



**AGENDA – REGULAR MEETING  
6:00 p.m., October 8, 2018**

## **Economic Development Authority**

- 1. ROLL CALL**
- 2. APPROVAL OF AGENDA**
- 3. APPROVAL OF MINUTES**
  - A. September 10, 2018
- 4. MATTERS FROM THE FLOOR**
- 5. PUBLIC HEARING**
- 6. ACCOUNTS PAYABLE**
- 7. OLD BUSINESS**
- 8. NEW BUSINESS**
  - A. Discuss Future EDA Goals and Plans
- 9. REPORTS OR COMMENTS: Executive Director, President, Members**
- 10. ADJOURNMENT**

**OSSEO ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING MINUTES  
September 10, 2018**

1. ROLL CALL

President Juliana Hultstrom called the regular meeting of the Osseo Economic Development Authority to order at 6:00 p.m., Monday, September 10, 2018.

Members present: Charles Flynn, Juliana Hultstrom, Harold E. Johnson, Sherry Murdock, Duane Poppe, Mark Schulz, and Larry Stelmach.

Members absent: None.

Staff present: Executive Director Riley Grams, City Planner Nancy Abts, and City Attorney Mary Tietjen.

Others present: Bruce Kimmel, Sue Watlov Phillips, Margaret Metzdorft, Elaine Morris, and Roxanne Smith.

2. APPROVAL OF AGENDA

**A motion was made by Stelmach, seconded by Murdock, to approve the Agenda as presented. The motion carried 7-0.**

3. APPROVAL OF MINUTES – AUGUST 13, 2018

**A motion was made by Murdock, seconded by Stelmach, to approve the minutes of August 13, 2018, as presented. The motion carried 7-0.**

4. MATTERS FROM THE FLOOR – None.

5. PUBLIC HEARINGS – None.

6. ACCOUNTS PAYABLE

Executive Director Riley Grams presented the EDA Accounts Payable listing.

**A motion was made by Stelmach, seconded by Murdock, to approve the Accounts Payable. The motion carried 7-0.**

7. OLD BUSINESS – None.

8. NEW BUSINESS

A. APPROVE SALE OF FIVE CENTRAL TIF NOTE

Bruce Kimmel, Ehlers & Associates, reported the Five Central property was for sale. He explained in 2014 the City modified Tax Increment Financing District No. 2-9 for the development of phase II of the 5 Central multi-family housing development, located at 20 - 6th Street NW (PID: 13.119.22.11.0166). The Amended Agreement entered into by the EDA and developer assumed the development of 140 units of rental housing with a minimum market value of \$14.7 million or \$105,000 per unit. In 2017, the assessor's market value was \$23.6

million or \$168,571 per unit. The City was notified by Hennepin County that the owner of 5 Central filed a petition seeking a reduction in the market value. Per the development agreement, the developer has the ability to seek a reduction to \$14.7 million. The owner also filed a petition for the 2018 market value. The assessor's market value for 2018 is \$23.1 million. At this time, the County has not settled either petition.

Mr. Kimmel reported the purchaser, Magellan Investment Partners, has been made aware of the two pending market value petitions for the property. Based on discussions with the current owner, Magellan has stated that the current owner will not withdraw the tax petitions. Therefore, if the sale is completed and the current owner is successful at reducing the market value for the property, Hennepin County will reduce the next tax increment settlement to the City based on the market value settled through the tax court. The County then distributes the reduction to the City, County, and School District in their proportional share.

Mr. Kimmel stated the reduced tax increment settlement would be used to make payments, per the Agreement, with administration and bond payments having priority. Magellan would then receive the semi-annual payment of \$57,500, and any remaining funds could be used to make a payment on the City's interfund loan. Depending on the amount of the reduction, there may not be sufficient funds to make a payment on the interfund loan during that semi-annual period. For tax year 2018, it is anticipated that the annual tax increment will be approximately \$403,530. After the two bond issues' payment and the Pay-as-you-go payment, it is anticipated that a balance of approximately \$134,600 is available for the City Interfund Loan. He commented further on how these petitions could impact the property value.

Schulz asked if Magellan plans to further appeal the property value going forward. Grams stated Magellan has stated they would not pursue further appeals. He explained Magellan was a well-established national company that would be working to pay down this loan.

Hultstrom inquired if the EDA would notice any changes after the sale of this property occurred. Mr. Kimmel explained the EDA would see no change.

Stelmach requested further information on how the appeal would be managed by the City. Grams discussed how the situation would be handled if a reduction in property taxes were granted by the County and noted the EDA had funds set aside to cover this expense. He explained that this was a drawn-out process that may not occur until 2019.

Johnson questioned why five different company names were used within the TIF Note documents. He expressed concern with the fact that the original agreement stated a certain number of units were to be affordable housing. He asked if this would be altered through the change of ownership. Grams explained the different company names were in place to allow the purchaser to have another company manage the property. He reported all documents had been reviewed by Rebecca Kurtz and the City Attorney and were recommended for approval. He was under the assumption that the affordable housing units would transfer over with the TIF Note.

Johnson stated because the EDA received this information late on Thursday, he would like to table action on this item for further review and consideration and that a Special EDA meeting be held on Monday, September 17, at 8:00 p.m.

**A motion was made by Johnson to table action on the Five Central TIF Note to a Special EDA Meeting, to be held on Monday, September 17, 2018, at 8:00 p.m. The motion failed for lack of a second.**

Stelmach stated he appreciated Johnson's concerns but noted staff was responsive to EDA questions or comments.

Johnson clarified for the record that he sent an email on Friday, September 7, at 11:00 a.m., and again today and received no response from Ms. Kurtz. He stated this was too important of a document for the EDA to be making assumptions or decisions without clarification.

Mr. Kimmel commented the sale of the TIF Note would not change any of the developers responsibilities within the Developers Agreement. He stated this was more of a technical matter changing the responsibilities from one entity to another. Grams apologized for the delay in getting the EDA packet to the Commissioners. He stated he was at the whim of outside consultants in processing and gathering all necessary information that had to be included in the packet.

Schulz stated he understood staff was sometimes forced into time crunches. However, he did not believe that just because the developer was under a time constraint that this should become an emergency for the EDA. He requested staff have all attachments included in the packet, especially for a document this important. He stated he was disappointed in the quality of workmanship within the documents and encouraged staff to pay closer attention to detail noting he had found several typos within the document. Mr. Kimmel apologized for the oversight and noted he would speak with the developer's attorney to have this document cleaned up.

Stelmach asked if Schulz could support the TIF Note with the understanding the typos would be fixed.

Schulz stated he was simply expressing his disappointment in the quality of the document. City Attorney Mary Tietjen explained it was permissible to approve the document with the understanding minor changes would be made.

Johnson indicated he would not be offering his support for the transfer of the TIF Note.

**A motion was made by Stelmach, seconded by Hultstrom, to adopt EDA Resolution No. 2018-1 Authorizing EDA Consent to Collateral Assignment of Development Agreement and TIF Note; Consent, Assignment, and Assumption of Development Agreements, with errors and omissions being corrected as noted. The motion carried 6-1 (Johnson opposed).**

**B. PRESENTATION FROM METROPOLITAN INTERFAITH COUNCIL ON AFFORDABLE HOUSING – Sue Watlov Phillips**

Sue Watlov Phillips, Metropolitan Interfaith Council on Affordable Housing, presented the EDA with information on affordable housing options in the metro area. She stated MICAH was a 30-year-old organization that works with individuals that have been impacted by the housing crisis. She explained it was MICAH's goal to find safe, decent, and affordable housing for all individuals. She commented on an award Housing for All recently received for an affordable housing development completed in Dayton. She indicated there was a growing number of individuals in need of affordable housing in the metro area, especially seniors. She discussed the number of units at risk of being upgraded and transferred away from affordable housing. She encouraged Osseo to maintain its current number of affordable units. She invited the EDA members to attend a Bus Tour on Tuesday, September 18.

**C. PRESENTATION FROM TWIN CITIES HOUSING DEVELOPMENT CORP – Margaret Metzdorft**

Margaret Metzdorft, Twin Cities Housing Development Corp, introduced herself to the EDA and explained her non-profit organization owns 900 affordable housing units in the metro area. She described how affordable housing was defined and who lives in this housing. She commented on 100% affordable housing development in Maple Grove called Hickory Ridge. She explained there was a very low vacancy rate for affordable housing, which meant there was not a lot of movement, which made it difficult to find housing for families.

