



ECONOMIC DEVELOPMENT AUTHORITY

AGENDA SECTION	BUSINESS ITEM
MEETING DATE	JUNE 7, 2021

ITEM:	4300 Central Avenue – TIF Pledge for General Obligation TIF Revenue Bonds	
DEPARTMENT:	Community Development	BY/DATE: Aaron Chirpich – 6/4/2021

BACKGROUND:

Alatus LLC, has requested that the City assist in the acquisition of 4300 Central Avenue NE by providing the funding necessary to purchase the property from Hy-Vee, and provide the funding for predevelopment costs related to environmental testing, and demolition of the existing buildings. The total amount requested by Alatus is \$6,000,000. The proposed uses of the funding are as follows:

- Land Acquisition - \$4,500,000
- Property Taxes (3 years) - \$395,957
- Closing Costs - \$105,200
- City Fees - \$50,000
- Demolition - \$671,686
- Environmental Testing and Reports - \$42,156
- Geotechnical Testing and Reports – 35,000

During an executive session on February 1, 2021, the EDA discussed the Alatus project proposal and explored potential public funding options available to the EDA and City. Two primary options were presented by staff; financing with internal funds, and borrowing through the issuance of general obligation tax increment financing (TIF) bonds. Following discussion on the two options, the EDA directed staff to move forward with the borrowing option and take the necessary steps to issue the TIF bonds to fund the acquisition and pre-development costs. Under this scenario, the City would issue the debt necessary for Alatus to purchase the property directly from Hy-Vee with the City acting as interim lender. Alatus would then pay off the City's loan when the project is ready to close with permanent financing.

Since the February 1, 2021 meeting, staff has worked with the City's public finance consultant, Ehlers, and the City's bond counsel, Kennedy and Graven to prepare for the bond sale and debt issuance. The bond sale by the City Council is scheduled for July 12, 2021. Although the City has the authority to issue general obligation TIF bonds, the EDA administers TIF districts for the City, and therefore the County remits increment generated from TIF districts directly to the EDA. Because the general obligation bonds being issued are tax increment bonds, the City will be pledging tax increment for the payment of the bonds. Therefore, the EDA is being asked by the City to pledge increment to the City from the newly created Alatus TIF district, so the City can use the increment to pay debt service on the bonds. The formal way to create this arrangement is through a TIF Pledge Agreement. Kennedy and Graven have prepared the attached pledge agreement for review and approval by the EDA.

RECOMMENDED MOTION(S):

MOTION: Move to waive the reading of Resolution 2021-11, there being ample copies available to the public.

MOTION: Move to adopt Resolution 2021-11, a resolution authorizing execution of a tax increment pledge agreement with the City of Columbia Heights relating to taxable general obligation temporary tax increment bonds, series 2021A, to be issued in the estimated aggregate principle amount of \$6,000,000.

ATTACHMENT(S):

1. Resolution 2021-11
2. TIF Pledge Agreement