



The Archer

Development Agreement & TIF Request

CITY Council

November 12, 2024

TIF Assistance



- **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



- **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



| 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 Process – Protecting Resources (“But For” Test)



- 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



- 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
 - 8,554 SF of Commercial Space
 - Request for Public Assistance (Tax Increment Financing)

Background – The Archer



- **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



- **Site Plan and Design Review**

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

Project Overview – The Arche



- **Project Highlights**

- Preservation Design Guidelines
- Underground Parking
- Public Restrooms

- Riverfront restrooms (Open 8 am – 10 pm daily)
 - Two gender neutral bathrooms
 - One must be ADA compliant with an adult changing table. The adult changing table unit must adhere to the most recent legislation regarding dimension of the unit.
- Division St restrooms (Open from 8 am – 10 pm daily)
 - Three bathroom units (Men's restroom, women's restroom, family/gender neutral restroom)
 - Men's bathroom must have 1 stall, 1 urinal, and an infant changing table.
 - Women's bathroom must have 3 stalls and an infant changing table
 - Family/Gender neutral bathroom must have an adult changing table. The adult changing table unit must adhere to the most recent legislation regarding dimension of the unit.

- Riverfront Enhancement / Plaza
- Sustainable Building Policy

Schedule of Events – Archer TIF



- *December 7, 2021 – City approved substandard designation prior to building demolition*
- *September 1, 2023 – TIF Application received; site plan approvals ongoing*
- *October 6, 2023 – TIF Notice delivered to Rice County and Northfield Public Schools*
 - *Draft TIF Plan circulated for review*
- *October 19, 2023 – PC Reviews TIF Plan’s project compliance w/ Comp Plan*
- *October 23, 2023 – EDA Reviews project and request for TIF Assistance*
- **November 7, 2023 – City Council holds Public Hearing on TIF District**
 - TIF Assistance Agreement to be drafted for Council Review
- **November 12, 2024 – City Council to consider approval of TIF District and TIF Assistance Agreement and Development Agreement**
- **Early 2025 – Project construction begins (tentatively)**

Site Location – The Archer

- 0.56 acres
- C-1B Zoning (Downtown)
- Assessed Value: \$357,600



Financial Analysis – The Archer



- **Project Budget**

- \$20,719,723 total project cost (est. as of 10/31/2024)
 - \$11,000,000 financed by Senior Loan (53%)
 - Project's Net Operating Income provides minimal coverage on annual debt payments
 - \$4,519,723 from equity / subordinated debt (22%)
 - Project's annual cashflow delivers substantially below market return on equity
- \$5,200,000 GAP identified in project private sources (25%)

- **Solving the Gap**

- \$200,000 Main Street Grant
- \$3,015,000 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



- 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



- 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: \$11,396,193
 - 31.8x increase from current taxable value

| WHAT IS EXCLUDED FROM TIF? | |
|-----------------------------------|----------|
| Total Property Taxes | 310,746 |
| less State-wide Taxes | (38,060) |
| less Market Value Taxes | (39,537) |
| less Base Value Taxes | (7,747) |
| Potential TIF Capture | 225,402 |
| less State Auditor Fee (0.36%) | (811) |
| Annual TIF Available | 224,591 |

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 (26 years @ 0.5% inflation) | \$ | 6,232,401 |
| Interest Earnings | | 311,620 |
| TOTAL | \$ | 6,544,021 |

POTENTIAL USES

| | | |
|---|-----------|------------------|
| Land/Building Acquisition or Demolition | \$ | 500,000 |
| Site Improvements/Preparation | | 1,250,000 |
| Utility Improvements | | 250,000 |
| Other Qualifying Redevelopment Activities | | 1,561,889 |
| Administrative Costs | | 77,905 |
| POTENTIAL PROJECT COSTS TOTAL | \$ | 3,639,794 |
| Potential Interest Costs | | 2,904,227 |
| PROJECT AND INTEREST COSTS TOTAL | \$ | 6,544,021 |

Council Action



- Motion to approve Resolution for the Development Agreement
- Motion to approve Resolution for the TIF District and TIF Agreement