D. PRESENTATION FROM COMMUNITY ACTION PARTNERSHIP OF HENNEPIN COUNTY – Ricardo Perez

Ms. Watlov Phillips explained Ricardo Perez from Community Action Partnership of Hennepin County was not able to attend this evening. She commented on how she and other advocates were working to improve the affordable housing market. She explained how cities could help by keeping converted or upgraded rental units affordable.

Stelmach thanked Ms. Watlov Phillips and Ms. Metzdorft for their presentations. He requested further information on how the elderly were being impacted by the housing crisis. Ms. Watlov Phillips explained the price of housing has increased considerably and seniors may have lost assets over the past decade.

Johnson asked if Ms. Metzdorft worked with cities on affordable housing developments. Ms. Metzdorft reported this could be done but noted her agency also worked on its own to keep units affordable. She encouraged the EDA members to watch Sold Out, a YouTube video on affordable housing.

Hultstrom thanked Ms. Watlov Phillips and Ms. Metzdorft for their presentations.

9. REPORTS OR COMMENTS: Executive Director, President, Members

Stelmach stated Lions Roar was a wonderful event again this year. He thanked all the members of the community for attending.

City Planner Nancy Abts reported on Thursday, September 20, Hennepin County would be hosting a presentation on Economic Tools. She encouraged the EDA members to consider attending this event with her.

Hultstrom stated she enjoyed hearing the presentations on affordable housing. She invited the EDA members to attend the Housing for All Bus Tour on Tuesday, September 18, at 5:30 p.m.

10. ADJOURNMENT

**A motion was made by Stelmach, seconded by Murdock, to adjourn at 7:11 p.m. The motion carried 7-0.**

Respectfully submitted,

Heidi Guenther  
*TimeSaver Off Site Secretarial, Inc.*



# Osseo

City of Osseo Economic Development  
Authority Meeting Item

## Accounts Payable Listing

10/8/18EDA

2018

10

Check Name	Comments	Amount
ECM PUBLISHERS INC	ANNUAL TIF DISCLOSURE PUBLISHING	\$283.52
ECM PUBLISHERS INC	VOID CK7392 – INCORRECT AMOUNT	-\$2,017.00
EHLERS & ASSOCIATES, INC	TIF REPORTING	\$300.00
KENNEDY & GRAVEN, CHARTERED	AUG LEGAL SERVICES	\$126.30
KENNEDY & GRAVEN, CHARTERED	AUG URBAN TOWNHOME PROJECT - CREDIT	-\$400.50
KENNEDY & GRAVEN, CHARTERED	AUG URBAN TOWNHOME PROJECT - CHARGES	\$400.50
NANCY SMEBAK ABTS	MILEAGE - COUNTY ECON DEVELOP MTG	\$26.82
TIMESAVER OFF SITE	9/10/18 EDA MTG	<u>\$176.50</u>
		-\$1,103.86

### EDA MONTH END CASH BALANCE

		DIRECTIONAL					
		9/10/2018	SIGNAGE	ADJUSTMENTS	9/10/2018	PROPOSED	10/8/2018
FUND	DESCRIPTION	BALANCE	REVENUE	(+/-)	BALANCE	EXPENSE	BALANCE
801	GENERAL	514,255.31			521,916.45	1,103.86	523,020.31
806	TIF 2-5 REALIFE	8,426.29			8,426.29		8,426.29
817	TIF 2-4 BELL TOWER	238,780.25			238,780.25		238,780.25
819	TIF 2-6 CELTIC CROSSING	58,913.08			58,913.08		58,913.08
825	TIF 2-8 LANCOR/LYNDES	7,897.77			7,897.77		7,897.77
836	TIF 2-9 5 CENTRAL	128,306.59			128,426.59		128,426.59
		956,579.29	0.00	0.00	964,360.43	1,103.86	965,464.29



## City of Osseo Economic Development Authority Meeting Item

<b>Agenda Item:</b>	<b>Discuss Future EDA Goals and Plans</b>
<b>Meeting Date:</b>	October 8, 2018
<b>Prepared by:</b>	Riley Grams, City Administrator
<b>Attachments:</b>	LMC Handbook, Chapter 14: Community Development and Redevelopment Updated Osseo EDA Budget Documents Presentation Slides from Julie Eddington, Kennedy Graven

### **Policy Consideration:**

Consider discussing on-going EDA related items and also discussing future goals and/or plans for the EDA.

### **Background:**

The Osseo EDA met recently to review potential redevelopment sites around the City of Osseo at their August meeting. EDA members were able to travel around and physically see some sites and locations that *could* be future redevelopment projects. At the September meeting, EDA members heard presentations from local non-profit groups about various affordable housing projects around the Twin Cities, and a description of how their organizations can, and have, worked with local governments to construct new affordable housing projects. At the conclusion of that meeting, I expressed the desire for the EDA to have an upcoming discussion about what the EDA would like to do moving forward.

### **EDA Budgetary Needs:**

We are aware of the budgetary limitations the EDA current works with. After the 5 Central project, in which the City/EDA tapped several available TIF pooled money, we are left with limited funds to work with. The best way to produce more revenue for the EDA would be to enact an EDA tax levy. Keep in mind that the City is the entity that enacts the tax levy, and then allocates the allotted amount to the EDA. The maximum amount that could be raised each year through an EDA tax levy is 0.0185 percent of the estimated market value of the City. In Osseo's case, this means approximately \$45,000-50,000 annually. Obviously, in terms of redevelopment efforts, that is not a lot of money, so the City would most likely have to enact this levy for multiple years. ***Should the EDA (and the City) consider an EDA tax levy?*** Keep in mind that the levy would need to be set up and would become effective in 2020. Attached is the updated EDA budget document. This shows expenses and revenue through September 30 for the year. You will note the blank 2019 Proposed Budget column. At the November EDA meeting, the EDA should discuss the 2019 budget and direct Staff to prepare a draft 2019 budget for final approval at the December EDA meeting.

### **EDA Townhome Update:**

I have asked City Attorney Mary Tietjen to provide a verbal update as to the progress of the Osseo Urban Townhome project on Monday night. Attorney Tietjen will recap the work that Kennedy Graven has done on this project, where the project is currently at, and what the expected outcomes and timelines are for the completion of the project.

### **Consider Housing Redevelopment Authority Powers:**

In the past there has been some discussion about Housing Redevelopment Authorities (HRA) and what would the creation of such an Authority do for the City of Osseo, if anything. There is a lot of information about HRAs in the attached LMC Handbook. I have also included the PowerPoint presentation from Julie Eddington with Kennedy Graven, who presented to the EDA back in January of this year as she briefly touched on HRAs. Also, City Attorney Tietjen will be able to help answer specific questions about the formation of HRAs and what that means for the EDA and for the City.

### **Osseo Spring Opener:**

The EDA as a whole needs to decide if we should plan and execute the Spring Opener event again in 2019. If this is something the EDA would like to do, the EDA should consider budgeting some funds for the event in 2019. In the past, the EDA has considered upwards of \$7,000. Additionally, should this event be EDA member driven, or Staff driven? What is a good date to hold the event? If the EDA believes this is a worthwhile event to plan and execute (with the needed Staff time), planning needs to begin immediately. We should shoot for something similar to the Night to Unite event from earlier this summer. However, as some of you know, that took many individuals working as a team and committee in order to pull off something that successful. Another thing to keep in mind is the legality of the event and using EDA money to fund it. There needs to be a clear Economic Development component to the event. Much like the Night to Unite event had to have a connection between the community and local law enforcement (which clearly was the case), this event HAS TO have an economic development angle. I don't know how that would work, and any group or committee that is working on this event would need to have that in the forefront of their minds when planning the event. ***Should the EDA fund the Osseo Spring Opener event for 2019?***

### **Negotiation on 5 Central TIF Development Agreement:**

Now that Magellan Investments has officially taken ownership of the 5 Central property, Staff will be initiating negotiations to update the TIF and Development Agreements. As the EDA is aware, Marc Swerdlow indicated to Staff that he would very much like to re-negotiate the terms of the TIF agreement in order to shorten up the lifespan of the TIF note. This is something that should be very beneficial to the EDA and to the City. Shortening up the TIF note will allow for the full property taxes to go fully on the tax rolls sooner, which eats up a large chunk of the needed property taxes in order to operate the City. This, in turn, reduces the tax burden for all other properties in the City. Typically a negotiation such as this is Staff driven. Staff will be working closely with the City's financial consultants (Ehlers and Briggs & Morgan) on any negotiations so that the full scope and effect of the negotiations is understood by the EDA and City. At this point in time, we have not connected with Magellan to initiate those negotiations, so I cannot speak to what they are looking for. Ideally, the EDA and the City should be in favor of anything change that continues to satisfy the required payments to the various debt services and other loans, while shortening the overall term of the TIF note. These will be the two pillars for which Staff and the City's financial consultants will work towards. I will routinely update the EDA as to the progress of the negotiations, and if there are any specific questions or direction needed from the EDA, I will bring those to a future meeting for considering and direction. And as always, the EDA will need to formally approve any proposed changes to the TIF note and Development Agreement. Nothing will happen without approval from the Osseo EDA.

