



ECONOMIC DEVELOPMENT AUTHORITY

Monday, July 22, 2019, 5:15PM

Le Sueur City Hall, 203 South 2nd Street

Meeting Agenda

1. Call to Order
2. Approval of Agenda
3. Approval of Minutes – June 24, 2019
4. Approval of the Bills – July 19, 2019
5. New Business
 - 5.1. REV – 2018 Survey Results
 - 5.2. Housing Development -- TIF Application
 - 5.3. Authorized Signers at Cornerstone Bank
6. Other Business
7. Adjournment
8. Next Meeting: Monday, August 26, 2019 (tentative)

A Regular Meeting of the Le Sueur Economic Development Authority was held on Monday, June 24, 2019 at 5:15pm in the City Council Chambers of the Le Sueur City Hall, 203 South Second Street, Le Sueur, Minnesota. Members present: Ruth Vortherms, Jesse Wenisch, Marvin Sullivan, Shawn Kirby, and Dan Mahoney. Members absent: Melissa Meger and Brian Pfarr.

Motion by Member Kirby, seconded by Member Wenisch to approve the agenda as written. Voting in favor: Members Wenisch, Kirby, Vortherms, and Mahoney. Voting no: None. Motion carried.

Motion by Member Mahoney, seconded by Member Kirby approving the minutes of the May 28, 2019 meeting. Voting in favor: Members Wenisch, Kirby, Vortherms, and Mahoney. Voting no: None. Motion carried.

Motion by Member Wenisch, seconded by Member Kirby, approving the list of bills for June 24, 2019. Voting in favor: Members Pfarr, Wenisch, Kirby, and Mahoney. Voting no: None. Motion carried.

Member Sullivan was running late and joined the meeting at this time.

Item 5.1, 4M Account: The EDA Currently has a total of \$1,416,110.72 in a Direct Deposit Account (DDA) at Cornerstone Bank which earns approximately 1% interest (.9%-1.1%) and a CD with a balance of \$163,898.76 which is earning .75% and open loan with a total of \$810,000. The EDA discussed the 4M Fund (Minnesota Municipal Money Market Fund) as an alternative to our current account. This fund is currently paying an interest rate of 2.15%. A **motion** by Member Sullivan, seconded by Member Mahoney authorizing staff to remove all the funds, except for \$10,000 which will remain in the DDA Account, from Cornerstone State Bank. Voting in favor: Members Wenisch, Sullivan, Kirby, Vortherms, and Mahoney. Voting no: None. Motion carried.

Item 5.2, Housing Development: The EDA reviewed a proposed site layout for the 19+ acres they are purchasing in collaboration with the City of Le Sueur and INH Properties. A **motion** was made by Member Sullivan, seconded by Member Kirby, authorizing up to \$15,000 in expenditures towards the implementation of this site layout (engineering, etc.). Voting in favor: Members Wenisch, Sullivan, Kirby, Vortherms, and Mahoney. Voting no: None. Motion carried.

Item 6, Other Business: None.

A **Motion** by Member Wenisch, seconded by Member Pfarr, to adjourn until Monday, July 22, 2019. Voting in favor: Members Wenisch, Sullivan, Kirby, Vortherms, and Mahoney. Voting no: None. Motion carried.

