

**SPECIAL HOUSING AND REDEVELOPMENT AUTHORITY
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Housing and Redevelopment Authority conducted a Special Session meeting on Tuesday, September 17, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Randy Backous
 Commissioner Jill Johns
 Commissioner Mark Kuzma
 Commissioner John LeTourneau
 Commissioner Chris Riley
 Commissioner Sarah Strommen
 Commissioner Jason Tossey

Members Absent: None

Also Present: HRA Executive Director Kurtis Ulrich
 Finance Director Diana Lund
 Assistant to the City Administrator Patrick Brama
 Stacie Kvilvang, Ehlers & Associates
 Mary Ippel, Briggs & Morgan

1. CALL TO ORDER

Chairperson Backous called the special session meeting of the Housing and Redevelopment Authority to order at 7:00 p.m.

2. CITIZEN INPUT

There was none.

3. APPROVAL OF AGENDA

Motion by Commissioner Strommen, seconded by Commissioner Riley, to approve the agenda as submitted.

Motion carried. Voting Yes: Chairperson Backous, Commissioners Strommen, Riley, Johns, Kuzma, LeTourneau, and Tossey. Voting No: None.

4. APPROVAL OF MINUTES

- None.

5. HRA BUSINESS

5.01: Receive Presentation from Ehlers and Associates re: TIF Study

HRA Executive Director Ulrich introduced the item, noting Ehlers and Associates conducted a study of The COR Tax Increment Financing (TIF) District 14 that was created by the City in November of 2011 to generate revenue to pay for adjacent public improvements. He explained it is now time to look again at this property, analyze the TIF District, and determine whether it should be modified to better meet the needs of the City going forward.

Stacie Kvilvang, Ehlers and Associates, explained that TIF provides the ability to capture and use most of the increased local property tax revenues from new development within a geographic area for a defined period of time and without approval of other taxing jurisdictions. She explained how market value is established by the City's Assessor and tax capacity is determined based upon class rate or "capacity to pay" for commercial/industrial, owner-occupied housing, rental housing, and 4D affordable housing. Ms. Kvilvang noted State property taxes are not captured by payment of taxes on owner-occupied or rental housing nor property within TIF Districts. She explained how TIF captures increased value from new development and reviewed how commercial taxes are distributed. Ms. Kvilvang then presented an example of a commercial property with a total taxable market value of \$3 million paying \$131,682 of total taxes, resulting in an annual gross TIF of \$86,862 (developer receives \$.59 on the dollar). She also presented an example of a housing project with a total taxable market value of \$9.5 million paying \$208,169 of total taxes, resulting in an annual gross TIF of \$180,129 (developer receives \$.77 on the dollar after deducting 10% administration and OSA fees).

Ms. Kvilvang explained how TIF is calculated as a whole for a District, not parcel by parcel, so if the current value is less than the base value, no TIF is generated. However, if the current value is more than the base value, then TIF is generated.

Ms. Kvilvang displayed a map depicting COR TIF District 1-14 comprised of 331 parcels with 123 developable areas. She reviewed the square footages available within the Primary Area for various uses and stated she finds some of the estimates may be over reaching as it is a dense development, may not be a reality for the market, and may need refinement. It was noted that COR TIF District 1-14 was created under special legislation, certified on November 28, 2011, and is a 26-year District. She stated TIF can be used for reimbursement to HRA for land acquisition and public improvements prior to creation of the District; future land acquisition and public improvements; construction of the Northstar Transit Station and related infrastructure; and/or, other future public improvements exclusive of parks or City facilities.

Ms. Kvilvang reviewed The COR expenses to date, noting there are \$66 million in TIF eligible costs and \$5.15 million in non-eligible costs (Park, Administration, Marketing). She stated City staff has been aggressive in seeking grants, there are MSA and County dollars, bond proceeds, land sale proceeds, other funds pledged to projects that do not require repayment, and developer financing relating to The Residence at The COR. The net costs to the City total about \$36 million and there is about \$3.5 million in non-reimbursable costs for a grand total of \$39,342.865

not including interest. Ms. Kvilvang noted the dollars under consideration are based on present value dollars.

Ms. Kvilvang stated potential land revenue for all uses in the Primary Area is estimated at \$33,872,780. This number will be refined as better market data becomes available. Potential TIF of the 18 areas has a present value of \$36,716,712 in tax increment. With TIF and land sale proceeds, the sources total \$70,589,491 and after deducting City reimbursables and pay-as-you-go there is a difference totaling \$39,342,865. Ms. Kvilvang explained this means there is about \$30 million extra that can be considered during the HRA's decisions on projects, decertification of parcels, and provide some flexibility in knowing that the development schedule is aggressive and may not be realistic so it can be determined what is more realistic timing. She stated the "clock" for any TIF District does not start until the City receives the first TIF distribution from the County. To date, no TIF has been received and only the VA Clinic and Allina Clinic have increased value. For all other parcels, the current value is less than the base value. Ms. Kvilvang stated approximately \$23 million in new development is needed to get to positive TIF for the District as a whole, which would allow The Residence at The COR Apartments to capture its increment.

