



Navigating the Construction Zone:

TIF Case Studies

Richfield – The Urban Hometown



Best Suburb

Is Richfield fancy now? Sorta! The first-ring 'burb is known for its blue-collar sensibilities and mid-century ramblers, but it's recently acquired hipper food and drink options—Lyn 65, Pizza Lucé, Lakewinds Food Co-Op, Giordano's, Andale Taqueria y Mercado—and a smoldering-hot real estate market. For the second straight year, Richfield was named the hottest housing market in the Twin Cities, according to a Star Tribune survey. Gentrification's fangs can only dig so deep into the 36,000-person suburb, however. Home prices are still (relatively) affordable, burgers at Sandy's Tavern remain \$5, and A World of Fish will outlive us all. More than ever, the freeway-wrapped, character-rich city lives up to its motto: "The Urban Hometown."

Best of the Twin Cities, City Pages 2018



Best Suburb - seriously



Gail, left, and Ken Janes won a replica of the Iron Throne from HBO's "Game of Thrones" series. *Tim Nelson | MPR News*

Why Richfield Redevelops

- To remain a competitive and viable City
- To keep residential neighborhoods vital
- To attract new residents with housing options and amenities
- To eliminate blight
- To provide jobs and diversify the tax base

East Richfield

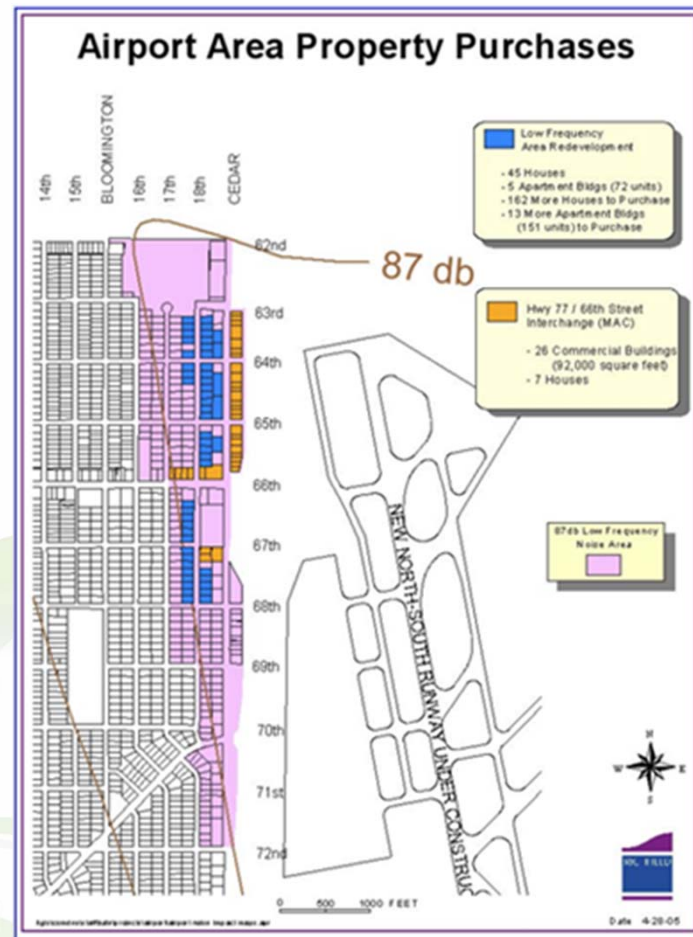
- 1996 MN Legislature decides that MSP airport will remain and expand in current location.
- New runway requires removal of 428 homes (over 4% of Richfield's housing stock)