Respectfully submitted,
Samantha DiMaggio, Community Development Director



EDA Approval Report for July 22, 2019

By Fund

Post Dates 06/25/2019 - 07/22/2019

Account Number	Vendor Name	Description (Item)	Payable Number	Account Number	Amount
Fund: 376 - 2010 EDA LEASE REVENUE BOND					
Department: 46500 - ECONOMIC DEVELOPMENT ASSIST					
376-46500-437	MCHS-OWATONNA	RENT REFUND	INV0008847	376-46500-437	16,270.00
Department 46500 - ECONOMIC DEVELOPMENT ASSIST Total:					16,270.00
Fund 376 - 2010 EDA LEASE REVENUE BOND Total:					16,270.00
Fund: 380 - EDA GENERAL FUND					
Department: 46500 - ECONOMIC DEVELOPMENT ASSIST					
380-46500-101	CITY OF LESUEUR	JUNE PAYROLL EXPENSE	INV0008876	380-46500-101	5,550.99
380-46500-121	CITY OF LESUEUR	JUNE PAYROLL EXPENSE	INV0008876	380-46500-121	584.96
380-46500-122	CITY OF LESUEUR	JUNE PAYROLL EXPENSE	INV0008876	380-46500-122	454.92
380-46500-125	CITY OF LESUEUR	JUNE PAYROLL EXPENSE	INV0008876	380-46500-125	106.40
380-46500-131	CITY OF LESUEUR	JUNE PAYROLL EXPENSE	INV0008876	380-46500-131	1,123.26
380-46500-133	CITY OF LESUEUR	JUNE PAYROLL EXPENSE	INV0008876	380-46500-133	20.72
380-46500-201	SO MN INITIATIVE FOUNDATION	SOURCE LINK PRO PROGRAM A...	INV0008913	380-46500-201	250.00
380-46500-207	CARDMEMBER SERVICE	CECC CONFERENCE/TRAINING	INV0008903	380-46500-207	80.00
380-46500-331	CARDMEMBER SERVICE	EDAM SUMMER CONFERENCE ...	INV0008903	380-46500-331	7.72
380-46500-331	CARDMEMBER SERVICE	EDAM SUMMER CONFERENCE ...	INV0008903	380-46500-331	8.36
380-46500-331	CARDMEMBER SERVICE	EDAM SUMMER CONFERENCE ...	INV0008903	380-46500-331	13.38
380-46500-331	CARDMEMBER SERVICE	EDAM SUMMER CONFERENCE ...	INV0008903	380-46500-331	313.82
Department 46500 - ECONOMIC DEVELOPMENT ASSIST Total:					8,514.53
Fund 380 - EDA GENERAL FUND Total:					8,514.53
Fund: 382 - HWY 169 INDUSTRIAL PARK					
Department: 46500 - ECONOMIC DEVELOPMENT ASSIST					
382-46500-303	BOLTON & MENK	ALTA SURVEY - 169 PROPERTY	0235436	382-46500-303	8,507.50
Department 46500 - ECONOMIC DEVELOPMENT ASSIST Total:					8,507.50
Fund 382 - HWY 169 INDUSTRIAL PARK Total:					8,507.50
Fund: 393 - TIF DISTRICT #13					
Department: 47000 - DEBT SERVICE					
393-47000-430	GREENFIELD ESTATES	1ST HALF 2019 TIF PAYMENT	INV0008839	393-47000-430	18,542.84
393-47000-733	CITY OF LESUEUR	1ST HALF 2019 ADMIN FEES - G...	INV0008840	393-47000-733	975.94
Department 47000 - DEBT SERVICE Total:					19,518.78
Fund 393 - TIF DISTRICT #13 Total:					19,518.78
Fund: 394 - TIF DISTRICT #14					
Department: 47000 - DEBT SERVICE					
394-47000-430	LE SUEUR MEADOWS	1ST HALF 2019 TIF PAYMENT	INV0008841	394-47000-430	9,782.97
394-47000-733	CITY OF LESUEUR	1ST HALF 2019 ADMIN FEES - LS...	INV0008842	394-47000-733	514.89
Department 47000 - DEBT SERVICE Total:					10,297.86
Fund 394 - TIF DISTRICT #14 Total:					10,297.86
Fund: 398 - TIF DISTRICT #18					
Department: 47000 - DEBT SERVICE					
398-47000-430	BIMEDA	1ST HALF 2019 TIF PAYMENT	INV0008843	398-47000-430	1,679.52
398-47000-733	CITY OF LESUEUR	1ST HALF 2019 ADMIN FEES - B...	INV0008844	398-47000-733	88.40
Department 47000 - DEBT SERVICE Total:					1,767.92
Fund 398 - TIF DISTRICT #18 Total:					1,767.92
Fund: 399 - TIF DISTRICT #19					
Department: 47000 - DEBT SERVICE					
399-47000-430	OAK TERRACE SENIOR HOUSING..	1ST HALF 2019 TIF PAYMENT	INV0008845	399-47000-430	28,457.16

EDA Approval Report for July 22, 2019

Post Dates: 06/25/2019 - 07/22/2019

Account Number	Vendor Name	Description (Item)	Payable Number	Account Number	Amount
399-47000-733	CITY OF LESUEUR	1ST HALF 2019 ADMIN FEES - O...	INV0008846	399-47000-733	1,497.74
				Department 47000 - DEBT SERVICE Total:	29,954.90
				Fund 399 - TIF DISTRICT #19 Total:	29,954.90
				Grand Total:	94,831.49

Report Summary

Fund Summary

Fund	Payment Amount
376 - 2010 EDA LEASE REVENUE BOND	16,270.00
380 - EDA GENERAL FUND	8,514.53
382 - HWY 169 INDUSTRIAL PARK	8,507.50
393 - TIF DISTRICT #13	19,518.78
394 - TIF DISTRICT #14	10,297.86
398 - TIF DISTRICT #18	1,767.92
399 - TIF DISTRICT #19	29,954.90
Grand Total:	94,831.49

Account Summary

Account Number	Account Name	Payment Amount
376-46500-437	MISCELLANEOUS EXPENSE	16,270.00
380-46500-101	FULL-TIME EMPLOYEES-R...	5,550.99
380-46500-121	PERA CONTRIBUTIONS	584.96
380-46500-122	FICA CONTRIBUTIONS	454.92
380-46500-125	MEDICARE CONTRIBUTIO...	106.40
380-46500-131	HEALTH INSURANCE	1,123.26
380-46500-133	LIFE INSURANCE	20.72
380-46500-201	OFFICE SUPPLIES	250.00
380-46500-207	TRAINING & INSTRUCTIO...	80.00
380-46500-331	TRAVEL EXPENSE	343.28
382-46500-303	ENGINEERING FEES	8,507.50
393-47000-430	PAY-AS-YOU-GO REIMBU...	18,542.84
393-47000-733	TRANSFER TO GENERAL F...	975.94
394-47000-430	PAY-AS-YOU-GO REIMBU...	9,782.97
394-47000-733	TRANSFER TO GENERAL F...	514.89
398-47000-430	PAY-AS-YOU-GO REIMBU...	1,679.52
398-47000-733	TRANSFER TO GENERAL F...	88.40
399-47000-430	PAY-AS-YOU-GO REIMBU...	28,457.16
399-47000-733	TRANSFER TO GENERAL F...	1,497.74
Grand Total:		94,831.49

