



CITY OF RICHFIELD, MINNESOTA

MONDAY, OCTOBER 17, 2016

RICHFIELD MUNICIPAL CENTER
6700 PORTLAND AVENUE

REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING

COUNCIL CHAMBERS

7:00 P.M.

AGENDA

Call to order

1. Approval of the minutes of the Regular HRA Meeting of September 19, 2016
2. HRA approval of the agenda
3. Project update from Boisclair Development, LLC, regarding the Cedar Point II Housing Redevelopment area
4. Consideration of a resolution authorizing an interfund loan up to \$650,000 for Lyndale Gateway West Tax Increment District debt service payments

Staff Report No. 30

5. HRA discussion items
6. Executive Director report
7. Claims and payroll

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

September 19, 2016

CALL TO ORDER

Due to technical difficulties, the start of the meeting was delayed.

The meeting was called to order by Chair Supple at 7:05 p.m.

ATTENDANCE

HRA Members Present: Mary Supple, Chair; David Gepner; Pat Elliott; Debbie Goettel and

HRA Members Absent: Doris Rubenstein.

Staff Present:

John Stark, Acting Executive Director/Director of Community Development, Kate Aitchison, Housing Specialist/Acting City Clerk, Myrt Link, Community Development Accountant, Rebecca Kurtz, Senior Municipal Advisor, Ehlers.

Item #1

APPROVAL OF THE MINUTES OF THE REGULAR HRA MEETING OF AUGUST 15, 2016

M/Goettel, S/Elliott to approve the minutes.

Motion carried 4-0.

Item #2

HRA APPROVAL OF THE AGENDA

M/Elliott, S/Goettel to approve the agenda.

Motion carried 4-0.

Item #3

CONSIDERATION OF AN AMENDMENT TO A DEFERRED LOAN AGREEMENT AND MORTGAGE FOR 7408 10TH AVENUE

Community Development Director Stark presented Staff Report No. 28.

Commissioner Elliot asked about the qualifications that need to be met in order to be eligible for a Deferred Loan. Staff replied that the qualifications are based on income limits and the number of people in the household.

Commissioner Gepner asked for clarification on the details of the loans issued to the homeowner.

Commissioner Goettel pointed out that the amendment was needed to assist the household in a very trying period for their family.

Chair Supple responded that the amendment coincided with the intent of the program.

M/Elliott, S/Goettel to approve an Amendment to a Deferred Loan Agreement and Mortgage for 7408 10th Avenue.

Motion carried 4-0.

Item #4	CONSIDERATION OF THE RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY TAX INCREMENT DISTRICT STATUS UPDATE
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Community Development Director Stark asked Rebecca Kurtz of Ehlers and Associates present the TIF District Status Update.

Following the presentation, Community Development Director Stark stated that the City will be reprogramming some of the Housing and Redevelopment Fund money to move forward with potential acquisitions. Those actions will be brought to the HRA in the future.

Chair Supple asked for an update on the legislative action that was being proposed during the 2016 session that would have impacted a local TIF district. Community Development Director Stark answered that the an extension to the Cedar Corridor TIF District was requested as part of the 2016 Tax Bill. The 2016 Tax Bill was not passed. The goal of the request is to set the 25-year 'clock' on the district to begin once redevelopment has occurred.

M/Goettel, S/Elliott to accept the Richfield Housing and Redevelopment Authority Tax Increment District Status Update

Motion carried 4-0.

Item #5	HRA DISCUSSION ITEMS
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HRA Commissioner Goettel provided an update on the lawsuit against the Metropolitan Council. She stated that the regional HUD office is trying to mitigate the complaint without a lengthy lawsuit. Commissioner Goettel is serving on a task force that has requested a new analysis of the situation, and is hopeful that the results of this task force will provide a way forward.

HRA Chair Supple asked for an update on the redevelopment projects throughout the city.

Community Development Director Stark stated that the Mesaba/senior housing project at the former city garage site will be closing on the sale of the property soon, and they hope to begin construction in October.

Community Development Director Stark stated that the preliminary development agreement for the Cedar Point II housing project has expired, and that the developer is currently trying to make the project financially feasible. The developer is having a hard time during the

underwriting process, as the rents commanded in Richfield are not high enough given the lack of comparable products within the city-limits.

Community Development Director Stark stated that the Cedar Point South project is also working on financial feasibility, and is waiting for results of a grant that the city applied for to help with the costs of constructing the multi-modal trail on the site.

Commissioner Goettel asked for an update on the Trunk Hwy 77 Underpass. Community Development Director Stark stated that he had no update, but was informed that the Public Works Department was on schedule to acquire some of the properties in the area.

Commissioner Elliott stated his anger that Richfield is unable to command similar rents to what is underwritten in surrounding communities, given the quality amenities and access that Richfield can offer. Community Development Director Stark stated that the HRA may have the ability and desire to offer more financial assistance to make up for this short-sightedness, order to help create momentum for development in the community.

Item #6	EXECUTIVE DIRECTOR REPORT
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Community Development Director Stark mentioned the upcoming Renovation Celebration Home Tour and encouraged policymakers to keep it in mind as they are promoting community events.

