



Legislation Text

File #: HRA Res. 2017-004, **Version:** 1

DATE: August 10, 2017

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Consider Resolution Provide for the Sale of \$460,000 Taxable Obligation Tax Increment Refunding Bonds, Series 2017B.

SUMMARY AND ACTION REQUESTED:

Staff recommends Housing & Redevelopment Authority (HRA) approval of the attached Resolution providing \$460,000 Taxable General Obligation Tax Increment Refunding Bonds, Series 2017B.

BACKGROUND:

Presidential Commons is a tax increment finance (TIF) district created in 1999 between the HRA and Northfield WNS Inc. The project was for 84 townhomes, including 75 units targeted for affordable housing with income limits for the buyers. For several years, the district was not producing enough revenue to cover its bond payments. According to state statute, the City is not allowed to let the cash balance of a TIF district go negative.

In order to maintain a positive cash balance, the Northfield City Council approved a loan of \$50,000 from TIF District #4 to the Presidential Commons district in 2013. A second loan of \$50,000 was approved in 2014, followed by a third loan of \$15,000 in 2016. Both of these loans were from the existing fund balance in TIF District #4. The Northfield Finance Department does 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 approximately 5.5%. The Presidential Commons district is due for decertification in 2026.

The bonds for Presidential Commons became callable in February of 2017. If interest rates stay low, we anticipate being able to get a lower rate if we refund the bonds. We are looking at doing a refunding at the same time we issue bonds for our street project, 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 from the bond payment. We anticipate a portion of the loan will be repaid from the district. Enclosed is a preliminary estimate and will change based on the rate of the new bond issuance.

The City has changed the current and future TIF districts we use due to the problems we are seeing with the districts like Presidential Commons. While the Development Agreement included a clause allowing the City to collect shortfall from the developer, the corporation is no longer in existence, and the owners of the corporation are no longer living in Northfield. City staff attempted to contact the developer in 2014 but was unsuccessful. Staff and financial consultants believe our best course of action is to restructure the bonds so the district is able

to pay them in full.

ALTERNATIVE OPTIONS:

Choose not to refinance and continue to lend money to Presidential Commons to cover the shortfall. This money can be part of the tax levy proposed 2017/payable 2018. Additionally, we may be able to loan general fund dollars. Staff does not recommend this option.

FINANCIAL IMPACT:

TIF #4 district has loaned Presidential Commons \$115,000 up to this point. If we refinance the bonds to lower payments and stretch it out a few years, Presidential Commons will be able to start paying back district #4 in 2018, and its anticipated the full \$115,000 plus interest will be repaid to TIF #4.

Tentative Timelines:

August 8, 2017 - Council Consideration of Resolution Awarding of Bonds

RECOMMENDATION:

The recommendation of Staff and the Northfield Chief Financial Officer - HRA Consideration of Resolution Awarding Bonds.