

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: October 23, 2013

REGARDING: RESOLUTION AUTHORIZING AND APPROVING AN INTERFUND LOAN
UNDER THE KOCH MOBIL TAX INCREMENT FINANCING DISTRICT
(DISTRICT 9, WARD 2)

Requested Board Action

Approval of the attached resolution (**Attachment A**) to authorize and approve an Interfund Loan under the Koch Mobil Tax Increment Financing District.

Background

The HRA Board established the Koch Mobil Tax Increment Financing District and TIF Financing Plan on February 11, 2004. The TIF Plan authorized the HRA to spend tax increments from the Koch Mobil Tax Increment Financing District on eligible public improvements through multiple TIF revenue bond financings. The revenue bonds would be repaid through future collections of tax increments. The City originally issued \$3,950,000 of general obligation temporary bonds to finance public improvements with the expectation that they would be refunded with a future revenue bond financing. However, with the decline in the housing market, the projected tax increments were insufficient to support a revenue only transaction and the City issued permanent general obligation bonds in 2010 in the amount of \$2,670,000 (\$2,325,000 is currently outstanding). With this change, an additional revenue bond sale would not be the most efficient structure to finance the remaining public improvements contemplated in the TIF district. HRA staff has determined the best approach would be to advance internal funds to be repaid with the future tax increment collections over an estimated 50 months. This is referred to as an Interfund Loan under the TIF Act. An Interfund Loan requires authorization prior to any expenditure. The remaining public improvements include, but are not be limited to, a new street on HRA owned property within the TIF District to be dedicated as public right of way, as called for in the *Victoria Park Master Plan*, adopted in April 2005, and amended in April 2007 and August 2011.

The HRA is authorized to advance or loan money from the HRA's general fund or any other fund from which such advances may be legally authorized, in order to pay costs eligible for financing with tax increments under the TIF Act. The attached resolution authorizes such advances from the HRA Capital Projects Funds 118 to the Koch Mobil TIF district. The HRA intends to reimburse the Capital Projects Fund 118 with tax increments, upon receipt of such tax increments, for eligible costs paid for in accordance with the terms of the Interfund Loan outlined in the authorizing Resolution **Attachment A**.

Budget Action

All expenditures are already included in approved budgets.

Future Action

No further action is required.

Financing Structure

Up to \$1,000,000 will be advanced for TIF eligible costs from the HRA Capital Projects Fund 118; this will be reimbursed over time from the Koch Mobil Tax Increment Financing District. Interest at the rate of 3% per annum accrues on the principal amount from the date of each advance. Payments on this Interfund Loan are payable solely from "Available Tax Increment," which shall mean tax increment from the District after payments for debt service through December 31, 2030; all as shown in **Attachment A** to the Resolution.

PED Credit Committee Review

N/A

Compliance

All TIF-eligible work will be contracted through the City's Purchasing Department and will meet compliance requirements for Affirmative Action, Labor Standards, and Vendor Outreach.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The new street on HRA-owned property within the TIF District, to be dedicated as public right-of-way, is called for in the *Victoria Park Master Plan*, adopted in April 2005, and amended in April 2007 and August 2011.

Recommendation:

The Executive Director recommends HRA Board adoption of the attached Resolution authorizing an Interfund Loan under the Koch Mobil Tax Increment Financing District.

Sponsored by: Commissioner Thune

Staff: Martin Schieckel (266-6580) and Jenny Wolfe (266-6680)

Attachments

- **Attachment A -- Resolution**