

REQUEST FOR COUNCIL ACTION

Date: October 22, 2012
Item No.: 13.a

Department Approval



City Manager Approval



Item Description: Discussion regarding the redevelopment of the Hagen Property at 2785 Fairview Ave. into market-rate apartments and the use of Twin Lakes TIF funds to assist in the project.

BACKGROUND

The Hagen property, located at 2785 Fairview Ave, currently contains a multi-tenant trucking terminal. In 2009, the City purchased approximately 2.05 acres of the property for future Twin Lakes right-of-way. The City has been approached by representatives of the property and a developer regarding the redevelopment of the remaining 5.83 acres of the Hagen property into 215 market rate rental apartments.

The developers, Twin Lakes Apartments, LLC, are proposing to construct three apartment over a three-year period beginning in the Spring of 2013. They are proposing to have 1, 2, and 3 bedroom units with high quality finish and amenities. The development will be served with underground parking for the tenants and a 4,500 square foot office/clubhouse. Preliminary renderings and drawings of the site are included in Attachment C.

As part of the discussion with staff, the developers have identified a financing gap and have applied for TIF assistance. Staff has worked with Twin Lakes Apartments, LLC to determine if TIF is needed and if the project is eligible to receive assistance under the Twin Lakes Public Financial Participation Framework. Review of the information indicates that the project will qualify for assistance under the City guidelines. (See Attachment D).

The developer estimates that the total project cost for the development will be approximately \$32.6 million. To fund the project, the developers will be bringing in \$7.4 million of their own equity and a \$23 million mortgage. The remaining amount of (approximately \$2.3 million) is the gap in funding the project.

Mikaela Huot, the City's TIF consultant from Springsted, has prepared a detailed memo regarding the project and the financing gap. As can be seen from the memo, (Attachment E) Springsted has determined that the project would not be able to proceed without TIF assistance and meets the required "but-for" test.

The Springsted memo provides analysis showing that based on the proposed development and schedule as well as conservative assumptions about the market value increase, the property will go from the current assessed value of \$2.4 million to \$21.8 million. This development will generate up to \$4.4 million in gross tax increment over the remaining lifetime of the district.

Staff has indicated that the City will only consider TIF financing in the form of pay-as-you-go assistance and not as a City bond obligation. Additionally, staff has indicated that only 80% of the potential TIF revenue will be pledged to the project in order to help fund other projects within Twin Lakes and for TIF District administrative costs. As a result, the amount of assistance the can be pledged for the project is a TIF note of \$2.2 million.

The developer has indicated that if TIF funding is secured, they will begin site preparation and construction of the first apartment building in the Spring of 2013. The developer will be present at the City Council meeting to answer any questions about the proposed development.

In regards to the overall status of TIF 17, the Twin Lakes TIF District, staff has been working with Springsted to characterize the current status of the district. That work is ongoing, but staff is able to share a few observations. Currently, TIF 17 does not have any significant balance of funds. Phase I and II of the Twin Lakes Parkway utilized the majority of the TIF 17 balance. Both Phase I and II of the Twin Lakes Parkway have been paid off and there are not further obligations for those projects. Without any other development occurring, TIF 17 is expected to only bring in about \$65,000 annually until 2031. It should be noted that the Wal-Mart project will be bringing in about \$170,000 annually in TIF revenue once it open. In addition, the Hagen property will generate an additional \$50,000 annually in TIF revenue for the City until 2031 (this is the 20% that the City is retaining).

By allocating TIF dollars to the proposed apartment development, the City will not be undermining the financial integrity of the TIF district. In fact, the constructed apartment development will add TIF funds that can be utilized elsewhere in the district.

POLICY OBJECTIVE

Redevelopment of Twin Lakes has been a high priority for the City for many years. The proposed multi-family housing development helps the area achieving a mix of uses.

FINANCIAL IMPACTS

The TIF assistance proposed for the Hagen property development will be solely paid from the taxes paid by the development property owner. They will receive 80% of the TIF revenue from the taxes paid, while the City will receive 20% of the TIF revenue to utilize within the district.

STAFF RECOMMENDATION

Staff believes that the proposed apartment development on the Hagen Property is very desirable and consistent with the vision of Twin Lakes. Staff proposes that the City provide TIF assistance to the proposed project under the following terms:

- TIF assistance in the amount of up to \$2,200,000 as a pay- as-you-go TIF note for reimbursement for TIF eligible costs over a period of 17 years.
- The developer will only be able to collect 80% of the TIF revenue generated. The remaining 20% of TIF revenue generated by this project will be retained by the City for other uses in the TIF District and for administrative expenses for maintaining the TIF District.
- TIF eligible costs include Infrastructure (roads, utilities, etc.), environmental remediation and engineering costs, site prep, demolition, and grading, and underground structured parking.

Staff would recommend that the City Council direct staff to negotiate a TIF development agreement with the developer for approval by the City Council.

69 **REQUESTED COUNCIL ACTION**

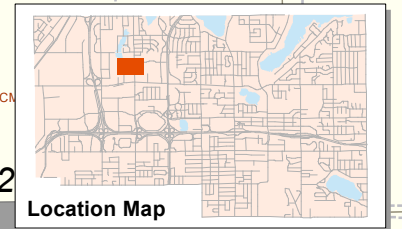
70 No final decisions are expected at this time. However, if it is felt that the project is desirable, the City
71 Council should direct staff to create a draft TIF Development Agreement for City Council consideration
72 at a future meeting.

