ROSEVILLE

REQUEST FOR COUNCIL ACTION

Date: Nov. 28, 2016
Item No.: 12.a

Department Approval | City Manager Approval

Item Description: Consider Modifying the Tax Increment Financing (TIF) Plan for Redevelopment TIF District #12 to Aide in the Revitalization of Rice St. and Larpenteur Ave.

BACKGROUND

In 1990, the City established Tax Increment Financing (TIF) District #12 for the redevelopment of the former Ralph Reader School site. The purpose of this District was to redevelop the site, increase employment and otherwise foster other public purposes as determined by the City. TIF district #12 was amended at various times using excess funds to assist with City objectives. The last time the District was modified was March 3, 2014 to assist with the redevelopment of the Fire Station located on Dale Street.

TIF #12 funds can only be used when redevelopment is occurring, as it was originally created as a redevelopment district. After discussions and a review of areas that would qualify for these funds, it was determined by our TIF attorneys that Southeast (SE) Roseville would qualify due to the area being deemed a “Priority Area” in the Policy Priority Plan. Additionally, the funds would aide in the regional interest to revitalize Rice and Larpenteur and bring investment in an area that currently has a census tract with the highest poverty rate in Roseville. TIF #12 funds would not be able to be used for common areas that serve as public parks, facilities used for social/recreational or conference purposes, or a building to be used primarily and regularly for conducting the business of a municipality.

POLICY OBJECTIVE

Southeast Roseville has been designated a Priority in the 2016 Policy Priority Plan.

BUDGET IMPLICATIONS

The TIF #12 balance is estimated to be $830,000 and if no modification happens, the TIF district will be decertified and the funds will be given back to the three taxing jurisdictions of Ramsey County, Roseville School District and the City of Roseville.

STAFF RECOMMENDATION

Staff is recommending the City Council adopt a resolution approving a modification to the Tax Increment Financing Plan for Tax Increment Financing District No. 12

REQUESTED COUNCIL ACTION

Motion to Adopt a Resolution approving a modification to the Tax Increment Financing Plan for Tax Increment Financing District No. 12

Prepared by: Kari Collins, Community Development Director
Attachments: A: Memo from TIF Attorney
B: Resolution
C: Amended TIF Plan

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October 29, 2012

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VIA E-MAIL

Chris Miller
City Finance Director
City of Roseville
Roseville City Hall
2660 Civic Center Drive
Roseville, MN 55113-1815

Re: Tax Increment Financing District No. 12

Dear Chris:

You have requested an opinion concerning the pooling authority with respect to Tax Increment Financing District No. 12. TIF District No. 12 was established in 1990 and is not subject to the pooling restrictions contained in Minnesota Statutes, Section 469.1763. Therefore, assuming that there is adequate budget authority for Tax Increment Financing District No. 12 tax increments can be spent from Tax Increment Financing District No. 12 anywhere within the boundaries of Development District No. 1. Tax Increment Financing District No. 12 is subject to the 90% rule contained in Minnesota Statutes, Section 469.176, subdivision 4(j). Subdivision 4(j) provides that at least 90% of the revenues derived from Tax Increment Financing District No. 12 must be used to finance the cost of correcting conditions that allow designation of redevelopment districts under Section 469.174. These costs include, but are not limited to acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to the development of the land and installation of utilities, roads, sidewalks and parking facilities for the site. The allocated administrative expenses of the city including the cost of preparation of a development action response plan may be included in the qualifying costs.

It is my understanding that available increment from Tax Increment Financing District No. 12 may be used to pay for public infrastructure costs so that development may occur within areas of the city where redevelopment is necessary. This use of tax increment would be in compliance with the 90% rule. In the event that the city determines to assist developers with projects to be undertaken on sites that are not redevelopment properties (i.e., raw land) an

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analysis will have to be made to make sure that such assistance is in compliance with the 90% rule.

In addition there is the prohibition that tax increments cannot be used for a commons area to be used as a public park, a facility used for social, recreational or conference purposes or a building to be used primarily and regularly for conducting the business of a municipality.