Commissioner Goettel also mentioned that the recently completed Hennepin County Medical Center Clinic is having an open house on Friday, September 23rd, and that policymakers are invited to attend.

Item #7	CLAIMS AND PAYROLL
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M/Goettel, S/Elliott that the following claims and payroll be approved:

<u>U.S. BANK</u>	<u>9/19/2016</u>
Section 8 Checks: 127996 - 128089	\$ 171,280.50
HRA Checks: 32819 - 32849	\$ <u>34,477.66</u>
TOTAL	\$ 205,758.16

Motion carried 4-0.

ADJOURNMENT

The meeting was adjourned by unanimous consent at 7:53 p.m.

Date Approved: October 17, 2016

Mary B. Supple
HRA Chair

Kate Aitchison
Acting City Clerk

John Stark
Acting Executive Director



STAFF REPORT

HOUSING AND REDEVELOPMENT AUTHORITY MEETING OCTOBER 17, 2016

REPORT PREPARED BY:	MYRT LINK, COMMUNITY DEVELOPMENT ACCOUNTANT <i>NAME, TITLE</i>
REPORT PRESENTER:	JOHN STARK, COMMUNITY DEVELOPMENT DIRECTOR <i>NAME, TITLE</i>
DEPARTMENT DIRECTOR REVIEW:	<input checked="" type="checkbox"/>
REVIEWED BY EXECUTIVE DIRECTOR:	<input checked="" type="checkbox"/> <i>Signature: Steven J. David</i> <i>SIGNATURE</i>

ITEM FOR HRA CONSIDERATION:
Consideration of approval of an interfund loan for up to \$650,000 for Lyndale Gateway West Tax Increment District debt service payments.

I. RECOMMENDED ACTION:
By Motion: Approve a resolution authorizing an interfund loan up to \$650,000 for Lyndale Gateway West Tax Increment District debt service payments.

II. EXECUTIVE SUMMARY

The Lyndale Gateway West Tax Increment District was approved in 2002. This is a mixed-use redevelopment district that includes Chipotle, Potbelly, and Starbucks as well as housing.

Taxable General Obligation Bonds (Bonds) were issued by the City to help finance this project. Repayment of the Bonds was to be made with annual tax increment receipts.

As a combined result of the Recession that began in 2007 and the closure of the Lyndale Avenue bridge at I-494, market values of both the commercial space and the residential condominiums in the development declined sharply. The Assessed Market Value of the development prior to these events was over \$30 million, but the

value dropped to less than \$20 million after. While market values have been increasing over the past three years, the cumulative property taxes collected from the site have been lower than anticipated. As a result, the amount of tax increment generated has been much lower than projected. The Housing and Redevelopment Authority (HRA) will not have enough funds to make the debt service payments on the Bonds solely from increment starting in 2016 and continuing for approximately the next 11 years.

The shortfall in TIF available to pay the bonds in 2016 is estimated at approximately \$35,000 and approximately \$80,000 in 2017. The reason that the amount increases so dramatically from 2016 to 2017 is that there are still some TIF reserves available to be used this year.

When staff and our financial consultants (Ehlers and Associates) projects out the annual shortfall over the life of the bonds (which mature in 2025), the cumulative deficit is estimated to be approximately \$568,500. This estimate is based on a zero percent market value increase for all of the affected properties. If there are market value increases, as staff predicts will be the case, the amount of future and cumulative shortfalls will be less than this conservative projection.

Due to reporting requirements enforced by the Office of the State Auditor, the HRA must establish an interfund loan from an existing funding source to make the Bond payments in the interim. It is projected that the loan could be paid off from the increment generated in the four year period after the Bonds mature (in 2025), but before the TIF District is set to terminate (in 2029).

The funding source for the interfund loan will be the HRA General Fund. The amount authorized is in the amount not to exceed \$650,000 with an annual interest rate of 1.5%.

III. BASIS OF RECOMMENDATION

A. BACKGROUND

- The Lyndale West Gateway Tax Increment District was approved in 2002.
- On December 30, 2003 Taxable General Obligation Bonds Series 2003C in the amount of \$3,470,000 were issued.
- The 2003C Bonds were refunded and on September 6, 2012 Taxable General Obligation Bonds Series 2012B were issued in the amount of \$2,970,000 for a total savings of \$362,013 over the remaining term of the Bonds.
- Repayment of the Bonds was to be made from annual tax increment receipts.
- Starting in 2016, the HRA will not receive enough increment to make the debt service payments on the Bonds for approximately the next 11 years.
- The cumulative deficit is estimated to be approximately \$568,500 in 2025.

- Due to reporting requirements, the HRA must establish an interfund loan from an existing funding source.
- It is projected that the interfund loan could be paid in full from tax increment generated from the time the Bonds mature in 2025 to the time the District is decertified in 2029.
- The funding source is the HRA's General Fund. The amount of the loan is not to exceed \$650,000 with a 1.5% interest rate.

B. POLICY

- It is the HRA's policy to comply with the Office of the State Auditor's reporting requirements.