73

Prepared by: Patrick Trudgeon, Community Development Director (651) 792-7071

Attachments: A: Map of Hagen Property
B: Aerial of Hagen Property
C: Graphics of proposed apartment building
D: Twin Lakes Financial Framework Worksheet
E: Springsted memo dated October 16, 2012

Attachment A for Hagen Property (2785 Fairview Ave)



Prepared by:
Community Development Department
Printed: July 18, 2012



Site Location

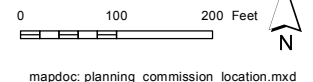
Comp Plan / Zoning
Designations
LR / LDR-1

Data Sources

* Ramsey County GIS Base Map (7/2/2012)
For further information regarding the contents of this map contact:
City of Roseville, Community Development Department,
2660 Civic Center Drive, Roseville MN

Disclaimer

This map is neither a legally recorded map nor a survey and is not intended to be used as one. This map is a compilation of records, information and data located in various city, county, state and federal offices and other sources regarding the area shown, and is to be used for reference purposes only. The City does not warrant that the Geographic Information System (GIS) Data used to prepare this map are error free, and the City does not represent that the GIS Data can be used for navigational, tracking or any other purpose requiring exacting measurement of distance or direction or precision in the depiction of geographic features. If errors or discrepancies are found please contact 651-792-7085. The preceding disclaimer is provided pursuant to Minnesota Statutes §466.03, Subd. 21 (2000), and the user of this map acknowledges that the City shall not be liable for any damages, and expressly waives all claims, and agrees to defend, indemnify, and hold harmless the City from any and all claims brought by User, its employees or agents, or third parties which arise out of the user's access or use of data provided.



mapdoc: planning_commission_location.mxd

Attachment B for Hagen Property (2785 Fairview Ave)



Prepared by:
Community Development Department
Printed: July 18, 2012



Site Location

Data Sources

* Ramsey County GIS Base Map (7/2/2012)

* Aerial Data: Pictometry (4/2011)

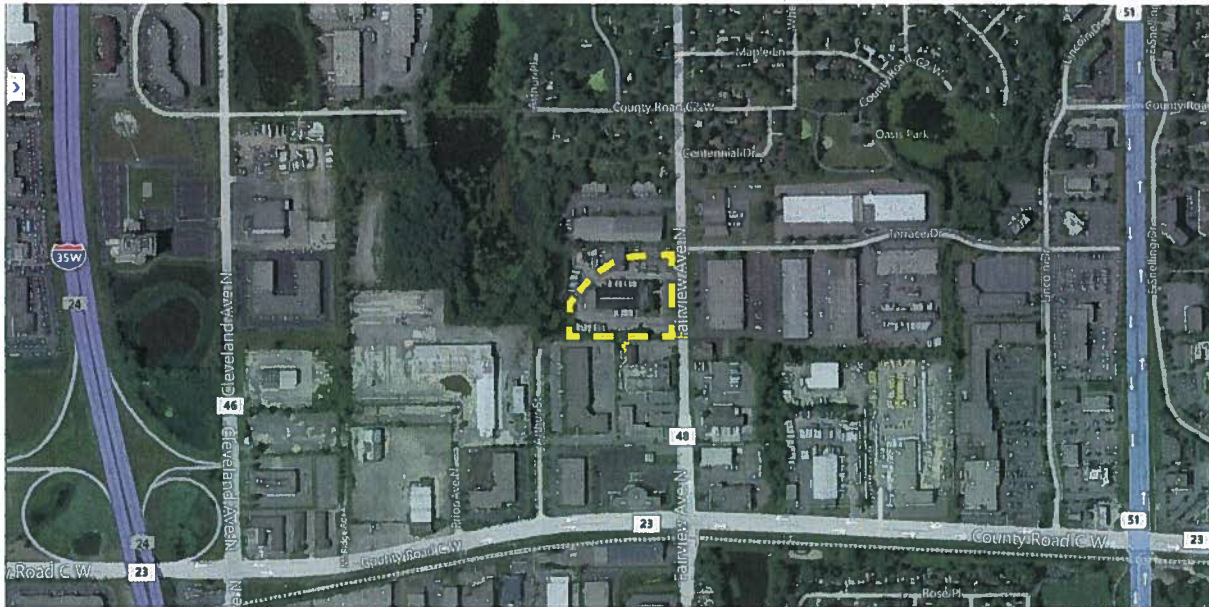
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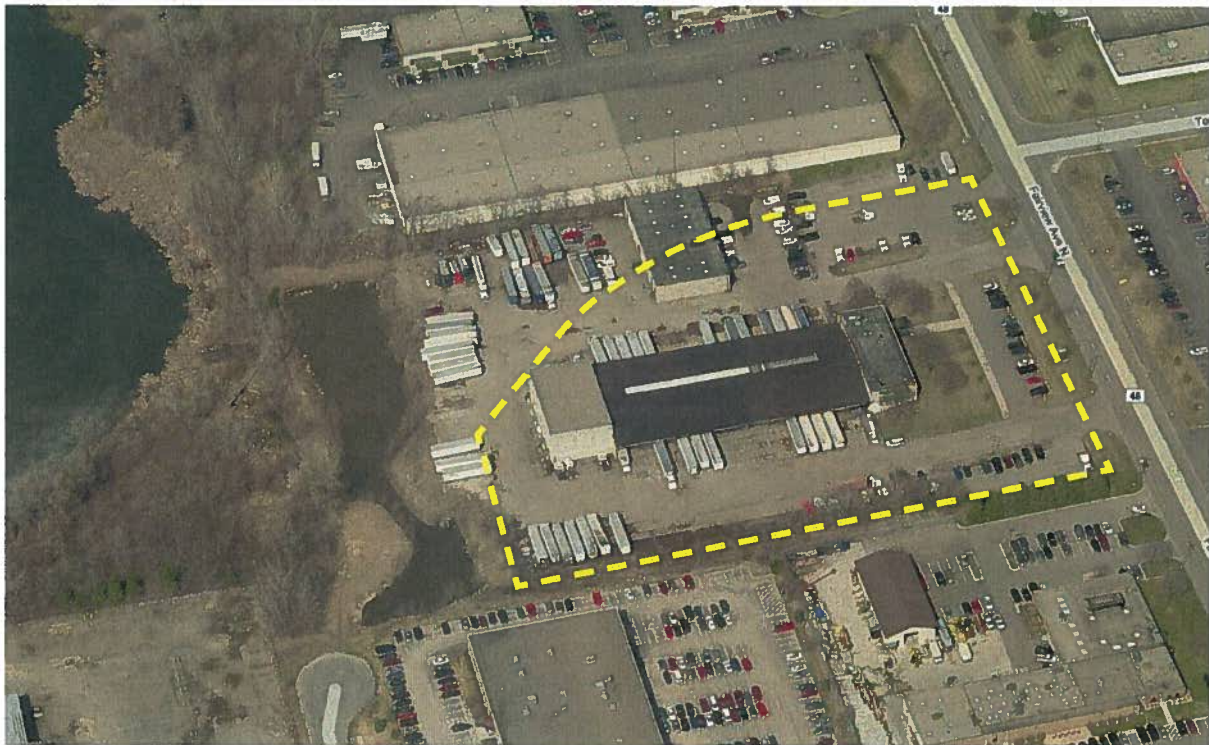
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0 50 100 Feet





