

REQUEST FOR COUNCIL ACTION

Date: July 13, 2015
Item No.: 15.e

Department Approval

City Manager Approval



Item Description: Twin Lakes Infrastructure TIF Bonding Discussion

BACKGROUND

On June 22, 2015, Mikaela Huot of Springsted Inc. provided the City Council a report on all of the existing TIF Districts. One item that Ms. Huot discussed was the fact that the Twin Lakes TIF District (TIF 17) will soon reach a date where expenditures of most of the future TIF revenue will be no longer possible. Under state law, the City has until, September 3, 2015 to spend TIF funds. It is not sufficient to commit TIF funds to future projects. The funds must actually be spent on TIF eligible projects.

As staff and consultants are currently finishing up engineering and design of important infrastructure elements in the Twin Lakes area, the City does not have any projects that can be paid for directly by TIF funds at this time. The City can, however, issue a bond for these future improvements and use future TIF proceeds to pay back the bond. In order to implement these important infrastructure improvements, staff is proposing that the City issue bonds to pay for Twin Lakes area infrastructure improvements.

On July 20, staff will be bringing forward a request for the City Council to set a sale date of the bonds to construct the Twin Lakes area infrastructure improvements.

The improvements proposed to be constructed with the bond proceeds have all been previously identified in Twin Lakes plans as well as in environmental review documents (AUAR). The total cost of the improvements are \$3.17 million dollars.

The improvement locations are shown on Attachment A and the costs of the improvements are as follows:

- | | |
|----------------------------------|-------------|
| • Twin Lakes Parkway – Phase III | \$2,300,000 |
| • Cleveland/35W NB interchange | \$570,000 |
| • Cleveland/C2 Traffic Signal | \$150,000 |
| • Terrace Drive Improvements | \$150,000 |

Springsted has provided information (Attachment B) showing that the revenues for the existing development plus the approved development of the hotels on Cleveland will be sufficient to pay back the TIF bonds. (Please note that the Sherman development is not included in the revenue projections).

Staff will be at the meeting to provide additional information and detail about the project and the

34 bonding.

35 **POLICY OBJECTIVE**

36 The construction of previously identified infrastructure improvements is consistent with previous
37 environmental review documents (AUAR) will allow for future development of the Twin Lakes area
38 and improve area traffic movements.

39 **FINANCIAL IMPACTS**

40 Bonds to fund the identified improvements will be paid back by future TIF revenues as identified in
41 Attachment B. If TIF funds are not sufficient to pay the bonds, the City will have pay for the bonds
42 from another source of funds.

43 **STAFF RECOMMENDATION**

44 No action is needed at this time. This item is being brought forward for discussion purposes. An action
45 item will be brought forward on July 20th to set the bond sale date.

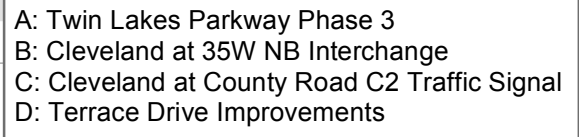
46 **REQUESTED COUNCIL ACTION**

47 Nothing at this time.

48

Prepared by: Patrick Trudgeon, City Manager

Attachments: A: Map of Twin Lakes Infrastructure Improvements
B: Revenue projections from TIF 17

 Project Area

Data Sources and Contacts:
 * Ramsey County GIS Base Map (6/1/15)
 * City of Roseville Engineering Department
 For further information regarding the contents of this map contact:
 City of Roseville, Engineering Department,
 2660 Civic Center Drive, Roseville MN

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DRAFT MEMORANDUM

TO: Pat Trudgeon, City Manager
Paul Bilotta, Community Development Director

FROM: Mikaela Huot, Consultant/Vice President

DATE: July 8, 2015

SUBJECT: Financing Summary for TIF 17 (Twin Lakes)

The City of Roseville established Tax Increment Financing (Redevelopment) District No. 17 in 2005 for the redevelopment of certain properties. TIF District No. 17 was certified in 2005 and the first increment revenue was received in 2006. The final date that the district can collect increment revenue is 2031 with a maximum term of collection of 25 years after receipt of first increment. Because of the certification date, the TIF District is subject to the 5 year rule (which limits future financing activities). Due to the economic recession, the five year rule was modified in 2009 to allow certain districts an additional 5 years, with TIF District No. 17 had a total of 10 years in which qualifying activities could occur. The five year period (extended to 10 years for this district) is up on September 3, 2015.

