on an annual basis for the project. REDA should continue to review and retain the annual reports submitted by Aeon showing that 40% of the units are affordable to persons at or below 60% of the area median income.

Four Year Rule

MN Statute 469.176 subd. 6 requires that, within four years from certification date, certain activities must have taken place on each parcel within the TIF district. Required activities include demolition, rehabilitation, renovation and site improvements. TIF District 18 had an original four-year rule of December 22, 2013 and it was met by the qualifying activates conducted by AEON.

Five Year Rule

MN Statute 469.1763 places limits on the amount and length of time in which revenues from TIF districts may be used for activities outside the district. In general, for TIF District 18, at least 75% of tax increment revenues must be used to pay for qualified costs within the district. This is considered the 'in district' percent. Subdivision 3 of this section of the statute further specifies that within five years, tax increment must actually be paid for activities, bonds issued, and contracts entered into in order for revenues to be considered spent. The original five-year deadline was December 22, 2014 and was met by the qualifying activities conducted by AEON and by entering into a development agreement with AEON.

Geographic Enlargements

MN Statute 469.175 subd. 4 (f) places limits on the length of time a TIF district may add parcels. No parcels may be added five years after the certification date. This timeline has passed for TIF District 18 which was December 22, 2014.

Recommendations

1. <u>TIF for Affordable Housing</u>. If the current fund balance of \$62,000 and future TIF not needed for the Note continues to accumulate, at the end of the term of the District, the fund balance will be approximately \$1.185 million. Since the current Development Agreement only requires them to meet the income guidelines and report until the TIF Note is paid in full (anticipated to be August 2028), we recommend that staff engage with Aeon to amend the Agreement to require reporting through 2038, allowing generation of additional dollars for affordable housing in light of other identified affordable housing needs in the community. If Aeon is unwilling, then REDA would need to decertify the District when the obligation is paid in full (2028) and the cash balance REDA would have available for the pooling would be approximately \$123,000.

This increment may be used to pay eligible costs for housing projects that are rental or owner-occupied and intended for occupancy by low and moderate-income families. The income guidelines are defined in MS 469.1761 as follows:

Rental Housing: 20% of the units occupied by families at 50% of median income (20/50) or 40% of the units

occupied by families at 60% of median income (40/60).

Owner Occupied: Assistance to homeowners with an income at or below 100% of the median income for a family of

two or less or 115% of the median income for a family of three or more.

Typically, TIF is utilized for capital expenditures, but may be used for non-capital expenditures on a limited basis.

Examples of potential rental housing projects would include:

- 1. New affordable rental housing as part of redevelopment (20/50 or 40/60 election)
- 2. Renovation of an existing rental housing development (20/50 or 40/60 election)
- 3. Providing subsidy to an existing project that is earmarked for additional affordability (20/50 or 40/60 election)

Examples of potential owner-occupied projects would include:

- 1. Site acquisition and demolition for infill lots that will be sold for new housing construction
- 2. Acquisition of foreclosed homes for resale to income qualified buyers
- 3. Rehabilitation loans for home improvements
- 4. Second mortgages to qualified home buyers

If the income requirements are not met on any given year, the City will need to return that year's increment to the County for redistribution.

DISTRICT INFORMATION										
		ORIGINAL	HSS	Geo. Enlargement						
District Type		Housing								
Project Area										
Fiscal Disparities		B Election								
County Number		288								
Frozen Rate	UTA #1	99.368%	0.000	% 0.000%						
	UTA #2	0.000%								
	UTA #3	0.000%								
Current Year 2019										

ASSUMPTIONS								
Interest Income	0.75%							
Admin Expense	2.00%							

RECOMMENDATIONS

TIF PLAN BUDGET ANALYSIS																
			_	Decert	Decertifies		Revenues				Expenditures					
	City Approved	Cert Request	Certified	Legal Term	Expected Term	Tax Increment	Interest Income	Transfer In	Other Revenue	TOTAL REVENUES	Transfer Out	PAYGO	Admin	County Admin	TOTAL EXPENSE	Total Budget
Original Budget	7/13/2009	9/18/2009	12/22/2009	12/31/2038	12/31/2038	2,602,233	25,000	-	-	2,627,233	-	1,027,207	260,223	-	2,627,228	2,627,228
Cumulative Modified	6/13/2011															
			End o		ted Actual Total	2,506,641	49,608	1,698	18,102	2,576,049	1,698	1,321,534	43,314	24,895	1,391,441	1,391,441
				Under	/ (Over) Budget	95,592	(24,608)	(1,698)	(18,102)	51,184	(1,698)	(294,327)	216,909	(24,895)	1,235,787	1,235,787