### **Future EDA Goals/Plans:**

At this point, the EDA will need to discuss what, if anything, the group wants to do as we move into 2019. We have reviewed potential redevelopment sites, but noted the financial constraints. We can always continue to look for opportunities, which is something Staff does continually. Of course not every lead produces anything of substance. ***Should the EDA focus on a specific redevelopment opportunity? If yes, which one?*** Other potential ideas many include funding some type of resident and business community survey. Often times, when a local government is looking to "do something" it might be best to go to the residents and business owners of the community to gather feedback before making these decisions. The EDA could hire an outside organization who specializes in such surveys and work with them to develop specific questions about what the constituents would like to see in the future. The survey could target Osseo residents, Osseo business owners, or both.

***What should the EDA focus on heading into 2019?***



**City Goals Met By This Action:**

Ensure the City's continued financial stability

Foster and promote economic development in the City

Maintain as low a tax rate as possible

Increase communication with citizens and encourage citizen engagement

Promote a healthy and high quality standard of living

Plan and provide for safe and quality housing options

Provide a variety of activities for all citizens with continued and new City events and programs

**Recommendation/Action Requested:**

Staff recommends the Economic Development Authority should discuss the above items and direct Staff accordingly.



**HANDBOOK FOR MINNESOTA CITIES**

**Chapter 14  
Community Development and  
Redevelopment**

**TABLE OF CONTENTS**

Community Development and Redevelopment.....1

Chapter 15 .....3

Community Development and Redevelopment.....3

I. Business subsidies or financial assistance.....3

    A. Business subsidies .....3

    B. Financial assistance .....4

II. City development tools.....5

    A. General city development powers .....5

    B. Housing and redevelopment authorities .....5

        1. Elements of an HRA.....5

        2. Area of operation for an HRA .....6

        3. HRA membership.....6

        4. HRA powers .....7

        5. HRA special assessment and levy authority.....7

        6. HRA contracting.....8

        7. HRA financing.....8

        8. HRA certifications to state .....9

        9. HRA federal certification .....9

    C. Economic development authorities .....9

        1. EDA levies.....10

        2. EDA loans .....10

        3. Other EDA powers .....10

    D. Port authorities .....11

    E. Municipal or area redevelopment agencies .....12

    F. City development districts.....12

    G. City industrial development .....13

III. Other development strategies .....13

    A. Housing bonds.....13

    B. Industrial parks .....14

This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.

C.	Industrial revenue bonds.....	14
D.	Commercial rehabilitation.....	15
E.	Tax increment financing (TIF).....	15
F.	Property tax abatement.....	18
IV.	State-sponsored development tools.....	18
A.	Minnesota Housing Finance Agency.....	18
B.	Department of Employment and Economic Development (DEED).....	19
C.	Enterprise Minnesota.....	20
D.	Corporations.....	21
V.	Federal development tools.....	21
A.	Community development block grants.....	21
B.	Rural development grants.....	21
VI.	How this chapter applies to home rule charter cities.....	21



## HANDBOOK FOR MINNESOTA CITIES

# Chapter 14 Community Development and Redevelopment

*Learn about the requirements for a city to establish criteria for awarding business subsidies and various development agencies cities may create. Find an overview of state and federally sponsored programs for encouraging development and redevelopment. Most economic development tools can be applied to any size city. These tools are interrelated, and a city may use several for one project.*

### RELEVANT LINKS:

[Minn. Stat. §§ 116J.993 to 116J.995.](#)  
[Minn. Stat. § 116J.993, subd. 3.](#)

[Minn. Stat. § 116J.994, subds. 5, 11.](#)  
[Minnesota Department of Employment and Economic Development \(DEED\).](#)

[Minn. Stat. § 116J.994, subd. 3.](#)

## I. Business subsidies or financial assistance

### A. Business subsidies

State law defines “business subsidy” or “subsidy.” It is a state or local government agency grant, contribution of personal property, real property, infrastructure, or the principal amount of a loan at rates below those commercially available to the recipient. In addition, a business subsidy is any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business in an amount greater than \$150,000.

Prior to awarding a business subsidy of more than \$150,000 (and as defined by law) to any business, a city and any housing and redevelopment authority (HRA), economic development authority (EDA), port authority, and nonprofit created by a local government must hold a public hearing and adopt criteria for awarding business subsidies. The public hearing notice must include a statement that either a resident or a city property owner may file a written complaint with the city if the city does not follow the business subsidy law. Written complaints must be filed within specified timelines. The criteria must include a policy regarding the wages to be paid for any jobs created. Copies of the criteria adopted by cities are found on the Minnesota Department of Employment and Economic Development (DEED) web site.

Once the criteria are established, the grantor and the recipient must enter into a subsidy agreement that meets the statutory requirements. The agreement must include an obligation to repay at least part, if not all, of the subsidy if the recipient does not meet its obligations.

This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.

## RELEVANT LINKS:

[Minn. Stat. § 116J.993, subd. 3.](#)  
[Minn. Stat. § 469.185.](#)

[Minn. Stat. § 116J.994, subd. 11.](#)

[Minn. Stat. § 116J.993, subd. 3.](#)

[Minn. Stat. § 116J.994, subds. 4, 7, 8.](#)

[Minn. Stat. § 116J.994, subd. 2.](#)  
[Minn. Stat. § 116J.994, subd. 8.](#)

Types of assistance meeting the definition of a business subsidy include: grants; contributions of real or personal property or infrastructure; the principal amount of a loan at rates below those commercially available to the recipient; any reduction or deferral of any tax or any fee; any guarantee of any payment under any loan, lease or other obligation; or any preferential use of government facilities given to a business.

The law imposes a 180-day statute of limitations on actions to challenge a city after approval of a business subsidy agreement. Citizens or owners of taxable property in a city may bring a civil action against the city for failure to comply with the business subsidy laws. Cities should therefore consult closely with the city attorney before awarding a business subsidy.

There are several exceptions to this definition, including a subsidy of less than \$150,000; subsidies for redevelopment, pollution control and land clean up, housing, industrial revenue bonds, utility property tax abatements and other similar programs.

Recipients must provide grantors with information on their progress toward the goals outlined in the agreement. The goals for increasing jobs or retaining jobs must result in local job creation and job retention. Grantors must submit the annual Minnesota Business Assistance Form (MBAF) to the Department of Employment and Economic Development (DEED) by April 1 each year for each business subsidy agreement. Local government agencies in cities with a population of 2,500 or more must submit an MBAF, regardless of whether they have awarded business subsidies. Local government agencies in cities with a population of 2,500 or less are exempt from filing the MBAF if they have not awarded a subsidy in the past five years.

## B. Financial assistance

Cities may offer “financial assistance” in the form of a business loan of more than \$25,000 or a guarantee of \$75,000 or more, but less than \$150,000 required to constitute a business subsidy. If a city offers such financial assistance it must develop criteria and set minimum wage floor levels as prescribed in business subsidy law. Cities granting such financial assistance must submit business assistance reports to the Department of Employment and Economic Development (DEED) within one year of granting the assistance.

## RELEVANT LINKS:

[Minn. Stat. § 469.041.](#)

[Minn. Stat. § 469.192.](#)

*Judd Supply Co. v. Merchants & Mfgs. Ins. Co.*, 448 N.W.2d 895 (Minn. Ct. App. 1989).

