

CITY OF NORTHFIELD
COUNTIES OF DAKOTA AND RICE
STATE OF MINNESOTA

RESOLUTION NO. 2019-113

RESOLUTION APPROVING THE MODIFICATION OF THE
DEVELOPMENT PROGRAM FOR THE MASTER DEVELOPMENT
DISTRICT, ESTABLISHING A TAX INCREMENT FINANCING DISTRICT,
AND APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR,
AND AUTHORIZING THE EXECUTION OF A TIF ASSISTANCE
AGREEMENT (5TH AND WASHINGTON APARTMENTS PROJECT)

BE IT RESOLVED by the City Council (the “Council”) of the City of Northfield, Minnesota (the “City”), as follows:

Section 1. Recitals.

1.01. It has been proposed that the City modify the Development Program (the “Program Modification”) for the Master Development District (the “Development District”), establish the 5th and Washington Tax Increment Financing District (a redevelopment district) within the Development District (the “TIF District”), and adopt a Tax Increment Financing Plan therefor (the “TIF Plan”), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.124 through 469.133 and Sections 469.174 through 469.1794, as amended (the “TIF Act”). The Program Modification and the TIF Plan are all as set forth in, and incorporated into, that certain document entitled “Modification to the Development Program -Master Development District and the Tax Increment Financing Plan - Establishment of the 5th and Washington Tax Increment Financing District (a redevelopment district),” which have been presented for the Council’s consideration (collectively, the “Plan Documents”).

1.02. The City has performed all actions required by law to be performed prior to the establishment of TIF District and the approval and adoption of the Plan Documents, including without limitation, delivery of the Plan Documents to the Board of Rice County (the “County”) and the Board of Independent School District No. 659 (the “School District”), and the holding of a public hearing by the City thereon on date hereof following notice thereof published in the City’s official newspaper at least 10 but not more than 30 days prior to the public hearing.

1.03. Certain written reports and other documentation, information and material (collectively, the “Materials”) relating to the establishment of the TIF District and the approval and adoption of the Plan Documents and to the activities contemplated in the Development District have heretofore been prepared and submitted to the Council and/or made a part of the City files and proceedings on the TIF Plan. The Materials include (1) the “studies and analyses” on why the TIF District meets the requirements to be a redevelopment tax increment financing district, including a “Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District,” dated July 26, 2019, prepared by LHB, Inc., Minneapolis, Minnesota, (2) the tax increment application, project pro forma financial statement, project sources and uses and other information supplied by Rebound

Stencil Development, LLC, a Minnesota limited liability company (the “Developer”), as to the activities contemplated therein, information and/or substantiation constituting or relating to meets the so-called “but for” test; (3) the items listed in the TIF Plan under the heading “Supporting Documentation,” and information the TIF District; and (4) the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Materials, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.04. The TIF District is being established to facilitate a redevelopment project by the Developer consisting of the demolition of existing blighted buildings and construction of an approximately 100,000 square foot, four-story, 79-unit multifamily rental housing facility with related parking and infrastructure, to be located at the intersection of 5th and Washington Streets in downtown Northfield (collectively, the “Development”).

Section 2. Findings for the Adoption and Approval of the Plan Documents.

2.01. The Council hereby finds that: (a) the land within the Development District would not be available for redevelopment without the financial aid to be sought under the Program Modification; (b) the Program Modification will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Development District by private enterprise; and (c) the Program Modification conforms to the general plan for the development of the City as a whole , and otherwise promotes certain public purposes and accomplishes certain objectives as specified in the Development Program.

2.02. The Council hereby finds that the TIF District is in the public interest and is a redevelopment district, as defined in Minnesota Statutes, Section 469.174, Subdivision 10 for the following reasons:

The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10, a “redevelopment district” because it consists of a project or portions of a project within which the following conditions, reasonably distributed throughout the District, exist: (1) parcels consisting of at least 70% of the area of the TIF District are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and (2) more than 50% of the buildings located within the TIF District are deemed “structurally substandard” (within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10(b) and (c)) to a degree requiring substantial renovation or clearance.

The TIF District consists of 7 parcels and one right-of-way parcel with 2 buildings. Parcels consisting of 93% of the area of the TIF District are “occupied” as defined in Minnesota Statutes, Section 469.174, Subd. 10(e), in that at least 15% of the area of the parcels is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures. In addition, 100% of the buildings in the TIF District are structurally substandard to a degree requiring substantial renovation or clearance. In addition, the costs of bringing the structurally substandard buildings into compliance with building codes applicable to new buildings would exceed 15% of the cost of constructing new structures of the same size and type on the site.

The Materials, including without limitation the supporting facts for these determinations, is on file with the staff of the City. There have been no building permits issued or improvements made to the buildings since the date of the report.

2.03. The Council hereby makes the following additional findings:

(a) The Council further finds that the proposed Development, in the opinion of Council, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The specific basis for such finding being:

The property on which the proposed Development will occur would not be developed in the reasonably foreseeable future. The demolition and redevelopment costs are higher than for new development and the costs of the public infrastructure necessary to enable development in this area would make development infeasible. The developers of the Development have represented that they could not proceed with the Development without tax increment assistance. The Developer has provided the City its estimated Development proforma outlining project sources and uses as well as projected rent, vacancy and financing assumptions. City staff and the City's advisors reviewed the information and have determined the Development is not feasible without the proposed assistance due to anticipated rent levels and market returns not supporting the redevelopment costs. Based on the review, the City does not expect that a development of this type would occur in the reasonably foreseeable future but for the use of tax increment assistance.