		CASH FLOW PROJECTIONS ROLL UP TAX CAPACITY Revenues											DJECTIONS ROLL U	IP			
	-		TAX CAI	PACITY		Current Local			Kevenues					Expenditures			
TIF Year	Year	Base	Current	Fiscal Disparities	Captured	Tax Rate	Tax Increment	Interest Income	Transfer In	Other Revenue	TOTAL REVENUES	Transfer Out	PAYGO	Admin	County Admin	TOTAL EXPENSE	Ending Balance
3	2015						173,075	159	1,698	-	174,932	1,698	148,552	1,225	3,751	155,226	19,706
4	2016	43,196	114,907	-	71,711	128.219%	71,001	(352)		-	70,649		65,144	-	747	65,891	24,464
5	2017	60,281	129,018	-	68,737	121.855%	68,057	(243)		18,102	85,916		66,053		846	66,899	43,482
6	2018	43,196	144,261	-	101,065	134.784%	100,064	(270)		-	99,794		79,857	200	931	80,988	62,287
7	2019	43,196	148,965	-	105,769	134.784%	104,722	467		-	105,189		97,273	2,094	931	100,299	67,178
8	2020	43,196	148,965	-	105,769	134.784%	104,722	504		-	105,226		99,486	2,094	931	102,512	69,892
9	2021	43,196	148,965	-	105,769	134.784%	104,722	524		-	105,246		99,486	2,094	931	102,512	72,627
10	2022	43,196	148,965	-	105,769	134.784%	104,722	545		-	105,267		99,486	2,094	931	102,512	75,383
11	2023	43,196	148,965	-	105,769	134.784%	104,722	565		-	105,288		99,486	2,094	931	102,512	78,159
12	2024	43,196	148,965	-	105,769	134.784%	104,722	586		-	105,308		99,486	2,094	931	102,512	80,955
13	2025	43,196	148,965	-	105,769	134.784%	104,722	607		-	105,329		99,486	2,094	931	102,512	83,773
14	2026	43,196	148,965	-	105,769	134.784%	104,722	628		-	105,350		99,486	2,094	931	102,512	86,612
15	2027	43,196	148,965	-	105,769	134.784%	104,722	650		-	105,372		99,486	2,094	931	102,512	89,473
16	2028	43,196	148,965	-	105,769	134.784%	104,722	671		-	105,393		68,766	2,094	931	71,791	123,074
17	2029	43,196	148,965	-	105,769	134.784%	104,722	923			105,645		-	2,094	931	3,025	225,694
18	2030	43,196	148,965	-	105,769	134.784%	104,722	1,693		-	106,415		-	2,094	931	3,025	329,084
19	2031	43.196	148.965	-	105,769	134.784%	104,722	2,468		_	107,190			2,094	931	3.025	433,249
20	2032	43,196	148,965	_	105,769	134.784%	104,722	3,249			107,972			2,094	931	3,025	538,195
																.,	•
21	2033	43,196	148,965	-	105,769	134.784%	104,722	4,036		-	108,759			2,094	931	3,025	643,928
22	2034	43,196	148,965	-	105,769	134.784%	104,722	4,829		-	109,552			2,094	931	3,025	750,454
23	2035	43,196	148,965	-	105,769	134.784%	104,722	5,628		-	110,351		-	2,094	931	3,025	857,779
24	2036	43,196	148,965	-	105,769	134.784%	104,722	6,433		-	111,156		-	2,094	931	3,025	965,909
25	2037	43,196	148,965	-	105,769	134.784%	104,722	7,244		-	111,966		-	2,094	931	3,025	1,074,850
26	2038	43,196	148,965	-	105,769	134.784%	104,722	8,061		-	112,784		-	2,094	931	3,025	1,184,608

	ADMINISTRATIVE EXPENSE TEST	
TEST 1:	Admin per TIF Plan	260,223
TEST 2:	Estimated TIF Admin Allowable (10%)	\$262,723
	Estimated Total TIF Revenues per TIF Plan	\$2,627,233
TEST 3:	Cumulative TIF Admin Allowable (10%)	\$257,435
	Total TIF Revenues for the Project	\$2,574,351
RESULTS:	Cumulative TIF Admin Allowable (10%)	\$257,435
	Actual Admin Expenses	43,314
	Available Admin	\$214,121
	Actual Percentage	1.7%

Pursuant to M.S. 469.1763 Subd. 2: Y District Type: Does this section apply? Certification Request Date: 9/18/2009 Does TIF Plan Specify Assisting Housing Outside Project Area? If so, What is the Additional % Allowed in TIF Plan (Up to 10%): Total Pooling %: 20%

		ADMINISTRAT	IVE EXPENSE CA	LCULATION			POOLING CALCU	LATION (20% Out	tside of District)		
		Accummulate	ed Totals		Tax Incr	ement					
								20% for Qualified			Available for
TIF Year	Year	Admin. Expenses	Total	% Allowable	Current Year	Cummulative	Admin Costs	Costs	Spent Outside	Cumulative	Pooling
3	2015	1,225	173,075	0.7%	173,075	173,075	1,225	34,370	-	34,370	19,706
4	2016	1,225	244,076	0.5%	71,001	244,076	1,225	14,200	-	48,570	24,464
5	2017	1,225	312,133	0.4%	68,057	312,133	1,225	13,612	-	62,182	43,482
6	2018	1,425	412,197	0.3%	100,064	412,197	1,425	18,832	-	81,014	62,287
7	2019	3,519	516,919	0.7%	104,722	516,919	3,519	18,850	-	99,864	67,178
8	2020	5,614	621,642	0.9%	104,722	621,642	5,614	18,850	-	118,714	69,892
9	2021	7,708	726,364	1.1%	104,722	726,364	7,708	18,850	-	137,564	72,627
10	2022	9,803	831,086	1.2%	104,722	831,086	9,803	18,850	-	156,414	75,383
11	2023	11,897	935,808	1.3%	104,722	935,808	11,897	18,850	-	175,264	78,159
12	2024	13,992	1,040,530	1.3%	104,722	1,040,530	13,992	18,850	-	194,114	80,955
13	2025	16,086	1,145,253	1.4%	104,722	1,145,253	16,086	18,850	-	212,964	83,773
14	2026	18,181	1,249,975	1.5%	104,722	1,249,975	18,181	18,850	-	231,814	86,612
15	2027	20,275	1,354,697	1.5%	104,722	1,354,697	20,275	18,850	-	250,664	89,473
16	2028	22,369	1,459,419	1.5%	104,722	1,459,419	22,369	18,850	-	269,514	123,074
17	2029	24,464	1,564,141	1.6%	104,722	1,564,141	24,464	18,850	-	288,364	225,694
18	2030	26,558	1,668,863	1.6%	104,722	1,668,863	26,558	18,850	-	307,214	307,214
19	2031	28,653	1,773,586	1.6%	104,722	1,773,586	28,653	18,850	-	326,064	326,064
20	2032	30,747	1,878,308	1.6%	104,722	1,878,308	30,747	18,850	-	344,914	344,914
21	2033	32,842	1,983,030	1.7%	104,722	1,983,030	32,842	18,850	-	363,764	363,764
22	2034	34,936	2,087,752	1.7%	104,722	2,087,752	34,936	18,850	-	382,614	382,614
23	2035	37,031	2,192,474	1.7%	104,722	2,192,474	37,031	18,850	-	401,464	401,464
24	2036	39,125	2,297,196	1.7%	104,722	2,297,196	39,125	18,850	-	420,314	420,314
25	2037	41,219	2,401,919	1.7%	104,722	2,401,919	41,219	18,850	-	439,164	439,164
26	2038	43,314	2,506,641	1.7%	104,722	2,506,641	43,314	18,850	-	458,014	458,014