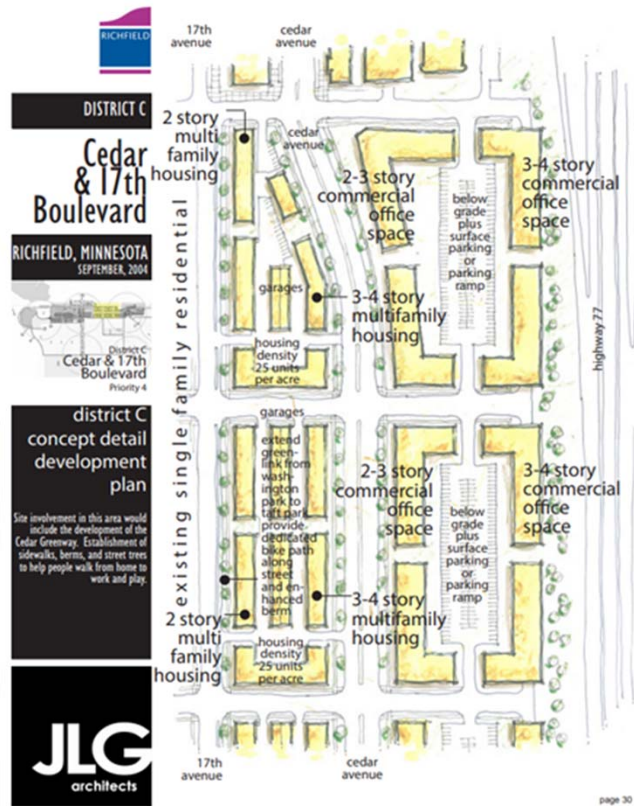
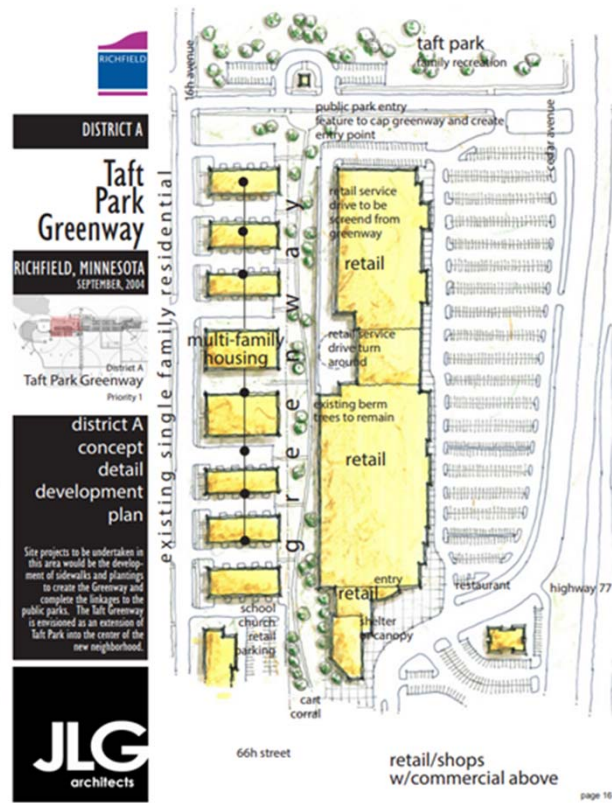
Construction at MSP MPR Photo/Dan Olson

Noise Impacts

- 2000 Independent noise studies
- 225 homes & 235 apartment units incompatible with new runway – est. \$75 million
- Grant funds purchase
 - 52 SF
 - 5 Apts
 - 28 commercial



2004 Cedar Corridor Master Plan



Cedar Point Commons

- 2006 – Ryan Companies (tax abatement)



