

CITY OF NORTHFIELD
COUNTIES OF DAKOTA AND RICE
STATE OF MINNESOTA

RESOLUTION NO. 2021-101

RESOLUTION APPROVING THE MODIFICATION OF THE DEVELOPMENT
PROGRAM FOR SOUTHBIDGE DEVELOPMENT DISTRICT,
ESTABLISHING A TAX INCREMENT FINANCING DISTRICT, AND
APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR
(KRAEWOOD HOUSING 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”) by expanding the Development District, establish the Kraewood 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”) and all as reflected in that certain document entitled “Modification to the Development Program (Southbridge Development District) and Tax Increment Financing (TIF) Plan: Establishment of Kraewood Tax Increment Financing District (a housing 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 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 held 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 Rebound / Stencil Development LLC, a Minnesota limited liability company (or an affiliate thereof, 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 100-unit mixed-income multifamily rental housing development and all related amenities and improvements, including outdoor open space with pollinator-friendly landscaping, an outdoor play area, and surface and underground parking, to be constructed, owned, and operated by the Developer, and associated infrastructure on property within the TIF District (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 40% of the units in the Development will be reserved for rental to persons whose annual income does not exceed 60% 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 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 on September 19, 2021 and approved a motion finding that the Program Modification and the TIF Plan conform to the general plans for development and redevelopment of the City as a whole.

(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 100 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 \$464,409, interest in an amount up to \$1,550,000 and other development costs in an amount up to \$3,094,095) 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 \$5,108,504 outstanding at any time.

(d) All Loans shall mature not later than February 1, 2050, 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.

Adopted this 2nd day of November, 2021.

ATTEST:

City Clerk

Mayor

VOTE: POWNELL GRABAU NAKASIAN NESS
 PETERSON WHITE REISTER ZUCCOLOTTO