City of Roseville Principal Ledger - AEON PAYGO Note

Principal Amount Note Issue Date Final Payment	\$ 935,005 15-Sep-12 31-Dec-38			Interest Rate		4.25%
Date	Interest Due	Tax Increment Received	Total Tax Increment Available (95%)	Total Principal Payments	N	lote Balance
12/31/2016					\$	856,342.00
2/1/2017	18,197.27	\$ 35,500.63	33,725.60	15,528.33	\$	840,813.67
8/1/2017	17,867.29	34,028.35	32,326.93	14,459.64	\$	826,354.03
2/1/2018	17,560.02	34,028.35	32,326.93	14,766.91	\$	811,587.12
8/1/2018	17,246.23	50,032.00	47,530.40	30,284.17	\$	781,302.95
2/1/2019	16,602.69	50,032.00	47,530.40	30,927.71	\$	750,375.24
8/1/2019	15,945.47	52,361.09	49,743.03	33,797.56	\$	716,577.68
2/1/2020	15,227.28	52,361.09	49,743.03	34,515.75	\$	682,061.92
8/1/2020	14,493.82	52,361.09	49,743.03	35,249.21	\$	646,812.71
2/1/2021	13,744.77	52,361.09	49,743.03	35,998.26	\$	610,814.45
8/1/2021	12,979.81	52,361.09	49,743.03	36,763.22	\$	574,051.22
2/1/2022	12,198.59	52,361.09	49,743.03	37,544.44	\$	536,506.78
8/1/2022	11,400.77	52,361.09	49,743.03	38,342.26	\$	498,164.51
2/1/2023	10,586.00	52,361.09	49,743.03	39,157.03	\$	459,007.48
8/1/2023	9,753.91	52,361.09	49,743.03	39,989.12	\$	419,018.35
2/1/2024	8,904.14	52,361.09	49,743.03	40,838.89	\$	378,179.46
8/1/2024	8,036.31	52,361.09	49,743.03	41,706.72	\$	336,472.73
2/1/2025	7,150.05	52,361.09	49,743.03	42,592.98	\$	293,879.75
8/1/2025	6,244.94	52,361.09	49,743.03	43,498.09	\$	250,381.66
2/1/2026	5,320.61	52,361.09	49,743.03	44,422.42	\$	205,959.23
8/1/2026	4,376.63	52,361.09	49,743.03	45,366.40	\$	160,592.83
2/1/2027	3,412.60	52,361.09	49,743.03	46,330.43	\$	114,262.39
8/1/2027	2,428.08	52,361.09	49,743.03	47,314.95	\$	66,947.44
2/1/2028	1,422.63	52,361.09	49,743.03	48,320.40	\$	18,627.03
8/1/2028	395.82	52,361.09	19,022.85	18,627.03	\$	0.00
TOTAL	251,495.73	1,198,482.01	1,107,837.73			

TIF 19 APPLEWOOD POINTE

Description

TIF District 19 Applewood Pointe (County #294-0) is an economic development district established on May 20, 2011 and located within Development District No. 1. Originally the district encompassed four (4) parcels. On October 13, 2010, the City entered into a development agreement with United Properties to provide the necessary assistance for the construction of a senior cooperative project (Applewood Pointe).



On October 17, 2011, after the City received and reviewed documentation verifying United Properties TIF eligible expenditures, the City issued a Pay-As-You-Go TIF Note pursuant to the development agreement in an amount of \$659,000, plus interest at a rate of 7%. The TIF Note is paid with 80% of the tax increment generated from within the district.

Adopted	09/13/2010
Requested Date	
Certified Date	05/20/2011
First Increment	07/2013
Anticipated Decertification	12/31/2019

TIF 19 APPLEWOOD POINTE CONTINUED

Former and Current PID Numbers

Former PID#	New PID#	Use
04-29-23-22-0104		
04-29-23-22-0105	Multiple	Applewood Pointe Apartments
04-29-23-23-0019	Multiple	Applewood Follite Apartments
04-29-23-23-0020		

Fiscal Disparities Election

The City elected to calculate fiscal disparities from inside (B election) the district.

Frozen Tax Rate

119.117%

Allowable Uses

MN Statute 469.176 subd. 4c specifies the activities on which tax increment from an economic development district may be spent. This district qualifies as an economic development district pursuant to subdivision 4c(a)(7), a workforce housing project. In general, tax increment must be spent on property acquisition, construction, and the provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments.

Obligations

There is one (1) PAYGO Note outstanding in this district as follows:

• \$659,000 Pay-As-You-Go Note to United Properties, for the Applewood Pointe Senior Cooperative, issued on October 17, 2011 payable with 80% of tax increment received from the project and paid at an annual interest rate of 7%. The note was paid off on full on August 1, 2019 (1½ years earlier than anticipated).

Four Year Rule

MN Statute 469.176 subd. 6 requires that, within four years from certification date, certain activities must have taken place on each parcel within the TIF district. Required activities include demolition, rehabilitation, renovation and site improvements. TIF District 18 had an original four-year rule of May 20, 2015 and it was met by the qualifying activates conducted by United Properties.

Five Year Rule

MN Statute 469.1763 places limits on the amount and length of time in which revenues from TIF districts may be used for activities outside the district. In general, for TIF District 19, at least 80% of tax increment revenues must be used to pay for qualified costs within the district. This is considered the 'in district' percent. Subdivision 3 of this section of the statute further specifies that within five years, tax increment must actually be paid for activities, bonds issued, and contracts entered into in order for revenues to be considered spent. The original five-year deadline was May 20, 2016 and was met by the qualifying activities conducted by United Properties and by entering into a development agreement with United Properties.

Geographic Enlargements

MN Statute 469.175 subd. 4 (f) places limits on the length of time a TIF district may add parcels. No parcels may be added five years after the certification date. This timeline has passed for TIF District 19 which was May 20, 2016.

Recommendations

<u>Return of Increment</u>. The PAYGO Note was paid in full as of the August 1, 2019 payment. REDA will need to return the unused portion of the first half TIF plus the second half settlement it receives (\$226,735). These dollars will be redistributed to the City, County and School District upon receipt. It is estimated that the City will receive approximately \$72,750 of this. Since these returned funds are non-restricted (not considered TIF) we recommend that when the City receives them, they place them in the EDA Fund for future redevelopment/development projects.