(b) The Council further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the City as a whole. The specific basis for such finding being:

The TIF Plan will generally complement and serve to implement policies adopted in the City's comprehensive plan. The construction of the Development contemplated is or will be in substantial accordance with the existing zoning or any permitted exception for the property and is consistent with other uses in the area. The Planning Commission reviewed the Plan Documents and approved a resolution that affirms that the plans conform to the general development plan of the City.

(c) The Council further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the Development District by private enterprise. The specific basis for such finding being:

The Development proposed to occur within the TIF District will afford maximum opportunity for the development of the applicable parcels consistent with the needs of the City and the removal of blighted buildings will increase the potential for future redevelopment. The Development

will increase the taxable market valuation of the City. The Development will expand the number and type of available housing options in the City and help fulfill the need for such housing in the City.

(d) For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3(b)(2), the Council hereby finds that the increased market value of the property to be developed within 5th and Washington TIF District that could reasonably be expected to occur without the use of tax increment financing is \$0 (other than amounts due to inflation), which is less than the market value estimated to result from the proposed development (\$8,213,400 approximately), after subtracting the present value of the projected tax increments for the maximum duration of 5th and Washington TIF District (i.e., \$2,172,923 approximately), which is approximately \$6,040,477. In making these findings, the Council has noted that the property has been declining for several years and would likely continue to do so if tax increment financing were not available for redevelopment. Thus, the use of tax increment financing will be a positive net gain to the City, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

2.04. The City elects to retain all of the captured tax capacity to finance the costs of the TIF District and the Development District.

2.05. In accordance with Minnesota Statutes, Section 469.175, Subd. 1(b), the City elects to delay the receipt of the first increment until tax payable year 2022.

2.06. The provisions of this Section 2 are hereby incorporated by reference into and made a part of the TIF Plan and the findings set forth in Appendix C to the TIF Plan are hereby incorporated by reference into and made a part of this Resolution.

2.07. The Council further finds that the Plan Documents are intended and in the judgment of the Council its effect will be to promote the public purposes and accomplish the objectives specified therein.

2.08. The TIF District is hereby established and the Plan Documents, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the City Administrator. City staff shall, in writing, request the Rice County Auditor to certify the new TIF District and file the Plan Documents with the Commissioner of Revenue and the Office of the State Auditor.

Section 3. Interfund Loans.

3.01. The Council hereby approves a policy on interfund loans or advances (“Loans”) for the TIF District, as follows:

(a) The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses in an amount up to \$210,438, interest in an amount up to \$1,941,467 and other development costs in an amount up to \$2,267,283) payable from the TIF District, as its TIF Plan is originally adopted or may be amended, may need

to be financed on a short-term and/or long-term basis via one or more Loans, as may be determined by the City Finance Director from time to time.

(b) The Loans may be advanced if and as needed from available monies in the City's general fund or other City fund designated by the City Finance Director. Loans may be structured as draw-down or "line of credit" obligations of the lending fund(s).

(c) Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans may exceed \$4,419,188 outstanding at any time.

(d) All Loans shall mature not later than February 1, 2048 or such earlier date as the City Finance Director may specify in writing. All Loans may be pre-paid, in whole or in part, whether from tax increment revenue, tax increment revenue bond proceeds or other eligible sources.

(e) The outstanding and unpaid principal amount of each Loan shall bear interest at the rate prescribed by the statute (Minnesota Statutes, Section 469.178, Subdivision 7), which is the greater of the rates specified under Sections 270C.40 or 549.09 at the time a Loan, or any part of it, is first made, subject to the right of the City Finance Director to specify a lower rate (but not less than the City's then-current average investment return for similar amount and term).

(f) Such Loans within the above guidelines are pre-approved. The Loans need not take any particular form and may be undocumented, except that the City Finance Director shall specify the principal amount and interest rate and maintain all necessary or applicable data on the Loans.

Section 4. Approval of TIF Assistance Agreement.

4.01. The Developer has presented the City with a proposal for the construction of the Development by Developer, and there has been prepared and presented to the Council for its consideration a certain TIF Assistance Agreement (the "Agreement") between the City and the Developer, stating the Developer's responsibilities and the terms and conditions the City's assistance with the financing of certain costs of the Development.

4.02. The Council hereby approves the Agreement in substantially the form presented to the Council, together with any related documents necessary in connection therewith, including without limitation all documents, exhibits, certifications or consents referenced in or attached to the Agreement including without limitation the TIF Note as defined therein and a consent to a collateral assignment from the Developer to its construction lender, (collectively, the "Development Documents") and hereby authorizes the Mayor and Clerk, in their discretion and at such time, if any, as they may deem appropriate, to execute the same on behalf of the City, and to carry out, on behalf of the City, the City's obligations thereunder when all conditions precedent thereto have been satisfied.

4.03. The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and

approved by legal counsel to the City and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the City. The execution of any instrument by the appropriate officers of the City herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. This Resolution shall not constitute an offer and the Development Documents shall not be effective until the date of execution thereof as provided herein. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Council by any duly designated acting official, or by such other officer or officers of the Council as, in the opinion of the City Attorney, may act in their behalf.

4.04. Upon execution and delivery of the Development Documents, the officers and employees of the Council are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the Council to implement the Development Documents, including without limitation the issuance of a tax increment revenue obligation thereunder when all conditions precedent thereto have been satisfied and reserving funds for the payment thereof in the applicable tax increment accounts.

4.05. The Council hereby determines that the execution and performance of the Development Documents will help realize the public purposes of the Act.

Adopted this 1st day of October, 2019.

ATTEST

City Clerk

Mayor

VOTE: ___ POWNELL ___ GRABAU ___ DELONG ___ NAKASIAN
 ___ NESS ___ PETERSON WHITE ___ ZWEIFEL