



Legislation Text

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**City Council Meeting Date:** December 6, 2016

**To:** Mayor and City Council  
City Administrator

**From:** Melanie Lammers, Finance Director

Consider Presidential Commons TIF Loan

**Action Requested:**

The Northfield City Council consider adoption of the attached resolution approving a \$15,000 loan to the Presidential Commons 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. The district is not producing enough revenue to cover its bond payments. This has been going on for several years. According to State Statute, we are not allowed to let the cash balance of a TIF district go negative. In 2013, Council approved a loan of \$50,000 to the Presidential Commons District, from the TIF #4 District. Another \$50,000 loan was approved in 2014, also from the TIF #4 District. Currently, the district is expected to have around a \$10,000 - \$12,000 shortfall. The 2017 increment will also not be enough to pay the bonds, and we do not anticipate the district to be able to pay its debt without assistance for the next several years.

The bonds for Presidential Commons were refunded in 2007, and go through 2022. The interest rate on the current bonds is about 5.5%. The Presidential Commons District is due for decertification in 2026.

We need to fix the revenue shortage situation for this Tax Increment District. For the immediate future, staff will be requesting a \$15,000 loan from the TIF #4 district. This is where the current loaned money is from, and the TIF #4 District is able to take on this small of a dollar amount. For the long term, you will see information on this in January. The bonds for Presidential Commons are callable in Feb of 2017. If the interest rates stay close to where they are at, we anticipate being able to get a lower interest rate if we refund the bonds. We are looking at doing a private placement refunding, and extending the term of the bonds so the district is able to fully make its payments. At that time, we will also need to discuss the 2017 shortfall, and loan the Presidential Commons District the shortage for the 2017 bond payment. We anticipate a portion of the loan will be repaid from the district, and will bring forth some numbers in January when we have final numbers from the county and school district tax rates for 2017.

TIF districts have changed due to the problems we are seeing with the districts like Presidential Commons. There is a clause in the development agreement to collect shortfall from the developer, however, it is not easy to collect. The corporation is no longer in existence, and the owners of the corporation are no longer living in Northfield. We attempted to contact the developer in 2014, with no luck. Staff believes our best course of action is to restructure the bonds so the district is able to pay them in full, along with repayment of the current loans.

**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.