

An architectural rendering of a modern, multi-story brick building with large windows and a flat roof. The building is situated on a city street with parked cars and pedestrians. The scene is overlaid with a semi-transparent white box containing the title and date.

# The Archer TIF Request

CITY COUNCIL

NOVEMBER 7, 2023

# TIF Assistance

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## **What is TIF?**

- Ability for a city to capture, and utilize, new property tax revenues received from a new development or redevelopment
  - Certain property taxes excluded: base, state, and MV-based referenda

## **Why utilize it?**

- Private (and public) financing faces market limitations
  - TIF can help solve for gaps in the project financing
- Creates a future revenue stream that can underwrite the project's financing or other up-front funding needs

# TIF Assistance - Financing Options

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## **Pay-as-you-go Note**

- Developer funds eligible expenses and is reimbursed over time, with interest, from defined tax increment revenues
  - Limits risk to public authority if term expires before note is retired

## **Other Forms - Municipal Bonds or Direct Loan**

- Authority issues bonds or provides a loan to fund eligible expenses
- Repayment comes from anticipated tax increment revenues
  - Higher Risk: recovery of city funds reliant on TIF repayment
    - Risk can be mitigated (but not eliminated) with developer guarantees

# Northfield TIF Districts

TIF District	Type	Estimated Decertification (12/31/ __)	Original Tax Capacity	Current Tax Capacity (Pay 2023)	Captured Tax Capacity (Pay 2023)	Financing Type
Presidential Commons	Housing	2026	\$15,315	\$150,948	\$135,633	GO Bonds
Hiley Neff	Housing	2028	\$3,108	\$24,543	\$21,435	GO Bonds
Riverfront	Redevelopment	2032	\$33,792	\$371,970	\$338,178	PAYGO Notes
Jefferson Square	Housing	2037	\$18,750	\$34,507	\$15,757	PAYGO Notes
Spring Creek	Housing	2040	\$330	\$27,364	\$27,034	PAYGO Notes
Aurora Pharmaceutical	Economic Development	2028	\$97,968	\$150,080	\$52,112	PAYGO Notes
Maple Brook	Housing	2046	\$259	\$58,560	\$58,301	PAYGO Notes
5th and Washington	Redevelopment	2047	\$7,315	\$136,146	\$128,831	PAYGO Notes
Spring Creek II	Housing	TBD	\$0	\$0	\$0	
Kraewood	Housing	TBD	\$0	\$0	\$0	
Heritage Lofts	Housing	TBD	\$0	\$0	\$0	

**Totals:**                      **176,837**                      **954,118**                      **777,281 (3.5% of City Total)**  
**Growth:**                      **540%**

# TIF Public Process

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- TIF District may be created within a new or established Municipal Development District
  - City of Northfield's Master Development District – coterminous with city boundaries
- Tax Increment Financing Plan prepared
  - Establishes purposes, boundaries and Revenue/Expenditure budget for the TIF District
- 30-day notification provided to County and School District
- Planning Commission consulted to review development within TIF Plan
- Public Hearing held by the City Council
  - TIF Plan adopted by resolution
  - Terms of assistance negotiated within TIF Assistance Agreement with developer

# TIF Process – Protecting Resources (“But For” Test)

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- Statutory Finding: The development would not be possible *but for* the use of tax increment
- Proposed development would not reasonably be expected to occur solely through private investment without assistance
- City reviews developer’s TIF application and financial information (pro forma)
  - Determine gap, if any
  - Identify costs qualifying for TIF assistance
  - Ensure project is maximizing private sources of funding
  - “Right-size” public assistance necessary for financial feasibility

# Project Overview – The Archer

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## **Redevelopment**

Manawa, LLC – Site and Building Owner

Rebound real Estate – Developer

### Mixed-Use Building

- 23 Units for Apartment living
- 19 Units for Suites/Extended Stay
- 8,200 SF of Commercial Space
- Request for Public Assistance (Tax Increment Financing)

# Background – The Archer

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## **2021 – Demolition and Development Agreement**

### Site of Archer House

- Closed November 2020 after building Fire
- Fire caused extensive damage; eventually declared a total loss

### Developer declared intent to pursue Redevelopment

- Council approved substandard building designation on December 7, 2021 (res. #2021-125)
  - Designated site for Future Redevelopment TIF District
  - Authorized demolition for public safety reasons in advance of TIF proceedings
    - Established a three-year window in which to establish the TIF District pursuant to City's application process and policies



