



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 6/2/2026
Agenda Section: Other Business

Department Origination: Finance

Agenda Item: Proposed Tax Increment Financing District No. 16: Trident Development, LLC Timber Ridge of Baxter Senior Living Housing Tax Increment Financing (TIF) Request

- Public Hearing for Proposed Trident Housing Tax Increment Financing District – Approximately 7:00 p.m.
- Consider Resolution 2026-043, Approving a Modification to the Development Program for Development District No. 1, Establishing Tax Increment Financing District No. 16: Trident, Approving a Tax Increment Financing Plan, and Authorizing the Execution of a Related TIF Assistance Agreement
- Consider Resolution 2026-044, Authorizing an Interfund Loan for Advance of Certain Costs in Connection with Tax Increment Financing District 16: Trident

Approval Required: Simple Majority Vote

BACKGROUND

As discussed at the December 2, 2025 council work session and the April 7, 2026 council meeting, Trident Development LLC, a developer, is interested in constructing and operating an 80-unit senior living community housing project in Baxter. The proposed project would be located near Quik Trip and the proposed VA clinic, northwest of the current terminus of Novotny Road. Attached is a map illustrating to proposed location of the TIF district within the city. Trident has requested the city provide tax increment financing (TIF) in exchange for 20% of the units (16 units) being available to households whose income is 50% or less of the area median income (AMI). The proposed development would consist of 64 assisted living (AL) units in a two-story building connected to 16 memory care (MC) apartment units in a one-story building.

At the April 7, 2026 council meeting, the council approved proceeding with the public hearing to consider establishing the housing TIF district. The council also reviewed the preliminary financial assistance terms associated with the tax increment financing project that was presented by Ehler's, the city's TIF consultant. The required notices to establish the TIF district have been completed and a copy of the proposed TIF plan is on file in the office of the Finance Director.

Schane Rudlang with Ehlers will be at Tuesday's council meeting to summarize the TIF district process and the proposed TIF Assistance Agreement. The attached TIF Assistance Agreement was prepared by Jenny Boulton, the city's municipal finance attorney, in consultation with our Ehler's consultants and city staff. After conducting the public hearing, should the Council wish to proceed with establishing the TIF district and offering the TIF assistance to Trident based upon the outlined terms, the next step would be to adopt the attached resolutions prepared by Ms. Bolton and Finance Director Vacinek.

FINANCIAL IMPLICATIONS

No third-party costs to the city exist with holding the public hearing or establishing the TIF district. The developer has paid the required TIF application fee and the refundable deposit to cover the third-party cost, including the fees charged by Ehlers to setup the TIF district and analyze the project on behalf of the city. Any third-party costs exceeding the initial deposit will be billed to the developer.

Construction of the project is estimated to generate up to \$106,255 of future annual tax increment, based upon projections for the first full year in 2030. The tax increment would be available for financial assistance to the project and for administrative costs of the district. As indicated in the draft TIF plan, "The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the TIF district. However, the city has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0." Based upon the TIF Plan, the estimated fiscal impact of the TIF district to the various jurisdictions if the "but for" test was not met is shown on page 8 of the TIF plan and summarized below.

The percentage of the captured tax capacity upon completion to the county, city, and school district is approximately 0.0972%, 1.1769%, and 0.1909%, respectively. The potential taxes are \$49,318, \$113,908, and \$46,608, respectively. The above figures are based upon captured tax capacity when all construction is completed and Pay 2026 tax rates. The total net tax capacity for the jurisdictions is based on actual Pay 2026 figures. The District will be certified under the actual Pay 2026 rates.

As outlined at the April 7, 2026 council meeting and provided for in the attached TIF assistance agreement, the proposed terms of assistance include a TIF pay-as-you-go (PAYG) note at \$1.1 million with a 6% interest rate over a 20-year term, beginning in September 2028 for the TIF generated in the first half of 2028. The PAYG TIF note would be paid to the developer with 90% of the TIF generated by the project with no other obligations of the city. There is no general obligation pledge provided by the city to pay the TIF note. The terms include an important "lookback" provision that allows the city to adjust the level of assistance downward if the project is projected to exceed an internal rate of return of 16% or higher when the project achieves an average occupancy of 95% and the project has converted to permanent project financing or three years after certificate of occupancy, whichever occurs first as defined in the agreement.

A standard interfund loan provision is also recommended for approval to pay any initial administrative costs incurred that are not covered by the developer deposit before tax increment is generated by the new TIF district, including staff time administering the TIF district. Interfund loan approvals are required by Minnesota Statutes and authorize cities to advance money to cover project costs until tax increment is available to cover the TIF-eligible expenditures.

STAFF RECOMMENDATIONS

Finance Director Vacinek recommends the Council:

- Hold the public hearing regarding the proposed Trident Housing Tax Increment Financing District
- Consider adopting Resolution 2026-043 to establish TIF District 16: Trident, adopt the TIF plan, and authorize the execution of the attached Development Assistance Agreement with Trident

Upon approval of Resolution 2026-043, Finance Director Vacinek recommends the Council adopt the attached Resolution 2026-044 authorizing an interfund loan to pay TIF-eligible initial administrative costs that will be reimbursed by future tax increment.

COUNCIL ACTION REQUESTED

- Hold the Public Hearing for the proposed Trident Housing Tax Increment Financing District at approximately 7:00 p.m.
- Consider Resolution 2026-043, approving a modification to the Development Program for Development District No. 1, establishing Tax Increment Financing District No. 16: Trident, approving a tax increment financing plan, and authorizing the execution of a related TIF assistance agreement
- Consider Resolution 2026-044, authorizing an interfund loan for advance of certain costs in connection with Tax Increment Financing District No. 16: Trident