

3. Consideration of Adopting Resolution No. 2022-26 approving a modification of TIF Plan Sources and Uses of Funds for TIF District No. 1-45 revising specific line items reflecting agreed upon developer and EDA increment distribution terms (JT)

A. REFERENCE AND BACKGROUND:

The EDA is being asked to modify the TIF Plan for TIF District No. 1-45 approving a modification revising the Sources and Uses of Funds component. The specific modification adjusts the “Land/building acquisition” line item and the “Site Improvements/preparation costs” line item. The modification is needed to align the Sources and Uses lines with the agreed upon increment amount (terms) in the recently approved (8-10-22) Purchase and Development Agreement. The Agreement terms provides a total of \$2,867,954 in increment payments to the developer for eligible site costs and \$1,351,617 to the EDA for the land costs, both of which are paid out from the new development increment over a 26-year period.

As you will recall, the TIF No. 1-45 Plan was approved by the EDA at its June 22, 2022, meeting and by the City Council at its June 27, 2022, meeting. The City Council will also have to adopt a resolution authorizing the proposed TIF Plan modification. Staff will present the TIF Plan modification to the City Council for consideration at the August 22, 2022, meeting. The modification step is the final TIF approval item that needs to be addressed prior to entering (signing) into the Purchase and Development Agreement with Deephaven Development. Once the modification step is completed, a land conveyance closing can take place (the initial steps preparing for a closing are already in motion). A land conveyance closing date may occur in late August or early September

Deephaven Development is eager to complete the conveyance closing and begin the structure demolition work tasks and excavation of the site for the underground parking garage. Completing those two key work components prior to the onset of winter conditions (late November-early December), is critical to the project remaining on an efficient schedule.

The proposed budget modification is the only change to the TIF Plan. The proposed modification does not alter the TIF Plan activities nor the proposed development in any manner. A summary of the proposed budget modification is included as Exhibit B. (Attachment 1).

It should be noted that with the modification, the EDA will receive approximately 91 percent of the current taxable market value of the site through the increment payments over the 26 years. It will receive the increment payments as principal with interest at a rate of 3.0 percent.

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 No. 2022-26 approving a modification of the TIF Plan for TIF District No. 1-45 revising the Sources and Uses of Funds budget.
2. Motion to table consideration of Resolution No. 2022-26 for further research and/or discussion.

C. STAFF RECOMMENDATION:

City staff recommends adoption of Resolution No. 2022-26 approving the TIF Plan budget modification. The budget modification is necessary to revise the Land/building acquisition budget line and Site improvements/preparation costs budget line reflecting the agreed upon increment distribution terms between the EDA and the developer. TIF Plan budget modification is solely limited to the Sources and Uses of Funds component of the TIF Plan and does not impact the Plan activities nor the development proposal in any other manner. This is the final TIF approval item remaining prior to the land conveyance step.

SUPPORTING DATA:

- a. Resolution No. 2022-26
- b. Attachment 1 – Sources and Uses of Funds Budget Modification TIF Plan 1-43

CITY OF MONTICELLO ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. NO. 2022-26

**RESOLUTION APPROVING A MODIFICATION OF THE TAX
INCREMENT FINANCING PLAN FOR TAX INCREMENT
FINANCING (REDEVELOPMENT) DISTRICT NO. 1-45**

WHEREAS, on June 22, 2022, the City of Monticello Economic Development Authority (the “Authority”) approved a Tax Increment Financing Plan (the “TIF Plan”) for Tax Increment Financing (Redevelopment) District No. 1-45 (Block 52) (the “TIF District”) located within the Central Monticello Redevelopment Project Area No. 1 (the “Redevelopment Project”), pursuant to Minnesota Statutes, Sections 469.001 to 469.047, 469.090 to 469.1081, and 469.174 to 469.1794, all as amended (collectively, the “Act”), and on June 27, 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 (Redevelopment) District No. 1-45 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 site improvements and preparation costs and to decrease the amount budgeted for land acquisition and administrative costs 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: August 18, 2022

President

ATTEST:

Secretary

EXHIBIT A

ATTACHMENT 1

MODIFICATION OF THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 1-45 WITHIN THE CENTRAL MONTICELLO REDEVELOPMENT PROJECT NO. 1

I. Background

The Tax Increment Financing Plan for Tax Increment Financing District No. 1-45 (the “TIF District”) within Central Monticello Redevelopment Project No. 1 (the “Redevelopment Project”) was originally approved by the City of Monticello (the “City”) on June 27, 2022 (Resolution No. 2022-64), and by the Monticello Economic Development Authority (the “Authority”) on June 22, 2022 (Resolution No. 2022-17);

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. 1-45

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	Modified Budget
Estimated Tax Increment Revenues (from tax increment generated by the district)		
Tax increment revenues distributed from the County	6,973,000	6,973,000
Interest and investment earnings	35,000	35,000
Sales/lease proceeds	-	-
Market value homestead credit	-	-
Total Estimated Tax Increment Revenues	7,008,000	7,008,000
Estimated Project/Financing Costs (to be paid or financed with tax increment)		
Project costs		
Land/building acquisition	1,484,100	1,351,617
Site improvements/preparation costs	2,621,758	2,867,954
Utilities	-	-
Other public improvements	-	-
Administrative costs	163,713	50,000
Estimated Tax Increment Project Costs	4,269,571	4,269,571
Estimated financing costs		
Interest expense	2,738,429	2,738,429
Total Estimated Project/Financing Costs to be Paid from Tax Increment	7,008,000	7,008,000
Estimated Financing		
Total amount of bonds to be issued	7,008,000	7,008,000

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