

4e. Consideration of Adopting Resolution #2022-13 approving a modification of TIF Plan budget for TIF District No. 1-42 to reflect updated land valuation per completed appraisal report 5 (JT)

A. REFERENCE AND BACKGROUND:

The EDA is asked to consider adopting Resolution #2022-13 approving a modification of the TIF Plan for TIF District No. 1-42 revising the sources and uses budget to reflect accurate land valuation as per a completed appraisal report.

The EDA is being asked to modify the TIF Plan for TIF District No. 1-42 to reflect the land valuation of \$180,697 as determined in a completed appraisal report. As you will recall, TIF 1-42 was recently established by the City Council as an Affordable Housing TIF District in support of Headwaters Development's multi-family senior (age 55 +) apartment proposal. The City Council held the public hearing and authorized establishing the TIF District on February 14, 2022. The EDA took similar action approving the TIF District at its meeting on February 23, 2022.

Headwaters Development has proposed its 102-unit apartment development at an EDA owned, 16.71-acre parcel along 7th Street West. To guide appropriate land sale discussions with Headwaters Development, the EDA attorney recommended that a land appraisal be completed. The EDA then contracted with a real estate appraiser, Nagell Appraisal, Incorporated, Plymouth, MN, to complete a valuation report. The vacant land appraisal report was finalized and provided to the EDA in late February 2022, too late to be used in the original TIF Plan approved by the City and the EDA.

The original TIF Plan budget used an estimate of the land value, \$384,760. Since the completed appraisal report contained a land value with a significant variance from the original estimate, a TIF Plan budget modification is required to present a more accurate summary of the sources and uses of funds. The budget modification does not alter the TIF Plan activities, increment projections nor impact the developer nor alter the proposed development in any manner. A summary of the proposed budget modification is included as Exhibit B. (Attachment 1).

To be clear, the EDA will be compensated for the full market value of the land. The total payment to the EDA will be \$180,697, plus interest at a rate of 3.0 percent for a portion of the total payment amount. The EDA acted recently adopting a plan to transfer pooled increment from existing Affordable Housing TIF Districts into TIF 1-42 and TIF 1-43 allowing an immediate reimbursement for a portion (approximately 82.47 percent) of the land from increment transferred into the TIF District.

A1. STAFF IMPACT: The staff workload related to processing the approval of the proposed TIF Plan budget modification is minimal. The EDA attorney and Northland Securities staff as

well as the Economic Development manager and Community Development Director have time allocated to the budget modification process.

A2. BUDGET IMPACT: The budget impact from the TIF Plan budget modification is modest. The incurred legal costs will be covered through the developer funded TIF Escrow account.

B. ALTERNATIVE ACTIONS:

1. Motion to adopt Resolution 2022-13 approving a modification of the TIF Plan for TIF District No. 1-42 revising the sources and uses budget to reflect accurate land valuation as per a completed appraisal report.
2. Motion to table consideration of Resolution #2022-13 for further research and/or discussion.

C. STAFF RECOMMENDATION:

City staff recommends adoption of Resolution 2022-13 approving the TIF Plan budget modification. The budget modification is required because the variance in the land valuation in the appraisal report versus the estimated amount in the original TIF Plan exceeded the allowed adjustment threshold. The TIF Plan budget modification is solely limited to the “sources and uses” component of the TIF Pan and does not impact the Plan activities nor the developer or its proposal in any other manner.

SUPPORTING DATA:

- a. Resolution No. 2022-13
- b. Attachment 1 – Sources and Uses of Funds Budget Modification TIF Plan 1-42
- c. Summary Budget Modification TIF District No. 1-42 and TIF District No.1-43

CITY OF MONTICELLO ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. 2022-13

**RESOLUTION APPROVING A MODIFICATION OF THE TAX
INCREMENT FINANCING PLAN FOR TAX INCREMENT
FINANCING DISTRICT NO. 1-42**