[Minn. Stat. §§ 469.001 to 469.047.](#)  
[Minn. Stat. § 469.003.](#)

[Minn. Stat. § 469.003, subd. 1.](#)

## II. City development tools

### A. General city development powers

Cities have authority to aid and cooperate in the planning, construction, or operation of economic development, and housing and redevelopment projects. The following is a partial list of actions cities may take, with or without compensation:

- Dedicate, sell, convey, or lease any of its interests in any property or grant easements, licenses, or any other rights or privileges to an HRA.
- Furnish parks, playgrounds, recreational, community education, water, sewer, and drainage facilities or other works adjacent to or in connection with housing and redevelopment projects.

A statutory city, home rule charter city, economic development authority, housing and redevelopment authority, or port authority may make a loan to a business, a for-profit or nonprofit organization, or an individual for any purpose the entity is otherwise authorized to carry out under any of the laws cited.

Private development projects that receive public financial or other assistance will not necessarily become public projects that trigger competitive bidding or other state laws applicable to public works.

### B. Housing and redevelopment authorities

The predominant method of delivering and administering housing and redevelopment programs in Minnesota is through a legal public agency, accountable to city government. A city may establish this public agency, which is often the HRA. There are more than 230 HRAs in Minnesota.

#### 1. Elements of an HRA

An HRA is a public corporation with power to undertake certain types of housing and redevelopment or renewal activities. While state legislation conveys authority for housing and redevelopment in each city, it is up to the city council to formally establish an HRA before it can do business and use its powers. Once a council legally establishes an HRA, it may undertake certain types of planning and community development activities on its own without council approval.

To create a housing and redevelopment authority, the city council must, by resolution, make the following findings required by law:

## RELEVANT LINKS:

[Minn. Stat. § 469.003, subds. 2, 4.](#)

[Minn. Stat. § 469.004, subds. 1, 2.](#)

[Minn. Stat. § 469.004, subd. 5.](#)

[Minn. Stat. § 469.003, subds. 5, 6.](#)

[24 C.F.R. 964.400 to 964.430.](#)

[Minn. Stat. § 469.003, subd. 7.](#)

[Minn. Stat. § 469.011, subd. 2.](#) [Minn. Stat. § 469.011, subd. 4.](#)

- Substandard, slum or blighted areas that cannot be redeveloped without governmental assistance; or
- A shortage of affordable, decent, safe, and sanitary dwelling accommodations available to low-income individuals and families.

The council must pass this resolution after a public hearing. A copy of this resolution must go to the commissioner of DEED.

## 2. Area of operation for an HRA

The area of operation of a city HRA is the corporate limits of the city. County and multi-county HRAs operate in areas that include all the political subdivisions within the county or counties, except they may not undertake any project within the boundaries of a city that has not adopted a resolution authorizing the county or multi-county HRA to exercise powers within that city.

Establishment of a county or multi-county HRA precludes the formation of city HRAs, unless the county or multi-county HRA and the commissioner of DEED agree to let the city form one.

## 3. HRA membership

An HRA consists of up to seven commissioners who are residents of the city. The mayor appoints and the council approves the members who serve five-year, staggered terms. City councilmembers often serve on the HRA. The entire membership of an HRA may consist of councilmembers.

Federal regulations require that at least one eligible resident be a member of a public housing agency board, which may be the HRA, an EDA or other public housing authority (PHA). This rule applies to any public housing agency that holds a public housing annual contributions contract with HUD or that administers Section 8 tenant-based rental assistance. The rule does not apply to state-financed public housing projects or Section 8 project-based assistance. A “small PHA exception” also exists.

The city clerk must file a certificate of appointment for each commissioner of a city HRA and send a certified copy to the commissioner of DEED.

State law allows the HRA to adopt bylaws. Commissioners may accept compensation of up to \$75 for each meeting they attend. Commissioners who are elected officials may receive daily payment for a particular day only if they do not receive any other daily payment for public service on that day. Commissioners who are public employees may not receive daily payment, but may not suffer loss in compensation or benefits as a result of their service.

## RELEVANT LINKS:

[Minn. Stat. § 469.012, subd. 1.](#)

[Minn. Stat. § 469.001 – 469.047.](#)  
[Minn. Stat. § 469.033, subd. 6.](#)

[Minn. Stat. § 275.70 to 275.74.](#)

[Minn. Stat. § 275.066.](#)

### 4. HRA powers

An HRA is primarily responsible for the planning and implementation of redevelopment and/or low-rent housing assistance programs within its area of operation. An HRA has all the powers necessary to carry out the state HRA Act, including, but not limited to, the following powers:

- To sue and be sued.
- To employ staff and an executive director.
- To undertake projects within its area of operation and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part of a project.
- To sell, buy, own, and lease property by any means necessary, including the power of eminent domain.
- To cooperate with and use state and federal financial assistance programs.
- To develop rehabilitation and code enforcement techniques.
- To issue bonds for any of its corporate purposes backed by the pledge of revenues, grants or other contributions.
- To implement renewal or redevelopment programs using tax increment financing.
- To own, hold, improve, lease, sell or dispose of real or personal property.
- To designate substandard, slum or deteriorating areas needing redevelopment, and unsafe, unsanitary, and overcrowded housing.
- To make necessary expenditures to carry out the purposes of the HRA law.
- To develop and administer an interest reduction program to assist the financing of the construction, rehabilitation, or purchase of low- or moderate-income housing.

### 5. HRA special assessment and levy authority

HRA power to levy and collect taxes or special assessments is limited to the power provided in state law. Subject to a resolution of consent from the city council an HRA may levy a tax upon all taxable property within the city. (The council may give a consent that covers a series of years if they so choose or council may pass a resolution authorizing an HRA levy for a set amount of time, for example, the entire term of the bonds secured in part by an HRA levy and in part by a city levy.) State law recognizes the distinct nature of HRAs and designates them as “special taxing districts.” The maximum general allowable operational levy of HRAs is 0.0185 percent of the previous year’s estimated market value of all property in the city.



## RELEVANT LINKS:

[Minn. Stat. § 469.107.](#)  
[Minn. Stat. § 275.066.](#)

[Minn. Stat. § 469.012, subd. 4.](#)  
[Minn. Stat. § 469.028.](#)

[Minn. Stat. § 469.015.](#)  
[Minn. Stat. § 469.015, subds. 1a, 4.](#)

[Minn. Stat. § 469.033.](#)  
[Minn. Stat. § 469.034.](#)

[Minn. Stat. § 469.034, subd. 1.](#)

The city's estimated market value is available from the county assessor. An HRA raises its own levy because it is a separate political subdivision and not a "local governmental unit." Therefore, an HRA levy is not subject to levy limits, but is subject to the 0.0185 percent estimated market value limit. Levies collected by an HRA must be used only for purposes listed in the HRA Act.

There is crossover between HRA and EDA levies that can be confusing. Typically, EDAs are not authorized to levy taxes under state law. However, many city EDA-enabling resolutions adopt all the powers of an HRA, and then the EDA functions as a special taxing district under state law. If the enabling resolution so allows, the EDA levies a separate tax or "HRA levy" not subject to levy limits or city debt limits—but again subject to the 0.0185 percent of the city's estimated market value limit in state law. The city attorney may verify the structure and levy authority of each city's HRA and/or EDA.

While HRAs have the legal authority to "do whatever is necessary and convenient" to implement redevelopment, they are subject to the ordinances and laws of the city. The city council must approve HRA plans before the housing and redevelopment authority may begin implementation.

## 6. HRA contracting

All HRA construction work and purchases of equipment, supplies or materials that involve expenditure of more than \$100,000 must be competitively bid. An HRA (and a city) may also use the "best value alternative." There are limited exceptions to these requirements for emergencies and certain projects, such as parking ramps.

## 7. HRA financing

Operating funds, capital improvements, and debt retirement expenses for HRA projects may be financed by any one, or combination of, the following methods:

- Federal grants.
- Revenue bonds the HRA or local governing body sells.
- General obligation bonds the local governing body sells.
- Tax increments from redevelopment projects.
- A limited levy for redevelopment projects and planning activities.