Site Location



Current Site Conditions

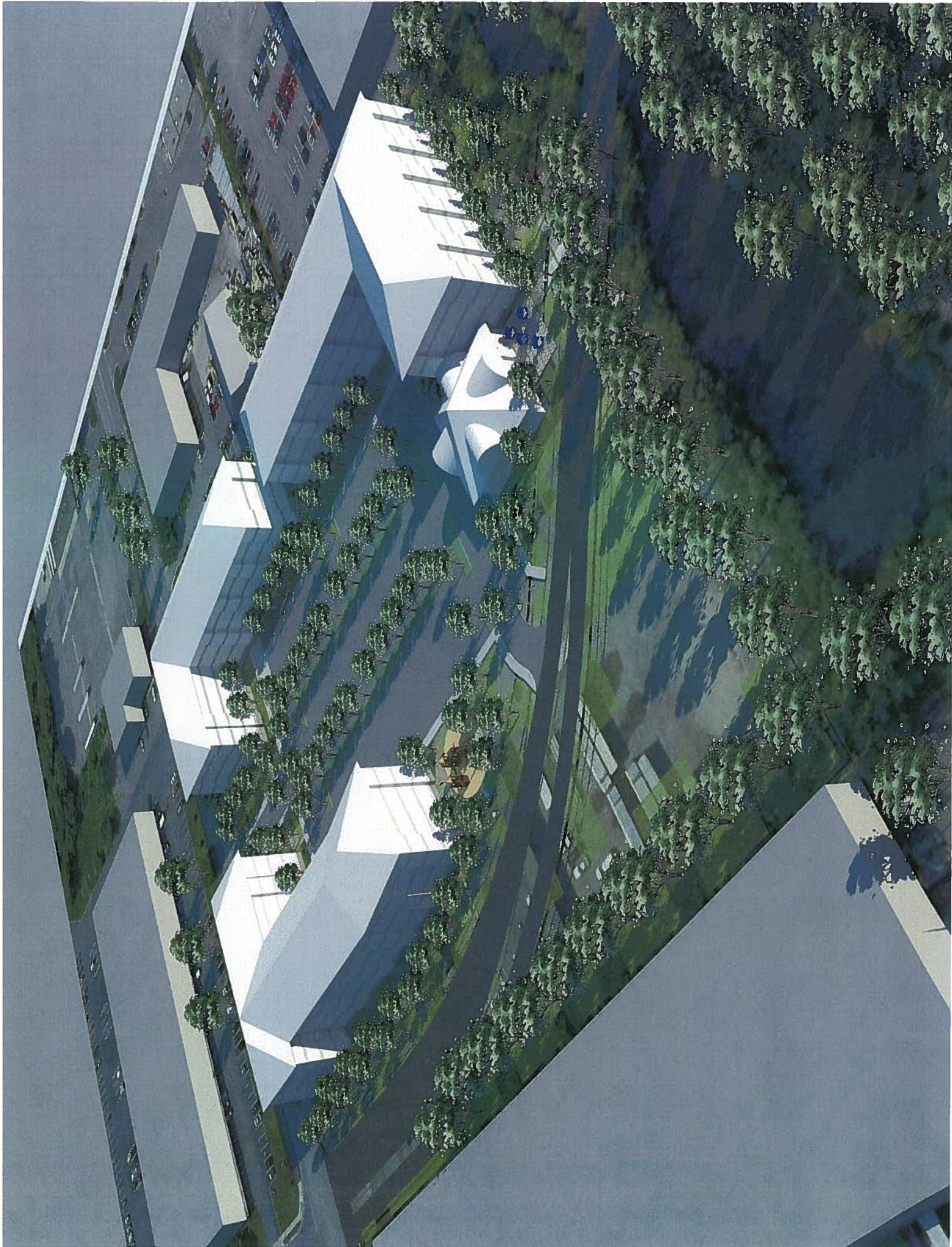
Please note that these massings are for discussion purposes. The articulation does not yet represent any actual design intent - it is purely to suggest that the exterior will be articulated in some manner.



