

Memo

To: Kurt Ulrich – City Administrator
From: Stacie Kvilvang and Jonathan North
Date: December 13, 2010
Subject: Interfund Loan For TIF District 2 – Development Fees

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. Since the HRA currently owns the property and will be platting it, they (or the City on their behalf) will be paying all development fees associated with the plat, which is currently estimated at \$2,443,202. The funding for these costs will come from available funds in TIF District 2.

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 \$2,443,202, 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.

Payments will be made with available tax increment on February 1 and August 1 of each year (beginning in 2013). As you recall, the City will receive the first fifteen (15) percent of the increment generated from this development. Ten (10) percent of that increment will go to repay the interfund loan for administrative costs (\$500,000). The remaining five (5) percent will go to reimburse the City for this interfund loan. In addition, any tax increment not needed to repay other obligations within TIF District 14 could also be utilized to repay this loan, if the five (5) percent generated from this project is not adequate.

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