2. Pooling for Economic Development. As of December 31, 2019, this District has a legal pooling fund balance of approximately \$267,617. These funds can be retained by REDA in the TIF account and spent only on documented administrative expenses (only projected to use 1.5% of the 10% maximum allowed) or for economic development purposes (public infrastructure related to economic development TIF eligible uses such as land acquisition, utilities, parking, etc.). If REDA does not anticipate that there will be any economic development projects (manufacturing/warehouse) that require public infrastructure for them to proceed and/or assistance, then the fund balance should be returned to the County for redistribution. If REDA does the later, we anticipate that the City's portion of the \$267,617 will be approximately \$85,868. If returned, these funds are non-restricted (not considered TIF) and we recommend that when the City receives the, they place them in the EDA Fund for future redevelopment/development projects.

DISTRICT INFORMATION ORIGINAL HSS Geo. Enlargement District Type Economic Development Project Area B Election **Fiscal Disparities** 294 County Number Frozen Rate UTA #1 119.117% 0.000% 0.000% UTA #2 0.000% UTA#3 0.000% Current Yea 2019

ASSUMPTIONS								
Interest Income	0.75%							
Admin Expense	1.00%							

RECOMMENDATIONS

for year 2019

At or Under Limit

TIF PLAN BUDGET ANALYSIS Expenditures Decertifies Revenues PAYGO Interfund Loan Legal Term Expected Term Tax Increment Interest Income TOTAL REVENUES City Approved Cert Request Certified Admin County Admin Other Expense TOTAL EXPENSE **Total Budget** Original Budget 9/13/2010 2/15/2011 5/20/2011 12/31/2021 12/31/2019 2,450,551 2,450,551 124,477 245,056 2,450,551 2,450,551 **Cumulative Modified**

End of District Projected Actual Total	1,449,651	6,716	1,456,367	925,201	422	22,313	13,892	226,735	1,188,563	1,188,563
Under / (Over) Budget	1,000,900	(6,716)	994,184	(800,724)	(422)	222,743	(13,892)	(226,735)	1,261,988	1,261,988

	CASH FLOW PROJECTIONS ROLL UP							CASH FLOW PROJECTIONS ROLL UP								
	TAX CAPACITY				Revenues				Expen	ditures						
						Current Local								Increment		
TIF Year	Year	Base	Current	Fiscal Disparities	Captured	Tax Rate	Tax Increment	Interest Income	TOTAL REVENUES	PAYGO	Interfund Loan	Admin	County Admin	Returned	TOTAL EXPENSE	Ending Balance
3	2016	16,301	194,598	-	178,297	133.506%	635,052	(162)	634,890	422,969	422	19,125	4,596	-	447,112	187,778
4	2017	16,242	220,808	-	204,566	128.265%	242,785	608	243,393	182,236			1,640		183,876	247,295
5	2018	16,242	246,286	-	230,044	128.852%	273,039	(87)	272,952	205,841	-	200	1,914	-	207,955	312,292
6	2019	16,242	267,973	-	251,731	124.373%	298,775	2,342	301,117	114,155	-	2,988	1,914	226,735	345,791	267,617

Pursuant to M.S. 469.176 Subd. 3:

Admin limit is based on: Revenues

	ADMINISTRATIVE EXPENSE TEST	
TEST 1:	Admin per TIF Plan	245,056
TEST 2:	Estimated TIF Admin Allowable (10%)	\$245,055
	Estimated Total TIF Revenues per TIF Plan	\$2,450,551
TEST 3:	Cumulative TIF Admin Allowable (10%)	\$145,637
	Total TIF Revenues for the Project	\$1,456,367
RESULTS:	Cumulative TIF Admin Allowable (10%)	\$145,637
	Actual Admin Expenses	22,313
	Available Admin	\$123,324
	Actual Percentage	1.5%

Pursuant to M.S. 469.1763 Subd. 2:

District Type:	Economic Development
Does this section apply?	Yes
Certification Request Date:	2/15/2011
Does TIF Plan Specify Assisting Housing Outside Project Area?	No No
If so, What is the Additional % Allowed in TIF Plan (Up to 10%): 0%
Total Pooling %:	20%

		ADMINISTRAT Accummulate	LCULATION	
TIF Year	Year	Admin. Expenses	Total	% Allowable
3	2016	19,125	635,052	3.0%
4	2017	19,125	877,837	2.2%
5	2018	19,325	1,150,876	1.7%
6	2019	22,313	1,449,651	1.5%

	POOLING CALCULATION (20% Outside of District)								E)	CESS INCREMEN	IT			
1	Tax Inc	rement												
ı			•	20% for			Available for	Increment	Costs		Increment		P&I Due after	Excess (Not
┚	Current Year	Cummulative	Admin Costs	Qualified Costs	Spent Outside	Cumulative	Pooling	Generated	Authorized	Required?	returned	Net Retained	year end	Excess)
6	635,052	635,052	19,125	107,885	-	107,885	107,885	634,890	2,450,551	no	0	0	0	(1,815,661)
6	242,785	877,837	19,125	156,442	-	156,442	156,442	878,283	2,450,551	no	0	0	0	(1,572,268)
6	273,039	1,150,876	19,325	210,850		210,850	210,850	1,151,235	2,450,551	no	0	0	0	(1,299,316)
6	298,775	1,449,651	22.313	267.617	-	267.617	267.617	1.452.352	2.450.551	no	226.735	0	0	(998,199)

City of Roseville Principal Ledger - United Properties Residential LLC PAYGO Note

Principal Amount Note Issue Date Final Payment	\$ 659,000 17-Oct-11 1-Feb-21			Interest Rate	7.00%
Date	Interest Due	Tax Increment Received	Total Tax Increment Available (80%)	Total Principal Payments	Note Balance
12/31/2016 2/1/2017 8/1/2017 2/1/2018 8/1/2018 2/1/2019	214,822.00 15,779.86 13,369.51 10,421.87 7,404.73 3,841.35 560.24	\$ 105,808.73 121,984.50 121,984.50 121,984.50 121,984.50 121,984.50	84,646.98 97,587.60 96,625.82 109,215.57 97,587.60 97,587.60	208,147.00 68,867.12 84,218.09 86,203.95 101,810.84 93,746.25 16,006.75	\$ 450,853.00 \$ 381,985.88 \$ 297,767.79 \$ 211,563.84 \$ 109,753.00 \$ 16,006.75 \$ (0.00)
TOTAL	266,199.56	715,731.23	0.,001100	659,000.00	- (6.66)

TIF 20 MCGOUGH

Description

TIF District 20 McGough (County #329-0) is a Redevelopment District established on February 26, 2018 and is located within the Development District No. 1. The district encompasses one (1) parcel which was decertified from TIF District 17 & 17A. On June 18, 2018, the REDA entered into a development agreement with 2785 Fairview, LLC to provide the necessary assistance for renovation and redevelopment of an existing 44,000 square foot warehouse facility into a 54,000 square foot corporate headquarters for McGough Constriction.