WHEREAS, on February 23, 2022, the City of Monticello Economic Development Authority (the “Authority”) approved a Tax Increment Financing Plan (the “TIF Plan”) for Tax Increment Financing District No. 1-42 (Headwaters Apartment Project) (the “TIF District”) located within the Central Monticello Redevelopment Project Area No. 1 (the “Redevelopment Project”), pursuant to Minnesota Statutes, Minnesota Statutes, Sections 469.001 to 469.047, Sections 469.090 to 469.1081, as amended, and Sections 469.174 to 469.1794, as amended (collectively, the “Act”), and on February 14, 2022, the City of Monticello, Minnesota (the “City”) approved the establishment of the TIF District; and

WHEREAS, the City and Authority have determined a need to modify the TIF Plan in order to amend the budget contained therein as reflected in that certain document provided in Exhibit A attached hereto and labeled “Modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-42 within the Central Monticello Redevelopment Project No. 1” (the “Amendment”); and

WHEREAS, the Amendment is consistent with the redevelopment plan for the Redevelopment Project; and

WHEREAS, pursuant to Section 469.175, subd. 4(b) of the Act, a tax increment financing plan may be modified without public hearing or the findings required to be made for the original tax increment financing plan if the modification does not include (i) any reduction or enlargement of the geographic area of the project or tax increment financing district; (ii) an increase in the amount of bonded indebtedness; (iii) a determination to capitalize interest on debt if that determination was not a part of the original plan; (iv) an increase in the portion of the captured net tax capacity to be retained by the City; (v) an increase in the estimated cost of the project, including administrative expenses, to be paid or financed with tax increment from the district; or (vi) the designation of additional property to be acquired by the authority; and

WHEREAS, the Amendment revises the budget for the TIF District to increase the amount budgeted for the construction of affordable housing and to decrease the amount budgeted for land acquisition but does not increase the total estimated cost of the project or the total amount of bonded indebtedness.

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the City of Monticello Economic Development Authority as follows:

1. The Amendment is hereby approved in substantially the form on file in City Hall and attached hereto as Exhibit A.
2. Upon approval of the Amendment by the City Council of the City, Authority staff is authorized to forward a copy of the TIF Plan as modified by the Amendment (the “Modified TIF Plan”) to the Department of Revenue and the State Auditor pursuant to Minnesota Statutes 469.175, subd.4(a).

3. The City Clerk is authorized and directed to forward a copy of the Modified TIF Plan to Wright County.

DATED: June 8, 2022

President

ATTEST:

Secretary

EXHIBIT A

ATTACHMENT 1

**MODIFICATION OF THE TAX INCREMENT FINANCING PLAN FOR TAX
INCREMENT FINANCING DISTRICT NO. 1-42 WITHIN THE CENTRAL
MONTICELLO REDEVELOPMENT PROJECT NO. 1**

I. Background

The Tax Increment Financing Plan for Tax Increment Financing District No. 1-42 (the “TIF District”) within Central Monticello Redevelopment Project No. 1 (the “Redevelopment Project”) was originally approved by the City of Monticello (the “City”) on February 14, 2022 (Resolution No. 2022-14), and by the Monticello Economic Development Authority (the “Authority”) on February 23, 2022 (Resolution No. 2022-03);

The City and the Authority have determined a need to modify the TIF Plan in order to amend the estimated sources and uses of funds;

Nothing in this modification is intended to modify or supersede or alter the activities described in the original Redevelopment Program for Central Monticello Redevelopment Project No. 1. The TIF Plan remains in full force and effect and is not modified except as described in this modification document.

II. TIF Plan Modification to TIF District No. 1-42

The following sections of the TIF Plan for TIF District No. 1-42 are modified as shown:

Subsection 2.04.3 Estimated Sources and Uses of Funds. **Replaced in its entirety to read as follows:**

The estimated sources of revenue, along with the estimated Public Development Costs of the TIF District, are itemized in Figure 2-1 that follows. Such costs are eligible for reimbursement from tax increments from the TIF District.

The City and Authority reserve the right to administratively adjust the amount of any of the Estimated Tax Increment Project Cost line items listed in Figure 2-1, so long as the total Estimated Tax Increment Project Costs amount, not including financing costs, is not increased.

