

AGENDA

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CRYSTAL
• WORK SESSION •
TUESDAY, DECEMBER 6, 2011
IMMEDIATELY FOLLOWING THE REGULAR CITY COUNCIL MEETING
CRYSTAL CITY HALL
CONFERENCE ROOM A**

1. Call to order
2. Roll call
3. Presentation of final costs for acquisition, rehabilitation and re-sale of 4044 Hampshire to expand Hagemeister Pond Preserve *
4. Discuss amendments to 2012 budget for TIF Housing Replacement District #2 (#2153) to provide local match to state grant for Community Fix-Up Fund loans in Crystal and continuing down payment assistance for HUD 203K loans *
5. Other business
6. Adjournment

** Materials attached*



EDA STAFF REPORT 4044 Hampshire – Additional Land for Hagemeister Pond Preserve

FROM: John Sutter, City Planner/Assistant Community Development Director 

DEPARTMENT HEAD REVIEW: Patrick Peters, Deputy Executive Director 

DATE: December 1, 2011

TO: Anne Norris, Executive Director (for December 6, 2011 EDA work session)

SUBJECT: Information item: Estimate of final costs for additional park land for Hagemeister Pond Preserve

As you may recall, this project involved voluntarily acquiring a house abutting Hagemeister Pond Park; subdividing it into two lots; transferring one lot (the east 173 feet) from to the city for park expansion; and selling the rest of the lot including the house on the open market. The property sale closed on November 30, 2011. The sale price was \$163,000 but the EDA paid some of the buyer's closing and escrow costs yielding an effective sale price of \$158,110.

Because the purpose was solely to expand the park, ultimately there should be no EDA expenditures associated with this project. As discussed at the outset, the General Fund (Council Contingency or Fund Balance) should take on the net expenditures associated with the project. This means a reimbursement from the General Fund to the Redevelopment Fund.

Net project expenditures are estimated at \$21,800, including an allowance of \$900 for end-of-project expenses including final utility bills and the EDA attorney's closing fees. The net cost per square foot will be \$1.38, which compares favorably to a similar project we did in 2004 (6517 41st) at \$1.55 psf. However, it is more than the \$1.26 psf we estimated at the beginning of this project. This difference is attributable to approximately \$2,100 in additional work required by the buyer's inspection and FHA appraisal, and was necessary to close the sale.

After exact final costs are known, the Council would need to approve a budget amendment and transfer from the General Fund to the Redevelopment Fund. This will likely occur after we get the attorney's bill in early 2012.

Staff will be available to answer questions.

4044 HAMPSHIRE - HAGEMEISTER POND PARK EXPANSION

Scenario 1 Divide, then acquire park portion only	Scenario 2 Acquire entire parcel, divide, sell existing house
<p>PARKLAND GAINED: WIDTH DEPTH SQ. FT. ACRES</p> <p> 91 173 15,743 0.36</p>	<p>PARKLAND GAINED: WIDTH DEPTH SQ. FT. ACRES</p> <p> 91 173 15,743 0.36</p>
<p>\$11,000 acquisition</p> <p>\$1,500 survey for lot split & related costs</p> <p>\$1,600 legal services, title insurance, other admin costs</p> <p>\$0 holding costs (utilities, 2011 prop taxes)</p> <p>\$620 contingency (20% of the items above except acquisition)</p> <p>\$14,720 TOTAL EXPENDITURES</p>	<p>\$136,000 acquisition</p> <p>\$1,019 survey for lot split & related costs</p> <p>\$3,148 legal services, admin costs</p> <p>\$24,947 rehab expenses</p> <p>\$3,077 holding costs (utilities/mowing/prop taxes for May-Dec 2011)</p> <p>\$168,191 TOTAL EXPENDITURES (incl. \$900 allowance for final costs not yet known, such as attorney's closing fees and final utility bills)</p>
<p>\$0 SALE PROCEEDS</p>	<p>\$163,000 SALE PRICE</p> <p>(\$4,890) Less Seller Paid Closing Costs and Escrow Items</p> <p>\$158,110 EFFECTIVE SALE PRICE</p> <p>\$146,395 SALE PROCEEDS 93% of the Effective Sale Price</p>
<p>\$14,720 NET GEN. FUND (PARK ACQUISITION) EXPENDITURES</p> <p>\$0.94 NET COST PER SQ. FT.</p> <p>2005 EXAMPLE - REAR OF 6401 41ST</p> <p>\$46,100 net expenditures</p> <p>41,586 sq. ft. gained for park</p> <p>\$1.11 per sq. ft.</p> <p>2006 EXAMPLE - REAR OF 4047 DOUGLAS DR</p> <p>\$15,240 net expenditures</p> <p>7,100 sq. ft. gained for park</p> <p>\$2.15 per sq. ft.</p>	<p>\$21,796 NET GEN. FUND (PARK ACQUISITION) EXPENDITURES</p> <p>\$1.38 NET COST PER SQ. FT.</p> <p>2004 EXAMPLE - 6517 41ST</p> <p>\$20,200 net expenditures</p> <p>13,014 sq. ft. gained for park</p> <p>\$1.55 per sq. ft.</p>