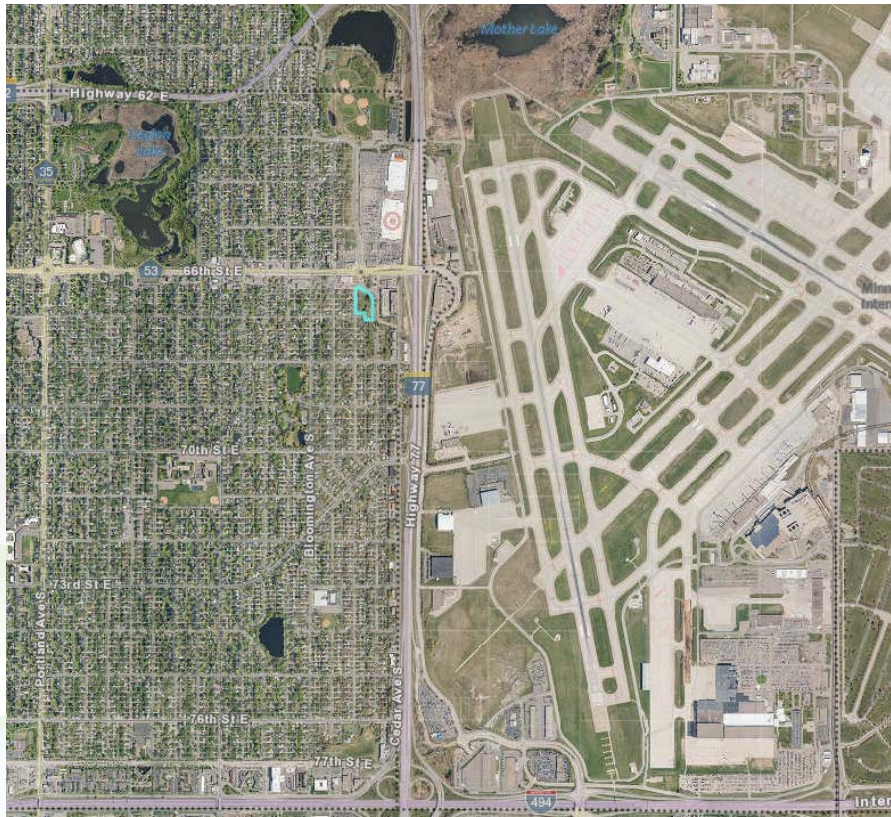
Cedar Point Commons

2007

- City purchases 14 homes & constructs Richfield Parkway north of 66th Street
- Cedar Point Commons opens



North/South Runway



The Chamberlain (2015-current)



The Chamberlain

Key Components

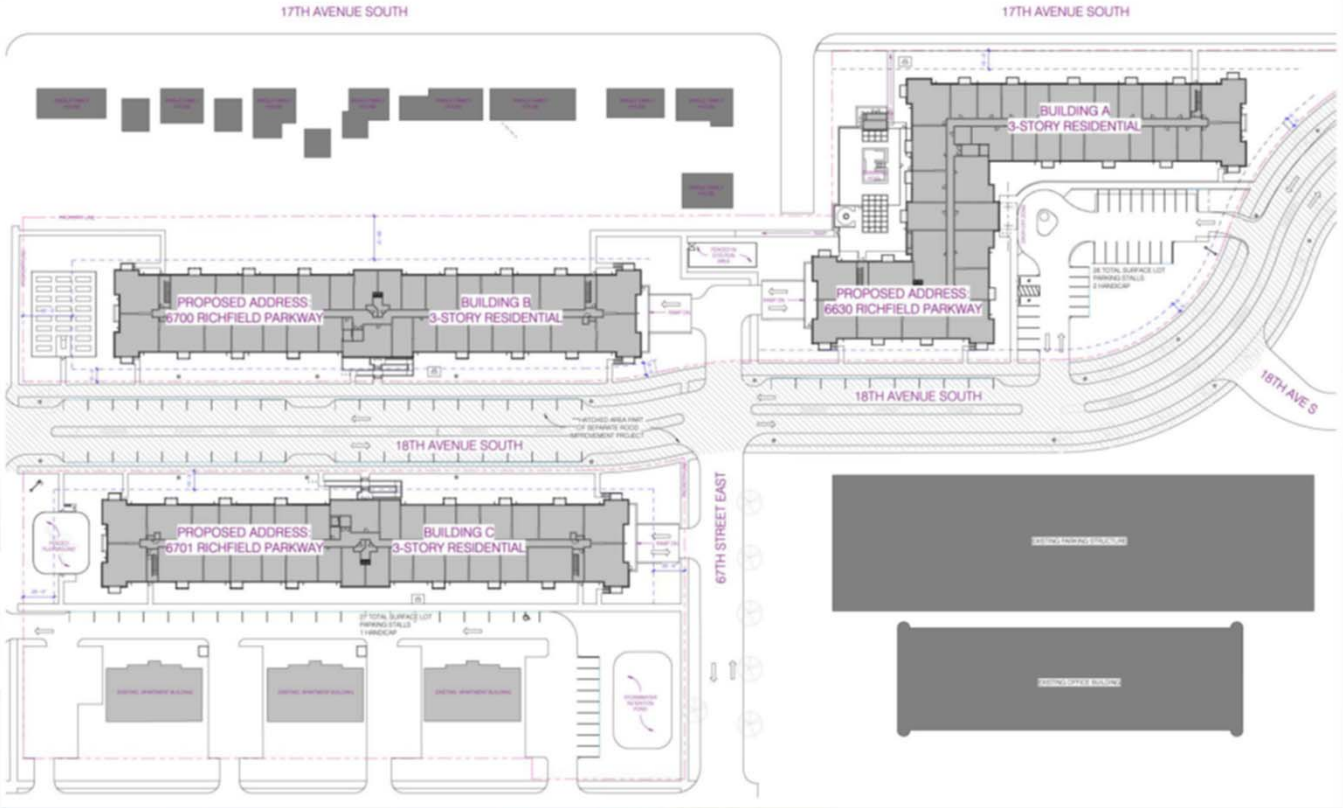
- Extension of Richfield Parkway
- New affordable units and NOAH preservation/rehabilitation
- Urban edge with appropriate transition to adjacent neighborhood



