



Legislation Text

File #: Res. 2021-058, **Version:** 1

City Council Meeting Date: June 15, 2021

To: Mayor and City Council
City Administrator

From: Nate Carlson, Economic Development Coordinator

Consider Resolution approving Tax Increment Financing Agreement for Spring Creek II Townhomes.

Action Requested:

The Northfield City Council approves the Resolution for the Tax Increment Financing Agreement.

Summary Report:

Three Rivers Community Action, Incorporated has requested 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 has offered to contribute land to the development. The developer received confirmation in 2019 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 Council approved the creation of a TIF District for Spring Creek II on July 21, 2020.

The HRA acknowledged that a major contribution to this project could be a contribution of 4.5 acres of HRA owned land. The HRA approved the land contribution in the previous resolution of support.

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 a \$13.9 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.

In order to proceed with the development project, the City shall approve the TIF Assistance Agreement to provide tax increment financing assistance to the Spring Creek II townhome project.

Alternative Options:

N/A

Financial Impacts:

“Pay-as-you-go” TIF note for \$706,000 to assist the Spring Creek II townhome project

Tentative Timelines:

- Early summer 2021 - Finalize financing package
- Mid-summer 2021 - Close on project
- Mid-summer 2021 - Break ground on project
- Spring 2022 - Complete project