View looking North West



View looking South East



Twin Lakes Public Financial Participation Framework

Introduction

Since 1988, the City of Roseville has worked to spark investment in the 275-acre Twin Lakes Redevelopment Area. The City initiated the creation of a Master Plan for the area, which has been updated several times since its inception. Over time, the importance of this project has become deeply rooted within the community, which is demonstrated by the adoption of Twin Lakes Master Plan into the City's Comprehensive Plan.



Twin Lakes Redevelopment Area

During the initial phases of redevelopment activities, public financial participation is often requested by developers to assist in offsetting the increased development costs associated with development on these more complicated sites. With limited financial resources and community expectations high, the City of Roseville has established a Public Financial Participation Framework to identify objectives and criteria by which to consider future financial requests for projects within the Twin Lakes Redevelopment Area.

The following framework, which has been developed with consideration to community goals articulated through the Imagine Roseville 2025 process, the Twin Lakes Master Plan (2001), and the Twin Lakes Design Principles, describes general policies that the City of Roseville will use when considering if to participate, what type of activities to assist with, and parameters of participation. These policies are intended to clarify what is within the realm of consideration when public financial participation is considered for elected officials, city staff, the public, and the development community.

Twin Lakes Public Financial Participation Determination

For all projects requesting financial assistance, the requestor must demonstrate (to be verified by the City) that the project is unlikely to proceed without the infusion of City funds. Beyond need, developers must demonstrate how their project will advance the city's overarching objectives. On the following page are eight community objectives and twenty-three scoring criteria by which to measure potential achievement of these objectives. The objectives include a mix of uses, enhanced aesthetics, environmental quality and sustainability, relationship to parks, transit and transportation options, diverse employment opportunities, diverse tax base, and diverse housing options. In order for the City to consider financial assistance for an individual project, the project must work toward achieving one-third of scoring criteria (eight criteria) within at least four of the objective categories.

Objectives and Scoring Criteria**1. Mix of Uses**

- ☒ Overall Use Mix: Contributes toward the desired mix of uses within the project area described in the Twin Lakes Master Plan
- ☐ Needed Services: Provides a needed service in Roseville.
- ☒ Community Spaces: Incorporates community spaces, such as plazas and greenspaces, into the project that are open for use by the general public

2. Enhanced Aesthetics

- ☒ Blight Elimination: Removes, prevents, or reduces blight or other adverse conditions of the property
- ☒ Urban Design: Achieves a walkable, pedestrian friendly environment, creates a strong “public realm,” and internalizes parking to the project as indicated in the Twin Lakes Design Principles
- ☒ Building Quality: Uses high quality, long-lasting building and construction materials
- ☒ Structured Parking: Replaces large, surface-parking lots with parking structures integrated into the overall project design

3. Environmental Quality and Sustainability

- ☒ Environmental Remediation: Cleans up existing soil and groundwater contamination
- ☐ Green Building: Is designed to a LEED-Silver rating or higher
- ☒ Green Infrastructure: Uses innovative stormwater management techniques, such as rain gardens/bioretention, porous pavement, or underground holding chambers
- ☐ Environmental Preservation: Preserves or improves quality of wetlands, wildlife habitats, or other natural areas inside or outside of parks.

4. Relationship to Parks

- ☒ Park Connections: Provides connectivity to the neighboring parks
- ☐ Buffers: Offers a buffer between the adjacent park and the new land uses
- ☐ Mitigates Environmental Impacts: Addresses environmental impacts related to park resources

5. Transit and Transportation Options

- ☒ Multimodal Transportation: Integrates bus, bicycle, and pedestrian connections into the project
- ☐ Transportation Demand Management: Works to reduce the number of trips to the project area by implementing various transportation demand options

6. Diverse Employment Opportunities

- ☐ Job Creation: Creates or retains a wide-range of professional-level, family-sustaining jobs
- ☐ Businesses Attraction/Retention: Attracts or retains competitive and financially strong businesses to Roseville

7. Diverse Tax Base

- ☒ Tax Base: Diversifies the overall tax base of the City
- ☐ Enhanced Tax Base: Maximizes tax-base potential within the redevelopment area

8. Diverse Housing Choices

- ☒ Unmet Housing Markets: Provides housing options not currently realized in the Roseville market (e.g. market-rate apartments, mid-sized single-family homes)
- ☐ Affordable Housing: Provides affordable housing opportunities.