When an HRA issues bonds, the revenue generated must be used for the projects financed, or bond costs must be paid from income generated by designated projects.

## RELEVANT LINKS:

[Minn. Stat. § 469.003, subs. 4, 6, 7.](#)

[Minn. Stat. § 469.018.](#)  
[Minn. Stat. § 469.013 subd. 2.](#)

[Minn. Stat. § 469.027.](#)

[Minn. Stat. § 469.013.](#)

[24 C.F.R 982.51.](#)

[Minn. Stat. §§ 469.090 to 469.1082.](#)

[Minn. Stat. § 469.091.](#)

[Minn. Stat. § 469.093.](#)  
[Minn. Stat. § 469.095.](#)  
Minnesota Department of Employment and Economic Development: [The Economic Development Authorities Handbook.](#)

The law states that the principal and interest on bonds are payable exclusively from the income and revenues of the project financed with the proceeds of the bonds, or exclusively from the income and revenues of certain designated projects, whether or not they are financed in whole or in part with the proceeds of the bonds.

## 8. HRA certifications to state

The following documents relating to the establishment and activities of local HRAs must go to the DEED commissioner:

- Resolution of need.
- Certificates of appointment or reappointment of HRA commissioners.
- Low-rent public housing project and management plans.

The following additional documents relating to local HRA activities may also be requested by the DEED commissioner:

- Project reports.
- Applications for federal assistance.
- Contracts with federal agencies.
- Redevelopment plans.

In addition, annual financial reports must go to the state auditor, DEED commissioner, and the city council.

## 9. HRA federal certification

In order for a local HRA to use federal Department of Housing and Urban Development (HUD) assistance programs, it must submit a transcript of organizational documents to the HUD area office.

## C. Economic development authorities

All cities and townships have authority from the state Legislature to create economic development authorities. The city may consolidate the economic development authority (EDA) with an existing HRA or the city may grant the authority HRA powers. The city council may create an EDA by passing an enabling resolution. Before adopting the enabling resolution, the city must first conduct a public hearing. The enabling resolution establishes a board of commissioners for the EDA. The city council can choose to serve as the EDA board of commissioners or create a board composed of community members. The mayor, with approval of the council, appoints the commissioners.

The board may consist of three, five or seven members who serve six-year terms. The board is subject to the open meeting law.

## RELEVANT LINKS:

[Minn. Stat. § 275.70.](#)

[Minn. Stat. § 275.066.](#)

[Minn. Stat. § 469.107.](#)

[Minn. Stat. § 469.192.](#)  
[Minn. Stat. §§ 469.090 to 469.1082.](#)  
[Minn. Stat. § 469.098.](#)

[Minn. Stat. § 469.102.](#)

[Minn. Stat. § 469.101, subds 1, 2.](#)  
[Minn. Stat. § 475.58.](#)  
[Minn. Stat. § 469.102.](#)

### 1. EDA levies

The typical EDA levy is different from the HRA levy discussed above. It is not a levy raised by the EDA—it is a levy set by a city at the request of the EDA.

Basically, the city simply appropriates part of the money the city collects in the general city levy to the EDA. Because the EDA levy is part of the city levy, it is not a “special levy” under state law and thus the EDA levy is subject to the city’s overall levy limit. However, as noted above, many EDA enabling resolutions adopt all the powers of an HRA. If so, the EDA may levy a separate tax or “HRA levy,” and then the EDA functions as a special taxing district as if it were an HRA and that levy is not subject to levy limits or to city debt limits. An EDA using the levy powers of an HRA is still limited to a levy no more than 0.0185 percent of the estimated market value in the city.

### 2. EDA loans

An EDA is authorized to make a loan to a business, a for-profit or nonprofit organization, or an individual. Before taking an action or making a decision which could substantially affect an EDA commissioner's or an employee's financial interests or those of an organization with which the commissioner or an employee is associated, a commissioner or employee of an authority must comply with specific requirements to disclose the conflict and obtain prior approval. Failure to do so may result in criminal charges.

Loans must be for a purpose the EDA is authorized to carry out under the law. An authorized purpose must deal with or contribute to economic or industrial development. EDAs have the ability to use pooled bond reserving.

### 3. Other EDA powers

EDAs can acquire property and facilities but cannot issue debt without an election. The city must authorize the issuance of debt in the resolution creating the EDA. In addition, EDAs can create economic development districts but the districts must be contiguous.

Current law eliminates the requirements that economic development districts established by EDAs meet the “blight test” under tax increment financing law for redevelopment districts.

## RELEVANT LINKS:

[Minn. Stat. §§ 469.048-469.068. Minn. Stat. § 469.053.](#)  
[Minn. Stat. § 469.060 subd. 1.](#)

[Minn. Stat. § 469.050.](#)

[Minn. Stat. § 469.051.](#)

[Minn. Stat. § 469.051, subd. 2.](#)

[Minn. Stat. § 469.051, subds. 4 to 6.](#)

[Minn. Stat. § 469.051, subd. 9.](#)

EDAs may exercise powers under the housing and redevelopment authority (HRA) law (if a particular EDA enabling resolution includes HRA power) to create a redevelopment project, housing development, or housing project under which a restrictive blight test does not apply. These projects can be used for similar purposes to those of an economic development district under the EDA law.

### D. Port authorities

The state Legislature authorizes city creation of port authorities. A port authority is a separate political entity with the right to sue and be sued in its own name and is generally organized to increase commerce in a city. Unlike EDAs and HRAs, a port authority may issue general obligation bonds without holding an election.

Cities establish a port authority by passing an enabling resolution. The port authority may have three commissioners, appointed by the city council, or seven commissioners, two of whom must be city council members, with the remaining members appointed by the mayor and approved by the city council. Cities may adopt a different procedure and a different number of commissioners in the enabling law for the port authority. State law governs commissioner pay, vacancies, duties, and port authority bylaws.

A port authority shall annually elect a president or chair, vice-president or vice-chair, treasurer, secretary, and assistant treasurer. A commissioner may not serve as president or chair and vice-president or vice-chair at the same time. The other offices may be held by one commissioner. The offices of secretary and assistant treasurer need not be held by a commissioner.

The treasurer of a port authority must be bonded to faithfully perform these duties:

- Receive and be responsible for port authority money.
- Be responsible for the acts of the assistant treasurer, if appointed.
- Disburse port authority money by check or electronic procedures.
- Keep an account of the source of all receipts, and the nature, purpose, and authority of all disbursements.
- File the authority's detailed financial statement with its secretary at least once a year at times set by the authority.

The port authority's annual detailed financial statement must show all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, the authority's credits and assets, and its outstanding liabilities.

## RELEVANT LINKS:

[Minn. Stat. §§ 469.048–469.068.](#)

[Minn. Stat. §§ 469.109 to 469.123.](#)

[Minn. Stat. § 469.110, subd. 11.](#) [Minn. Stat. § 469.111.](#)

[Minn. Stat. § 469.111.](#)  
[Minn. Stat. § 469.115.](#)

[Minn. Stat. §§ 469.124 to 469.134.](#)

[Minn. Stat. § 469.127.](#)

The authority must examine the statement together with the treasurer’s vouchers. If the authority finds the statement and vouchers correct, it shall approve them by resolution and record the resolution.

State law governs many other aspects of port authorities, including but not limited to use of city property by a port authority, employees, contracts, and audits. The city attorney also acts as the port authority’s attorney.

### **E. Municipal or area redevelopment agencies**

Any rural municipality or group of municipalities may establish a public body, known as a municipal or area redevelopment agency, in and for the area the municipality covers. This law defines municipalities as home rule charter or statutory cities, counties, towns or school districts.

The law includes only rural areas, which generally means all areas that are not within the boundary of any city having a population of 50,000 or more, and not immediately adjacent to urbanized and urbanizing areas with a population density of more than 100 persons per square mile—or areas with an unemployment rate of 6 percent or more. The restrictions limit applicability of the law to rural areas.

The establishment of the municipal or area redevelopment agency is similar to the establishment of an HRA. A municipal or area redevelopment agency has similar powers to an HRA.

### **F. City development districts**

Any home rule charter or statutory city may designate development districts within the boundaries of the city. Within these districts, cities may:

- Adopt a development program to acquire, construct, reconstruct, improve, alter, extend, operate, maintain or promote developments aimed at improving the physical facilities, quality of life, and quality of transportation.
- Promote pedestrian skyway systems.
- Install special lighting systems, street signs and street furniture, landscaping of streets and public property, and snow removal systems.

