



Legislation Text

File #: Res. 2017-121, **Version:** 1

City Council Meeting Date: December 12, 2017

To: Mayor and City Council
City Administrator

From: Brenda Angelstad, Finance Director

Consider Resolution Authorizing an Interfund Loan for Advance of Certain Costs in Connection with Tax Increment Financing District 1-1 (Presidential Commons).

Action Requested:

The Northfield City Council adopts a resolution approving a \$15,000 loan to the Presidential Commons Tax Increment Financing (TIF) District from the TIF #4.

Summary Report:

Presidential Commons is a tax increment district created in 1999 between the HRA and Northfield WNS Inc. The project was for 84 townhomes, 75 of the units were to be made into affordable housing with income limits for the buyers. For several years the district has not produced enough revenue to cover its bond payments. According to State Statute, we are not allowed to let the cash balance of a TIF district go negative. To address this shortfall, the Council has approved loans from TIF #4 District to Presidential Commons District in prior years. In 2013, Council approved a loan of \$50,000 in 2014, a loan of \$50,000 in 2016, and a loan of \$15,000 in 2016. Another shortfall of approximately \$5,000 is expected in 2017. Staff is requesting a resolution to approve up to \$15,000 to cover the 2017 shortfall and also address an earlier \$6,000 draw against the loan that was not covered by an earlier resolution.

The annual revenue shortage situation for this Tax Increment District was addressed by the 2017 refunding of the bonds. The interest rate was lowered from 5.75% to 2.5% and the term extended 3 years to 2025 to better align revenues with expenses. This allows the district to fully make its payments going forward. The refunding addresses this shortfall issue for future years and will repay back the TIF #4 District, but still leaves 2017 with a shortfall. This \$15,000 interfund loan resolution from TIF #4 District to Presidential Commons District will address this shortfall in 2017. TIF # 4 District is the fund from which previous year loans have been made and it is able to take on this small of a dollar amount.

The Presidential Commons District is due for decertification in 2026.

Alternative Options:

Loan Presidential Commons money from another fund. This is not recommended at this time. Because it is a smaller amount, we would like to keep the loans to Presidential Commons from the same fund, which is TIF #4.

Financial Impacts:

Cash is not allowed to go negative in a TIF district. We must loan the Presidential Commons fund money to create a zero cash balance.

Tentative Timelines:

It is preferred by staff and our TIF consultant, Ehlers, that we take action on this before the end of the year.