



REQUEST FOR ACTION

Establishing Development District No. 88 and Tax Increment Financing District No. 88-1 and Entering into a Development Assistance Agreement with Rochester I Limited Partnership

MEETING DATE:

May 4, 2026

ORIGINATING DEPT:

Community Development

AGENDA SECTION:

Public Hearings

PRESENTER:

Brent Svenby

Action Requested:

1. Adopting a Resolution establishing a Tax Increment Financing District through approval of Economic Development District No. 88 and the Tax Increment Financing District Plan No. 88-1.
2. Authorizing execution of a Development Assistance Agreement with Rochester I Limited Partnership for Tax Increment Financing District No.88-1.

Report Narrative:

The City received a Tax Increment Financing (TIF) application seeking assistance for the Common at Bear Creek Project. The proposed project consists of a six-story, 149-unit apartment development with a mix of 1, 2, and 3-bedroom units, surface and below-grade parking, a fitness room, a club room, and secure bike parking. The development will, on average, be occupied or reserved for individuals or families with incomes at or below 60% of the area median gross income (AMI). 2% of the units will be affordable at or below 30% of the AMI, 18% of the units at or below 50% AMI, 56% of the units at or below 60% of the AMI, and 24% of the units at or below 70% of the AMI. Annual certifications will be required to demonstrate compliance. The development is located along 4th Street SE, just east of Bear Creek. The site is zoned Transit-Oriented Development Corridor Subdistrict (MXT-COR), which is a zoning district that provides opportunities for transit-supportive and transit-oriented development.

The City's financial advisor reviewed the developer's pro forma, and with current market conditions, the proposed development may not reasonably be expected to occur solely through private investment. The recommendation is to provide tax increment financing (TIF) assistance in the amount of up to \$1,379,000 (the developer had requested \$1,665,000). This will help the project achieve financial feasibility. Since the recommendation is based solely on projections and the project construction costs are at the higher end of the expected range, a "lookback" provision is included in the development assistance agreement. Once the construction is complete, the actual project costs will be reviewed against the initial projections. If actual costs are lower than anticipated, the TIF assistance will be reduced. Projections show that the project will generate sufficient increment within 19 years to fully support a City-issued TIF Note of up to \$1,379,000 (depending on final construction costs) with an interest rate that is the lesser of 7% or the rate on the developer's first lien mortgage permanent financing. TIF assistance will be provided on a Pay-As-You-Go (PAYGO) basis, with 90% of the available increment provided to the developer; 5% collected for administrative expenses, and 5% collected as a pooled increment for affordable housing initiatives.

Subject to unavoidable delays, the developer must begin construction no later than July 31, 2026, and

complete it by December 31, 2027. The project construction is also subject to prevailing wage provisions and targeted workforce participation goals. The estimated total development costs are anticipated to be approximately \$61,000,000.

Project Details:

- Developer: Rochester I Limited Partnership
- Location: 602 4th Street SE
- Development: 6-story, 149-unit apartment building, 66 units restricted to individuals at or below 120% of the area median income
- Amenities: Below-grade and surface parking, fitness room, club room, and secure bike parking
- Timeline: Construction to begin by July 31, 2027; completed by December 31, 2027
- Total Development Costs: \$61,000,000

TIF District Details:

- TIF District Type: Housing District
- Current Property Value: \$1,280,700
- Projected Value Upon Completion: \$28,225,517
- TIF Duration: 19 years (first receipt of increment in 2028, final year 2047)
- Pay-As-You-Go TIF Note

Policy Considerations & DEI Impact:

This project aligns with the City's comprehensive planning goals outlined in the Rochester Comprehensive Plan 2040: Planning 2 Succeed. The TIF District will promote redevelopment of underutilized property, create a desirable and unique character within the Development District, and provide high-quality housing options. The development will contribute to the local tax base, realize returns on existing public investment in infrastructure, prevent the emergence of blight, and promote economic growth. By creating much-needed rental housing, the development will enhance neighborhood vitality, support economic growth, and contribute to equitable access to housing opportunities.

Prior Legislative Actions & Community Engagement:

December 9, 2024: Council Meeting - Preliminary approval of conduit revenue bonds

July 7, 2025: Council Meeting - Purchase agreement for the conveyance of a portion of City land

Fiscal & Resource Impact:

TIF captures the increase in property taxes paid as a result of the development to pay for part of the development costs. The amount of TIF assistance for the development is recommended in the amount of up to \$1,379,000 in principal or 19 years of assistance, whichever occurs first. Based on the analysis, it is estimated that it will take 19 years of collected increments to meet the City's obligation found in the Development Assistance Agreement.

Alternative Action(s):

No alternative actions are suggested at this time.

Prepared By:

Brent Svenby

Attachments:

Cover Page

Location Map - TIF No. 88-1

Financial Analysis - The Commons at Bear Creek

Tax Increment Financing Plan No 88-1 - Lincoln Avenue Communities

Development Assistance Agreement with Rochester I Limited Partnership regarding TIF No. 88-1

Resolution - TIF District No. 88-1 and Development Assistance Agreement