

2H. Consideration of adopting Resolution 2022-89 approving a modification of TIF Plan budget for TIF District No. 1-45 to reflect adjustments in developer and EDA increment distribution

<p>Prepared by: Economic Development Manager</p>	<p>Meeting Date: 08/22/2022</p>	<p><input checked="" type="checkbox"/> Consent Agenda Item <input type="checkbox"/> Regular Agenda Item</p>
<p>Reviewed by: Community Development Director, City Clerk</p>	<p>Approved by: City Administrator</p>	

ACTION REQUESTED

Motion to adopt Resolution 2022-89 approving a modification of the TIF Plan for TIF District No. 1-45 revising the Sources and Uses of Funds budget to reflect adjustments to the developer and EDA increment distribution.

REFERENCE AND BACKGROUND

The City Council is being asked to modify the TIF Plan for TIF District No. 1-45 to reflect the adjustments in the amount of increment being distributed to the developer and the EDA. The specific modification adjusts the “Land/building acquisition” line item and the “Site improvements/preparation costs” line item and is needed to align the Sources and Uses lines with the agreed upon increment amount (terms) included in the Purchase and Development Agreement recently approved by the EDA on August 10, 2022.

The agreement terms include 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. 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.

As a reminder, the TIF No. 1-45 Plan was approved by the City Council at its June 27, 2022, meeting. The modification step is the final TIF item for approval prior to the EDA entering into the Purchase and Development Agreement with Deephaven Development. A land conveyance closing date may occur in late August or early September pending the developer’s completion of the other necessary steps required for the closing.

The proposed budget modification is the only change to the TIF Plan. The 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).

- I. **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.
- II. **Staff Workload 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.
- III. **Comprehensive Plan Impact:** The Vision adopted as part of the Monticello 2040 Plan is to create a friendly and safe community which is inclusive and fosters a sense of belonging. The value statements call for a “Vibrant downtown that embraces the River and provides a focal point for the community.” It also notes as a value “A range of attainable housing options in terms of type, cost, and location.” Another value is “A diversified and strong local economy competitive at regional, state and national levels.” The Deephaven Development mixed-use redevelopment proposal checks the boxes for all these value statements.

STAFF RECOMMENDED ACTION

City staff recommends adoption of Resolution No. 2022-89 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. The 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. The budget modification is the final TIF approval item. Platting, City contract and title issues will require resolution prior to land conveyance.

SUPPORTING DATA

- A. Resolution No. 2022-89
- B. Attachment 1 – Sources and Uses of Funds Budget Modification TIF Plan 1-45

CITY OF MONTICELLO, MINNESOTA

RESOLUTION NO. 2022-89

**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; and

WHEREAS, on August 10, 2022, the Authority approved the Amendment.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Monticello, Minnesota as follows:

1. The Amendment is hereby approved in substantially the form on file in City Hall and attached hereto as Exhibit A.
2. 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 22, 2022

Mayor

ATTEST:

City Clerk

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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