Figure 2-1
Estimated Sources and Uses of Funds

	Total
Estimated Tax Increment Revenues	
Tax increment revenues distributed from the County	4,596,000
Interest and investment earnings	50,000
Sales/lease proceeds	-
Market value homestead credit	-
Total Estimated Tax Increment Revenues	4,646,000
 Estimated Project/Financing Costs (to be paid or financed with Tax Increment Revenues)	
Project costs	
Land/building acquisition	180,697
Site improvements/preparation costs	-
Utilities	-
Other public improvements	-
Construction of affordable housing	2,946,303
Administrative costs	100,000
Estimated Tax Increment Project Costs	3,227,000
Estimated financing costs	
Interest expense	1,419,000
Total Estimated Project/Financing Costs to be Paid from Tax Increment Revenues	4,646,000
 Estimated Financing	
Total amount of bonds to be issued	4,646,000

ATTACHMENT 1

MODIFICATION OF THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 1-42 WITHIN THE CENTRAL MONTICELLO REDEVELOPMENT PROJECT NO. 1

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**City of Monticello
TIF District 1-42 and TIF 1-43**

	Adopted TIF Plans			Proposed Modified TIF Plans			Comments
	TIF 1-42	TIF 1-43	Combined	TIF 1-42	TIF 1-43	Combined	
	Total	Total	Total	Total	Total	Total	
Estimated Tax Increment Revenues (from tax increment generated by the district)							
Tax increment revenues distributed from the County	4,596,000	5,733,000	10,329,000	4,596,000	5,733,000	10,329,000	
Interest and investment earnings	50,000	60,000	110,000	50,000	60,000	110,000	
Sales/lease proceeds	-	-	-	-	-	-	
Market value homestead credit	-	-	-	-	-	-	
Total Estimated Tax Increment Revenues	4,646,000	5,793,000	10,439,000	4,646,000	5,793,000	10,439,000	
Estimated Project/Financing Costs (to be paid or financed with tax increment)							
Project costs							
Land/building acquisition	384,760	1,680,670	2,065,430	180,697	789,303	970,000	EDA will be reimbursed for the land through an interfund loan based on the appraisal amount. TIF will not be used to reimburse payment of special assessments.
Site improvements/preparation costs	-	-	-	-	-	-	
Utilities	-	-	-	-	-	-	
Other public improvements	-	-	-	-	-	-	
Construction of affordable housing (by Headwaters)	2,742,240	1,808,330	4,550,570	1,263,531	1,590,087	2,853,619	Maximum par amount of TIF notes to Headwaters
Construction of affordable housing (available for other future projects)				1,682,772	1,109,610	2,792,381	Future / not obligated - this amount is the difference between the 26 year duration for the TIF Districts in the Plan and the use of TIF for the Land, TIF notes to Headwater, and admin costs
<i>Subtotal Construction of affordable housing</i>	<i>2,742,240</i>	<i>1,808,330</i>	<i>4,550,570</i>	<i>2,946,303</i>	<i>2,699,697</i>	<i>5,646,000</i>	EDA will use increment to cover adm costs
Administrative costs	100,000	100,000	200,000	100,000	100,000	200,000	
Estimated Tax Increment Project Costs	3,227,000	3,589,000	6,816,000	3,227,000	3,589,000	6,816,000	
Estimated financing costs							
Interest expense	1,419,000	2,204,000	3,623,000	1,419,000	2,204,000	3,623,000	Estimated interest payable to the EDA For interfund loans and to the TIF Notes to be issued to Headwaters. Actual amount may be less or greater depending on timing of issuance of obligations and actual amount of annual increment generated
Total Estimated Project/Financing Costs to be Paid from Tax Increment	4,646,000	5,793,000	10,439,000	4,646,000	5,793,000	10,439,000	
Estimated Financing							
Total amount of bonds to be issued	4,646,000	5,793,000	10,439,000	4,646,000	5,793,000	10,439,000	
Notes:							
Assessments paid by Headwaters - EDA will agree to increase reimbursement for construction of affordable housing				43,107	188,295	231,402	
Original preliminary offer of terms before Assessments for reimbursement of construction of affordable housing				1,220,424	1,401,792	2,622,217	
Total Combined				1,263,531	1,590,087	2,853,619	