



## Legislation Text

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**File #:** Res. 2020-051, **Version:** 1

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**City Council Meeting Date:** June 2, 2020

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

**From:** Nate Carlson, Economic Development Coordinator

Consider Calling for a Public Hearing on Residential Tax Increment Financing incentive for Spring Creek II Affordable Housing Project.

**Action Requested:**

The Northfield City Council consider approving the attached resolution calling for a public hearing on the Residential Tax Increment Financing request for the Spring Creek II affordable housing project to be held on July 21, 2020. Staff is providing advance information only at this meeting. The public hearing and future regular meeting item will be an opportunity for the public comment, questions, and council deliberation on the issue.

**Summary Report:**

Three Rivers Community Action, Incorporated is requesting Tax Increment Financing (TIF) incentives from the City of Northfield to assist with a major planned housing development. The project has the potential to increase affordable housing options in Northfield by implementing the second phase of the Spring Creek Townhome development. The developer, Three Rivers, has worked with the HRA over the past few years to secure Low-Income Housing Tax Credits for the Spring Creek II project. The HRA will be contributing land to the development. The developer received confirmation last fall that their project was chosen for these tax credits.

The City Council and HRA approved resolutions of support for this project and the use of TIF in Spring 2018. The HRA and Council resolutions are attached for review.

The developer recognized that the City Council would also play a part in establishing this affordable housing project using Tax Increment Financing. As such, the developer has submitted an application for a Housing Development TIF District. The proposed “pay-as-you-go” TIF District requires the developer to pay all development costs with their own funds. The “pay as you go” reference is in relation to the owner taking on the full risk of future TIF increment payments annually to repay eligible up-front development costs. As the net tax capacity of the district increases, the increase in property taxes paid by the developer (tax increment) can be used to reimburse the developer for eligible costs such as land acquisition, site preparation, and public infrastructure.

Three Rivers has proposed an \$11.1 million townhome project that will add 32 units to the Spring Creek development. The development is intended to be an expansion of the 2013 Spring Creek townhome project.

Staff determined that a Housing Development Tax Increment Finance District would facilitate the needs of this project and has been working with Ehlers, Inc. to review the TIF application. Nick Anhut, a public sector advisor from Ehlers, will provide an initial analysis of the TIF request and determine if the housing project could create more than sufficient tax increment over the statutory maximum 26-year term of a Housing Development TIF District. Additionally, the developer is amenable to abiding by the regulations of a Housing District.

The HRA Board will meet on Tuesday, June 23 to review the TIF request. The HRA Board will provide a recommendation to City Council.

**Alternative Options:**

N/A

**Financial Impacts:**

- TIF Amount Requested: 26 years of TIF (Amount to be determined)
- Type of TIF District: Housing Development District (26-year Maximum District Life)
- TIF Uses: Site improvements, construction and engineering and assistance with annual cash shortfall
- TIF Funding Structure: “Pay-as-you-go.” The Developer will incur all upfront costs and be reimbursed over time.

**Tentative Timelines:**

June 5 - Rice County and Northfield School District notified of draft TIF Plan

June 18 - Planning Commission reviews TIF conformance with City Plan

June 23 - HRA provides recommendation to Council

July 8 - Publication of notice of public hearing for Business Subsidy

July 21 - Council holds public hearing on Business Subsidy/TIF

July 21 - Council consideration of Resolution approving TIF District and Business Subsidy Agreement