Construction was completed in November 2019. Upon verification of the TIF eligible costs, the REDA shall issue a TIF PAYGO Note in the maximum principal amount of \$1,316,000. The TIF Note is being issued to reimburse McGough Construction for a portion of the costs associated to site preparation, utilities, soil correction, demolition, and environmental investigation and remediation costs.



REDA provided funding from TIF 17A (HSS) for remediation in the amount of \$140,000, pursuant to the special legislation received for TIF District 17A in 2019. In addition, REDA also agreed to provide additional assistance in an amount equal to \$1,500,000 less the sum of the TIF Note issued and any grant funds received for sewer access connection charges.

Furthermore, a TIF Lookback provision was incorporated into the development agreement to ensure that the assumptions made regarding the project and its likely costs and expenses were in fact accurate. Since the project is completed, staff should initiate review of actual TIF eligible costs in early 2020 to determine if they are less than the estimates within the development agreement, in accordance with the Lookback provision. Depending on the results of the analysis, the assistance provided by the REDA shall be reduced on a dollar for dollar basis.

AdoptedRequested DateCertified DateFirst IncrementDecertification	06/08/2018 09/19/2018 07/2020
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Former and Current PID Numbers

Former PID#	New PID#	Use
04-29-23-31-0019	04-29-23-31-0023	McGough Development

Fiscal Disparities Election

The City elected to calculate fiscal disparities from inside (B election) the district.

Frozen Tax Rate

128.852%

Allowable Uses

MN Statute 469.176 subd. 4j specifies the activities in which tax increment from a redevelopment district may be spent. In general, tax increment must be spent on correcting those conditions which caused the area to be designated as a redevelopment district. Allowable uses include property acquisition, demolition, rehabilitation, installation of public utilities, road, sidewalks, public parking facilities, and allowable administrative expenses.

Obligations

It is anticipated there will be one PAYGO Note in this district as follows:

• \$1,316,000 at the lesser of 5% or the Redeveloper's actual financing rate and paid with 95% of the TIF generated from the project. The Note has not yet been issued

Other Development Agreement Compliance

- 1. Look Back. At the time of completion of construction of the project, if the amount of actual Public Redevelopment Costs incurred is less than the amount of Public Redevelopment Costs projected in Exhibit E (less any Grant-Eligible Costs reimbursed by Grants or Authority Funds), the assistance for Public Redevelopment Costs will be reduced on a dollar for dollar basis in the amount of such deficiency and the principal amount of the TIF Note will be adjusted accordingly.
- <u>Grants.</u> REDA applied for, but did not receive, a grant from the Met Council in the amount of \$157,230 (abatement and clean up \$134,760 and environmental investigation \$22,470). If the amount of environmental remediation exceeded Grant-Eligible Costs the excess was the sole responsibility of McGough. REDA has since determined that they will provide TIF 17A(HSS) dollars for any environmental clean up under and approved RAP that does not exceed \$164,000.
- <u>Other Assistance</u>. In addition to the Grant and issuance of the TIF Note, REDA shall provide additional assistance to the McGough from available funds in REDA's development account for the following purposes: first, to pay a portion of McGough's SAC charges, and second, to fund other Public Redevelopment Costs (to the extent not reimbursed under the Grant or allocated to be reimbursed under the TIF Note). The amount of funds payable by REDA shall be determined following the final reimbursement by the REDA to the McGough of Grant-Eligible Costs. REDA Funds shall be disbursed in an amount equal to \$1,500,000 less the sum of the maximum principal amount of the TIF Note and the actual amount of Grant proceeds, if any, disbursed to McGough. If actual SAC charges exceed the amount to be reimbursed under this Section, such excess shall be the sole responsibility of McGough.
- <u>4.</u> <u>Minimum Assessment Agreement</u>. The minimum market value as of January 2, following the date of receipt of a Certificate of Completion shall be \$7,246,125. The Assessment Agreement shall be in place until the TIF Note is paid in full or the TIF District terminates, whichever is sooner.

<u>Tax Petitions</u>. McGough has to inform REDA of any tax petition it files for the property. During the pendency of the petition, REDA will pay principal and interest on the TIF Note only to the extent of the Available Tax Increment attributable to the minimum Market Value of the property; provided that if McGough fails to notify REDA of the tax petition, REDA shall have the right to withhold all payments of principal and interest on the TIF Note until McGough's challenge is resolved. Upon resolution of the tax petition, any Available Tax Increment deferred and withheld shall be paid, without interest thereon, to the extent payable under the assessor's final determination of Market Value.

Four Year Rule

MN Statute 469.176 subd. 6 requires that, within four years from certification date, certain activities must have taken place on each parcel within the TIF district. Required activities include demolition, rehabilitation, renovation and site improvements. The four-year deadline for TIF District 20 is September 19, 2022, but compliance with this has already happened with demolition and construction commencing in 2018.

Five Year Rule

MN Statute 469.1763 places limits on the amount and the length of time in which revenues from the TIF district may be used for activities outside the district. In general, for TIF District 20, at least 75% of tax increment revenues must be used to pay for qualified costs within the district. This is considered the 'in district' percent. Subdivision 3 of this section of the statute further specifies that within five years, tax increment must actually be paid for activities, bonds issued, contracts entered into in order for revenues to be considered to have been spent. The five-year deadline is September 19, 2023 and has already been met by the REDA entering into a development agreement with 2785 Fairview, LLC.