In summary, tax increments derived from Tax Increment Financing District No. 12 can be spent within the boundaries of Development District No. 1 provided that the expenditure is in compliance with the budget for Tax Increment Financing District No. 12 and complies with the 90% rule.

If you have any other questions please do not hesitate to contact me.

Very truly yours,

Mary L. Ippel

Mary L. Ippel

MLI/jmc

EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE CITY
OF ROSEVILLE, MINNESOTA

HELD: November 28, 2016

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Roseville, Ramsey County, Minnesota, was duly called and held on the 28th day of November, 2016, at 6:00 p.m.

The following members of the Council were present:

and the following were absent:

Member __________ introduced the following resolution and moved its adoption:

RESOLUTION APPROVING MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 12.

A. WHEREAS, the City of Roseville, Minnesota (the "City") has heretofore established Development District No. 1 (the "Development District") and adopted a Development Program (the "Development Program") therefor and established Tax Increment Financing District No. 12 (the "TIF District) therein and approved and adopted a Tax Increment Financing Plan for the TIF District (the "TIF Plan") therefor under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794 (the "Act"); and

B. WHEREAS, the City Council has investigated the facts and has caused to be prepared a modification to the TIF Plan for the TIF District (the "Modification"), to increase the budget for eligible uses of tax increments as set forth in the Modification; and

C. WHEREAS, the City has performed all actions required by law to be performed prior to the approval of the Modification, including, but not limited to, notification of Ramsey County and School District No. 623 having taxing jurisdiction over the property included in the TIF Districts and the holding of a public hearing upon published and mailed notice as required by law; and

D. WHEREAS, the City held a public hearing on the Modification on this date following not less than 10 days and not more than 30 days published notice in the local newspaper of general circulation; and

E. WHEREAS, the City is not modifying the boundaries of the Development District or the TIF District; and

F. WHEREAS, the City is not extending the duration of the TIF District.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville as follows:

1. Development District No. 1. The City has heretofore established in the City Development District, the initial boundaries of which are fixed and determined as described in the Development Program.

2. TIF District No. 12. The City has heretofore established the TIF District within the Development District.

3. Modification. The Modification is adopted for the TIF District, and the City Council makes the following findings:

(a) The City Council hereby reaffirms the original findings for the TIF District, namely that when it was established, it was established as a "redevelopment district".

(b) The Modification identifies the increase in the budget for the TIF District.

(c) The Modification conforms to the general plan for development or redevelopment of the City as a whole. The fact supporting this finding is that the Modification will generally complement and serve to implement policies adopted in the City's comprehensive plan.

(d) The Modification will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The facts supporting this finding are that the Modification will continue the redevelopment by private enterprise that has been stimulated under the original plan for the TIF District.

4. Public Purpose. The adoption of the Modification conforms in all respects to the requirements of the Act and will help fulfill a need to redevelop an area of the State which is already built up, to provide employment opportunities, to provide housing opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

5. Approval and Adoption of the Modification. The Modification, as presented to the City Council on this date, is hereby approved and shall be placed on file in the office of City Manager.

6. Filing. The City Manager is authorized and directed to file a copy of the Modification with the Ramsey County Auditor. The City Manager is further authorized and directed to file a copy of the Modification with the Commissioner of Revenue and the Office of the State Auditor.

The motion for the adoption of the foregoing resolution was duly seconded by member _____________ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA
RAMSEY COUNTY
CITY OF ROSEVILLE

I, the undersigned, being the duly qualified and acting City Manager of the City of Roseville, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the modification to the City's tax increment financing plan for Tax Increment Financing District No. 12.

WITNESS my hand this 28th day of November, 2016.

