

MEMORANDUM

TO: Sean Sullivan – Economic Development Manager
 Diana Lund – Finance Director

FROM: Stacie Kvilvang - Ehlers

DATE: February 24, 2023

SUBJECT: TIF 14 (COR) Status

Background

The above referenced district was established in 2010 via special legislation to designate it as a redevelopment TIF district, call out eligible expenditures, extend the 5-year rule to 10 years (time by which TIF needs to be expended) and not allow for pooling outside of the District boundaries. The legislation was modified in 2011 to expressly state that expenditures for land acquisition and public infrastructure prior to the establishment of the TIF district could be paid for with TIF and two (2) parcels that had development prior to the District being established could be included in the District (and TIF captured from them). The legislation was modified again in 2021 to extend the 5-year rule to November 28, 2023.

You inquired about the status of the District and how much TIF would be available to pay for other project costs than those noted above. More specifically, road reconstruction of roadways west of Armstrong Boulevard (Ferret Street etc.) within the COR to spur future development which would cost approximately \$1.8 million. Below is a chart that outlines eligible expenditures made by the City to date (does not include any pay-as-you-go (paygo) obligations), other funding sources and the net cost to the City:

TIF Reimbursable Costs	Cost	Other Funding	Net Cost to City
Land Acquisition	\$ 7,136,435	\$ (2,095,641)	\$ 5,040,794
Public Improvements (COR 3)	\$ 422,739	\$ (40,482)	\$ 382,257
Ramp	\$ 11,632,213	\$ (8,356,186)	\$ 3,276,027
Transit Station	\$ 3,860,483	\$ -	\$ 3,860,483
Roads	\$ 25,432,829	\$ (11,590,036)	\$ 13,842,793
<u>Additional</u> Armstrong Interchange	\$ 6,000,000	\$ -	\$ 6,000,000
Residence at the COR	\$ 11,203,516	\$ (9,109,465)	\$ 2,094,051
TIF Admin	\$ 457,764	\$ -	\$ 457,764
TOTAL	\$ 66,145,979	\$ (31,191,810)	\$ 34,954,169

As noted, the City expended approximately \$66 million, of which it was anticipated that approximately \$35 million would be reimbursed through land sale proceeds and TIF. In addition to the above referenced costs, the City had an additional \$5.1 million in costs for park improvements, admin and marketing that could not be reimbursed through TIF, but could be reimbursed with land sale proceeds. To date the City has received approximately \$6.2 million in land sale proceeds. If we apply these first to the non TIF reimbursable costs of \$5.1 million, that leaves approximately \$1.1 million to go toward repayment of the \$35 million in TIF eligible costs, which would leave approximately \$33.8 million to be reimbursed with TIF.

For pay 2023, the District is expected to generate approximately \$1.7 million in TIF. Of this \$640,502 is going to the two (2) existing paygo notes, leaving approximately \$1.063 million to pay for annual administrative costs

(approximately \$50k/year for city and county) and to repay the above referenced obligations (net after land sales) of \$33.8 million. If we assume no more land sales, development and property values and tax rates stay at the pay 2023 level, the City will accumulate approximately \$18 million over the next 18 years (end term of the District is 2040). If we add onto that the increment above the \$1.063 million that is no longer needed to pay the paygo notes (paid off in 2024 and 2028 respectively (Affinity Apartments and COR Apartments), this amount increases to \$26.8 million (\$8.8 million more). As noted, that would leave an unpaid principal balance of approximately \$7 million (\$33.8 - \$26.8). The District currently has approximately \$2 million in cash that could also be applied to the unpaid balance, bringing unpaid principal down to \$5 million.

We are aware that there are several developments that will likely commence in 2023 (98-unit Hilton hotel, Aldi, COR Trust Bank, and a 133-unit mixed use apartment). The land sale proceeds of \$1,551,551 (doesn't include the apartment parcel) and the annual TIF generated of approximately \$298,000/year (total of \$3.3 million), would negate the unpaid principal balance of \$5 million.

Staff provided some estimates of future development beyond those noted above. If we look at the total TIF generated by those over time, in theory the District could accumulate a cash balance of approximately \$5.7 million.

Summary

As noted above, the current annual increment not needed to pay existing paygo obligations is approximately \$1.063 million. This increment could go to repay the City for its prior expenditures as was anticipated when the District was created and affirmed by a Council policy on the waterfall of land sale proceeds and TIF approved in 2014. If the Council would like to forego that policy for the time being to pay for the road reconstruction west of Armstrong Boulevard (Ferret Street, etc.) that staff inquired about, the City could:

1. Use the existing cash balance to pay for the project (approximately \$2 million) and use future unobligated TIF to repay the prior expenditures;
2. Wait a year or two to build additional cash balance before completing the project (build to \$3 million or \$4 million) which would allow some cash to go to prior expenditures;
3. Complete an IFL from a City fund to pay for the project and reimburse the City with TIF over time (allows cash balance and some of the future TIF to go to repay the older expenditures); or
4. Issue general obligation TIF bonds for a short term (5 years) to pay for the project (allows cash balance and some of the future TIF to go to repay the older expenditures).

If the City is confident that development as proposed by staff will happen as anticipated, the City should have adequate cash above what it needs to pay the principal balance of any of the outstanding prior expenditures it has.

Special Legislation in 2023

It is our understanding that the City is looking to have the 5-year rule date extended this year at the legislature. We would recommend that you add to that legislation some language that makes it clear that expenditures for land acquisition, Transit Station or public improvements constructed before or after the creation of the District can be reimbursed with TIF and does not require an interfund loan (IFL) resolution. The City does not have IFL resolutions for many of the expenditures because they were made prior to the District being created. The \$3.8 million for the Transit Station does not have an IFL either since it was assumed this cost could be reimbursed without one since it is explicitly call out in the TIF legislation. We recommend pursuing this to provide clarification in case the Office of the State Auditor (OSA) determines some or all of these expenditures are non-reimbursable with TIF due to lack of an IFL.

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