Geographic Enlargements

MN Statute 469.175 subd. 4 (f) places limits on the length of time a TIF district may add parcels. No parcels may be added five years after the certification date. TIF District 20 has until September 19, 2023 to enlarge its geographic size.

Recommendations

1. <u>Lookback and TIF Note Issuance</u>. Since construction is completed and they have officially moved into their new building, we recommend requesting the required documentation from McGough and completing the necessary lookback. In addition, upon completion of the lookback the TIF note should be sized accordingly and issued to McGough.

TIF 21 COLDER PRODUCTS

Description

TIF District 21 Colder (County #TBD) is a Redevelopment District established on February 25, 2019 and is located within the Development District No. 1. Originally the district encompassed three (3) parcels which were decertified from TIF District 17 & 17A. On May 20, 2019, the REDA entered into a development agreement with Colder Products Company to provide the necessary assistance for redevelopment of environmentally contaminated land and construction of a 131,100 square foot manufacturing, warehouse, and corporate headquarters for Colder Products Company.



Demolition and remediation work commenced, and construction is underway following

the receipt of a no further action letter from the Minnesota Pollution Control Agency regarding the hazardous wastes and contaminates presently found on the property. REDA provided funding from TIF 17A (HSS) for remediation in the amount of \$868,000, pursuant to the special legislation received for TIF District 17A in 2019. In addition, REDA secured \$250,000 in grant funds from the DEED for equipment acquisition and \$300,000 from the Ramsey County ERF for environmental clean-up. Upon completion of the project and verification of the TIF eligible costs, REDA shall issue a TIF Note in the maximum principal amount of \$2,200,000. The TIF Note is being issued to reimburse Colder Products Company for a portion of the costs associated to land acquisition, demolition, and environmental investigation and remediation costs.

Adopted	02/25/2019
Requested Date	06/20/2019
Certified Date	TBD
First Increment	07/2021
Decertification	12/31/2046

TIF 21 COLDER PRODUCTS CONTINUED

Former and Current PID Numbers

Former PID#	New PID#	Use
04-29-23-32-0001		
04-29-23-32-0002	04-29-23-32-0013	Colder
04-29-23-32-0003		

Fiscal Disparities Election

The City elected to calculate fiscal disparities from inside (B election) the district.

Frozen Tax Rate

Request for certification was made by June 20, 2019 so the pay 2019 rate is 124.897% and will be verified once certification document is received from the County.

Allowable Uses:

MN Statute 469.176 subd. 4j specifies the activities in which tax increment from a redevelopment district may be spent. In general, tax increment must be spent on correcting those conditions which caused the area to be designated as a redevelopment district. Allowable uses include property acquisition, demolition, rehabilitation, installation of public utilities, road, sidewalks, public parking facilities, and allowable administrative expenses.

Obligations

It is anticipated there will be one PAYGO Note in this district as follows:

• \$2,200,000 at 0% and paid with 90% of the TIF generated from the project. The Note has not yet been issued.

TIF 21 COLDER PRODUCTS CONTINUED

Other Development Agreement Compliance

- <u>Look Back</u>. At the time of completion of construction of the project, if the amount of actual Public Redevelopment Costs incurred is less than the amount of Public Redevelopment Costs projected in Exhibit D, the assistance for Public Redevelopment Costs will be reduced on a dollar for dollar basis in the amount of such deficiency and the principal amount of the TIF Note will be adjusted accordingly.
- **2. Minimum Assessment Agreement**. The minimum market value as of January 2, 2021 shall be \$14,873,320. The Assessment Agreement shall be in place until the TIF Note is paid in full or the TIF District terminates, whichever is sooner.
- 3. Tax Petitions. Colder has to inform REDA of any tax petition it files for the property. During the pendency of the petition, REDA will pay principal and interest on the TIF Note only to the extent of the Available Tax Increment attributable to the minimum Market Value of the property; provided that if Colder fails to notify REDA of the tax petition, REDA shall have the right to withhold all payments of principal and interest on the TIF Note until their challenge is resolved. Upon resolution of the tax petition, any Available Tax Increment deferred and withheld shall be paid, without interest thereon, to the extent payable under the assessor's final determination of Market Value.

Four Year Rule

MN Statute 469.176 subd. 6 requires that, within four years from certification date, certain activities must have taken place on each parcel within the TIF district. Required activities include demolition, rehabilitation, renovation and site improvements. Since certification of this district is currently pending, the four-year deadline is unknown at this time. However, it is anticipated that the four-year deadline will be met as construction commenced in summer of 2019.

TIF 21 COLDER PRODUCTS CONTINUED

Five Year Rule

MN Statute 469.1763 places limits on the amount and the length of time in which revenues from the TIF district may be used for activities outside the district. In general, for TIF District 20, at least 75% of tax increment revenues must be used to pay for qualified costs within the district. This is considered the 'in district' percent. Subdivision 3 of this section of the statute further specifies that within five years, tax increment must actually be paid for activities, bonds issued, contracts entered into in order for revenues to be considered to have been spent. Since certification of this district is currently pending, the five-year deadline is unknown at this time. However, it is anticipated that the five-year deadline will be met as construction commenced in summer of 2019.

Geographic Enlargements

MN Statute 469.175 subd. 4 (f) places limits on the length of time a TIF district may add parcels. No parcels may be added five years after the certification date. Since certification of this district is currently pending, the five-year deadline is unknown at this time.

Recommendations

None at this time.

TIF 22 TWIN LAKES II

Description

TIF District 22 Twin Lakes II (County #TBD) is a Redevelopment District established on



August 12, 2019 and is located within the Development District No. 1. The district encompasses seven (7) parcels which will be replatted into various developments and consist of 117 market rate apartments, 40,000 sq/ft of medical office, 224 non-age restricted affordable apartments and 252



senior affordable apartments. On September 16, 2019, REDA approved a development

agreement with Reuter Walton (apartments) and 2720 Fairview Mkt LLC (Office) to provide the necessary assistance (\$3,550,000) for redevelopment of a parcel into 117 apartment units and 40,000 sq/ft of medical office for Tareen Dermatology. Pursuant to the Agreement for the apartments with Reuter Walton, REDA will provide an additional \$550,000 in TIF Pooling dollars from TIF 17A (HSS) for remediation work completed under an approved Response Action Plan (RAP) for the site. On December 2, 2019, REDA approved an assignment and subordination agreement for the office portion of the site so they could close on their financing. REDA anticipates entering into a TIF Agreement with Dominium in 2020, once they receive their tax credit and tax-exempt bond allocation from the State.