The law encourages pedestrian skyway systems, underground pedestrian concourses, people mover systems, and publicly owned parking structures. It exempts these structures from taxation even when they are attached to privately owned buildings.

## RELEVANT LINKS:

[Minn. Stat. §§ 469.152 to 469.1655.](#)  
[Minn. Stat. § 469.152.](#)

[Minn. Stat. § 469.155, subd. 4.](#)

[Minn. Stat. § 469.153, subd. 2.](#)

[Minn. Stat. § 469.1655.](#)

[Minn. Stat. § 469.155, subd. 14.](#)

[Minn. Stat. ch. 462C.](#)

## G. City industrial development

For the purpose of attracting industrial and commercial development and encouraging local governments to prevent economic deterioration, any home rule charter or statutory city or its redevelopment agency has the power to promote industrial development by:

- Acquiring, constructing, and holding lands, buildings, easements, improvements to lands and buildings, capital equipment, and inventory for industrial projects.
- Issuing revenue bonds and entering into revenue agreements to finance these activities to promote industrial projects.
- Refinancing health care and other facilities.

Under the legislation, cities assist industries in starting operations and use generated revenues to repay the costs. This law is the basis for issuing most industrial revenue bonds.

Industrial projects eligible for assistance include any revenue-producing enterprises engaged in assembling, fabricating, manufacturing, mixing, processing, storing, warehousing, or distributing any products of agriculture, forestry, mining, or manufacturing; or in research and development activity in these fields; or in the manufacturing, creation, or production of intangible property, including any patent, copyright, formula, process, design, know how, format, or other similar item. “Project” also includes any properties designated as a qualified green building and sustainable design project under state law. Eligible projects may include costs related to dewatering activities.

The law prohibits a city from operating any of these projects as a business or in any other manner.

## III. Other development strategies

### A. Housing bonds

Cities may use revenue bonds for financing single- and multi-family housing, primarily for the benefit of low- and moderate-income families. The law contains single- and multi-family housing criteria and the specific actions cities must take to comply with the law.

Federal law limits the issuance of housing revenue bonds. Bonding authority is allocated by a state formula.

## RELEVANT LINKS:

[Minn. Stat. § 272.02 subd. 39.](#)

[Minn. Stat. § 469.185.](#)  
[Minn. Stat. § 465.035.](#)  
[A.G. Op. 476-B-2 \(Mar. 2, 1961\).](#)  
[City of Pipestone v. Madsen, 287 Minn. 357, 178 N.W.2d 594 \(1970\).](#)

[Minn. Stat. §§ 469.152 to 469.1655.](#)

## B. Industrial parks

An industrial park is a tract of land suitable for industrial use because of location, topography, proper zoning, availability to utilities, and accessibility to transportation. A single body has administrative control of the tract. In some cities, an industrial park may be little more than a tract of unimproved land, while in other cities it may be totally served by city services and have restrictive building requirements. An industrial park's purpose is to attract industrial development.

Property a city holds for later sale for economic development purposes remains tax exempt for a period not to exceed nine years, or until buildings or other improvements that are constructed after acquisition reach one-half occupancy.

Currently, private enterprise creates most new industrial park development by establishing a for-profit community development corporation. A city can cooperate with that corporation through its land-use controls and methods of financing public improvements. Many cities have also established industrial parks complete with streets, water, and sewer, in spite of the possible tax ramifications. The city then sells or leases a portion of the park to a business needing a location for its building.

The law authorizes any city owning lands that are not restricted by deed to convey the lands for nominal consideration, to encourage and promote industry, and to provide employment for citizens. In finding that a conveyance of land for an indoor arena was not within the statute, the attorney general concluded the conveyance must encourage and promote industry and provide employment for citizens. A more direct promotion of industry is necessary, beyond the fact that more potential customers might be in town as a result of athletic contests. However, the courts have upheld the municipal industrial development revenue bond law, discussed subsequently, against the same objection. The city's attorney can best advise the city concerning the legality of a purchase of land for resale.

## C. Industrial revenue bonds

The municipal industrial development laws help cities attract new commercial and industrial development, and keep existing businesses in the city. The law authorizes the council to issue revenue bonds, and use the proceeds to acquire and construct industrial sites and facilities. The city then leases these facilities to private industry and uses the rental fee proceeds to retire the bonds.

## RELEVANT LINKS:

[Minn. Stat. § 469.156.](#)

[Minn. Stat. § 469.162.](#)

For more information, contact [DEED](#) 651.259.7114, 800.657.3858. Main Office: 1st National Bank Building 332 Minnesota Street, Suite E200 Saint Paul, MN 55101-1351.

[Minn. Stat. § 469.184.](#)

[Minn. Stat. §§ 469.174 to 469.1794.](#)

A city may issue industrial revenue bonds, also known as municipal revenue bonds, without public referendum. It cannot pledge the full faith and credit of a community as security for these bonds. Thus, the city may not tax property owners to pay principal and interest on the bonds.

If a city decides to investigate the use of industrial bond financing, it should contact the Department of Employment and Economic Development. The department provides the city with information, advice, and technical assistance. This assistance is important, due to the adoption of federal and state laws allocating issuance authority among the states and their political subdivisions. The commissioner of Securities must approve the project.

## D. Commercial rehabilitation

Cities have authority to carry out programs for the rehabilitation of small- and medium-sized commercial buildings. The city must adopt a program ordinance that provides for the adoption of program regulations, including a definition of small- and medium-sized commercial buildings. Loans under the program may be for amounts up to \$200,000. The city may finance the program through the sale of revenue bonds.

## E. Tax increment financing (TIF)

Tax increment financing authority is available to most cities. Cities with housing and redevelopment authorities, economic development authorities, port authorities, redevelopment agencies, those cities administering development districts or development projects, or cities exercising port authority powers under a general or special law may use tax increment financing.

Tax increment financing is a funding technique that takes advantage of the increases in tax capacity and property taxes from development or redevelopment to pay upfront public development or redevelopment costs. The difference in the tax capacity and the tax revenues the property generates after new construction has occurred, compared with the tax capacity and tax revenues it generated before the construction, is the captured value. The taxes paid on the captured value are called “increments.” Unlike property taxes, increments are not used to pay for the general costs of cities, counties, and schools. Instead, increments go to the development authority and are used to repay public indebtedness or current costs the city incurred in acquiring the property, removing existing structures or installing public services.



## RELEVANT LINKS:

[Minn. Stat. § 469.177, subd. 1.](#)

[See Minn. Stat. § 469.174.](#)

[State v. Wicklund, 589 N.W.2d 793 \(Minn. 1999\).](#)

[Minn. Stat. § 469.176, subd. 7.](#)

[Minn. Stat. § 469.175, subsd. 5, 6.](#)

[Minn. Stat. § 469.1771, subsd. 1, 2b.](#)

Thus, the property owner in a TIF district continues to pay the full amount of property taxes. TIF involves only the increased property taxes generated within the district. It does not change the amount of property taxes currently derived from the redevelopment area, nor does it directly affect the amount or rate of general ad valorem taxes the city levies. The result of a TIF project is an increased tax base that will benefit all local taxing jurisdictions. Additionally, TIF districts usually spur economic development and redevelopment through creating jobs, removing blight, and providing more affordable housing.

If the market value of a homestead property within a TIF district reduces the homestead market value in the district, the original tax capacity of the TIF district will be reduced by the same amount.

Thus, the tax increment collected by the city will remain the same. If a city has a TIF district with townhouses or condominiums, the city should verify that valuations are properly adjusted by the county auditor.

TIF is used to encourage four general types of private development: redevelopment, renovation and renewal, growth in low- to moderate-income housing, and economic development. Public financing using TIF funding for a privately owned facility does not make public space in the facility a public forum for free speech purposes.

In some specific situations, a TIF authority may request inclusion in a tax increment financing district and the county auditor may certify the original tax capacity of a parcel or a part of the following property types:

- Agricultural.
- Private outdoor recreational, open space and park land.
- Rural preserve property.
- Metropolitan agricultural preserves.

