

CITY OF NORTHFIELD
COUNTY OF COUNTIES OF DAKOTA AND RICE
STATE OF MINNESOTA

RESOLUTION NO. 2019-074

RESOLUTION APPROVING THE MODIFICATION OF THE DEVELOPMENT PROGRAM
FOR SOUTHBRIDGE DEVELOPMENT DISTRICT,
ESTABLISHING A TAX INCREMENT FINANCING DISTRICT,
APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR, AND AUTHORIZING
THE EXECUTION OF A TIF ASSISTANCE AGREEMENT
(MAPLE BROOK TOWNHOMES 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 Southbridge Development District (the “Development District”), establish Maple Brook Tax Increment Financing District (a housing district) within the Development District (the “TIF District”) and adopt the related 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”), all as reflected in that certain document entitled “The Development Program for the Southbridge Development District”, and presented for the Council’s consideration.

1.02. The City has performed all actions required by law to be performed prior to the modification and approval of the Program Modification and the TIF Plan, including without limitation, delivery of the Program Modification and the TIF Plan 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, following notice thereof published in the City’s official newspaper at least 10 but not more than 30 days prior to the public hearing, which was opened on July 2, 2019 and continued to the date hereof.

1.03. Certain information and material (collectively, the “Materials”) relating to the TIF Plan and to the activities contemplated therein 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 the tax increment application, project pro forma financial statement, project sources and uses and other information supplied by Maple Brook, LLC, a Minnesota limited liability company (the “Developer”), as to the activities contemplated therein, the items listed in the TIF Plan under the heading “Supporting Documentation,” and information constituting or relating to (1) why the assistance satisfies the so-called “but for” test and (2) 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 the construction of an approximately 24-unit affordable multifamily rental housing development, and all related amenities and improvements, to be constructed, owned and operated by the Developer on property within the TIF District, together with associated infrastructure, including an extension of Maple Street in the City (the “Development”).

Section 2. Findings for the Adoption and Approval of the Program Modification and TIF Plan.

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 “housing district”, as defined in Minnesota Statutes, Section 469.174, Subdivision 11 for the following reasons:

The TIF District consists of a project or portions of a project intended for occupancy, in part, by persons or families of low and moderate income as defined in Chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, and any other similar present or future federal, state or municipal legislation, or the regulations promulgated under any of those acts. The Developer has represented that at least 20% of the units in the Development will be reserved for rental to persons whose annual income does not exceed 50% of applicable area median income and that no more than 20% of the square footage of buildings that receive assistance from tax increments will consist of commercial, retail or other nonresidential uses.

2.03. The Council hereby makes the following additional findings:

(a) The Council further finds that the proposed Development, in the opinion of the 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 proposed Development will result in the construction of low and moderate income housing units which would not otherwise be constructed in the reasonably foreseeable future. The rents for affordable housing projects do not provide a sufficient return on investment to stimulate new development. The Developer has represented that it 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 development 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 housing Development contemplated on the property is in accordance with the existing zoning or approved zoning variances for the property. The Planning Commission reviewed the Program Modification and the TIF Plan and approved Resolution 2019-001 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 TIF District by private enterprise. The specific basis for such finding being:

The Development proposed to occur within the TIF District is the construction by private enterprise of primarily low and moderate income multi-family housing. The development will increase the taxable market valuation of the City. The available multi-family housing in the City will increase by approximately 24 rental units with the completion of the Development and help fulfill the need for such housing in the City.

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. 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.

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

2.07. The TIF District is hereby established and the Program Modification and TIF Plan, 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 Program Modification and TIF Plan 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 \$52,997, interest in an amount up to \$514,413 and other development costs in an amount up to \$545,530) 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 \$1,112,941 outstanding at any time.

(d) All Loans shall mature not later than February 1, 2047 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 23rd day of July, 2019.

ATTEST

City Clerk

Mayor

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