

REPORT / RECOMMENDATION



To: Mayor and City Council Members

Agenda Item #: IV. H.

From: Bill Neuendorf 
Economic Development Manager

Action
Discussion
Information

Date: July 21, 2015

Subject: Resolution No. 2015-75 - Authorizing Interfund Loan - Pentagon Park Tax Increment Financing District

Action Requested:

Approve Resolution No. 2015-75.

Information / Background:

The Pentagon Park TIF District was approved by the City Council on February 18, 2014 in accordance with the provisions of applicable Minnesota Statutes. Incremental real estate taxes from the designated parcels will begin to be collected in 2018. Base level taxes will continue to be collected by the governing taxing bodies (County, City, School District, etc.) from the establishment of the District to its eventual decertification.

The developer (Pentagon Revival, LLC) has borne the City's direct costs of establishing the TIF District and preparation of the May 20, 2014 Master Redevelopment Agreement. While the Developer bears the financial responsibility for project costs, the City incurs various administrative costs from time-to-time related to this Redevelopment Project. Typical costs include: staff time devoted to the Project and costs associated with financial review and annual filings required by Minnesota TIF Statutes.

An interfund loan agreement is desirable so that such administrative costs can be reimbursed after tax revenue begins to be collected in 2018. The interfund loan is capped at \$100,000, which staff deems sufficient to cover three years of typical expenditures. Until such time as revenues are available, administrative costs are anticipated to be paid from the Centennial Lakes Tax Increment Fund.

Both the City of Edina and the Edina Housing and Redevelopment Authority (Resolution No. HRA 2015-04) are presented with identical Resolutions related to the interfund loan.

Attachments:

Resolution No. 2015-75

RESOLUTION NO. 2015-75

RESOLUTION AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH THE PENTAGON PARK TAX INCREMENT FINANCING DISTRICT.

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Edina Housing and Redevelopment Authority (the "HRA") and the City of Edina (the "City") that City Council (the "Council") of the City of Edina, Minnesota (the "City"), as follows:

Section 1. Background.

1.01. The City and HRA have heretofore approved the establishment of the Pentagon Park Tax Increment Financing District (the "TIF District") within the Southeast Edina Redevelopment Project Area (the "Project"), and have adopted a Tax Increment Financing Plan (the "TIF Plan") for the purpose of financing certain improvements within the Project.

1.02. The City and HRA have determined to pay for certain costs identified in the TIF Plan consisting of interest and administrative costs (collectively, the "Qualified Costs"), which costs may be financed on a temporary basis from City or HRA funds available for such purposes.

1.03. Under Minnesota Statutes, Section 469.178, Subd. 7, the City and HRA are authorized to advance or loan money from its general funds or any other fund from which such advances may be legally authorized, in order to finance the Qualified Costs.

1.04. The City and HRA intend to reimburse themselves for the Qualified Costs from tax increments derived from the TIF District in accordance with the terms of this resolution (which terms are referred to collectively as the "Interfund Loan").

Section 2. Terms of Interfund Loan.

2.01. The City and HRA hereby authorize the advance of up to \$100,000, or so much thereof as may be paid as Qualified Costs, from the Centennial Lakes Tax Increment Financing Fund or such other fund identified by the City or HRA. The total advances of City and HRA, when added together, shall not exceed \$100,000.

2.02. The City and HRA shall reimburse themselves such advances together with interest at the rate stated below. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted.

The interest rate shall be 0.0% and will not fluctuate.

2.03. Principal and interest ("Payments") on the Interfund Loan shall be paid semi-annually on each August 1 and February 1 (each a "Payment Date"), commencing on the first Payment Date on which the Authority has Available Tax Increment (defined below), or on any other dates determined by the Finance Director, through the date of last receipt of tax increment from the TIF District.

2.04. Payments on this Interfund Loan are payable solely from "Available Tax Increment," which shall mean, on each Payment Date, tax increment available after other obligations have been paid, or as determined by the Finance Director, generated in the preceding six (6) months with respect to the property within the TIF District and remitted to the City and HRA by Hennepin County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1799, all inclusive, as amended. Payments on this Interfund Loan may be subordinated to any outstanding or future bonds, notes or contracts secured in whole or in part with Available Tax Increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.

2.05. The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the City and HRA without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

2.06. This Interfund Loan is evidence of an internal borrowing by the City or HRA in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. This Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Interfund Loan or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Interfund Loan or other costs incident hereto. The City and HRA shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.

2.07. The HRA may amend the terms of this Interfund Loan at any time by resolution of the Board, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

Section 3. Effective Date. This resolution is effective upon the date of its approval.

ADOPTED: July 21, 2015

ATTEST: _____
Debra A. Mangen, City Clerk

James B. Hovland, Mayor

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)SS
CITY OF EDINA)

CERTIFICATE OF CITY CLERK

I, the undersigned duly appointed and acting City Clerk for the City of Edina do hereby certify that the attached and foregoing Resolution was duly adopted by the Edina City Council at its Regular Meeting of July 21, 2015, and as recorded in the Minutes of said Regular Meeting.

WITNESS my hand and seal of said City this ____ day of _____, 2015.

City Clerk