



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Blaine MN 55449

Legislation Text

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PUBLIC HEARING - *Joe Huss, Finance Director*

**APPROVING AN AMENDMENT TO THE BLAINE ECONOMIC DEVELOPMENT
PROJECT PLAN, ESTABLISHING A REDEVELOPMENT INCREMENT FINANCING
DISTRICT AND APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR
(OAK PARK PLAZA)**

The City Council will conduct a public hearing to discuss an amendment to its Economic Development Project Plan to establish a redevelopment tax increment financing (TIF) district, and approve the associated TIF plan. Under consideration is approval of TIF District No. 1-19, the Oak Park Plaza project.

The project would provide assistance to demolish the existing 36,000 square foot anchor facility and construct a new approximately 45,000 square foot grocery store anchor together with the redevelopment of the remaining 60,965 square feet of retail space to remove asbestos, improve building structures, and provide façade improvements and related parking improvements. It has been determined that the property qualifies as a redevelopment district eligible for TIF funding as a blighted property and that it meets the “but for” requirement to allow for the establishment of a TIF district.

The development would bring \$12 million in private investment and the agreement provides for roughly \$2.1 in assistance with a lump sum of \$700,000 coming from existing pooled TIF funds and the remainder to be paid via the Pay-As-You-Go (PAYGO) TIF district that would be approved by the City Council and the EDA. Payment of the lump sum is conditional upon redevelopment thresholds to be met per the attached agreement. The amount of PAYGO funds to be provided is limited to roughly \$1.4 million (present value as calculated in the attached TIF Plan) and is dependent upon the ability of the redevelopment to reach certain valuation levels.

Upon conclusion of the public hearing, adopt the following resolution.

BE IT RESOLVED by the City Council (the “Council”) of the City of Blaine, Minnesota (the “City”), as follows:

Section 1. Recitals.

1.01 The Blaine Economic Development Authority (the “EDA”) has proposed to amend

the Project Plan (the “Project Plan”) for the Blaine Economic Development Project (the “Project Area”) to expand the Project Area, to reflect increased public development and redevelopment costs and activities, and to establish Tax Increment Financing District No. 1-19 (the “TIF District”) within the Project Area and to adopt the Tax Increment Financing Plan relating thereto (the “TIF Plan”), all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, 469.090 through 469.1082, 469.124 through 469.134, and 469.174 through 469.1794 (the “TIF Act”), respectively, all as reflected in that certain document, dated June 18, 2015, entitled “Amendments Relating to Blaine Economic Development Project Plan of the Blaine Economic Development Authority Including Establishment and Approval of Tax Increment Financing District No. 1-19 (A Redevelopment District) and a Tax Increment Financing Plan therefor” and presented for the Council’s consideration.

1.02 The Council has investigated the facts relating to the amendment of the Project Plan, the establishment of the TIF District and the adoption of the TIF Plan.

1.03 The City has performed all actions required by law to be performed prior to the adoption and approval of the TIF Plan, including, but not limited to, 30 days’ prior notification of the County Auditor and School District Clerk and of the individual affected County Commissioner, a review of the Amendment to the Project Plan by the City Planning Commission, and the holding of a public hearing thereon following notice thereof published in the City’s official newspaper at least 10 but not more than 30 days prior to the public hearing.

1.04 Certain information and material (collectively, the “Materials”) relating to the TIF Plan and to the activities contemplated therein have heretofore been prepared and submitted to the Council and/or made a part of the City or EDA files and proceedings on the TIF Plan. The Materials include information and/or substantiation constituting or relating to (1) the “studies and analyses” on why the new Tax Increment District meets the requirements to be a redevelopment tax increment financing district, including a report dated March 27, 2015 prepared by LHB, Inc., Minneapolis, Minnesota, (2) why the new Tax Increment District meets the so-called “but for” test; and (3) the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Materials, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05 ZCOF TL Blaine LLC, a Delaware limited liability company (the “Company”) has proposed to demolish the existing 36,000 square foot anchor facility and construct a new approximately 45,000 square foot grocery store anchor together with the redevelopment of the remaining 60,965 square feet of retail space to remove asbestos, improve building structures, and provide façade improvements and related parking improvements located (collectively, the “Development”) and has requested that the EDA provide tax increment assistance to pay a portion of the public redevelopment costs of the Development.

Section 2. Findings for the Expansion of the Project Area, the Creation of the TIF District and Adoption of a TIF Plan Therefor.

2.01 The Council hereby finds that: (a) the land within the Project Area would not be available for redevelopment without the financial aid to be sought under the Redevelopment Plan; (b) the Redevelopment Plan will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Project Area by private enterprise; and (c) the Redevelopment Plan conforms to the general plan for the development of the City as a whole.

2.02 The Council finds that the Project Area constitutes a “blighted area” as well as, in part, an area that is underused or inappropriately used, within the meaning of Minnesota Statutes, Section 469.002, subd. 11 and Section 469.028, subd. 4.

2.03 The Council further finds that the demolition, clearance, and related activities to redevelop the Project Area, all in accordance with the Plan, constitute a “redevelopment project” within the meaning of Minnesota Statutes, Sections 469.002, subd. 14 and Section 469.028, subd. 4.