Priority Funding Activities

The following is a list of activities, fundable under state statute, in which the City may consider financial participation.

- Cleanup of environmental contamination
- Construction of public infrastructure (e.g. utilities, roads, and sidewalks)
- Streetscaping
- Public, structured parking facilities
- Site improvements (e.g. soil correction)
- Land acquisition (e.g. right-of-way acquisition)
- Others on a case-by-case basis

General Financial Participation Parameters

If it is determined that the City will financially participate in a project, the following are the general parameters by which a development agreement will be negotiated.

Grants

- The City will apply for available regional, state, and federal grant funds to offset city costs associated with City-led project elements.
- The City will consider applying for regional, state, and federal grant funds to assist developer costs for projects that provide a demonstrated community benefit.
- If limited funds available, City will give priority to City-led elements.

Tax Increment Financing (TIF)

- Pay-as-you-go Financing: Initial financing of eligible improvements will be the responsibility of the developer with the City repaying the developer for eligible costs as revenue is generated (Developer-led project elements)
- Upfront Capitalization: Upfront financing for public improvements (City-led project elements)
- Financing Terms: Minimum financing for the shortest terms for the project to proceed.



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MEMORANDUM

TO: Pat Trudgeon, Community Development Director

FROM: Mikaela Huot, Vice President/Consultant

DATE: October 16, 2012

SUBJECT: Financial Analysis of Proposed Twin Lakes Apartments, LLC Housing Project

The City of Roseville has asked Springsted to evaluate the tax increment financing (TIF) request submitted by Twin Lakes Apartment LLC (the developer) for the proposed development of a multi-phase housing project consisting of approximately 215 units in 3 buildings with separate amenity facility. We have reviewed the project assumptions and general rationale for TIF assistance submitted by the developer. It is our understanding that the developer is in the process of assembling financing for the project, had received a preliminary financing letter from Multifamily Capital Funding LLC in November 2011 and is currently working on updated financing commitments necessary to proceed with the project. The initial letter had indicated that any project funding would be at least partially contingent on City tax increment financing assistance and that a TIF Note is necessary to provide sufficient cash flow to meet the annual debt service coverage requirements in the operating proforma.

Based on this information, the City could be justified in making a "but for" finding that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. We recommend, however, that the City also consider an appropriate level of TIF assistance for reimbursement of certain eligible project costs based on the developer's information. The purpose of this memo is to outline our analysis of the project including review of the developer's request for assistance, tax increment revenue projections, review of the developer's project proforma and outline of proposed Development Agreement business points.

Background of TIF District No. 17

The City of Roseville has previously established Tax Increment Financing (Redevelopment) District No. 17, known as Twin Lakes for the redevelopment of certain properties into a mixed-use project. Based on establishing dates of the district, the following applies when considering future projects proposed within the boundaries of the existing district:

- First increment collection in 2006
- Final increment collection in 2031
 - o Assuming full 25+ years
- Frozen tax rate of 102.078%
 - o As provided by Ramsey County
 - o Constant during remaining term of TIF District

When considering future redevelopment projects that occur within the existing TIF District No. 17, the City will need to verify that the projects would qualify as eligible projects within the redevelopment district and that there is sufficient budget authority to use tax increment dollars to finance the identified project costs. Because this proposed project includes the redevelopment of certain properties within the TIF District, and tax increment revenues are proposed to be used to clean up the project site and further the redevelopment objectives of the city and TIF District, it would be a qualifying project within the district. In addition, the proposed project costs, as further described, would be within the existing budget authority of the TIF Plan for TIF District No. 17.

Developer Request for Tax Increment Financing Assistance

The developer, Twin Lakes Apartment LLC, submitted a request for TIF assistance with the purpose of TIF to finance extraordinary costs associated with redeveloping the project site and subsequently constructing the proposed project. The developer has requested tax increment assistance for financing a portion of the costs associated with construction of the project. City staff, Springsted and the developer have met to discuss the preliminary project review. From those discussions the developer has adjusted some of the initial cost assumptions and the updated TIF eligible cost amount is \$3,780,000 which includes structured (underground) parking, infrastructure, roads and utilities, environmental/engineering and site preparation/drainage. The updated total estimated sources and uses of funds are equal to \$32,642,000. Based on the developer's application and total estimated project costs, the City could consider tax increment assistance for financing of the following extraordinary project costs (not including acquisition) associated with the redevelopment project:

Project Costs	Estimated Amount
Infrastructure, Roads & Utilities	\$250,000
Environmental/Engineering	\$290,000
Site Preparation/drainage	\$140,000
Structured Parking	\$3,100,000
Total	\$3,780,000

There are generally two ways in which assistance can be provided for most projects, either upfront or on a pay-as-you-go basis. With upfront financing, the City would finance a portion of the developer's initial project costs through the issuance of bonds or as an internal loan. Future tax increment would be collected by the City and used to pay

debt service on the bonds or repayment of the internal loan. With pay-as-you-go financing, the developer would finance all project costs upfront and would be reimbursed over time for a portion of those costs as revenues are available.