So how do we get there?

- HUD Financing
- Partner w/ Kraus-Anderson
- Existing Redevelopment TIF District, but...it's 2015 already!
 - New Housing District
 - \$8.5 million (est.) Pay-as-you-go Note
- Discounted land value due to contamination and noise mitigation requirements
 - ~\$980,000
- Surplus Cash Note
 - ~\$680,000
- Met Council Livable Communities Grant
 - \$1.36 million to purchase last home and construct Richfield Parkway

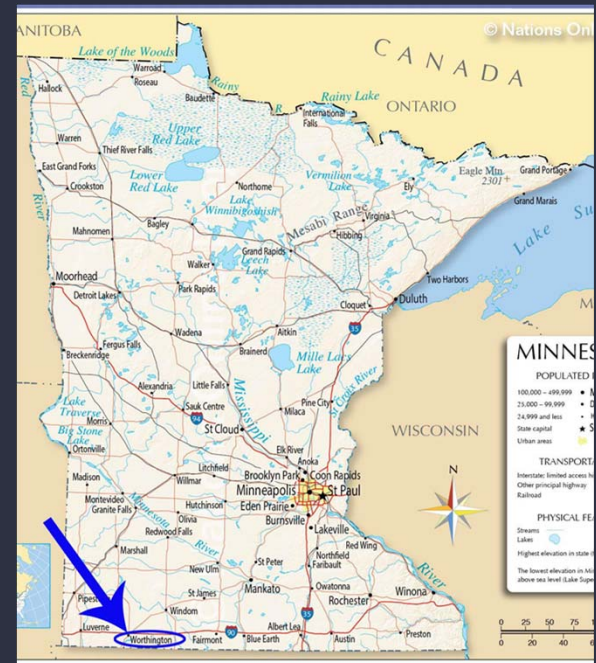
Approved Site Plan





City of Worthington

- Founded in 1870
- Population of 13,500, 35% increase since 1990
- 61.4% “minority” population
- More than 30 native languages



Worthington, MN

2019 King Turkey Day Race



(Yes, we actually race Turkeys)



Northland Mall



Kmart's End

THIS IS NOT WHAT WE HAD IN STORE

After closing in 2001, Kmart became a drug den and temporary home to some. There was a court order to knock down the previously known, Kmart. This is not what we had in store for the vacant mall.

