



STAFF

CITY OF BAYPORT

294 NORTH 3RD STREET
BAYPORT, MN 55003

CITY COUNCIL SPECIAL MEETING
City Hall - Council Chambers
December 19, 2016
5:00 p.m.

***** Please note: There will be no public comment taken at the workshop. *****

CALL TO ORDER

ROLL CALL

CONSIDER A MODIFICATION TO AND DECERTIFICATION OF TAX INCREMENT FINANCING DISTRICT NO. 1

City Attorney Pratt has been working in coordination with the Office of the State Auditor regarding the impending expiration of TIF District No. 1., and a few administrative tasks need to be completed in order to facilitate the closing of this District. First, the City Council will be asked to modify the budget for the TIF District to include expenditures related to the municipal parking lot at 169 3rd St. N. Once that is completed, the City Council will be asked to formally decertify the District by considering a standard resolution. The necessary resolution is attached for your consideration, and additional verbal updates will be provided at the meeting.

A roll call vote to adopt the modification is required.

A roll call vote to decertify the Tax Increment Finance district is required.

CONSIDER A LEASE AGREEMENT FOR FIRE HALL BUILDING AT 301 2ND AVE. N.

Staff continues to be in discussion with the Department of Corrections on a short-term lease for the initial reuse of the former Fire Hall building. A final lease will be provided at the Council meeting, along with a thorough update and discussion of the details, but at this point it seems to be a favorable opportunity for the benefit of both parties. (No further documentation attached.)

A motion to approve the lease agreement is required.

ADJOURNMENT

**MODIFICATION TO THE
TAX INCREMENT FINANCING PLAN
for
TAX INCREMENT FINANCING DISTRICT NO. 1
a
REDEVELOPMENT TIF DISTRICT
CITY OF BAYPORT, MINNESOTA**

Approved: December 19, 2016

MODIFICATION TO THE TAX INCREMENT FINANCING PLAN

TAX INCREMENT FINANCING DISTRICT NO. 1

(A REDEVELOPMENT TIF DISTRICT)

THIS MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 1 (A REDEVELOPMENT TIF DISTRICT) is approved by the City Council of the City of Bayport, Minnesota, this 19th day of December, 2016 (referred to herein as the "Modification").

RECITALS

WHEREAS, the City of Bayport, Minnesota (the "City"), has undertaken a program to promote the redevelopment of underutilized and structurally substandard land, buildings and improvements located in the City, and in connection therewith created Municipal Development District No. 1 (the "Development District") on April 27, 1990; and

WHEREAS, also on April 27, 1990, the City created Tax Increment Financing District No. 1, a redevelopment district (the "TIF District"), pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act"), by approving a Tax Increment Financing Plan therefor (the "TIF Plan"), which TIF District is located within the Development District, approximately bounded by Central Avenue and Fourth Street on the north and south, and Main Street and Third Streets on the east and west; and

WHEREAS, the TIF District was additionally certified to the Washington County Auditor/Treasurer on April 27, 1990; and

WHEREAS, the TIF District is a redevelopment district, and pursuant to Section 469.176, Subdivision 4j of the TIF Act, for all TIF districts certified after May 1, 1988, at least 90% of tax increment revenues must be used to finance the costs of correcting conditions that allow designation of a redevelopment district, such as acquiring properties containing structurally substandard buildings or improvements or hazardous substances, acquiring adjacent parcels necessary to provide a size of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to the development of the land, and installation of utilities, roads, sidewalks and parking facilities for the site; and

WHEREAS, the TIF District is not subject to the requirement of Section 469.1763, Subdivision 2 of the TIF Act, which requires all districts certified after April 30, 1990 to spend at least 75% of total tax increment revenues derived from the district within the boundaries of the district; and

WHEREAS, the TIF District is also not subject to the "five-year rule" of Section 469.1763, Subdivision 3 of the TIF Act, which requires all districts certified after April 30, 1990 to spend TIF revenues on certain qualifying activities within five years after certification of the district; and

WHEREAS, the TIF Plan was first amended on August 20, 1990, to reallocate funds between the budgetary categories in the TIF Plan; and

WHEREAS, the TIF Plan was amended again on January 30, 1991, to provide for a further reallocation of funds between the budgetary categories in the TIF Plan; and

WHEREAS, the TIF Plan was amended again on June 17, 1991, to provide for a further reallocation of funds between the budgetary categories in the TIF Plan, as well as to increase the total project costs identified in the TIF Plan; and

WHEREAS, the TIF Plan was amended again on November 7, 1994, to provide for an increase in area of the Development District and a further reallocation of funds between the budgetary categories in the TIF Plan; and

WHEREAS, the TIF Plan was amended again on April 17, 1995, to provide for a further reallocation of funds between the budgetary categories in the TIF Plan; and

WHEREAS, on October 1, 2001, the City issued its General Obligation Refunding Bonds of 2001, in the total aggregate principal amount of \$1,535,000 (the "TIF Bonds"), to refinance a series of general obligation bonds that paid off obligations originally incurred to finance activities within the TIF District; and

WHEREAS, the TIF Bonds are primarily payable from tax increment revenues derived from the TIF District, and carry a final maturity (without possibility of optional redemption) of December 1, 2016; and

WHEREAS, the TIF District reaches its maximum statutory duration and must be decertified on or before December 31, 2016; and

WHEREAS, the City has identified leftover unencumbered revenues in the TIF District funding account that may be used for eligible projects under the TIF Act; and

WHEREAS, one such project is the acquisition and redevelopment of vacant and blighted properties located at 169 Third Street North in the City (collectively, the "Property"), with the City redeveloping the Property into a new municipal parking lot to provide 20 to 21 parking stalls (the "Project"); and

WHEREAS, in order to use unencumbered funds derived from the TIF District, it is necessary to amend the TIF Plan to authorize use of available funds for the Project, which will increase the overall budget in the TIF Plan; and

WHEREAS, a notice of public hearing regarding this Modification was published in the *Stillwater Gazette*, a newspaper of general circulation within the City, on December 9, 2016, and the City Council of the City conducted the public hearing on the Modification on the date hereof, at which hearing an opportunity was given to speak for all who wished to be heard on the transaction.

MODIFICATION

Section 7 of the Tax Increment Financing Plan for Tax Increment Financing District No. 1, a redevelopment district, as amended by amendments adopted on August 20, 1990, January 30, 1991, June 17, 1991, November 7, 1994, and April 17, 1995, shall be amended to include the following costs:

Estimated Eligible Costs

1. Public Water Storage/Water Distribution System/Sanitary Sewer System/Storm Sewer and Street	\$1,374,716.00
2. Downtown Redevelopment Project/Parking Lot (169 Third Street North)	416,450.00
3. Interest Expense	2,500,683.00
4. Administration, Legal and Bonding	<u>58,834.00</u>
Total	\$4,350,683.00

This Modification is in substitution for the project costs previously identified in Section 7 of the Tax Increment Financing Plan for Tax Increment Financing District No. 1, a redevelopment district, and previous amendments thereto. It also supplies authorization for the City to use revenues derived from TIF District No. 1 to acquire and redevelop vacant and blighted properties located at 169 Third Street North in the City. Therefore, the funds allocated above will be used to finance the cost of correcting conditions that allowed for the designation of TIF District No. 1 initially, including acquiring properties containing structurally substandard buildings or improvements, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, and the installation of sidewalks and parking facilities for the site.

No other amendments to the TIF Plan for the TIF District are contemplated as a result of this Modification.