Tax Increment Analysis

Springsted prepared tax increment revenue projections based on information provided by Ramsey County and the City of Roseville. Assumptions used to prepare the revenues include the following:

- Maximum TIF District term
 - o Total 25+ years (through 2031)
 - o 17 years remaining (2015-2031)
- Payable 2015 values as provided by County
 - o Base net tax capacity of \$496,071
 - o Current net tax capacity of \$663,672
 - o Captured net tax capacity of \$167,601
 - o Estimated tax increment of \$171,084
- Commencing payable 2017
 - o Additional increment available from two new hotels
 - Building permit value of \$7 million each
 - Total estimated new value of \$14 million
 - 75% of estimated value assumed for revenue projections

- o \$10,500,000 taxable value
 - o \$208,500 new tax capacity
 - o Less fiscal disparities portion (\$70,793)
 - o Additional tax capacity of \$137,707
- Construction commences in 2015
 - 50% assessed in January of 2016 for taxes payable in 2017
 - 100% assessed in January of 2017 for taxes payable in 2018
- **Frozen Tax Rates** remain constant through term (less than current tax rate)
 - o City : 24.516%
 - o County: 49.210%
 - o School: 22.112%
 - o Other: 6.240%
 - o Total 102.078%
- Payable 2015 Combined Tax Rate
 - o 135.95098611%
 - o *Calculation based on frozen tax rate (lesser of frozen or current)*
- Fiscal disparities contribution from commercial industrial properties
 - o 33.9533%
- Class rates remain constant
 - o Commercial-industrial
 - o 1.5% first \$150,000 of market value
 - o 2% all value above \$150,000
- 0% annual market value inflator assumed

Bond Analysis

- Project cost amount of \$3.170 million
- Tax exempt financing (for public improvements)
- 16 year term
- Total par (principal) amount of \$3,270,000
- Estimated annual surplus of approximately \$30,000

Thank you for the opportunity to be of assistance to the City of Roseville. Please let us know how we can best assist you as this project moves forward and should you have any questions please feel free to contact us.

City of Roseville, Minnesota
Tax Increment Financing (Redevelopment) District No. 17

SUMMARY OF CASH FLOW OBLIGATIONS

Year (1)	Base Tax Cap (2)	Projected Tax Cap (3)	Captured Tax Cap (4)	Annual Tax Increment (5)	Less Admin Fee (6)	Estimated Net Increment (7)	GO TIF Revenue Bonds (8)	Total TIF Obligations (9)	Plus Investment Earnings (10)	Annual Surplus / (Deficit) (11)	Cumulative Surplus / (Deficit) (12)
2015	496,071	663,672	167,601	171,084	0	171,084		0		171,084	171,084
2016	496,071	663,672	167,601	171,084	0	171,084	140,850	140,850		30,234	201,318
2017	496,071	732,526	236,455	241,368	0	241,368	212,187	212,187		29,182	230,500
2018	496,071	801,379	305,308	311,653	0	311,653	284,046	284,046		27,607	258,106
2019	496,071	801,379	305,308	311,653	0	311,653	281,077	281,077		30,576	288,682
2020	496,071	801,379	305,308	311,653	0	311,653	283,051	283,051		28,602	317,283
2021	496,071	801,379	305,308	311,653	0	311,653	284,521	284,521		27,132	344,415
2022	496,071	801,379	305,308	311,653	0	311,653	285,466	285,466		26,187	370,601
2023	496,071	801,379	305,308	311,653	0	311,653	285,975	285,975		25,677	396,279
2024	496,071	801,379	305,308	311,653	0	311,653	280,896	280,896		30,757	427,035
2025	496,071	801,379	305,308	311,653	0	311,653	280,728	280,728		30,925	457,960
2026	496,071	801,379	305,308	311,653	0	311,653	285,453	285,453		26,200	484,160
2027	496,071	801,379	305,308	311,653	0	311,653	284,424	284,424		27,229	511,388
2028	496,071	801,379	305,308	311,653	0	311,653	283,012	283,012		28,641	540,029
2029	496,071	801,379	305,308	311,653	0	311,653	281,206	281,206		30,447	570,476
2030	496,071	801,379	305,308	311,653	0	311,653	284,246	284,246		27,407	597,884
2031	496,071	801,379	305,308	311,653	0	311,653	281,463	281,463		30,190	628,073
				5,039,445	0	5,039,445	4,318,600	4,318,600	0	720,845	

(2) Base tax capacity as provided by Ramsey County

(3) Current tax capacity for 2015 as provided by Ramsey County. Additional value assumed for hotel developments (partial in 2017 and full in 2018)

(4) Captured tax capacity for 2015 as provided by Ramsey County. Additional value assumed for hotel developments (partial in 2017 and full in 2018)

(5) Annual increment calculated based on annual captured tax capacity and frozen tax rate applicable to the District

(6) No annual administrative fee assumed to be captured

(7) Estimated annual net increment available for obligations (debt repayment). Assumptions include no changes to future tax rates, class rates, or market values

(8) Estimated debt service, includes 105% overlevy

(9) Total obligations of district

(10) Investment earnings - none included

(11) Estimated annual surplus / (deficit)

(12) Cumulative surplus / (deficit). Does not include current balance