The city using TIF must report annually to the state auditor as to the status of the TIF district or districts and publish the report in a newspaper of general circulation in the municipality. The state auditor has established a uniform system of accounting and financial reporting for TIF districts. The city must annually submit to the state auditor a financial report in compliance with these standards.

The state auditor may audit TIF districts. If the state auditor notifies a TIF authority of an alleged violation, a copy of the notice is also forwarded to the county attorney. If no corrective action is brought within one year, the county attorney must notify the state auditor, who then notifies the attorney general.

## RELEVANT LINKS:

[Minn. Stat. § 469.177, subd. 8. \*Lake Superior Paper Indus. v. State\*, 624 N.W.2d 254 \(Minn. 2001\). \*Brookfield Trade Center, Inc. v. County of Ramsey\*, 609 N.W.2d 868 \(Minn. 1998\).](#)

[Minn. Stat. § 469.1771.](#)

[Minn. Stat. § 469.175.](#)

[\*Walser Auto Sales, Inc. v. City of Richfield\*, 635 N.W.2d 391 \(Minn. Ct. App. 2001\); \*aff'd\*, 644 N.W.2d 425 \(Minn. 2002\).](#)

[\*Chenoweth v. City of Brighton\*, 655 N.W.2d 821 \(Minn. Ct. App. 2003\).](#)

If the attorney general finds a substantial violation, the attorney general will petition the state tax court to suspend the authority's power to use TIF for a period of up to five years.

The TIF agreement with the developer is a complex document. Assistance from a financial advisor and the city attorney is necessary in order to anticipate the many potential problems. An agreement can establish a minimum market value for tax increment assessment purposes, as well as provide that the developer pay a certain level of taxes regardless of any classification rate changes or levy decreases. The agreement should be entered into before the assembly and acquisition of the land on which the completed improvements are to be located.

The law imposes a 180-day statute of limitations on actions to challenge the creation or modification of a TIF district. The law is complex including a "but-for" finding before a city approves a TIF plan and the creation of a TIF district.

Cities must follow statutory requirements including but not limited to administrative expenses, plan modifications, reporting requirements, use of increment in pre-1979 districts, excess increments, pooling, decertification, and use of funds outside the district.

Before a district can be created, the law requires a detailed estimate of the impact of a proposed district on city-provided services, such as police and fire protection, public infrastructure, and borrowing costs attributable to the district, in addition to other complex estimations that must be prepared.

Cities should use extreme care in establishing a TIF district and should follow all procedural requirements; otherwise, a court may find the district was not properly established. In one case, a TIF district was not properly established where minimal effort was made to ensure the thorough inspection of the properties, inaccurate methodology was used to establish the condition of the buildings, and the buildings found structurally substandard were not reasonably distributed throughout the district.

In another case, a cause of action for inverse condemnation did not arise where a city's involvement with an adjacent property owner's development consisted of establishing a TIF district, entering into a contract with a private developer specifying the size and value of structures to be built, and providing for substantial city assistance to facilitate development.

Given the complexity of the laws governing the use of TIF, cities or HRAs should not undertake this method of financing community development projects without the advice of an attorney and professional consultants.

**RELEVANT LINKS:**

[Minn. Stat. §§ 469.1812 to 469.1815.](#)

[Minn. Stat. § 469.1813.](#)

[Minn. Stat. ch. 462A.](#) For more information about MHFA programs, contact MHFA at 400 Wabasha Street North, Suite 400, St. Paul, MN 55102(651) 296-7608 or (800) 657-3769.

## **F. Property tax abatement**

A city may use this development tool to segregate some or all of the taxes (or the increase in taxes) it imposes on a parcel of property if the city expects the benefits of the proposed abatement agreement at least to equal the costs of the proposed development. The term “abatement” is somewhat misleading, as in most cases the tax is not forgiven; it is paid normally, but the amount of property tax levied by the city is used to pay for the bonds. The city must determine that the agreement is in the public interest because it will increase or preserve tax base, provide employment opportunities, provide or help acquire or construct public facilities, help redevelop or renew blighted areas, or help provide access to services for residents of the city. Property taxes in a TIF district cannot be abated unless the period of the abatement will not occur until after the district is decertified.

A resolution must be adopted after notice and public hearing, specifying the terms of the abatement.

A city may issue bonds or other obligations to provide an amount equal to the sum of the abatements granted for a specific property. The maximum principal amount of these bonds may not exceed the estimated sum of the abatements for the property for the years authorized. The bonds may be general obligations of the city if the city council chooses to pledge the full faith and credit of the city in the resolution issuing the bonds. The law limits property tax abatements to 15 years. School districts and counties have similar abatement powers. A city, county, and school district can agree to abate their taxes on the same property.

## **IV. State-sponsored development tools**

### **A. Minnesota Housing Finance Agency**

The goals of the Minnesota Housing Finance Agency (MHFA) are to provide decent, affordable housing to low- and moderate-income people; preserve the existing housing stock in Minnesota; preserve existing neighborhoods and prevent them from deteriorating; and prevent mortgage foreclosures while promoting energy conservation in residential housing.

The Minnesota Legislature created the MHFA in response to a shortage of affordable housing for low- and moderate-income people. Private enterprise and private investment were unable, without public assistance, to provide an adequate supply of safe, sanitary, and decent housing at affordable prices and rents.

## RELEVANT LINKS:

[Minn. Stat. § 462A.073 et seq.](#)  
[MHFA: Minnesota City Participation Program.](#) Nicola Viana, Program Manager, 651.297.9510, [Nicola.viana@state.mn.us](mailto:Nicola.viana@state.mn.us).

[Minn. Stat. ch. 116J.](#)  
[Minnesota Department of Employment and Economic Development.](#)

[Minn. Stat. §§ 116J.411 to 116J.424.](#)  
[Minn. Stat. § 116J.575.](#)  
See, [Minnesota Department of Employment and Economic Development for Local Government.](#)

[Minn. Stat. § 116J.431.](#)  
[Greater Minnesota Business Development Infrastructure Grant Program.](#)

The sale of state tax-exempt bonds is the primary financing for MHFA programs. Through the Minnesota City Participation Program, Minnesota Housing sells mortgage revenue bonds on behalf of cities to meet locally identified housing needs. The proceeds of these bonds provide below-market interest rate home mortgage loans for low- and moderate-income, first-time homebuyers, or for the construction or rehabilitation of single- and multi-family housing. Appropriations from the Legislature provide additional funding for programs, including the promotion of energy conservation; an increase in home ownership opportunities for first time homebuyers; home improvement grants to very low-income homeowners; and programs to improve the housing available to Native Americans, large families, and people with disabilities.

## B. Department of Employment and Economic Development (DEED)

The Minnesota Department of Employment and Economic Development is the primary economic development agency for Minnesota.

DEED staff is responsible for a wide range of grant and loan programs, as well as for providing technical assistance to businesses and communities.

DEED also provides grants for contamination cleanup and redevelopment. A redevelopment account allows DEED to make grants to local units of government up to 50 percent of the cost of redeveloping blighted industrial, residential, or commercial property. DEED administers the rural development program; makes challenge grants to regional organizations to encourage private investment in rural areas; and administers a revolving loan fund to provide loans to new and expanding business in rural Minnesota. Local government units, including cities, may receive these loans if the community has established a local revolving loan fund and can provide at least an equal match to the loan received.

Cities outside the seven-county metropolitan area may receive grants from DEED for up to 50 percent of the capital costs of public infrastructure necessary for certain specified economic development projects, excluding retail and office space. For this program, “public infrastructure” means publicly owned physical infrastructure necessary to support economic development projects, including but not limited to sewers, water supply systems, utility extensions, streets, wastewater treatment systems, stormwater management systems, and facilities for pretreatment of wastewater to remove phosphorus.

**RELEVANT LINKS:**

[Minn. Stat. § 116J.431, subd. 2.](#)

[Minn. Stat. § 116J.435.](#)

Department of Employment and Economic Development: [Innovative Business Development Program.](#)

[Minn. Stat. § 116J.435.](#)

[Minn. Stat. ch. 116O.](#)

Under this law, an “economic development project” for which a county or city may be eligible to receive a grant under this section includes manufacturing; technology; warehousing and distribution; research and development; agricultural processing or industrial park development that would be used by any one of these businesses.

