



ECONOMIC DEVELOPMENT AUTHORITY

AGENDA SECTION	BUSINESS ITEMS
MEETING DATE	JANUARY 3, 2022

ITEM:	Resolution of Support for Tax Increment Financing	
DEPARTMENT:	Community Development	BY/DATE: Aaron Chirpich – 12/29/21

BACKGROUND:

In May 2021, the EDA received an application for financial assistance from Reuter Walton Development requesting a total of \$1.8 million of public assistance to construct a 62-unit affordable housing complex on the City's vacant development site located behind the Public Safety campus. Reuter Walton specifically requested Tax Increment Financing (TIF) in the amount of \$1,498,000 and a local grant of \$300,000. The project is proposed to start in the spring of 2022 with an anticipated project cost of approximately \$20 million. Reuter Walton and the City are also partnering with Southern Anoka Community Assistance (SACA) to develop a new food shelf on the same development site.

The City's public financing consultant, Ehlers has reviewed the proposed project; specifically the budget and pro forma for the apartments based on industry standards for construction, land acquisition, and project costs. Based on their review, Ehlers has determined that the requested financial assistance is more than what is necessary for the project to be financially feasible. Ehlers has concluded that the project would require no more than \$680,000 in TIF assistance payable over a 15 year term. A copy of the memo detailing the Ehlers analysis is attached to this report.

RESOLUTION OF SUPPORT:

Reuter Walton has asked that the EDA pass a resolution showing support for the use of TIF on the proposed project, as a resolution of support will assist them in their pursuit of additional funding for the project from the State of Minnesota and their private investment partners. A resolution of support in no way obligates the EDA or City to provide any TIF assistance to the project. Authorization of TIF for the project is solely within the discretion of the City Council after satisfaction of all conditions required pursuant to State law.

METROPOLITAN COUNCIL GRANT:

In September of 2021, the City Council authorized staff to prepare an application for the Metropolitan Council's 2021 Livable Communities Demonstration Account (LCDA) grant funding program to support the project. The City prepared an application on behalf of Reuter Walton and SACA. Eligible uses of the grant funds include; storm water management, public realm improvements, renewable energy systems, and site acquisition and preparation. SACA and Reuter Walton requested a combined total of \$1,232,000 in LCDA funding to support the joint project venture. On December 27, 2021, the City was informed by the Met Council that the City and the project have been awarded the full amount of grant funding requested. It is unclear how this new infusion of grant funding will affect the need for TIF assistance. Staff is coordinating with Ehlers to review a revised pro forma for the Reuter Walton portion of the project that takes into consideration the new funding source.

RECOMMEDATION:

Staff is amenable to passing the attached resolution of support for TIF assistance, as doing so does not obligate the City or EDA to any form of an actual TIF agreement. Passing the resolution will convey the City's willingness to provide assistance if warranted. Ultimately, further review of the project pro forma may conclude that zero assistance is required.

RECOMMENDED MOTION(S):

MOTION: Move to waive the reading of Resolution 2022-03, there being ample copies available to the public.

MOTION: Move to adopt Resolution 2022-03, a resolution of the Columbia Heights Economic Development Authority supporting use of tax increment financing for a rental housing development project.

ATTACHMENT(S):

- Resolution 2022-03
- TIF Analysis Memo from Ehlers