EDA STAFF REPORT TIF Housing Replacement Districts 2012 Budget Amendment Discussion

FROM: John Sutter, City Planner/Assistant Community Development Director 

DEPARTMENT HEAD REVIEW: Patrick Peters, Deputy Executive Director 

DATE: December 1, 2011

TO: Anne Norris, Executive Director (for December 6, 2011 EDA work session)

SUBJECT: Discuss amendments to 2012 budget for TIF Housing Replacement District #2 (#2153) to provide local match to state grant for Community Fix-Up Fund loans in Crystal and continuing down payment assistance for HUD 203K loans

A. BACKGROUND

In addition to the Home Improvement Incentive program for 2012, to be considered by the EDA earlier on December 6, 2011, there are two housing programs staff is proposing for 2012:

- In summer 2009 the EDA began offering down payment assistance for FHA/HUD 203K loans. 203K allows buyers to roll both the purchase price and rehab expenses into a single long-term loan with a fixed or adjustable rate. 203K loans cannot exceed the purchase price + rehab costs, or 110% of the HUD-appraised "after-rehab value", whichever is less. The intent was to reduce the number of vacant houses in the city. So far, only one buyer has used our down payment assistance program, but staff recommends continuing the program for at least one more year to see if additional interest develops. A 2012 contract will be presented to the EDA for consideration in early 2012.
- Staff has been working with the cities of Richfield and Brooklyn Center as well as Greater Metropolitan Housing Corporation to secure funding from the state to buy-down the interest rate for Community Fix-Up Fund loans. The Interest rate for Crystal homeowners would be 3% instead of 5.75%. The buy-down would be 50% funded by the state and 50% funded by the EDA. A 2012 contract will be presented to the EDA in early 2012.

B. 2012 BUDGET AMENDMENTS

As planned, the EDA's Home Improvement Incentive would be funded out of TIF Housing Replacement District #1 (#2152).

The two other programs would be funded out of TIF Housing Replacement District #2 (#2153):

Housing Replacement District #2 (#2153) Budget for 2012 - **changes proposed:**

Second Paragraph of Major Objectives narrative:

Housing District #2 will be the funding source for down payment assistance to encourage the purchase and rehab of vacant houses using FHA/HUD's 203K loan program, and the EDA's local match for state-funded interest rate buy-down for Community Fix-Up Fund loans to homeowners. ~~begin to supplement funds from the EDA for the home improvement rebate program administered by the Greater Metropolitan Housing Corporation once funds from the Bass Lake Road/Becker Park TIF District are exhausted.~~

\$206,196 Projected Balance January 1, 2012

\$18,400 Revenue:

Property Taxes – Tax Increment	15,600
Investment Income	2,800

~~\$90,074~~ 38,000 Expenditures:

TIF District Administrative Costs	2,000
Home Improvement Incentive Program	88,000 <u>0</u>
Down Payment Assistance for HUD 203K Loans	<u>11,000</u>
Local Match – Community Fix-Up Fund Loans	<u>25,000</u>

\$1,085 Transfers Out (to EDA fund) 1,085

~~\$133,440~~ 185,511 Projected Balance December 31, 2012

C. 2013 BUDGET PREVIEW

If all program allocations are fully expended (an unlikely occurrence), then the two housing districts would have a combined balance of approximately \$190,000 going into 2013. Administrative costs for the two districts combined should be at or slightly below \$8,000, including not only 2013 but also the district closeout process in early 2014. This means approximately \$182,000 of housing replacement district funding is available for housing programs in 2013. Both housing replacement districts decertify at the end of 2013 and must be fully obligated by that time if the EDA wishes to capture all of the increment from these districts.

Forecast 2013 expenditures for the housing programs would be \$239,000, assuming full utilization of all programs to the maximum funding level (again, highly unlikely):

Home Improvement Incentive Program	203,000
Down Payment Assistance for HUD 203K Loans	11,000
Local Match – Community Fix-Up Fund Loans	25,000

In this scenario, an additional \$57,000 would need to be made available from other funds in 2013 in the unlikely event that all three housing programs are fully expended in both 2012 and 2013. One likely source would be TIF District #4 (#2155) which has a balance of approximately \$400,000, has been generating annual surpluses of approximately \$60,000, and does not decertify until 2025.

D. EDA DISCUSSION

At this time, no action is required but staff will be available for the discussion. Council action on the 2012 Budget Amendment for Housing Replacement District #2 (#2153) will be requested on December 20, 2011.

(NO CHANGE)

Fund: Tax Increment Financing District #2152
Fund Number: 207
District Name: Housing Replacement District #1

Dept. No. 64

DESCRIPTION OF ACTIVITY

This fund is used to account for collection and disbursement of tax revenues for activities within TIF District #2152, Phase 1 Housing Replacement. Funds from this district may not be pooled and used in conjunction with other tax increment districts within the City of Crystal.