# Project Overview – The Archer

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## Site Plan and Design Review

- Developer submitted September, 2023
- Staff development review
- Heritage Preservation Commission – Certificate of Appropriateness; **In Review**
- Zoning Board of Appeals – Two variances (Height and setback); **Approved**
- Planning Commission – CUP for underground parking; **PC Approval & Awaiting Council Approval**

## Project Highlights

- Preservation Design Guidelines
- Underground Parking
- Public Restrooms
- Riverfront Enhancement / Plaza
- Sustainable Building Policy

# Schedule of Events – Archer TIF

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## **Schedule for TIF Approval**

*December 7, 2021 – City approved substandard designation prior to building demolition*

*September 1, 2023 – TIF Application received; site plan approvals ongoing*

*October 6 – TIF Notice delivered to Rice County and Northfield Public Schools*

- *Draft TIF Plan circulated for review*

*October 19 – PC Reviews TIF Plan's project compliance w/ Comp Plan*

*October 23 – EDA Reviews project and request for TIF Assistance*

## **November 7 – City Council holds Public Hearing on TIF District**

- TIF Assistance Agreement to be drafted for Council Review

November 21 – City Council to consider approval of TIF District and TIF Assistance Agreement

Winter 2023/ Early 2024 – Project construction begins (tentatively)

# Site Location – The Archer

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- 0.56 acres
- C-1 B Zoning (Downtown)
- Current Assessed Value: \$289,700



# Project Renderings – The Archer

## Redevelopment



Current Design as of 11/1/2023  
HPC review ongoing, no COA as of 11/7/23

# Financial Analysis – The Archer

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## Project Budget

- \$19,000,000 total project cost (est. as of 11/2/2023)
  - \$11,000,000 financed by Senior Loan (58%)
    - Project's Net Operating Income provides minimal coverage on annual debt payments
  - \$4,564,000 from equity / subordinated debt (24%)
    - Project's annual cashflow delivers substantially below market return on equity
- \$3,436,000 GAP identified in project private sources (18%)

## Solving the Gap

- \$750,000 Main Street Grant
- \$2,686,000 Tax Increment Financing
  - Redevelopment TIF District (26-year maximum duration)
  - No up-front City of Northfield funding
  - Paygo TIF Note - payable only after project is financed, constructed and pays taxes

# TIF Assistance – The Archer

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## **Developer Requirements**

Developer finances and completes the Archer Redevelopment Project

Developer of the Archer must adhere to the following requirements in order to receive the City's Paygo TIF Note:

- Adhere to City's Sustainable Building Policy
- Adhere to Certificate of Appropriateness approved design
- Include Public Restrooms
- Public access to plaza space and corresponding riverfront enhancements
- Staff reviews final project costs after completion to certify the correct TIF reimbursement

# TIF Plan – Estimated Tax Increment

- Property owner in TIF District pays total property taxes just like any other similar mixed-use development
- Assessor's preliminary Estimated Market Value at Completion: \$9,747,800
  - 33.6x increase from current taxable value

PROPERTY TAXES: TIF ESTIMATES	
Total Property Taxes	276,435
less State-wide Taxes	(35,794)
less Market Value Taxes	(33,417)
less Base Value Taxes	(6,373)
Potential TIF Capture	200,852
less State Auditor Fee (0.36%)	(723)
Annual TIF Available	200,128

# TIF Plan – Budget Projection

- Establishes maximum revenue and expenditures eligible for use
- 26 –year projection provides capacity to fund requested TIF Note

## SOURCES

Tax Increment Available (26 years @1.5% inflation)	\$ 6,341,856
Interest Earnings	634,186
<b>TOTAL</b>	<b>\$ 6,976,042</b>

## POTENTIAL USES

Land/Building Acquisition or Demolition Costs	\$ 500,000
Site Improvements/Preparation	1,250,000
Utility Improvements	250,000
Other Qualifying Redevelopment	1,375,000
Administrative Costs	295,842
<b>POTENTIAL PROJECT COSTS TOTAL</b>	<b>\$ 3,670,842</b>
Potential Interest Costs	3,305,200
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$ 6,976,042</b>



# Public Hearing

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The City Council is asked to hold a public hearing on the establishment of the Archer TIF District and its Tax Increment Financing Plan

Next Steps: Staff negotiates TIF Assistance Agreement

Final TIF Assistance Agreement presented to City Council for formal approval

- Anticipated November 21, 2023