2.04 The City Council hereby finds that the TIF District is in the public interest and is a redevelopment district, as defined in Minnesota Statutes, Section 469.174, Subdivision 10 for the following reasons:

The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10(a), a “redevelopment district” because it consists of a project or portions of a project within which the following conditions, reasonably distributed throughout the District, exist: (1) parcels consisting of at least 70% of the area of the TIF District are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and (2) more than 50% of the buildings located within the TIF District are deemed “structurally substandard” (within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10(b) and (c)) to a degree requiring substantial renovation or clearance.

The TIF District consists of one parcel, and the parcel is “occupied” as defined in Minnesota Statutes, Section 469.174, Subd. 10(a)(1), in that at least 15% of the area of the parcel is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures. There are 3 buildings in the TIF District, which buildings are structurally substandard to a degree requiring substantial renovation or clearance. In addition, the costs of bringing the structurally substandard buildings into compliance with building codes applicable to new buildings would exceed 15% of the cost of constructing new structures of the same size and type on the site.

The report of LHB, Inc. dated March 27, 2015, including without limitation the supporting facts for these determinations, is on file with the staff of the EDA. There have been no building

permits issued or improvements made to the building since the date of the report.

2.05 The City Council hereby makes the following additional findings:

(a) The City Council further finds that the proposed Development, in the opinion of City Council, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The specific basis for such finding being:

The property on which the proposed Development will occur has not been declining and losing tenants for several years. The costs of rehabilitating existing buildings of the age, size and condition of the buildings in the TIF District are higher than for new development and the Company has represented that it could not proceed with the Development without tax increment assistance.

(b) The City Council further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the City as a whole. The specific basis for such finding being:

The TIF Plan will generally complement and serve to implement policies adopted in the City's comprehensive plan. The construction of the Development contemplated is or will be in substantial accordance with the existing zoning or any permitted exception for the property.

(c) The City Council further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the Project Area by private enterprise. The specific basis for such finding being:

The proposed Development to occur within the TIF District is commercial/retail and is consistent with other uses in the area. The Development will increase the taxable market valuation of the City.

(d) For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3 (b)(2), the City Council hereby finds that the increased market value of the property to be developed within the TIF District that could reasonably be expected to occur without the use of tax increment financing is \$0 (other than amounts due to inflation), which is less than the market value estimated to result from the proposed development (\$17,895,384 approximately), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (i.e., \$2,144,783 approximately), which is approximately \$15,747,601. In making these findings, the City Council has noted that the property has been declining and losing tenants for several years and would likely continue to do so if tax increment financing is

not available. Thus, the use of tax increment financing will be a positive net gain to the City, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

2.06 The provisions of this Section 2 are hereby incorporated by reference into and made a part of the TIF Plan.

2.07 The Board further finds that the Project Plan and TIF Plan are intended and, in the judgment of this Board, their effect will be, to promote the public purposes and accomplish the objectives specified in the TIF Plan and in the Project Plan. The City Council hereby makes the following findings.

Section 3. Creation of the TIF District and Approval and Adoption of the Plans; Interfund Loans.

3.01 The creation of the TIF District and the Amendment to the Project Plan and the adoption of the TIF Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted.

3.02 The City elects to retain all of the captured tax capacity to finance the costs of the TIF District. The City elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subd. 3(a).

3.03 In accordance with Minnesota Statutes, Section 469.175, Subd. 1(b), the City elects to delay the receipt of the first increment until tax payable year 2018.

3.04 The Council hereby approves a policy on interfund loans or advances (“Loans”) for this TIF District, as follows:

(a) The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses incurred prior to or after the date hereof) payable from the TIF District, as its TIF Plan is originally adopted or may be amended, may need to be financed on a short-term and/or long-term basis via one or more Loans, as may be determined by the City Finance Director from time to time,

(b) The Council specifically, in addition to out-of-pocket administrative expenses as described above, approves an interfund Loan in the amount of \$700,000 in pooled tax increment from Tax Increment Financing Districts Nos. 1-1, 1-3, 1-4, 1-5, 1-11, and 1-13, to be designated by the City Finance Director, to be repaid from available tax increments from the TIF District remaining after payment of the Tax Increment Revenue Note (Oak Park Plaza

Project) issued to the Developer, plus, to the extent sufficient tax increments are available, interest on the outstanding balance of such Loan at the greater of the rate specified under Minnesota Statutes, Sections 270.75 or 549.09 at the time such payment is made to the Developer.

(c) The Loans may be advanced if and as needed from available monies in the City's or the EDA's general fund or other City or EDA fund designated by the City Finance Director.

(d) Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans may exceed the adopted and, if applicable, amended TIF Plan budget for the TIF District.

(e) The maximum term of any Loan shall not exceed the lesser of the statutory duration limit of the TIF District or such earlier date as the City Finance Director may specify in writing. All Loans may be prepaid, in whole or in part, whether from tax increment revenue, TIF bond proceeds or other eligible sources.

(f) The outstanding and unpaid principal amount of each Loan shall bear interest at the rate prescribed by the statute (Minnesota Statutes, Section 469.178, Subdivision 7), which is the greater of the rates specified under Minnesota Statutes, Sections 270.75 or 549.09 at the time a Loan, or any part of it, is first made, subject to the right of the City Finance Director to specify a lower rate (but not less than the City's or the EDA's then-current average investment return for similar amount and term).

PASSED by the City Council of the City of Blaine this 18th day of June, 2015.