

Key Information on Tax Increment Financing Proposal From 8.10.16

The redevelopment cost estimate for the site is \$10.26 Million (cost to get ready for construction)

Sources Detail:

- Tax Increment Financing – pay as you go note for \$2.06 M would be privately financed
 The City and REDA would not be providing any direct funding for the project
 Neither would be guaranteeing that tax increments would be received
- Hy-Vee Cost for the Robbinsdale site acquisition/preparation totals \$6.17 M
 By comparison acquisition was
 \$3,725,000 in New Hope
 \$3,075,000 in Oakdale
 \$3,135,000 in Lakeville
 \$4,110,000 in Robbinsdale *after* applying the TIF note (\$6,170,000 -\$2,060,000)
- Inland Development Partners will retain the southerly mall section (south of 35th Ave N) and providing \$1.95 M towards costs.
- Remaining \$82,000 from State (DEED) grant towards site clean-up.

SOURCES		
	Amount	Pct.
Hy-Vee Land	5,000,000	48.72%
Hy-Vee Land	130,000	1.27%
Hy-Vee additional site prep.	1,040,000	10.13%
TIF - pay as you go	2,060,000	20.07%
North Memorial Office Building (mortgage)	1,950,000	19.00%
DEED Grant	82,000	0.80%
TOTAL SOURCES	10,262,000	100.00%

USES		
	Amount	Pct.
Acquisition Costs		
Terrace Center - Brixmore	5,200,000	50.67%
North Memorial Parking area	500,000	4.87%
Lease Termination Fees	390,000	3.80%
Legal (acquisition)	45,000	0.44%
North Office Building Improvements	450,000	4.39%
Site Due Diligence (environmental)	118,950	1.16%
Environmental Remediation / Demolition	947,795	9.24%
Extraordinary site prep	1,500,000	14.62%
Professional Services	394,800	3.85%
Pre-Development Costs	111,000	1.08%
Intersection Upgrades	80,000	0.78%
Legal (Development)	15,000	0.15%
Developer Fee	509,455	4.96%
TOTAL USES	10,262,000	100%

Pay – As –You – Go Note \$2.06 M

The REDA and City are asked to approve the use of Tax Increment Financing for a Pay-as-you-go note.

This means that some of the new tax dollars generated by the project would be able to be used to pay for a privately financed loan of \$2.06 Million plus interest at 5.5%. Total principal plus interest \$4.4M

The parcels which make up the site today include the theater parcel, the part of the mall buildings north of 35th Avenue N (estimated to be 50% of the value of the mall parcel), the parking lot parcel in front of the mall (which is part of the North Memorial outpatient center – former Wards building parcel). In consultation with the Hennepin County Assessor’s Office, the current Local taxes paid from these properties to city, county, and school (not including state taxes, fiscal disparities and market value taxes) is estimated at \$69,379 per year.

After redevelopment– the annual property tax due from the redevelopment site (Hy-Vee) is estimated to be \$418,535. Those extra tax dollars would only exist if the redevelopment occurs. Using Tax Increment Financing, some of these new tax dollars would be available to pay for the \$2.06 M note plus interest over a 26 year period. Once the principal and interest are paid, the TIF district payments would end for this development. The amount of the \$418,535 annual tax payment estimated to be available to apply to the TIF Note is \$141,624 the first year. Neither City nor REDA guarantee that the tax increments that come in over that time period will be sufficient to pay for the TIF Note. If Hy-Vee defaults on the agreement terms, the payments to Hy-Vee stop.

The extra property tax payments for this property are separate from the city/council/school district levies which are paid for by the other property tax payers. That is, the new taxes from the proposed property do not add to or take away from the general tax payments each entity currently receives.

From the \$418,535 in property tax payments there would be the following deductions:

- \$ 98,279 state-wide taxes
 - \$ 64,338 fiscal disparities payment
 - \$ 28,611 market value taxes
 - \$ 69,379 base value taxes
 - \$ 16,304 city/county/state auditor admin costs
- \$141,624 available for payments on the TIF note principal and interest