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AdoptedRequested Date	2019 TBD
First Increment	
Decertification	12/31/2039

Former and Current PID Numbers

Former PID#	New PID#	Use
04-29-23-43-0005	Same as Existing	
04-29-23-43-0013	Same as Existing	Dominium Apartments & Retail
04-29-23-43-0014	Same as Existing	
04-29-23-43-0002	Same as Existing	Reuter Walton - Apts & Office
04-29-23-43-0001	Same as Existing	Village Auto
04-29-23-43-0003	Same as Existing	Fireside Hearth/Home
04-29-23-43-0015	Same as Existing	The Tile Shop

Fiscal Disparities Election

The City elected to calculate fiscal disparities from inside (B election) the district.

Frozen Tax Rate

Request for certification will be made by June 20, 2020 so the pay 2020 rate will be the frozen rate and is not yet available.

Allowable Uses:

MN Statute 469.176 subd. 4j specifies the activities in which tax increment from a redevelopment district may be spent. In general, tax increment must be spent on correcting those conditions which caused the area to be designated as a redevelopment district. Allowable uses include property acquisition, demolition, rehabilitation, installation of public utilities, road, sidewalks, public parking facilities, and allowable administrative expenses.

Obligations

It is anticipated there will be four (4) PAYGO Notes in this district as follows:

- \$2,900,000 to be issued to Walton Holdings, LLC. for the market rate apartments. The Note will be at the lesser of 5% or their actual financing rate and paid with 90% of the TIF generated from the project. The Note has not yet been issued.
- \$650,000 to be issued to 2720 Fairview MKT LLC. for the medical office development. The Note will be at the lesser of 5% or their actual financing rate and paid with 90% of the TIF generated from the project. The Note has not yet been issued.
- \$3,450,000 to be issued to Dominium for the non-age restricted, affordable apartments. The Note will be at the lesser of 5% or their actual financing rate and paid with 90% of the TIF generated from the project. The Note has not yet been issued.
- \$3,990,000 to be issued to Dominium for the senior, affordable apartments. The Note will be at the lesser of 5% or their actual financing rate and paid with 90% of the TIF generated from the project. The Note has not yet been issued.

Other Development Agreement Compliance

Reuter Walton - Apartments

1. <u>Look Back</u>. (i) At the time of completion of construction of the project, if the amount of the Public Redevelopment Costs actually incurred is less than the amount of Estimated Public Redevelopment Costs projected in Schedule D, the financial assistance for the Public Redevelopment Costs will be reduced on a dollar for dollar basis in the amount of such deficiency and the principal amount of the Note will be adjusted accordingly.

- (ii) 60 days after the earliest of (i) the date of Stabilization of the project; (ii) the date of any Transfer of the project (provided that the Redeveloper and the Authority agree that the Calculation Date will occur prior to the actual Transfer); or (iii) three years after the date of completion of the project, as evidenced by REDA's issuance of a Certificate of Completion, the amount of the Note provided pursuant to this Agreement will be subject to adjustment based on a targeted annual Cash-On-Cost Return in excess of 7%. If the Project has not reached Stabilization as of the Calculation Date, the calculation shall assume Stabilization has occurred. If the actual Cash-On-Cost Return exceeds 7%, then the principal amount of the Note issued to will be reduced by 50% of the amount that results in a Cash-On-Cost Return equal to 7% over the term of the Note,
- (iii) Property Sale or Refinance. If the Developer sells the project to an unrelated third party or refinances the Minimum Improvements (provided, however, the placement of permanent debt on the Minimum Improvements will not constitute a refinancing giving rise to the review as described in this Section) during the first eight (8) years after issuance of a Certificate of Completion, the Developer agrees to provide reasonable background documentation of actual project costs, project sources, and financing terms to construct the project as well as the actual income and operating expenses for the period from the date of the Agreement through the date of such anticipated sale or refinance (provided that the Redeveloper and the Authority agree that the Calculation Date will occur prior to the actual sale or refinancing). Based on such review, if the project exceeds an actual annual 7% Cash-On-Cost Return, then 50% of the amount that exceeds the annual 7% Cash-On-Cost Return will be applied to reduce the principal amount payable under the Note.
- <u>2.</u> <u>Minimum Assessment Agreement</u>. The minimum market value as of January 2, 2020 shall be \$5,397,500 and as of January 2, 2021 it shall be \$21,590,000. The Assessment Agreement shall be in place until the TIF Note is paid in full or the TIF District terminates, whichever is sooner.

<u>Tax Petitions</u>. The Developer has to inform REDA of any tax petition it files for the property. During the pendency of the petition, REDA will pay principal and interest on the TIF Note only to the extent of the Available Tax Increment attributable to the minimum Market Value of the property; provided that if the Developer fails to notify REDA of the tax petition, REDA shall have the right to withhold all payments of principal and interest on the TIF Note until their challenge is resolved. Upon resolution of the tax petition, any Available Tax Increment deferred and withheld shall be paid, without interest thereon, to the extent payable under the assessor's final determination of Market Value.

2720 Fairview MKT LLC - Medical Office

- 1. <u>Look Back</u>. (i) At the time of completion of construction of the project, if the amount of the Public Redevelopment Costs actually incurred is less than the amount of Estimated Public Redevelopment Costs projected in Schedule C, the financial assistance for the Public Redevelopment Costs will be reduced on a dollar for dollar basis in the amount of such deficiency and the principal amount of the Note will be adjusted accordingly.
 - (ii) 60 days after the earliest of (i) the date of Stabilization of the project; (ii) the date of any Transfer of the project (provided that the Redeveloper and the Authority agree that the Calculation Date will occur prior to the actual Transfer); or (iii) three years after the date of completion of the project, as evidenced by REDA's issuance of a Certificate of Completion, the amount of the Note provided pursuant to this Agreement will be subject to adjustment based on a targeted annual Cash-On-Cost Return in excess of 7%. If the Project has not reached Stabilization as of the Calculation Date, the calculation shall assume Stabilization has occurred. If the actual Cash-On-Cost Return exceeds 7%, then the principal amount of the Note issued to will be reduced by 50% of the amount that results in a Cash-On-Cost Return equal to 7% over the term of the Note,
 - (iii) Property Sale or Refinance. If the Developer sells the project to an unrelated third party or refinances the Minimum Improvements (provided, however, the placement of permanent debt on the Minimum Improvements will not constitute a refinancing giving rise to the review as described in this Section) during the first six (6) years after issuance of a Certificate of Completion, the Developer agrees to provide reasonable background documentation of actual project costs, project sources,