Pay-as-you-go-financing is generally more acceptable than upfront financing for the City because it shifts the risk for repayment to the developer. If tax increment revenues are less than originally projected, the developer receives less and therefore bears the risk of not being reimbursed the full amount of their financing. With bonds, the City would still need to make debt service payments and would have to use other sources to fill any shortfall of tax increment revenues. With internal financing, the City risks not repaying itself in full if tax increment revenues are not sufficient. Typically in either case of upfront financing, there is a shortfall payment guarantee with the developer. The developer has requested financial assistance as pay-as-you-go through a developer note.

Tax Increment Analysis

In order to estimate the amount of TIF revenues generated by the proposed development, certain assumptions were made based on the value of the project, construction schedule, and anticipated financing terms.

- Estimated base value (1 parcel) as of Jan. 1, 2011
 - o 04.29.23.31.0023 (EMV of \$2,357,200)
 - currently classified as commercial-industrial
 - anticipated to be reclassified as rental following development
- Estimated incremental market value upon completion
 - o \$90,000 per unit (preliminary assessor's estimate)
 - o 215 rental apartment units
 - o \$19,350,000 estimated market value
- Increment based on new building value only
- Construction commences in spring 2013 and is completed in summer 2015 (3 phases)
 - o Phase 1: 73 units
 - 60% assessed in January of 2014 for taxes payable in 2015
 - 100% assessed in January of 2015 for taxes payable in 2016
 - o Phase 2: 65 units
 - 25% assessed in January of 2014 for taxes payable in 2015
 - 100% assessed in January of 2015 for taxes payable in 2016
 - o Phase 3: 77 units
 - 50% assessed in January of 2015 for taxes payable in 2016
 - 100% assessed in January of 2016 for taxes payable in 2017
- Annual market value inflator
 - o Scenario 1: 0%
 - o Scenario 2: 1.5%
- Present value (discount) rate of 4.5%
- Tax rates (frozen rate), class rates and future market values remain constant

- 80% increment pledged to developer
- Maximum term of redevelopment district (26 total years)
 - o Approximately 17 years remaining following construction

Tax Increment Revenue Estimates

The developer's initial request for assistance was in an amount greater than what was projected to be available from the district over the remaining term. Based on the assumptions outlined above, the projected tax increment revenues to be generated from the project are shown in the chart on the following page. The estimated present value of available revenues may range from \$1,984,992 to \$2,195,915, depending on the annual market value inflator.

	Scenario 1	Scenario 2
Annual Market Value Inflator	0%	1.5%
Total Gross Tax Increment	\$3,960,851	\$4,443,701
City Retainage (20%)	\$792,164	\$888,738
Net Amount Remaining (80%)	\$3,168,687	\$3,554,963
Present Value – City Retainage	\$496,240	\$548,977
Present Value – Remaining 80%	\$1,984,992	\$2,195,915

Developer Proforma But-For Analysis

In approving a TIF district and project, the City must make several findings, including the “but for” test: that the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The developer has provided a “but-for” argument stating that the developer's lender has indicated that financial assistance from the City is necessary to provide sufficient project cash flow and market returns to investors that will achieve project feasibility. The developer states the assistance is necessary to construct the project as proposed based on current financial indicators. Based on the developer's stated position relative to the need for tax increment financing assistance, the City could make its “but for” finding and provide tax increment assistance.

We recommend, however, that the City also consider an appropriate level of TIF assistance for the project based on the information submitted by the developer. The City's position relative to the use of tax increment has typically been to finance extraordinary costs and level the playing field of potential redevelopment sites. The level of assistance is in part dictated by the ‘extraordinary’ costs of the project. Initial discussions about the project indicate the assistance would be provided as reimbursement to assist the developer with extraordinary redevelopment costs of the project site.

Following thorough evaluation of the project, the City will be prepared to make an informed “but-for” decision based on the likelihood of the project needing assistance, as well as the appropriate level of assistance. The “but-for” test is

used to determine whether a project is likely to proceed as proposed without the use of public dollars. To complete this analysis we constructed and examined two ten-year project proformas, one showing a result if the developer receives the requested TIF assistance and one showing a result without assistance. Our analysis of the proforma included a review of the development budget, projected operating revenues and expenditures, and the project's capacity to support annual debt service on the first mortgage and notes.

Springsted performed an analysis using the Rate of Return on Equity (ROE) and Internal Rate of Return (IRR) mechanisms to estimate the proposed project's rate of return. The rate of return on equity is an annual test and considers the before-tax cash flow as a measure of the equity invested to determine the developer's return. The internal rate of return measures the average annual yield on an investment, generally over a longer period of time, which in this case is 10 years. The internal rate of return measurement is typically what is used by public agencies to determine the need for a subsidy.

Generally, should the rates of return lie below a reasonable range without assistance; we could assume the project as proposed would not move forward without assistance. Should the returns lie within a reasonable range with the assistance, we could assume the amount of assistance tested is appropriate for the project. All such estimates should be viewed as general indicators of performance and not exact forecasts. The number of current and future variables affecting these estimates and actual results are great.

The 'with assistance' scenario assumes the developer receives tax increment assistance from the city in the form of a pay-as-you-go note. Sources would include first mortgage and equity. Any city assistance would be provided as reimbursement for certain project costs and not upfront. The developer has indicated it would leverage the city assistance in the form of a TIF Note to receive additional funding from its lending institute with annual tax increment revenues available for repayment of the loan.

