

Three Rivers Community Action TIF Request

Nate Carlson, Economic Development Coordinator

June 1, 2021



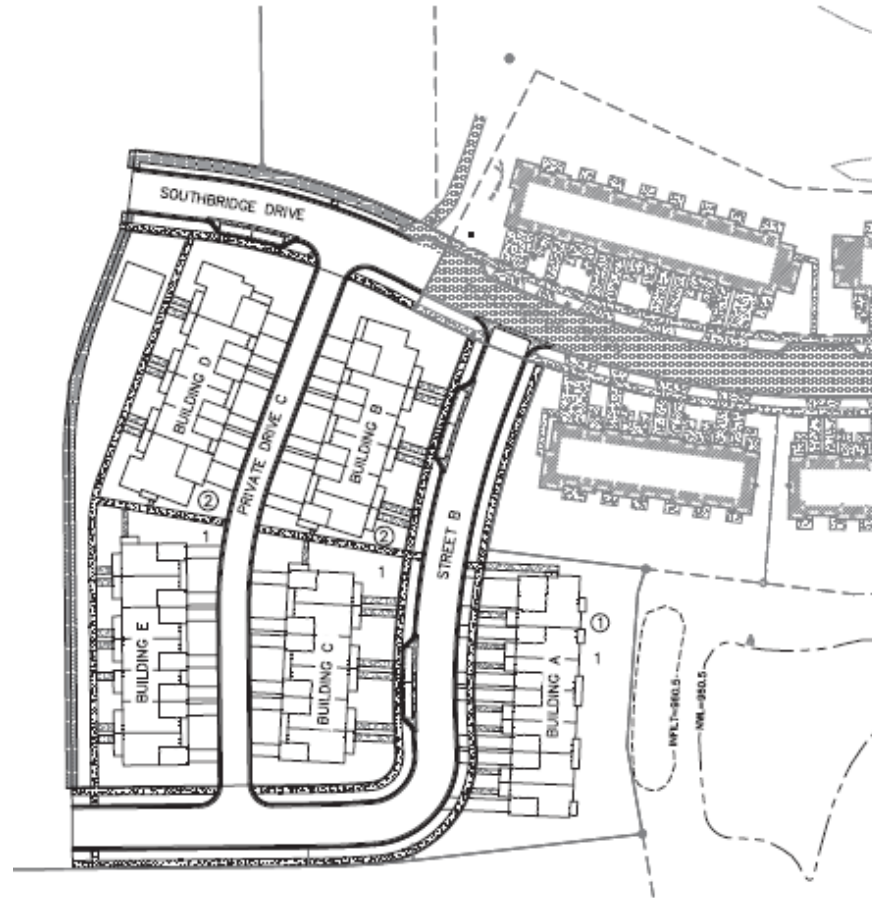
Project Overview

- Three Rivers Community Action – Housing Development
 - Southeast and South Central Minnesota housing developer specializing in affordable housing
 - Located in Zumbrota, MN
 - Completed projects in several different communities totaling over 700 units of housing
 - Including Spring Creek I townhomes constructed in 2013.
 - Housing Project Opportunity
 - Identified the demand for affordable housing in Northfield
 - Partnered with HRA and City on Spring Creek I townhomes – 28 units
 - Approached HRA regarding Spring Creek II project in 2018
 - Applied for Low-Income Housing Tax Credits (LIHTC) through State of MN
 - Received Tax credit allocation in Fall 2019
 - Housing Assistance(Tax Increment Financing)
 - Site Improvements
 - Requested 4.5 acres of property from HRA
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Site Location

- 4.5 Acres
- Southbridge Drive to be extended to service the project

SPRING CREEK TOWNHOMES II PRELIMINARY PLAT NORTHFIELD, MINNESOTA



LOCATION MAP



SHEET INDEX	
0.1	COVER SHEET
0.2	LEGEND SHEET
1.1	EXISTING CONDITIONS PLAN
2.1	PRELIMINARY PLAT
3.1	PRELIMINARY SITE PLAN
4.1	PRELIMINARY REMOVAL PLAN
5.1-5.2	PRELIMINARY SANITARY & WATERMAIN PLAN
6.1-6.2	PRELIMINARY STORM SEWER PLAN
7.1-7.2	PRELIMINARY STREET PLAN
8.1	PRELIMINARY GRADING PLAN
9.1	PRELIMINARY EROSION CONTROL PLAN
10.1	PRELIMINARY CORRECTION PLAN
11.1-11.3	PRELIMINARY GRADING DETAILS

L1. PRELIMINARY LANDSCAPE PLAN

Type of Housing


- Affordable Housing
 - 32 townhome units to be constructed
 - 8 – two bedroom units; 22 – three bedroom units; 2 – four bedroom units
 - Renters – 24 families will be at or below 60% AMI; 8 families will be at or below 30% AMI
 - Employment income for households of 60% AMI – Between \$15 and \$20 per hour
 - 4 units will be designated for CAC use
 - 4 units will be designated housing for people with developmental disabilities



Project Examples



Business Subsidy/Tax Increment Financing

- Project need for assistance
 - For project to occur in Northfield, major site improvements are required
 - Significant costs related to road construction, site preparation and foundation
 - \$13.9 million project
 - Tax Increment Financing
 - Housing District (25-year duration)
 - Capture increment for affordable housing projects (i.e. income limits per statute)
 - Current request set up for a “Pay-as-you-go;” no up-front financing requested, TIF reimburses gap expenditures over the duration of the TIF District
 - TIF Note \$706,000
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Spring Creek II TIF District

Nick Anhut – Senior Municipal Advisor

June 1, 2021



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
 - ✓ Taxes derived from a school operating referendum are not captured
- Authorized by Minnesota Statutes 469.174 to 469.1794 (“TIF Act”)
- Used to encourage certain types of development or redevelopment that would not reasonably occur without assistance (“But For” test)
 - ✓ Example: Construction of Affordable Housing
- Subject to annual reporting to the Office of State Auditor



Spring Creek II Housing TIF District

- Maximum term – 25 years after first TIF revenue received
 - ✓ First increment scheduled for 2023
- Affordable Housing Qualifications:
 - ✓ Must maintain affordable housing income restrictions
 - ✓ At least 13 units (>40%) restricted for occupancy at affordable levels
 - ✓ 100% of units will meet qualifications
- Budget: anticipated TIF revenue supports up to \$795,368 of affordable housing assistance



What is Tax Increment Financing?

- TIF District approval 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 (City approved July 21, 2020)
- Terms and use of TIF governed by a contract with a Developer
 - ✓ “TIF Assistance Agreement”
 - ✓ Sets city expectations for project development, amounts / types of public assistance, etc.



Findings: “But For” Analysis

- 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
 - ✓ Also Northfield HRA, Federal Tax Credits and MN Housing Finance Agency support
- Revised Project Pro Forma
 - ✓ \$13,925,739 Project development costs
 - ✓ \$11,616,989 of committed sources – tax credit equity and others
 - ✓ \$2,308,000 mortgage need - TIF Paygo Note secures amount



Considerations

- Resolution to approve TIF Assistance Agreement
 - ✓ Agreement drafted from City's TIF Counsel at Kennedy & Graven
 - Ehlers reviewed and recommends approval
 - ✓ \$706,000 PAYGO TIF Note to reimburse housing development costs
 - Risk placed on developer to fund and construct project; pay taxes
 - Payments limited to only 90% of TIF actually received – no other City funds
 - Developer required to meet requirements of City's development agreement and annual affordable housing compliance
 - ✓ End State: 32 new units of affordable housing delivered