and financing terms to construct the project as well as the actual income and operating expenses for the period from the date of the Agreement through the date of such anticipated sale or refinance (provided that the Redeveloper and the Authority agree that the Calculation Date will occur prior to the actual sale or refinancing). Based on such review, if the project exceeds an actual annual 7% Cash-On-Cost Return, then 50% of the amount that exceeds the annual 7% Cash-On-Cost Return will be applied to reduce the principal amount payable under the Note.

- **2. Minimum Assessment Agreement**. The minimum market value as of January 2, 2020 shall be \$3,500,000 and as of January 2, 2021 it shall be \$7,000,000. The Assessment Agreement shall be in place until the TIF Note is paid in full or the TIF District terminates, whichever is sooner.
- 3. Tax Petitions. The Developer has to inform REDA of any tax petition it files for the property. During the pendency of the petition, REDA will pay principal and interest on the TIF Note only to the extent of the Available Tax Increment attributable to the minimum Market Value of the property; provided that if the Developer fails to notify REDA of the tax petition, REDA shall have the right to withhold all payments of principal and interest on the TIF Note until their challenge is resolved. Upon resolution of the tax petition, any Available Tax Increment deferred and withheld shall be paid, without interest thereon, to the extent payable under the assessor's final determination of Market Value.

Four Year Rule

MN Statute 469.176 subd. 6 requires that, within four years from certification date, certain activities must have taken place on each parcel within the TIF district. Required activities include demolition, rehabilitation, renovation and site improvements. Since certification of this district is currently pending, the four-year deadline is unknown at this time. However, it is anticipated that the four-year deadline will be met as construction commenced in summer of 2019.

Five Year Rule

MN Statute 469.1763 places limits on the amount and the length of time in which revenues from the TIF district may be used for activities outside the district. In general, for TIF District 20, at least 75% of tax increment revenues must be used to pay for qualified costs within the district. This is considered the 'in district' percent. Subdivision 3 of this section of the statute further specifies that within five years, tax increment must actually be paid for activities, bonds issued, contracts entered into in order for revenues to be considered to have been spent. Since certification of this district is currently pending, the five-year deadline is unknown at this time. However, it is anticipated that the five-year deadline will be met as construction commenced in summer of 2019.

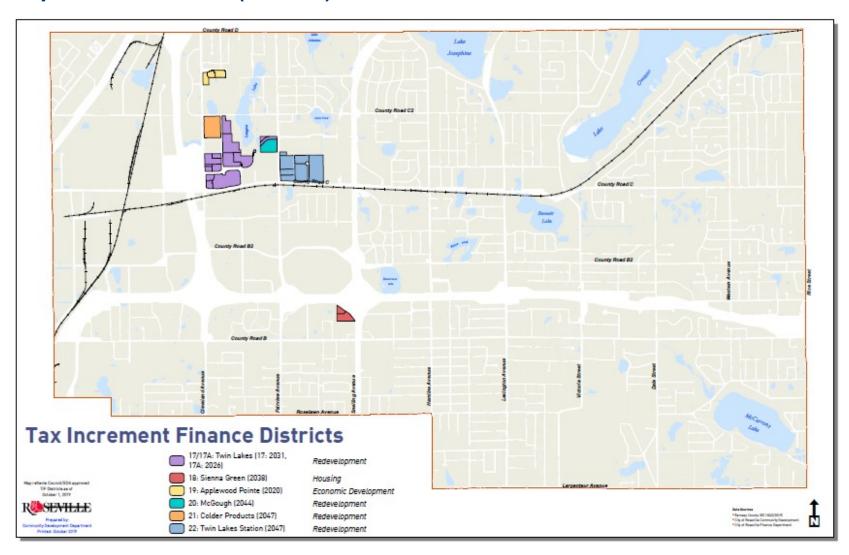
Geographic Enlargements

MN Statute 469.175 subd. 4 (f) places limits on the length of time a TIF district may add parcels. No parcels may be added five years after the certification date. Since certification of this district is currently pending, the five-year deadline is unknown at this time.

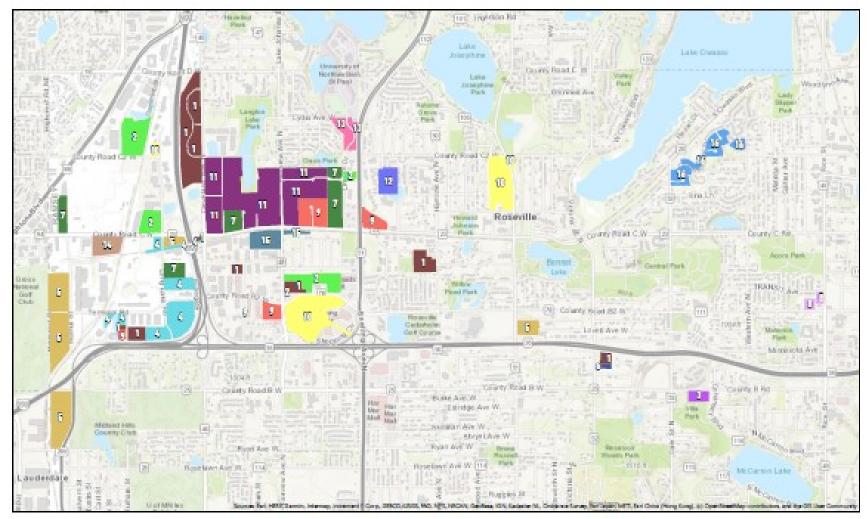
Recommendations

None at this time.

Map of TIF Districts (17 – 22)



Map of Historical TIF Districts (1-16)



Roseville Historical Tax Increment Finance Districts