Ms. Kvilvang explained that since the District is not generating any increment, the Flaherty & Collins (F&C) development agreement requires it to pay off the bonds of the project in June of 2015 and then the HRA would provide F&C with a pay-as-you-go TIF Note. It was noted that the 4 Year Rule requires the City to have a qualifying District within four years but Ramsey bought the land and put in some roads prior to creating the District so some parcels could be pulled from the District and not generate tax increment until there is a qualifying activity. At that point, they would be put back into the District.

Ms. Kvilvang stated the biggest concern is the obligation to F&C to issue a pay-as-you-go Note. She explained the HRA could amend the special legislation to exempt the District from the 4 Year Rule, reset base values at pay 2014 or pay 2015 values, or keep the base value of the Allina Clinic, the VA Clinic, and The COR Apartments at the pay 2011 certified value. Another option is to obtain special legislation to create The Residence at The COR Apartments as a stand-alone TIF District.

Ms. Kvilvang stated the HRA can look at decertifying selected parcels out of the District and/or a fiscal disparities election. Currently, increment is paid outside the District which creates more TIF for the City to repay itself but there is an impact to other taxpayers. However, the HRA can make a change one time to have it paid inside the District, which would create less TIF for the City to repay itself (approximately \$6.5 million less in TIF) but have no tax impact to other tax payers.

Commissioner Strommen noted the presentation indicates "the end uses established by the AUAR" and asked if that means the Ramsey Town Center or The COR Plan.

Ms. Kvilvang stated it would be back to The COR Plan.

Commissioner Strommen asked why the TIF District boundaries were drawn in that way.

HRA Executive Director Ulrich stated the boundaries were based on a geographic description and included the original Ramsey Towne Center as well as intersections so they could be included within expenditures.

Commissioner Strommen asked what the expectations were at the time the HRA approved the F&C deal. She noted it had been expected there would be tax increment to do the Note and asked what were the expectations.

Ms. Kvilvang explained the tax increment was based on the parcel's estimated base value being zero at the time the TIF District was created so projections estimated \$3 million for the District. She noted there was not the expectation that there would be such a large decline in property values from 2011 to 2012 to 2013.

Commissioner Riley asked why the HRA would not consider the option of resetting values.

Ms. Kvilvang stated she does not see a downside to resetting values since the goal is to assure the HRA is re-paid for its investment.

Chairperson Backous stated he thought the value of the Allina Clinic had been reset.

Ms. Kvilvang stated the HRA did add the Allina Clinic and the VA Clinic to reset the land value so that increment could be captured.

Chairperson Backous supported amending the 4 Year Rule, resetting values, and perhaps putting The Residences in a separate TIF District. He stated he would like to change the election to have the fiscal disparities paid inside the District.

Commissioner Tossey agreed and stated he had objected to paying fiscal disparities outside the District because then the rest of Ramsey subsidizes the TIF District. He stated he would support isolating F&C in its own District only if there is decertification in TIF District 14. Commissioner Tossey stated the HRA needs to take action and decide how this will be handled.

Chairperson Backous stated the option of removing some parcels from the District is another option and there is a strong support from most HRA members that it is not appropriate for housing and they should be taken from the District. Chairperson Backous felt the District was too large, noting it needs \$23 million in value before the TIF "clock" starts and then 23 years before the City realizes any benefit.

Commissioner Tossey pointed out that no current member of the HRA supported the F&C development in the way it was structured and he would not support such a development in the future. Commissioner Tossey stated he supports isolating that project in its own District.

Commissioner Strommen stated she agrees the options presented by Ehlers and Associates are good but she would like to also refine the end uses and schedule in terms of build out. She stated

the TIF District is big and the HRA was over aggressive in its estimate so she does not want to base future decisions on estimates that are over aggressive.

Commissioner Riley noted that less than two years ago, this was created and not much time has passed since that occurred. He stated he assumes the best information available was used to make that decision so he is concerned about the best information available today on which to base a better decision.

Ms. Kvilvang indicated that Ehlers has started discussion with the Assessors to determine where market values will be in 2014 and what a realistic market is for Ramsey. In addition, more thought will go into it than when the District was originally created.

Commissioner Strommen suggested the HRA look at a range, best and worse case scenarios.

Chairperson Backous stated one recommendation is to request special legislation.

Ms. Kvilvang stated the HRA is fortunate to already have a TIF District with special legislation so the Legislature may be more willing to consider an amendment. She stated staff could meet with its legislators to discuss such a request, noting there are others who will be seeking a similar consideration.

Chairperson Backous thanked Ms. Kvilvang and Ehlers and Associates for its work on this matter, noting it will be discussed by the HRA at upcoming meetings.

6. EXECUTIVE DIRECTOR'S REPORT

HRA Executive Director Ulrich reported on the success of the recent event hosting the County Transit Investment Board and tour of the Transit Station.

7. COMMISSIONER INPUT

None.

8. ADJOURNMENT

Motion by Commissioner LeTourneau, seconded by Commissioner Kuzma, to adjourn the special session meeting of the Housing and Redevelopment Authority.

Motion carried.

The special session meeting of the Housing and Redevelopment Authority adjourned at 7:43 p.m.

Respectfully submitted,

Kurtis G. Ulrich
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.