In the 'without assistance' scenario it is assumed to be the same project, but privately financed without any tax increment assistance. To make up the gap we have assumed the developer would either provide increased equity and/or receive additional bank financing to close the financing gap. The likelihood of these scenarios ('without assistance') will ultimately be determined by the marketability of the project.

Based on the developer's project assumptions, Springsted has estimated the IRR in the 'with assistance' scenario to be 10.45% with a ROE of 2.11%. Our analysis has determined that without assistance, with increased bank financing and same amount of equity, the projected IRR would be -4.59% and ROE would be 0.06%. In addition the debt service coverage ratio would be 1.00 upon project stabilization. Should the first mortgage amounts remain the same and equity be increased to fill the gap, the projected IRR would be 3.30% and ROE would be 1.42%. The developer has indicated the 'without assistance' scenarios would not be feasible based on the projected returns.

In addition to the rate of return analysis described above, we also reviewed the debt service coverage ratios of the proposed project operating proforma, as compared to the initial information provided to us. The developer 'with

assistance' scenario includes debt coverage of 1.10 upon project stabilization. The proforma analysis described previously has indicated that any TIF assistance would be used to provide sufficient cash flow to meet the annual debt service coverage requirements in the operating proforma. The 'without assistance' assumes additional equity to meet the targeted debt coverage ratio of 1.10 and calculates modest returns to the developer that are below market, thus causing the project to be infeasible.

There is no set IRR benchmark that dictates whether a project needs TIF assistance or not. There are general market indicators that determine a project should be "doable" with a 10-year average return of 10-20%. However this is only an indicator and may or may not apply for each individual project, especially in today's market, and there may be other factors impacting the developer's ability to proceed. The developer has stated that the project will not occur without TIF assistance. Therefore, the City should view the IRR calculations as one factor in arriving at a decision for this particular project.

Draft Business Points

Should the Council choose to move forward with the project, it would enter into a Development Agreement with the developer, Twin Lakes Apartments LLC. The Agreement would include the requirements of each party and the provisions of tax increment assistance. Based on initial discussions with city staff and the developer, we recommend the City consider the following terms for inclusion in the agreement:

- Type of Assistance
 - Pay-as-you-go for reimbursement of certain eligible costs
- Maximum Amount of Assistance
 - \$2,200,000
- Maximum Term of Assistance
 - 17 years
- City Retained Amount
 - 20%: pooling and administrative
- Amount Pledged to Developer
 - 80%
- Eligible Project Costs for Reimbursement
 - Extra ordinary Redevelopment Costs
 - Demolition/Site work
 - Structured Parking
 - Road/Utility Costs
- Construction schedule
 - For each phase
 - Commence
 - Complete
- Minimum Assessed Valuations

Conclusion

The developer has indicated that the assistance is necessary for the project to proceed and would use a City TIF Note to provide the project with sufficient annual cash flow to meet the minimum debt service coverage requirements. The developer provided terms in the revised information showing a debt service coverage ratio of 1.10 assuming a stabilized project and a project return on equity of 2.11%. As we had indicated earlier in this memo, based on current assumptions it would take the full remaining term of the district to meet the request.

In some cases, there may be opportunities to fill a portion of the gap by other means – thereby reducing the required TIF assistance and/or term. For example, a developer fee may be reduced and/or partially deferred to be paid from future cashflows, if supported. However in this case the stated developer fee is modest. Rental rates might also be able to be increased by more than a proposed inflation rate if the project proves successful, which could have a fairly significant impact on the projected rates of return. However the market will ultimately dictate what the rental rates will be for this project. A decrease in project costs and/or operating costs may also have a positive impact on the projected returns. Lastly, a reduction in the TIF note interest rate (from 4.5%) may also be considered.

Although we calculated the projected revenues for the remaining term of the district, the City could consider providing assistance for a shorter term and/or smaller overall amount, based on identified TIF-eligible project costs that meet the City's public purpose and objectives. In addition, the developer has indicated it is in the process of receiving a letter of commitment from its lender that will provide additional details on the project financing. We recommend the city consider this letter when reviewing the request and determining the need for financial assistance. Thank you for the opportunity to be of assistance to the City of Roseville. Please contact me at (651) 223-3036 or mhuot@springsted.com with any questions or comments.

Projected Tax Increment Report

City of Roseville, Minnesota
 Tax Increment Financing (Redevelopment) District No. 17
 Twin Lakes Apartments Project - construction commences 2013
 Scenario 1- \$90K per unit EMV with 0% annual MV inflator

