
REQUESTED COUNCIL MEETING DATE: AUGUST 17, 2015

ITEM: COUNCIL BILL No. 2015-517

ORIGINATING DEPARTMENT: FINANCE DEPARTMENT

ATTACHMENTS: 1) Copy of Council Bill with South Main TIF Redevelopment Plan and TIF Contract

Department Head: Leslie Haase

City Attorney: Peter Edwards

City Manager: Sam Anselm

Planning Director: Troy Bolander

INTRODUCTION:

This Council Bill approves the South Main Street Tax Increment Financing Plan, establishes the redevelopment area, designates the developer and approves the TIF Contract.

DISCUSSION:

Developer Rodney Spriggs, representing RKS Development, brought forward a proposed TIF (tax increment financing) plan several months ago. The South Main TIF, which proposes the redevelopment of approximately 83 acres of land in an area on both sides of Main Street south of 32nd Street and north of Interstate 44. Under the TIF Plan, the Redevelopment Area will be redeveloped as six separate Redevelopment Projects with mixed use retail and commercial facilities. Improvements necessary to redevelop the Redevelopment Area include construction of streets, utility improvements, sidewalks, storm water improvements, and other site improvements. A significant portion of the project will require adherence to the Clean Water Act requiring wetland and stream mitigation.

The TIF Plan identifies the need for public assistance through the adoption of tax increment financing to help eliminate blighted conditions through the funding of the improvements described above and other Redevelopment Project Costs, which will ultimately enhance the tax base of the taxing districts within the Redevelopment Area. It is not reasonably anticipated that the Redevelopment Area will be developed through private investment without the use of tax increment financing. The City hired Springsted, Inc. to perform and present a "But-For" analysis. The analysis showed that "but-for" tax increment financing the project would not reasonably be expected to occur. Additionally, the Finance Director evaluated the financial capacity of the developer to complete the development.

The South Main TIF is a "pay-as-you-go" TIF. This means the City will not issue any debt and the developer will pay for the development up front. Then, as the TIF generates revenue from the incremental increase in sales tax and property tax, the

developer will be reimbursed for a portion of the costs of the above referenced improvements from these proceeds. The TIF will capture 50% of the incremental increase in Economic Activity Taxes (EATS-sales tax and franchise tax) and 100% of the incremental increase in PILOTS (property tax). This TIF Plan contemplates local tax increment financing assistance totaling \$37,481,464 (including interest expense), which represents approximately 16% of the anticipated total costs of the Redevelopment Project of \$230,330,053. While the statutory limit for a TIF District to collect the incremental increase in EATS and PILOTS is twenty-three years, this TIF Plan caps the timeframe at sixteen years from the activation of each individual project.

This TIF Plan was presented to the TIF Commission at a public hearing on April 30, 2015 and following the presentation of evidence and testimony was continued to May 28, 2015. Again, on May 28, 2015 a public hearing was held with additional evidence and testimony being heard. Following the close of the public hearing, the TIF Commission, by 7-1, voted to approve and adopt resolutions recommending to the City Council that:

1. The Redevelopment Area described in the TIF Plan be designated as a blighted area.
2. Specific statutory findings be made regarding the TIF Plan.
3. The TIF Plan and Redevelopment Projects 1 through 6 be approved.
4. RKS Development, LLC be designated as the developer for the Redevelopment Projects.

With this ordinance, Council is being asked to approve the South Main TIF, establish the redevelopment area, designate RKS Development as the developer of this TIF, and approve the TIF Contract. While this action formally establishes the TIF District, none of the redevelopment projects are being activated at this point in time. Further council action will be required to activate the redevelopment projects. The TIF Plan includes a budget for the entire redevelopment area. Since the Redevelopment Projects will be activated at different times, the TIF Contract makes provisions to ensure an appropriate level of public assistance is provided for each redevelopment project. Prior to activating each redevelopment project, an individual budget for that redevelopment project will be required as well as proof that sufficient property within each project has been secured.

The TIF Contract also makes provisions for proportional savings between the developer and the taxing jurisdictions to the extent the total project costs shown in the budget are less than what is projected in the budget. In addition, if the developer earns excess profits from the project as defined in the TIF Contract, the taxing jurisdictions will share in the excess profits in an amount proportional to the public investment in the project. These provisions help ensure an appropriate level of public assistance is used in these types of developments.

RECOMMENDATION:

City Staff recommends this Council Bill be approved on first reading.