

**4C. Consideration Adopting Resolution No. 2023-10 Authorizing an Interfund Loan for advance of certain costs in connection with a Tax Increment Financing District**

<b>Prepared by:</b> Economic Development Manager	<b>Meeting Date:</b> 09/13/2023	<input checked="" type="checkbox"/> <b>Regular Agenda Item</b> <input type="checkbox"/> <b>Consent Agenda Item</b>
<b>Reviewed by:</b> Community & Economic Development Coordinator	<b>Approved by:</b> Community Development Director	

**ACTION REQUESTED**

Motion to adopt Resolution 2023-10 approving an Interfund Loan for advance of certain costs related to EDA acquisition of real property located at 216 Pine Street in Block 34 in connection with a future Tax Increment Financing District.

**REFERENCE AND BACKGROUND**

The EDA is asked to consider adopting Resolution 2023-10 approving an interfund loan related to the purchase of 216 Pine Street. By adopting the interfund loan resolution, the EDA's immediate costs of acquiring 216 Pine Street and other related expenses connected to the purchase are considered a "loan or funding advance" and may be reimbursed through tax increments generated in a future Tax Increment Financing (TIF) District established in Block 34 to support redevelopment efforts. The total amount of the proposed interfund loan as noted in the Resolution is \$500,000. This would include the acquisition amount of \$465,000 plus closing costs and any potential environmental studies or property maintenance costs that may be needed to secure the property for an interim time frame leading up to the establishment of a new TIF District. If the interfund loan resolution is not authorized at this time, the EDA may jeopardize its ability to be reimbursed for property acquisition and related expenses from the future tax increments.

- I. **Budget Impact:** The immediate cost attributed to the EDA connected to the proposed interfund loan resolution is estimated to be about \$735 +/- which are related to EDA attorney services to draft the resolution. Long-term, the budget impact may be positive by equating the immediate \$470,000 +/- cost as being allocated as a future Block 34 redevelopment TIF District expenditure rather than an EDA general fund cost item.
- II. **Staff Workload Impact:** City staff workload related to the interfund loan resolution is modest. Staff involved in the interfund loan discussions include the City Administrator, Finance Director, Community Development Director, and Economic Development Manager. Consultants involved include Northland Securities staff and the EDA attorney.

**III. Comprehensive Plan Impact: N/A**

**STAFF RECOMMENDATION**

City staff recommends approval of Interfund Loan Resolution 2023-10. By approving the interfund loan resolution, the EDA preserves the potential to have its General Fund be reimbursed for land acquisition and related expenses incurred in connection with 216 Pine Street from possible future tax increment collections in a new TIF District. The 216 Pine Street property is located in Block 34 which is envisioned as a mixed-use commercial, residential redevelopment in the future.

**SUPPORTING DATA**

- EDA Resolution 2023-10

**CITY OF MONTICELLO  
ECONOMIC DEVELOPMENT AUTHORITY**

**RESOLUTION NO. 2023-10**

**AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF CERTAIN  
COSTS IN CONNECTION WITH A TAX INCREMENT FINANCING DISTRICT**

WHEREAS, the City of Monticello, Minnesota (the “City”) and the City of Monticello Economic Development Authority (the “Authority”) are considering establishing a tax increment financing district in the City (the “TIF District”), pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the “TIF Act”); and

WHEREAS, the City and the Authority may incur certain costs related to the TIF District which costs may be financed on a temporary basis from available City or Authority funds; and

WHEREAS, pursuant to Section 469.178, subdivision 7 of the TIF Act, the City and the Authority are authorized to advance or loan money from any fund from which such advances may be legally made in order to finance expenditures that are eligible to be paid with tax increments under the TIF Act; and

WHEREAS, in connection with the TIF District, the Authority intends to acquire certain property and existing structures thereon located in the City with an address of 216 Pine Street (the “Property”); and

WHEREAS, the City and the Authority have determined to pay for certain costs of the TIF District, including administrative costs related to the TIF District, the cost of acquiring the Property, and demolition costs on the Property, which costs may be financed on a temporary basis from any City or Authority funds available for such purposes (the “Cost Advances”); and

WHEREAS, the Authority hereby designates the Cost Advances as an interfund loan in accordance with the terms of this resolution and the TIF Act.

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

1. The Authority and the City will reimburse themselves for the Cost Advances including without limitation (i) administrative costs incurred prior to the establishment of the TIF District, subject to the limitations of the TIF Act, including but not limited to the preparation of a blight study, and (ii) certain costs incurred in connection with acquisition of the Property and any existing structures thereon, demolition and site preparation costs on the Property, all in an aggregate amount not to exceed the greater of \$500,000 or the adopted and, if applicable, Tax Increment Financing Plan budget for the TIF District (the “Interfund Loan”) together with interest at the rate stated below. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 and Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted. The interest rate shall be 5.0% and will not fluctuate.

2. Principal and interest (“Payments”) on the Interfund Loan shall be paid semiannually on each February 1 and August 1 (each a “Payment Date”), commencing on the first Payment Date on which

the City or the Authority has received Available Tax Increment (defined below), or on any other dates determined by the City Finance Director, through the date of last receipt of tax increment from the TIF District (the “Maturity Date”).

3. Payments on the Interfund Loan will be made solely from the tax increment from the TIF District received by the Authority or the City from Wright County in the 6-month period before any Payment Date, net of the amount paid under any agreement with a private developer or otherwise pledged to the payment of any obligation (the “Available Tax Increment”). Payments shall be applied first to accrued interest, and then to unpaid principal, unless otherwise specified by the City Finance Director. Interest accruing from the Loan Date will be compounded semiannually on February 1 and August 1 of each year and added to principal, unless otherwise specified by the City Finance Director. Payments on this Interfund Loan may be subordinated to any outstanding or future bonds, notes, or contracts secured in whole or in part with available tax increment and are on a parity with any other outstanding or future interfund loans secured in whole or in part with available tax increment.

4. The principal sum and all accrued interest payable under this resolution is pre-payable in whole or in part at any time by the Authority without premium or penalty.

5. This resolution is evidence of an internal borrowing by the Authority or the City in accordance with Section 469.178, subdivision 7 of the TIF Act, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. The Interfund Loan shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority or the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of Available Tax Increment and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Interfund Loan or other costs incident hereto. Neither the Authority nor the City shall have any obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the termination or expiration of the TIF District.

6. The Authority or the City, as applicable, may at any time decide to forgive the outstanding principal amount and accrued interest on the Interfund Loan, in whole or in part, on any date from time to time, to the extent permissible under law.

7. The Authority may from time to time amend the terms of this Resolution to the extent permitted by law, including without limitation amendment to the payment schedule and the interest rate; provided that the interest rate may not be increased above the maximum specified in Section 469.178, subd. 7 of the TIF Act.

Adopted by the Board of Commissioners of the City of Monticello Economic Development Authority this 13<sup>th</sup> day of September, 2023.

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President

ATTEST:

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Executive Director