



# Memo

**To:** Patrick Brama, Economic Development Manager/  
Assistant City Administrator

**From:** Jason Aarsvold, Ehlers

**Date:** March 23, 2018

**Subject:** TIF Agreement – CAP Acquisitions, LLC (Affinity Living)

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CAP Acquisitions, LLC (the “Developer”) intends to purchase land by separate agreement from the City of Ramsey for a 174-unit senior rental project. The project requires extension of infrastructure, the cost of which is customarily split between the City and the Developer in the COR area.

In this instance, the Developer will pay for and install all the necessary improvements for the project. The City agreed to provide tax increment financing assistance for the Developer to off-set these added project costs. The memorandum summarizes the basic terms of the proposed Tax Increment Financing Agreement by and Between the City of Ramsey, MN and CAP Acquisitions, LLC (the “TIF Agreement”).

## 1. Project

- a. The Developer will acquire property from the City per its Purchase Agreement dated September 26, 2017 and install all the necessary infrastructure for construction of a 174-unit senior rental project
- b. The City will reimburse the developer (with future tax increment) based on a cost sharing formula that is customarily applied in the COR area as follows:
  - i. 80% of the actual cost of the construction of the Public Improvements designated as Segment A-1 and Segment C-1 as described in the City Development Agreement; plus
  - ii. 100% of the actual cost of the construction of the Public Improvements designated in Segment C-2 as described in the City Development Agreement; less
  - iii. \$58,000, which is consideration for the Developer’s contribution to public infrastructure segment B. This segment will not be constructed as part of this project.

## 2. Development Timeline

Commencement and Completion. The Developer shall commence construction by June 1, 2018 and be completed by December 31, 2019.

## 3. City Assistance and Tax Increment Note

- a. COR TIF District. The project is located within the City's existing Tax Increment Financing (TIF) District No. 14 (the COR).
- b. Administration Expense Allocation. 10% of Available Tax Increment from the project is available to the EDA for administration and repayment of City interfund loans within the district.
- c. Pay As You Go TIF Note. The City will issue a pay-as-you-go TIF note in a principal amount as determined by the cost sharing formula referred to in 1.b. above. This is currently estimated to be \$1,109,600. The interest rate shall be 4.5% per annum. The TIF Note is payable from 90% of the TIF generated from CAP Acquisition's project and is payable on February 1 and August 1 of every year commencing on August 1, 2020 through February 1, 2040. Once the note is repaid, however, TIF payments will stop. Based on current estimates, the TIF note could be fully repaid by 2027.
- d. Conditions Precedent to Issuance of the TIF Note. The Developer must complete construction of all the required infrastructure and the 174-unit senior housing project before the TIF note is issued. These costs must be documented to the satisfaction of the City.

## 4. Taxes

- a. Assessment Agreement. The Developer is required to execute a Minimum Assessment Agreement (MAA) for the project. The MAA will be for \$20,760,000 (\$95,000/unit) as of January 2<sup>nd</sup> in the years 2019 through 2039 (for taxes payable in 2020-2044).
- b. Taxes. The Developer will pay all taxes when due.
- c. Tax Petitions. The Developer may petition to reduce the property value, but only as low as the MMA amount. The City reserves the right withhold increment until the petition is settled. Once the petition is settled, then any shortfalls in TIF payments will be made up on the next TIF note payable date (August 1 or February 1). Compass Pointe Limited Partnership is required to inform the City and of any tax petitions they submit for the project.
- d. Assignment of TIF Note. The TIF Agreement may be assigned only with the consent of the City.

## 5. Miscellaneous

- a. Default. The following are considered events of default: (a) failure to pay property taxes (b) Failure to construct the Project as required by the City Development Agreement (c) failure to observe or perform any covenant, condition, obligation or agreement under the TIF Agreement or City Development Agreement, (d) mortgage foreclosure, or (e) if before issuance of a CO on the property they file for bankruptcy, make an assignment for benefit of creditors, admit in writing its inability to pay its debt.
- b. EDA Remedies of Default. In the event of a default the City may (a) suspend performance under the TIF Agreement and TIF Note, (b) cancel or rescind the TIF Agreement and TIF Note, (c) Take any other necessary action to enforce performance
- c. Costs of Enforcement. The Developer is required to pay any reasonable fees of the City in connection with enforcement of any events of default.

The remaining general provisions in the TIF Agreement are within industry standards that Ehlers has seen within the Metropolitan Area on these types of developments. Please contact me at 651-697-8512 with any questions.

cc: Mary Ippel – EDA Attorney  
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