Patrick Trudgeon, City Manager

Attachment C

City of Roseville, Minnesota

Modification to the
Tax Increment Financing Plan

for

Tax Increment Financing (Redevelopment)
District No. 12

Within

Development District No. 1

Original Approval: March 26, 1990
Administrative Amendment Approval: March 3, 2014
Modification Approved: August 24, 2015

2nd Modification Draft Dated: November 28, 2016
Scheduled Public Hearing to Consider: November 28, 2016

Prepared by:

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INTRODUCTION

The City, on March 26, 1990 created Tax Increment Financing District No. 12, within Development District No. 1 (Project Area), and adopted a Tax Increment Financing Plan (the "Plan") in connection therewith. The boundaries of Tax Increment Financing District No. 12 are not being modified due to this amendment.

The City previously administratively amended the Plan for Tax Increment Financing District No. 12 on March 3, 2014 to provide for the financing of certain eligible redevelopment project costs within the Project Area and City of Roseville. Specifically the City intends to use available tax increments from the Tax Increment Financing District No. 12 for financing of eligible redevelopment costs in conjunction with the redevelopment of the former Dale Street Fire Station into owner-occupied housing units. The purpose of the administrative amendment to the Plan is to adjust the existing authorized tax increment revenues and public costs to authorize for 'pooling' of increment to pay for eligible redevelopment project costs related to the new anticipated redevelopment project.

The City further modified the Plan for Tax Increment Financing District No. 12 on August 24, 2015 to allow for the purchase of property identified in this modification using available tax increment revenues from the Tax Increment Financing District No. 12 for the former Dale Street Fire Station redevelopment project. The section of the Plan for Tax Increment Financing District No. 12 as modified included Section F: Parcels to be Acquired and Section G: Estimate of Project Costs. There were no additional changes to other sections of the TIF Plan as a result of the modification.

The City is proposing to modify the Plan for Tax Increment Financing District No. 12 on November 28, 2016 to allow for the expenditures of available tax increments of the District on certain eligible project costs including infrastructure improvements and/or redevelopment assistance in the southeast section of Roseville identified as Census Track 416.02. The section of the Plan for Tax Increment Financing District No. 12 specifically being modified includes Section G: Estimate of Project Costs. There were no additional changes to other sections of the TIF Plan as a result of the modification.

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Tax Increment Financing District No. 12 Finance Plan

Section G Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Estimated Project Cost	Estimated Amount June 20, 2005 Modification	Estimated Amount March 3, 2014 Amendment	Estimated Amount August 24, 2015 Modification	Estimated Amount November 28, 2016 Modification
Land/building Acquisition	1,200,000	1,750,000	2,710,000	2,710,000
Site improvements/preparation costs	200,000	900,000	600,000	600,000
Utilities	600,000	350,000	350,000	350,000
Other qualifying improvements	200,000	200,000	270,000	1,220,000
Construction of affordable housing	0	0	0	0
Administrative Costs	370,000	100,000	100,000	100,000
Subtotal	2,570,000	3,300,000	4,030,000	4,980,000
Interest	770,000	40,000	40,000	40,000
Total	3,340,000	3,340,000	4,070,000	5,020,000

The City reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost is not increased.

Under this Plan as amended, the City estimates additional eligible costs associated with infrastructure improvements and redevelopment opportunities within the City (and Development District) focusing on the southeast section of the City identified as Census Track 416.02. The total estimated project cost amount is being increased to reflect the estimated available balance of tax increment revenues of the TIF District through the maximum term.

Section I Sources of Revenue

The only source of revenue to be used to finance capital and administration costs associated with the development projects set forth in this Tax Increment Financing District No. 12 within Development District No. 1, is tax increment generated as a result of the taxation of land and improvements within Development District No. 1. Tax increment revenues estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District. Tax increment financing refers to a funding technique that utilizes increases in valuation and the property taxes attributable to new development to finance, or assist in the financing of capital and administration costs. The improvements as a result of future development are expected to generate an annual tax increment of $172,000 based upon assumptions of a total build out value of $7,500,000. The projected sources of revenue are increasing with the modification to be equal to the estimated project costs of $5,020,000.

Map of Tax Increment Financing District No. 12
Within Development District No. 1