C. CRITICAL TIMING ISSUES

- An interfund loan must be approved before the end of the year to comply with Office of the State Auditor's tax increment reporting requirements.

D. FINANCIAL

- The interfund loan is authorized in an amount not to exceed \$650,000.
- The funding source is the HRA General Fund.
- The interest rate is 1.5%.

E. LEGAL

- The attached resolution was drafted by HRA legal counsel.

IV. ALTERNATIVE RECOMMENDATION(S)

- Do not approve the interfund loan; however, the HRA would not be in compliance with the Office of the State Auditor's reporting requirements.

V. ATTACHMENTS

- Resolution

VI. PRINCIPAL PARTIES EXPECTED AT MEETING

- N/A

**HOUSING AND REDEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF RICHFIELD, MINNESOTA**

RESOLUTION NO. _____

**RESOLUTION APPROVING INTERFUND LOAN TO THE LYNDALE GATEWAY WEST TAX
INCREMENT DISTRICT ACCOUNT FOR DEBT SERVICE PAYMENTS WITH RESPECT TO
CERTAIN GENERAL OBLIGATION BONDS OF THE CITY OF RICHFIELD**

BE IT RESOLVED by the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") as follows:

Section 1. Background.

1.01. Pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act"), the Authority and the City of Richfield, Minnesota (the "City") have duly established the Lyndale Gateway West Tax Increment District (the "TIF District"), which is administered by the Authority.

1.02. Under Section 469.178, subdivision 7 of the TIF Act, the Authority is authorized to advance or loan money from any fund from which such advances may be legally made (each such advance being referred to as an "interfund loan") in order to finance expenditures that are eligible to be paid with tax increments under the TIF Act.

1.03. On September 6, 2012, the City issued its Taxable General Obligation Tax Increment Refunding Bonds, Series 2012B (the "Bonds"), in the original aggregate principal amount of \$2,970,000, for the purpose of refinancing various public improvements within the TIF District. The amount of tax increment generated by the TIF District is insufficient to pay the semi-annual debt service on the Bonds. The Bonds mature in 2025 and the TIF District may remain outstanding until December 31, 2029.

1.04. In order to pay principal of and interest on the Bonds, the Authority has determined to approve a loan in the amount of up to \$650,000 (the "Interfund Loan") to the TIF District account. The Authority shall draw on the Interfund Loan over time as needed to pay debt service on the Bonds.

Section 2. Terms of Interfund Loan.

2.01. Each draw on the Interfund Loan shall be made from Authority's General Fund, or any other fund designated by the Authority, for deposit to the account for the TIF District. The Authority will use such funds for the payment of the debt service on the Bonds.

2.02. The Interfund Loan is repayable solely from and to the extent that Available Tax Increment is available. "Available Tax Increment" means, on each Payment Date (as defined herein), all of the tax increment generated in the preceding six (6) months with respect to the property within the TIF District and remitted to the Authority by Hennepin County, all in accordance with the TIF Act. Payments on the Interfund Loan, however, are subordinate to any outstanding pledges of Available Tax Increment from the TIF District and are on parity with any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment, unless a different priority of payment is established from time to time by the Authority or under the terms of any contract, note, bond resolution, or indenture.

2.03. Provided that there is Available Tax Increment to repay the Interfund Loan, principal and interest ("Payments") on the Interfund Loan shall be paid annually on December 31 (the "Payment Date"),

commencing on the first Payment Date after the advance of the Interfund Loan. Payments shall continue until the earlier of (a) the date the principal and accrued interest of the Interfund Loan is paid in full, or (b) the date of last receipt of tax increment from the TIF District. Payments on the Interfund Loan will be made in the amount and only to the extent of Available Tax Increment. Payments shall be applied first to accrued interest, and then to unpaid principal. Interest accruing from the date of each expenditure to the first Payment Date will be compounded annually on December 31 of each year and added to principal, unless otherwise specified by the Interfund Loan form.

2.04. The Interfund Loan shall bear interest at the rate of 1.5% per annum on the principal amount advanced, accruing from the date of each advance on the Interfund Loan; provided, however that the interest rate shall not exceed the greater of the interest rates specified under Minnesota Statutes, Section 270C.40 or Minnesota Statutes, Section 549.09 as of the date the advance is authorized. The maximum interest rate in effect for calendar year 2016 is 4.0%.

2.05. The principal sum and all accrued interest payable under the Interfund Loan is prepayable in whole or in part at any time by the Authority without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under any interfund loan.

2.06. The Interfund Loan is evidence of an internal borrowing by the Authority 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 thereof 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, Hennepin County. 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. The Authority shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.

2.07. The Authority may amend the terms of the Interfund Loan at any time by resolution of the Board of Commissioners, to the extent permissible under law.

Section 3. Interfund Loans Authorized.

3.01. The Interfund Loan with the terms set forth in Section 2 hereof is hereby approved.

3.02. Authority staff and officials are hereby authorized and directed to execute any documents and take any other actions necessary to carry out the intent of this resolution.

Section 4. Effective Date. This resolution shall be in full force and effect from and after its approval.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 17th day of October, 2016.

Mary B. Supple, Chair

ATTEST:

Doris Rubenstein, Secretary