



Legislation Text

File #: Res. 2017-059, **Version:** 1

City Council Meeting Date: July 18, 2017

To: Mayor and City Council
City Administrator

From: Brenda Angelstad, Finance Director

Consider Resolution Providing for the Sale of \$970,000 General Obligation Improvement Bonds, Series 2017A, and \$460,000 Taxable General Obligation Tax Increment Refunding Bonds, Series 2017B.

Action Requested:

The Northfield City Council considers the attached Resolution providing for the Sale of \$970,000 General Obligation Improvement Bonds, Series 2017A, and \$460,000 Taxable General Obligation Tax Increment Refunding Bonds, Series 2017B.

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 is not producing 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. 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 TIF #4 district, and a third loan in the amount of \$15,000 was approved in 2016, again from the TIF #4 district. 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 approximately 5.5%. The Presidential Commons district is due for decertification in 2026.

The bonds for Presidential Commons are callable in Feb 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. Note this will change and is only a work document we are using to anticipate the final numbers. 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. There is a clause in the development

agreement to collect shortfall from the developer, however, this is not easy to collect as the corporation is no longer in existence, and the owners of the corporation are no longer living in Northfield. We attempted, but were not able to contact the developer in 2014. We believe our best course of action is to restructure the bonds so the district is able to pay them in full.

Nick Anhut with Ehlers will be in attendance at the meeting to present the background documents and recommendations.

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 Impacts:

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 it's 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