



Maple Brook Housing TIF District

Nick Anhut – Senior Municipal Advisor

July 23, 2019



Public Hearing

City of Northfield – Creation of a New TIF District

- What is Tax Increment Financing?
- Housing TIF District – Maple Brook TIF District
- Tax Increment Plan
- But-For / Gap Analysis
- TIF Assistance Agreement



What is Tax Increment Financing?

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



What is Tax Increment Financing?

- TIF District approval by Council requires public hearing and adoption of a Tax Increment Financing Plan within a Development Program
 - Program and TIF Plan declare policy objectives and set budget for TIF revenues and expenditures
 - Fiscal Impact analysis sent to County and School District for comment
- Actual terms and use of TIF governed by a contract between City and Developer
 - “TIF Assistance Agreement”
- Why use TIF: Community Return on Investment
 - New development choices, infrastructure, tax base, jobs and/or livability



Housing TIF District

- City has four active Housing TIF Districts
 - Spring Creek (2040), Presidential Commons (2026), Jefferson Square (2037) and Hiley Neff (2028).
- Maximum term – 25 years after first TIF received
- Maple Brook Townhomes - 24-unit townhome development
 - 4x 6-unit buildings
 - Mix of 2 and 3 bedroom units
 - Affordable Housing Qualifications
 - Five units (>20%) restricted for occupancy at affordable levels
 - Rice County Income limits - \$42,950 for family of four



Housing TIF District – Maple Brook TIF





Tax Increment Plan

- Establishes the purpose, boundaries and term for the TIF District
 - Parcel ID 22.07.3.01.069
 - Maximum term – 2021 to 2046 if qualifications are met
- Sets Budget for TIF District
 - Assessor's estimated taxable value of \$2.5 million
 - TIF Plan's revenue estimate capacity supports financing up to \$545,530
 - Includes 1% inflator
 - Actual amount to be negotiated within TIF Assistance Agreement
- Form of Financing - Pay-As-You-Go TIF Note issued to Developer
 - Payable from 95% of annual TIF received semi-annually
 - Equates to \$35,001 based off of Assessors value estimate
 - 5% retained to offset City Administrative costs (\$1,842)



“But For” Test

- The development is only possible but for the use of tax increment assistance
 - Developer has stated the project will not proceed solely through private investment in the reasonably foreseeable future
- Formal finding included in TIF Resolution and TIF Plan



“But For” Test

- Verification of the Project’s Pro Forma
 - Project development costs and operating assumptions are reasonable for the market
 - Rental revenue provides below-market returns on cost
 - Affected by affordability restrictions and Maple Street costs
- TIF Need
 - Net operating income below mortgage coverage requirements
 - Requesting 95% of TIF for full term to supplement lending requirements for the project



TIF Assistance Agreement

- City Requirements
 - Create and administer TIF District; certify it with the County
 - Pay-as-you-go- TIF Note reimburses certain development costs
 - Risk placed on developer to fund and construct project; pay taxes
 - TIF Note issued after completion; no up front funding required
 - First TIF Note payment anticipated in 2021
 - Limited pledge only from 95% of TIF created by the development
- Developer Requirements
 - Develop site and prove up anticipated costs
 - Meet requirements of Development Agreement for Maple Street
 - Annual affordable housing compliance



Additional Considerations

TAX BREAKDOWN - City of Northfield - Existing Site							
Property Value	Tax Capacity	City Portion	County Portion	Misc Districts	School District	School Op Referendum	TOTAL
\$21,100	264	56.2160%	39.5240%	3.4460%	31.0960%	0.4419%	
		\$148	\$104	\$9	\$82	\$93	\$437

	TAX BREAKDOWN - City of Northfield - Maple Brook Development							
	Property Value	Tax Capacity	City Portion	County Portion	Misc Districts	School District	School Op Referendum	TOTAL
	\$2,500,000	28,646	56.2160%	39.5240%	3.4460%	31.0960%	0.4419%	
			\$16,104	\$11,322	\$987	\$8,908	\$11,047	\$48,368
Base Taxes	\$21,100	264	\$148	\$104	\$9	\$82	\$11,047	\$11,390
TIF	\$2,478,900	28,382	\$15,956	\$11,218	\$978	\$8,826	\$0	\$36,978

Represents: 118x growth in property value; 85x growth in local taxes at completion of TIF District



Additional Considerations - Alternatives

- Do not approve TIF
 - Townhome development does not occur in the near-term
 - Vacant site – existing property taxes remain (\$437)
- Approve TIF
 - TIF Assistance and Development Agreement presented July 23 for council approval
 - Developer executes land purchase and begins construction in 2019; Maple Street extension completed by 2020
 - 24 new housing units (five affordable) created by 2021
 - Existing base property taxes continue to flow to local jurisdictions
 - Plus \$10,954 potential new taxes supporting school operating referendum
 - Remaining increment captured within TIF District for the TIF Note