Annual Period Ending (1)	Total Estimated Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity* (4)	Less: Fiscal Disp. @ 0.0000% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate** (7)	Annual Gross Tax Increment (8)	Less: State Aud. Deduction 0.360% (9)	Annual Net Tax Increment (10)	Less: Adm./Pooling Retainage 20.00% (11)	Annual Net Revenue (12)	P.V. Annual Net Rev. To 02/01/13 4.50% (13)	P.V. Annual Retainage To 02/01/13 4.50% (14)
12/31/12		46,394	46,394	0	0	102.078%	0	0	0	0	0	0	0
12/31/13	2,463,900	46,394	46,394	0	0	102.078%	0	0	0	0	0	0	0
12/31/14	2,463,900	46,394	46,394	0	0	102.078%	0	0	0	0	0	0	0
12/31/15	7,868,400	113,950	46,394	0	67,556	102.078%	68,960	248	68,712	13,742	54,970	48,882	12,220
12/31/16	18,348,900	244,957	46,394	0	198,563	102.078%	202,689	730	201,959	40,392	161,567	137,486	34,372
12/31/17	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	160,265	40,066
12/31/18	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	153,363	38,340
12/31/19	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	146,759	36,689
12/31/20	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	140,439	35,109
12/31/21	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	134,392	33,598
12/31/22	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	128,605	32,151
12/31/23	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	123,067	30,766
12/31/24	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	117,767	29,441
12/31/25	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	112,696	28,174
12/31/26	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	107,843	26,960
12/31/27	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	103,199	25,799
12/31/28	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	98,755	24,688
12/31/29	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	94,502	23,625
12/31/30	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	90,433	22,608
12/31/31	21,813,900	288,269	46,394	0	241,875	102.078%	246,901	889	246,012	49,202	196,810	86,539	21,634
							\$3,975,164	\$14,313	\$3,960,851	\$792,164	\$3,168,687	\$1,984,992	\$496,240

*Base value assumed to be current land value - value captured as tax increment will be incremental new value of building(s) only. Estimated to be \$90,000/unit for 215 units

**Frozen TIF total tax capacity rate per Ramsey County Records

Proposed 2012 tax rate	134.912%
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Projected Tax Increment Report

City of Roseville, Minnesota
 Tax Increment Financing (Redevelopment) District No. 17
 Twin Lakes Apartments Project - construction commences 2013
 Scenario 2 - \$90K per unit EMV with 1.5% annual MV inflator

Annual Period Ending (1)	Total Estimated Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity* (4)	Less: Fiscal Disp. @ 0.0000% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate** (7)	Annual Gross Tax Increment (8)	Less: State Aud. Deduction 0.360% (9)	Annual Net Tax Increment (10)	Less: Adm./Pooling Retainage 20.00% (11)	Annual Net Revenue (12)	P.V. Annual Net Rev. To 02/01/13 4.50% (13)	P.V. Annual Retainage To 02/01/13 4.50% (14)
12/31/12		46,394	46,394	0	0	102.078%	0	0	0	0	0	0	0
12/31/13	2,463,900	46,394	46,394	0	0	102.078%	0	0	0	0	0	0	0
12/31/14	2,463,900	46,394	46,394	0	0	102.078%	0	0	0	0	0	0	0
12/31/15	7,868,400	113,950	46,394	0	67,556	102.078%	68,960	248	68,712	13,742	54,970	48,882	12,220
12/31/16	18,429,968	245,970	46,394	0	199,576	102.078%	203,723	733	202,990	40,598	162,392	138,188	34,547
12/31/17	22,134,459	292,276	46,394	0	245,882	102.078%	250,991	904	250,087	50,017	200,070	162,919	40,729
12/31/18	22,429,517	295,964	46,394	0	249,570	102.078%	254,756	917	253,839	50,768	203,071	158,242	39,561
12/31/19	22,729,001	299,708	46,394	0	253,314	102.078%	258,578	931	257,647	51,529	206,118	153,700	38,425
12/31/20	23,032,978	303,507	46,394	0	257,113	102.078%	262,456	945	261,511	52,302	209,209	149,287	37,322
12/31/21	23,341,514	307,364	46,394	0	260,970	102.078%	266,393	959	265,434	53,087	212,347	145,001	36,250
12/31/22	23,654,678	311,279	46,394	0	264,885	102.078%	270,389	973	269,416	53,883	215,533	140,839	35,210
12/31/23	23,972,540	315,252	46,394	0	268,858	102.078%	274,445	988	273,457	54,691	218,766	136,796	34,199
12/31/24	24,295,169	319,285	46,394	0	272,891	102.078%	278,562	1,003	277,559	55,512	222,047	132,868	33,217
12/31/25	24,622,638	323,378	46,394	0	276,984	102.078%	282,740	1,018	281,722	56,344	225,378	129,054	32,263
12/31/26	24,955,019	327,533	46,394	0	281,139	102.078%	286,981	1,033	285,948	57,190	228,758	125,349	31,337
12/31/27	25,292,386	331,750	46,394	0	285,356	102.078%	291,286	1,049	290,237	58,047	232,190	121,751	30,437
12/31/28	25,634,813	336,030	46,394	0	289,636	102.078%	295,655	1,064	294,591	58,918	235,673	118,255	29,564
12/31/29	25,982,377	340,375	46,394	0	293,981	102.078%	300,090	1,080	299,010	59,802	239,208	114,861	28,715
12/31/30	26,335,154	344,785	46,394	0	298,391	102.078%	304,591	1,097	303,494	60,699	242,795	111,563	27,891
12/31/31	26,693,223	349,261	46,394	0	302,867	102.078%	309,160	1,113	308,047	61,609	246,438	108,360	27,090
							\$4,459,756	\$16,055	\$4,443,701	\$888,738	\$3,554,963	\$2,195,915	\$548,977

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**Frozen TIF total tax capacity rate per Ramsey County Records

Proposed 2012 tax rate	134.912%
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