The date of the first receipt of tax increment by this district was July 1997. Last receipt of tax increment is expected in December 2013 and the district will expire and go out of existence on December 31, 2013.

MAJOR OBJECTIVES FOR 2012

Special legislation was enacted by the State of Minnesota in 2008 which broadens the authority of the City of Crystal to use increments from their housing replacement TIF districts for any purpose in the city that is permitted for housing district increments under general law.

Housing District #1 will begin to supplement funds from the EDA for the home improvement rebate program administered by the Greater Metropolitan Housing Corporation once funds from the Bass Lake Road/Becker Park TIF District are exhausted.

FINANCIAL ANALYSIS

Tax Increment District #2152 Fund	Estimated 2011	Proposed 2012
Cash & Investments - Beginning Balance	\$133,487	\$ 144,285
<i>Revenues</i>		
Property Tax - Tax Increment	11,180	11,000
Market Value Credit		
Investment Income	1,800	2,000
<i>Expenditures</i>		
District Administrative Costs	(2,012)	(2,071)
Home Improvement Rebate Program		(150,000)
<i>Transfers</i>		
Transfer Out – EDA Fund	(170)	(1,450)
Cash & Investments - Ending Balance	\$ 144,285	\$ 3,764

Fund: Tax Increment Financing District #2153
Fund Number: 208
District Name: Housing Replacement District #2

(CHANGES SHOWN)

Dept. No. 66

DESCRIPTION OF ACTIVITY

This fund is used to account for collection and disbursement of tax revenues for activities within TIF District #2153, Phase 2 Housing Replacement. Funds from this district may not be pooled and used in conjunction with other tax increment districts within the City of Crystal.

The date of the first receipt of tax increment by this district was July 1998. Last receipt of tax increment is expected in December 2013 and the district will expire and go out of existence on December 31, 2013.

MAJOR OBJECTIVES FOR 2012

Special legislation was enacted by the State of Minnesota in 2008 which broadens the authority of the City of Crystal to use increments from their housing replacement TIF districts for any purpose in the city that is permitted for housing district increments under general law.

Housing District #2 will begin to supplement funds from the EDA for the home improvement rebate program administered by the Greater Metropolitan Housing Corporation once funds from the Bass Lake Road/Becker Park TIF District are exhausted.

- text will be revised
(p. 2 of staff report)

FINANCIAL ANALYSIS

Tax Increment District #2153 Fund	Estimated 2011	Proposed 2012
Cash & Investments – Beginning Balance	\$ 189,907	\$ 206,196
<u>Revenues</u>		
Property Tax - Tax Increment	16,000	15,600
Investment Income	2,550	2,800
<u>Expenditures</u>		
District Administrative Costs	(2,021)	(2,071)
Housing Improvement Rebate Program		(88,000)
<u>Transfers</u>		
Transfer Out – EDA Fund	(240)	(1,085)
Cash & Investments – Ending Balance	\$ 206,196	\$ 133,440

(11,000) 200K loans
(25,000) CFUF loans

185,511

(NO CHANGE)

Fund: Tax Increment Financing District #2155
Fund Number: 210
District Name: TIF Housing District #4

Dept. No. 70

DESCRIPTION OF ACTIVITY

This fund is used to account for collection and disbursement of tax revenues for activities within TIF District #2155, LaNel Apartments and Assisted Living Facility. Funds from this district may not be pooled and used in conjunction with other tax increment districts within the City of Crystal.

The date of the first receipt of tax increment by this district was July 2000. Last receipt of tax increment is expected in December 2025 and the district will expires and go out of existence on December 31, 2025.

The LaNel (originally the Lamplighter) Apartment Complex was re-developed and expanded to include a new assisted living facility. Two single family properties were acquired in 1999 with the cost being split between the City and the developer.

TIF District #2155 provided financing for TIF District #2154 (Suburban Motel) in the form of an internal loan of \$422,640 that was set up on December 31, 2008. TIF District #2154 used this loan to repay an earlier loan from TIF District #2150. It is expected that TIF District #2154 will be to repay the loan by the end of 2016.

MAJOR OBJECTIVES FOR 2012

For the 2012 budget, it is estimated that \$86,545 will be paid to the developer on the 2002 tax increment revenue note.

FINANCIAL ANALYSIS

Tax Increment District #2155 Fund	Estimated 2011	Proposed 2012
Cash & Investments - Beginning Balance	\$ 311,561	\$ 407,032
<i><u>Revenues</u></i>		
Property Tax – Tax Increment	157,000	144,000
Investment Income	19,430	12,840
<i><u>Expenditures</u></i>		
District Administrative Costs	(3,024)	(2,471)
<i><u>Debt Activity</u></i>		
Principal Payment on Pay-as-you-go Note	(36,461)	(50,590)
Interest Payment on Pay-as-you-go Note	(39,134)	(35,955)
<i><u>Transfers</u></i>		
Transfer Out – EDA Fund	(2,340)	(1,380)
Cash & Investments - Ending Balance	\$ 407,032	\$ 473,476