

4d. Consideration of Adopting Resolution No. 2022-12 Modifying TIF District No. 1-22 for Parcel Removals Related to a Proposed new Redevelopment TIF District in Block 52 (JT)

A. REFERENCE AND BACKGROUND:

The EDA is being asked to adopt Resolution No. 2022-12 approving the removal of parcels from Tax Increment Financing District No. 1-22 within Central Monticello Redevelopment Project No. 1 for administrative purposes.

The removal of the parcels is required to allow the proposed establishment of Redevelopment TIF District 1-45 in Block 52 in support of Deephaven Development's vertical mixed use development proposal. Land parcels cannot be in more than one TIF District. The three parcels identified in the Resolution were originally included in TIF District 1-22 many years ago when the TIF District was formed as a Redevelopment District. It is reasonable to assume that there may have been a redevelopment proposal involving those three parcels or as part of a larger downtown redevelopment which ultimately never came to fruition.

The three land parcels to be removed from TIF District 1-22 are:

155-010-052010
155-010-052060
155-010-052110

It has been confirmed that no other parcel included within the proposed redevelopment area are currently within TIF 1-22.

The following are the related impacts to TIF District 1-22.

- The only modification proposed to TIF 1-22 is elimination of parcels from the district.
- The modification to the boundaries of TIF1- 22 will not change the classification of the district. TIF 1-22 will remain classified as a redevelopment district. The findings related to classification of the district contained in the original TIF Plan can be reaffirmed with the elimination of the 3 parcels.
 - At the time of establishment of TIF 1-22 (TIF Plan, adopted March 10, 1997), the city concluded that more than 70% of the area in the district was occupied by buildings, streets, utilities, or other improvements and more than 50% of the buildings, not including outbuildings, were structurally substandard to a degree requiring substantial renovation or clearance.
- The anticipated decertification date of TIF 1-22 is December 31, 2023. The decertification is anticipated to occur one year earlier than the required decertification date of December 31, 2024. The final maturity date of the one remaining obligation (pay-go TIF note) payable from tax increment from TIF 1-22 is February 1, 2023.

- There is a slight possibility that due to proposed legislation related to the TIF statute, which if passed and signed into law, would require TIF 1-22 to be decertified at the end of 2022 rather than 2023. Staff will continue to monitor this legislation and take appropriate action.

A1. Staff Impact: There is a moderate staff impact in presenting the Resolution to the EDA modifying TIF District No. 1-22 removing parcels from the District. Staff involved in the tasks related to this effort included the EDA attorney, the Northland Securities financial advisor, Community Development Director, the City Finance Director, and the Economic Development Manager. No additional staff are needed to complete this process.

A2. Budget Impact: There is modest budgetary impact related to EDA consideration of adopting the resolution removing parcels from TIF District No. 1-22. The EDA attorney legal fees are estimated to be in a range of \$450 to \$550 for the tasks related to this effort. The Northland Securities charges are included in the service contract fee total (\$10,535/February 23, 2022) related to establishing TIF District No. 1-45.

B. ALTERNATIVE ACTIONS:

1. Motion to adopt Resolution No. 2022-12 removing parcels from TIF District No. 1-22 within Central Monticello Redevelopment Project No. 1 in Block 52 for administrative purposes related establishing a new Redevelopment TIF District in support Deephaven Development's proposed vertical mixed use development proposal.
2. Motion to table adoption of Resolution No. 2022-12 for further research and/or discussion.

C. STAFF RECOMMENDATION:

Staff recommends approval of Resolution No. 2022-12 removing parcels from TIF District No. 1-22. This is a required action prior to the EDA's upcoming consideration of approving establishment of Redevelopment TIF District No. 1-45 in support of Deephaven Development's vertical mixed use residential-commercial development proposal in Block 52.

D. SUPPORTING DATA:

- A. Resolution No. 2022-12 Removing Parcels from TIF District No. 1-22
- B. TIF Model-Run - Duffy 59-Unit MF Proposal

CITY OF MONTICELLO ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. 2022-12

**RESOLUTION APPROVING A MODIFICATION TO THE TAX
INCREMENT FINANCING PLAN FOR TAX INCREMENT
FINANCING DISTRICT NO. 1-22**

WHEREAS, the City of Monticello (the “City”) and the Housing and Redevelopment Authority in and for the City of Monticello (the “HRA”) previously established the Central Monticello Redevelopment Project Area No. 1 (the “Redevelopment Project”) pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended (the “HRA Act”); and

WHEREAS, on March 10, 1997, the City and the HRA approved a Tax Increment Financing Plan (the “TIF Plan”) for Tax Increment Financing District No. 1-22 (the “TIF District”) located within the Redevelopment Project, pursuant to the HRA Act and Minnesota Statutes, Sections 469.174 to 469.1794, as amended (collectively, the “Act”); and

WHEREAS, administration of the TIF District was subsequently transferred to the City of Monticello Economic Development Authority (the “Authority”); and

WHEREAS, the following properties, by property identification number, were included in the TIF District:

155-010-052010

155-010-052060

155-010-052110

WHEREAS, the Authority desires by this resolution to approve a modification to the TIF Plan (the “Modification”) to remove the above-described parcels (the “Removed Parcels”) from the TIF District, thereby reducing the size of the TIF District; and

WHEREAS, because the current net tax capacity of the Removed Parcels equals or exceeds the net tax capacity of Removed Parcels in the TIF District’s original net tax capacity, the Modification does not require notice, discussion, a public hearing, or original plan approval findings pursuant to Section 469.175, subd. 4(e)(2)(A) of the Act; and

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Authority that the Modification is hereby approved. Authority staff is authorized and directed to notify the Wright County auditor of the reduction of the size of the TIF District pursuant to Section 469.175, subd. 4(e) of the Act.