DEED runs the Innovative Business Development Public Infrastructure (BDPI) program that provides grants to local governmental units on a competitive basis statewide for up to 50 percent of the capital cost of the public infrastructure necessary to expand or retain jobs.

"Innovative business" means a business that is engaged in, or is committed to engage in, innovation in Minnesota in one of the following:

- Using proprietary technology to add value to a product, process, or service in a high technology field.
- Researching or developing a proprietary product, process, or service in a high technology field.
- Researching, developing, or producing a new proprietary technology for use in the fields of tourism, forestry, mining, transportation, or green manufacturing.

"Proprietary technology" means the technical innovations that are unique and legally owned or licensed by a business and includes, without limitation, those innovations that are patented, patent pending, a subject of trade secrets, or copyrighted. "Eligible project" means an innovative business development capital improvement project in this state, including:

- Manufacturing; technology; warehousing and distribution; research and development.
- Innovative business incubator.
- Agricultural processing; or industrial, office. or
- Research park development that would be used by an innovative business.

**C. Enterprise Minnesota**

Enterprise Minnesota is a nonprofit business consulting organization, set up by the Legislature that helps small and medium-sized manufacturing companies, education services, and government entities in Minnesota.

Enterprise Minnesota operates as a fee-for-services 501(c)(3) nonprofit.

## RELEVANT LINKS:

[Enterprise Minnesota](#) 612-373-2900 or 800-325-3073.  
[Minn. Stat. § 116O.061.](#)

[Minn. Stat. § 465.717.](#) [Minn. Stat. § 471.59.](#)  
LMC information memo,  
[LMCIT Liability Coverage Guide, Section III-I, Joint powers entities.](#)

More information is available on the [HUD](#) web site.

For more information, contact [Rural Development State Office](#) 410 Farm Credit Service Building 375 Jackson Street St. Paul, MN 55101-1853, (651) 602-7800; See also, Handbook, [Financing Public Improvements.](#)

Enterprise Minnesota focuses on applied research and technology transfer and early stage funding. It may provide financial assistance, including loan guarantees, direct loans, interest subsidies, or equity investments, to sole proprietorships, corporations, other entities, nonprofit organizations, or joint ventures. Financial assistance includes but is not limited to assisting a qualified company or organization with business services and products that will enhance the operations of the entity.

## D. Corporations

Cities must not create nonprofit corporations unless authorized to do so by special legislation. The law allows incorporation of a joint powers entity, but these must comply with all applicable public sector laws (open meeting, gift law, conflicts of interest, competitive bidding, etc.) and must be separately insured.

## V. Federal development tools

### A. Community development block grants

The Community Development Block Grant (CDBG) program, under the U.S. Department of Housing and Urban Development (HUD), provides cities with federal funding to initiate and continue a diverse array of housing and community development projects.

### B. Rural development grants

A variety of grants and loans to encourage economic development are available to cities from the U. S. Department of Agriculture, rural development program. Sewer, water, rural enterprise, housing, and other types of grants and loans are available.

## VI. How this chapter applies to home rule charter cities

All of the tools this chapter lists are available to charter cities. The general discussions also apply to all cities.

**City of Osseo Economic Development Authority (EDA)**

**Operating Budget  
2019**

Account Number	Account Description	2016 Actual	2017 Actual	2018 Budget	YTD 9/30/2018	2018 (over)/under	2019 Proposed Budget	
							Amount	Descr.
<b>REVENUE</b>								
801-36050	Property Revenue			\$ 525,000	\$ -	\$ 525,000		Sale of Properties for Redevelopment (None for 2019?)
801-36210	Interest Earned on Investments	\$ 7,105	\$ 6,421	\$ 5,500	\$ 2,406	\$ 3,094		As of June 30
801-36235	Way Signage	\$ 1,060	\$ 150	\$ 500	\$ -	\$ 500		
	Hennepin County Grant		\$ 2,500	\$ -	\$ -	\$ -		
	Other			\$ 300	\$ -	\$ 300		Spring Opener Donations
	<b>Total Revenue</b>	<b>\$ 8,165</b>	<b>\$ 9,071</b>	<b>\$ 531,300</b>	<b>\$ 2,406</b>	<b>\$ 528,894</b>	<b>\$ -</b>	
<b>EXPENDITURES</b>								
801-71000-106	Board Compensation	\$ 375	\$ 435	\$ 540	\$ 63	\$ 477		3 Board members
801-71000-125	FICA	\$ 29	\$ 33	\$ 42	\$ 1	\$ 41		7.65%
801-71000-211	Operations	\$ 2,060	\$ 1,059	\$ 500	\$ 52	\$ 448		Supplies
801-71000-255	Dues/Memberships	\$ 1,464	\$ 1,069	\$ 1,500	\$ 1,069	\$ 431		Chamber membership (\$1069.00)
801-71000-260	Meetings/Travel/Seminars	\$ 195	\$ 797	\$ 2,000	\$ 1,265	\$ 735		Ehlers (\$255/person)
801-71000-304	Legal Services	\$ 2,211	\$ 3,956	\$ 3,000	\$ 10,098	\$ (7,098)		12 mtgs (\$175) - Note Osseo Townhomes \$6353
801-71000-307	Recording Services	\$ 977	\$ 2,117	\$ 1,530	\$ 1,032	\$ 499		Meeting recording
801-71000-310	Other Professional Services	\$ 12,956	\$ 16,424	\$ 12,000	\$ 7,613	\$ 4,387		Ehlers TIF management
801-71000-351	Printing/Publishing	\$ -	\$ 354	\$ 500	\$ 284	\$ 216		Newsletter/Annual Disclosure
801-71000-399	Property Taxes	\$ 201	\$ 6,705	\$ 225	\$ 188	\$ 37		Assessments on parking lot
801-71000-720	Transfer to City General Fund (101)	\$ 35,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ -		Reimb. To City for staff time
	Other		\$ 61,848	\$ -	\$ -	\$ -		Gateway Sign Contribution
	Other			\$ 7,000	\$ -	\$ 7,000		Special Event costs (Spring Opener)
	Other			\$ 525,000	\$ -	\$ 525,000		Property Purchases for Redevelopment (None for 2019?)
	<b>Total Expenditures</b>	<b>\$ 55,467</b>	<b>\$ 139,798</b>	<b>\$ 598,837</b>	<b>\$ 66,665</b>	<b>\$ 532,172</b>	<b>\$ -</b>	
	<b>Net Increase in Fund Balance</b>	<b>\$ (47,303)</b>	<b>\$ (130,727)</b>	<b>\$ (67,537)</b>	<b>\$ (64,259)</b>	<b>\$ (3,278)</b>	<b>\$ -</b>	
	<b>Fund Balance, January 1</b>	<b>\$ 713,278</b>	<b>\$ 665,975</b>	<b>\$ 535,248</b>	<b>\$ 535,248</b>	<b>\$ 535,248</b>	<b>\$ 531,970</b>	
	<b>Fund Balance, December 31</b>	<b>\$ 665,975</b>	<b>\$ 535,248</b>	<b>\$ 467,711</b>	<b>\$ 470,989</b>	<b>\$ 531,970</b>	<b>\$ 531,970</b>	

UPDATED: 10/3/18 RG



# **Powers & Tools of Economic Development Authorities**

**Julie Eddington**

**Kennedy & Graven, Chartered**



# EDA PURPOSE

Promotion of economic  
development within the city  
limits of Osseo

# EDA Powers

- Acquire property
- Enter into options for property
- Enter contracts
- Become limited partner

# EDA Powers

- Sell or lease land owned by it
- Operate public parking facility
- Supply small business capital
- Issue general obligation or revenue bonds

# EDA Powers

- Sell real property only after public hearing and covenant running with land
- Request City to levy up EDA tax of up to 0.01813% of estimated market value of City (becomes part of City's levy)
- Hold property for economic development on tax-exempt basis

# EDA Tools

- Loan programs (to loan funds to private parties to do anything an EDA could do)
- Land write-downs
- Tax increment
- Abatement (in conjunction with the City)

# EDA Tools

- Partner with other entities (DEED or County) to obtain additional loans or grants for economic development projects

# Other considerations

- Public purpose expenditure rule
- Business Subsidy Act
- EDA may also utilize all HRA powers if such powers are provided in enabling resolution



**Julie Eddington**  
**612-337-9213**