



Council Committee Memorandum

TO: Mayor and City Council
THROUGH: Tim Murray, City Administrator
FROM: Deanna Kuennen, Com and Econ Dev Director
MEETING DATE: February 26, 2019
SUBJECT: Resolution 2019-034 Authorizing an Interfund Loan for Advance of Certain Costs In Connection with TIF 1-13: Hamilton (A Redevelopment Tax Increment Financing District)

Background:

At the December 23, 2018 and January 29, 2019 Joint Committee meetings, the City Council directed staff to work with Mac Hamilton, of Hamilton Real Estate, on redeveloping the block surrounded by 1st Street NW on the north, Division Street on the south, Central Avenue on the east and 1st Avenue NW on the west. Hamilton is proposing redeveloping this site into a 40-unit market rate apartment building with amenities.

As previously discussed, Hamilton is requesting the establishment of a Tax Increment Financing (TIF) District for assistance in completing the project. The City may incur certain costs related to the TIF District, which are eligible to be paid with tax increments under the TIF Act. The City is authorized to advance or loan money from any fund from which such advances may be legally made, in order to finance the expenditures that are eligible to be paid with tax increments. To do so, the City must determine that it may pay for administrative costs associated with the establishment of the TIF District, may pay for certain other costs incurred in connection with the proposed development, and designate Cost Advances as an interfund loan in accordance with the terms of the attached resolution and the TIF Act (Section 469.178, subdivision 7 of the TIF Act).

The attached resolution:

- Designates the Cost Advances as an interfund loan associated with Tax Increment Financing District 1-13,
- Identifies that the City will reimburse itself for the Cost Advances for administrative costs incurred to establish the TIF District, and certain costs incurred in connection with land/building acquisition/demolition/site preparation/public infrastructure in an

amount not to exceed \$750,000 with interest at 4-percent per annum

Request:

The City Council is asked to adopt Resolution 2019-034 authorizing an interfund loan for advance of certain costs in connection with TIF 1-13, per Section 469.178, Subdivision 7 of the TIF Act.

Attachments:

- Resolution 2019-034 Authorizing an Interfund Loan for Advance of Certain Costs in Connection with TIF 1-13: Hamilton (A Redevelopment Tax Increment Financing District)

**CITY OF FARIBAULT
COUNTY OF RICE
STATE OF MINNESOTA**

RESOLUTION NO. 2019-034

**AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF CERTAIN COSTS
IN CONNECTION WITH TIF 1-13: HAMILTON (A REDEVELOPMENT TAX
INCREMENT FINANCING DISTRICT)**

BE IT RESOLVED By the City Council of the City of Faribault, Minnesota (the “City”) as follows:

Section 1. Background.

1.01. The City is considering establishing Tax Increment Financing District 1-13: Hamilton, which is anticipated to include, but not limited to, parcel identification numbers 18.31.1.26.510, 18.31.1.26.511, 18.31.1.26.512, 18.31.1.26.513, 18.31.1.26.514, 18.31.1.26.515, 18.31.1.26.516, 18.31.1.26.517, 18.31.4.26.002, and 18.31.4.26.003 in the City (the “TIF District”) pursuant to Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the “TIF Act”).

1.02. The City may incur certain costs related to the TIF District that may be financed on a temporary basis from available City funds.

1.03. Under Section 469.178, Subdivision 7 of the TIF Act, the City is 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.

1.04. The City has determined that it may pay for administrative costs associated with the establishment of the TIF District and certain other costs incurred in connection with the proposed development of the TIF District, including but not limited to acquisition of land and buildings in the TIF District (including any or all of the properties listed above), demolition and site preparation costs and costs of public infrastructure (the “Cost Advances”) on a temporary basis from the City’s general fund or any other fund, as determined by the City Finance Director, from which such advances, from time to time, may be legally made (the “Fund”) as an interfund loan pursuant to Minnesota Statutes, Section 469.178, Subd. 7.

1.05. The City hereby designates the Cost Advances as an interfund loan in accordance with the terms of this resolution and the TIF Act.

Section 2. Repayment of Interfund Loan.

2.01. The City will reimburse itself 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, and (ii) certain costs incurred in connection with land and building acquisition, demolition and site preparation, and public infrastructure in an aggregate amount not to exceed \$750,000 (the "Interfund Loan"), together with interest at the rate of 4% per annum (which is the greater of the rates specified under Sections 270C.40 or 549.09 in accordance with Minnesota Statutes, Section 469.178, Subdivision 7); provided, however, the City Finance Director is authorized to specify a lower rate.

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

2.03. Payments on the Interfund Loan will be made solely from the tax increment from the TIF District received by the City from Rice 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 Director of Finance. Interest accruing from the date of each Cost Advance 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.

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

2.05. This resolution is evidence of an internal borrowing by 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 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. The City shall not 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.

2.06. The City may at any time make a determination 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.

2.07. The City 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.

Section 3. Effective Date. This resolution is effective upon adoption.

Approved by the City Council of the City of Faribault this 26th day of February, 2019.

Mayor, Kevin F. Voracek

ATTEST:

City Clerk, Timothy C. Murray