Approved by the Board of Commissioners of the City of Monticello Economic Development Authority this 8th of June, 2022.

President

Attest:

Secretary

City of Monticello
Tax Increment Financing District No. 1-42 (Housing)
Duffy Development
Projected Tax Increment Cash Flow
Apartment Building, 59 Units

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV) ^{1, 8}	Net Tax Capacity	Less Original Net Tax Capacity ⁴	Captured Net Tax Capacity ³	Original Tax Rate ²	Available TIF	Present Value of Available TIF ⁵	TIF Retained by City	PV of TIF to City ⁵	TIF to Developer	PV of Net Available TIF ^{5, 7}
1	2024	11,800,000	80,830	(18,219)	62,611	95.95%	59,859	55,669	5,986	5,567	53,873	50,102
2	2025	11,859,000	80,849	(18,219)	62,630	95.95%	59,877	109,193	5,988	10,919	53,889	98,273
3	2026	11,918,295	80,868	(18,219)	62,650	95.95%	59,896	160,654	5,990	16,065	53,906	144,589
4	2027	11,977,886	80,888	(18,219)	62,669	95.95%	59,914	210,132	5,991	21,013	53,922	189,119
5	2028	12,037,776	80,907	(18,219)	62,688	95.95%	59,932	257,704	5,993	25,770	53,939	231,933
6	2029	12,097,965	80,927	(18,219)	62,708	95.95%	59,951	303,442	5,995	30,344	53,956	273,098
7	2030	12,158,455	80,946	(18,219)	62,728	95.95%	59,970	347,419	5,997	34,742	53,973	312,677
8	2031	12,219,247	80,966	(18,219)	62,747	95.95%	59,988	389,701	5,999	38,970	53,989	350,731
9	2032	12,280,343	80,986	(18,219)	62,767	95.95%	60,008	430,354	6,001	43,035	54,007	387,318
10	2033	12,341,745	81,006	(18,219)	62,787	95.95%	60,027	469,441	6,003	46,944	54,024	422,497
11	2034	12,403,454	81,026	(18,219)	62,807	95.95%	60,046	507,022	6,005	50,702	54,041	456,320
12	2035	12,465,471	81,046	(18,219)	62,827	95.95%	60,065	543,155	6,006	54,316	54,058	488,839
13	2036	12,527,798	81,067	(18,219)	62,848	95.95%	60,085	577,896	6,008	57,790	54,076	520,107
14	2037	12,590,437	81,087	(18,219)	62,868	95.95%	60,104	611,299	6,010	61,130	54,093	550,169
15	2038	12,653,389	81,107	(18,219)	62,888	95.95%	60,124	643,416	6,012	64,342	54,111	579,074
16	2039	12,716,656	81,128	(18,219)	62,909	95.95%	60,144	674,296	6,014	67,430	54,129	606,866
17	2040	12,780,240	81,149	(18,219)	62,930	95.95%	60,163	703,985	6,016	70,399	54,146	633,587
18	2041	12,844,141	81,169	(18,219)	62,950	95.95%	60,183	732,532	6,018	73,253	54,164	659,279
19	2042	12,908,361	81,190	(18,219)	62,971	95.95%	60,202	759,979	6,020	75,998	54,182	683,981
20	2043	12,972,903	81,211	(18,219)	62,992	95.95%	60,222	786,369	6,022	78,637	54,200	707,732
21	2044	13,037,768	81,232	(18,219)	63,013	95.95%	60,243	811,743	6,024	81,174	54,219	730,569
22	2045	13,102,957	81,253	(18,219)	63,035	95.95%	60,263	836,140	6,026	83,614	54,237	752,526
23	2046	13,168,471	81,275	(18,219)	63,056	95.95%	60,283	859,597	6,028	85,960	54,255	773,637
24	2047	13,234,314	81,296	(18,219)	63,077	95.95%	60,304	882,151	6,030	88,215	54,274	793,936
25	2048	13,300,485	81,318	(18,219)	63,099	95.95%	60,325	903,837	6,033	90,384	54,293	813,453
26	2049	13,366,988	81,339	(18,219)	63,120	95.95%	60,345	924,688	6,034	92,469	54,310	832,219
TOTAL =							1,562,524	924,688	156,252	92,469	1,406,271	832,219

Key Assumptions for Cash Flow:

- 1 Taxable market value (TMV) annual growth assumption = 0.50%
- 2 Original Tax Rate estimated based on Taxes Payable Year 2021.
- 3 Election for captured tax capacity is 100.0%
- 4 Original Net Tax Capacity is calculated based on a TMV = \$2,429,184, NTC calculated for Apartment 4d classification.
- 5 Present value is calculated based on semi-annual payments, 4.0% rate, and date of 1/1/2023.
- 6 Present value amount of the net available TIF is equal to the estimated maximum developer costs to be reimbursed from TIF.
- 7 Available TIF is after deducting State Auditor Fee of 0.36%.
- 8 59 units apartment building all units rented to person at or below 50% AMI, rent restrictions assumed providing for 4d classification of all units.