Proposed Development

- Movie Theater
- 78,000 sf retail space
- Several restaurants
- Convenience store
- Multi-family housing

What's Left

- 12-15 acres left to be developed

Mall Development Schematic



Tax Increment Submittals

It is the City's responsibility to undertake due diligence measures prior to entering into a tax increment financing development agreement to fully understand the potential risks to the taxpayers and ensure that statutory requirements are met.

Developer required submissions include:

- Source and Uses of Funds
- Detailed Project Information
- Operating Cash Flows
- Developer's Personal Financial Information

Sources and Uses of Funds

<u>Uses</u>	<u>Source</u>	<u>Amount</u>
Site Acquisition	City	\$1,500,000
Former Mall Demolition	City	\$1,250,000
Parking Lot Reconstruction	City	\$2,125,000
Current Tenant Relocation	City	\$400,000
Infrastructure	City	\$1,400,000
Insurance	City	\$200,000
Lighting	City	\$300,000
Curb and Gutter	City	\$225,000
Site Roadways	City	\$250,000
Stormwater Management	City	\$300,000
Developer's Fee	City	\$903,500
Contingency	City	<u>\$931,286</u>
		\$9,784,798

Sources and Uses of Funds Continued

<u>Uses</u>	<u>Source</u>	<u>Amount</u>
Construction of Mall	Developer	\$1,400,000
Monument Sign	Developer	\$ 200,000
Landscaping	Developer	\$ 350,000
Site Engineering	Developer	\$ 300,000
Architecture	Developer	\$ 50,000
Contingency	Developer	<u>\$ 93,714</u>
		\$2,393,714

Project Description

- Developer never submitted a description of the project, operating cash flows or personal financial information.
- Developer requested a \$9.8 million general obligation TIF bond.
- Annual projected payment for a \$10 million bond was \$735,000
- The Developer subsequently submitted the following project description and valuations.

Big Box Retail (66,000 SF)
Movie Theater
Retail (46,000 SF)
96 Unit Apartment

Total Valuation- \$25,274,000

Estimated annual tax increment of
\$475,000

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Total Valuation - \$25,274,000

The County Assessor had a slightly different view of the project based on the previous description.

Total Valuation - \$14,016,000

Ehlers Estimate of annual Tax Increment revenue was \$210,000

Retail Distress

WE ARE BETTER OFF BECAUSE...

- It was a large sum of money
 - Would have led to increased property taxes
 - Tenant failure or lack of tenants would have led to city debt.
 - City debt would have led to increased taxes
-



New developer acquires the property in 2016 with help from a City
financed Upfront Assistance Loan of \$2.1 million at 2% interest

Site Purchase-\$1,600,000

Demolition- \$500,000

Development Agreement terms include:

Total eligible development costs of \$3,675,000

All proceeds from land sales and tax increments go to the City until the
Upfront Assistance Loan is retired



Current Development Plan

SETH SMITH NOLTING
 P.L.L.C.
 ENGINEERS, ARCHITECTS, SURVEYORS, ENVIRONMENTAL SCIENTISTS

MATHALER PROPERTY
 WORTHINGTON, MN
 PRELIMINARY SITE PLAN - CONCEPT 1

© 2013 MATHALER SMITH NOLTING



Development Successes in Place of the Mall

Outstanding balance of \$688,000 will be paid off in four years based on current estimates

Current development and the estimated market valuations

New Runnings Farm & Fleet	\$ 3.8 million
Marthaler Car Dealership	\$ 2.9 million
KwikTrip Convenience Store	\$ 3.0 million
Undeveloped Parcels	\$ 0.7 million
	<hr/>
	\$10.4 million

Estimated annual tax increment of \$192,000



Your presenters

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