

Memo

To: Kurt Ulrich – City Administrator
From: Stacie Kvilvang and Jonathan North
Date: December 13, 2010
Subject: Interfund Loan For TIF District 1 – F & C Loan

Flaherty & Collins is proposing to construct a mixed-use rental development consisting of 216 flats, fourteen (14) 2-story walk-ups and approximately 3,000 sq/ft of retail within TIF District 14. In order to make this development feasible, the City is going to provide a loan to the developer to assist in financing qualified TIF costs. The funding for these costs will come from available funds in TIF District 1.

Pursuant to the development agreement, it is required that this loan be repaid by the developer from annual cash flow and/or sale proceeds. If these sources are inadequate to repay the loan, then the City can try to obtain repayment from the developer through the corporate guarantee they have provided. If the City is unsuccessful in obtaining repayment from any of the aforementioned sources, then they can reimburse themselves through future tax increment generated from TIF District 14, that is not needed to pay other obligations.

In order to do this, State Statute requires that the City approve a resolution authorizing an internal (interfund) loan to the respective TIF District, prior to making the expenditure. The interfund loan must set the terms for reimbursement of the qualified TIF costs to be repaid with tax increments from the respective TIF District. Based upon this, the City will reimburse itself for the above referenced costs in the principal amount not to exceed \$1.3 million, together with interest at the rate of 4% per annum. The interest rate is set at the statutory maximum for 2010 and will not be adjusted.

Again, tax increment from TIF District 14 will only be utilized for repayment on this loan if the developer is unable to repay it via the sources referenced in the development agreement. If revenues from TIF District 14 are required for repayment, then payments will be made with available tax increment on February 1 and August 1 of each year after all other obligations are paid within the district (administrative costs, development fees for this project, other pay-as-you go obligations within the district, etc.).

Please contact me at 651-697-8506 with any questions.