Project Account Summary

Project Account Key	Payment Amount
None	94,831.49
Grand Total:	94,831.49



ECONOMIC DEVELOPMENT AUTHORITY
Item 5.1

TO: Economic Development Authority
FROM: Samantha DiMaggio
SUBJECT: REV 2018 Survey Results
DATE: Monday, July 22, 2019

PURPOSE/ACTION REQUESTED

Review of the completed REV Survey's received in 2018.

SUMMARY

In 2018, Staff sent out 85 surveys to local entrepreneurs and we received 24 completed surveys back. Staff has taken these surveys, entered them into SourceLink Pro and generated a compilation of the completed surveys.

Staff met with the Chamber of Commerce on July 10, 2019 and shared these results with them in hopes of building local capacity but partnering in with the Chamber in the future on the REV Initiative.

RECOMMENDATION

Staff is recommending that the EDA review the survey results and utilize these as they set goals and program initiatives for 2020.

Years of Experience	Hours per week	In the future do you plan to add a new product or service?	In the future, do you plan to sell to a new market?	In the future, do you plan to research new markets?	In the future, do you plan to expand your distribution channels?	In the future, do you plan to expand your distribution channels?	In the future, do you plan to invest in new equipment?	In the future, do you plan to replace your current equipment?	In the future, do you plan to expand your current facility?
0	35	very likely	very likely	not at all likely	very likely	very likely	not at all likely	not at all likely	haven't considered this
15	80	very likely	very likely	unlikely	likely	likely	very likely	very likely	haven't considered this
0	35	very likely	very likely	very likely	very likely	very likely	very likely	very likely	very likely
8	25	likely	likely	likely	haven't considered this	very likely	very likely	very likely	unlikely
13	80	very likely	very likely	very likely	very likely	unlikely	very likely	very likely	very likely
14	50	likely	not at all likely	not at all likely	not at all likely	unlikely	very likely	likely	unlikely
38	50	haven't considered this	not at all likely	not at all likely	not at all likely	haven't considered this	likely	likely	haven't considered this
18	50	unlikely	likely	likely	haven't considered this	likely	likely	likely	unlikely
8	30	likely	likely	likely	likely	very likely	likely	likely	unlikely
16	60	unlikely	haven't considered this	haven't considered this	likely	likely	likely	likely	unlikely
40	50	very likely	very likely	likely	very likely	very likely	very likely	very likely	likely
40		likely	likely	likely	likely	haven't considered this	haven't considered this	likely	haven't considered this
16	55	unlikely	haven't considered this	haven't considered this	haven't considered this	likely	very likely	very likely	unlikely
25	45	likely	likely	likely	not at all likely	haven't considered this	haven't considered this	haven't considered this	unlikely
35	45	very likely	likely	very likely	likely	likely	very likely	likely	likely
20	60	likely	likely	likely	likely	unlikely	very likely	very likely	likely
1	80	unlikely	haven't considered this	haven't considered this	haven't considered this	likely	likely	likely	not at all likely
40	60	haven't considered this	likely	likely	haven't considered this	haven't considered this	likely	likely	likely
35	50	likely	likely	likely	not at all likely	likely	unlikely	likely	not at all likely
37	67	unlikely	unlikely	very likely	very likely	very likely	very likely	very likely	unlikely
15	55	very likely	not at all likely	haven't considered this	likely	likely	likely	likely	likely
53	96	likely	likely	likely	haven't considered this	likely	likely	likely	likely
19	60	very likely	very likely	very likely	very likely	very likely	very likely	haven't considered this	unlikely
20	50	very likely	likely	likely	likely	likely	very likely	very likely	likely
22 Years of Experience	55 Hours per week	9 Very Likely	6 Very Likely	5 Very Likely	6 Very Likely	7 Very Likely	12 Very Likely	9 Very Likely	2 Very Likely
		8 Likely	11 Likely	11 Likely	8 Likely	10 Likely	8 Likely	12 Likely	7 Likely

In the future, do you plan to redesign your current facility?	In the future, do you plan to seek additional financial capital?	In the future, do you plan to computerize your current operations?	In the future, do you plan to computerize your current operations?	In the future, do you plan to redesign your business operating activities?	In the future, do you plan to expand the scope of your operating activities?	In the future, do you plan to seek professional or technical advice?	In the future, do you plan to add specialized employees?	In the future, do you plan to invest in offsite training for your employees?
haven't considered this	unlikely	haven't considered this	haven't considered this	haven't considered this	haven't considered this	haven't considered this	not at all likely	not at all likely
haven't considered this	not at all likely	not at all likely	likely	haven't considered this	likely	likely	likely	haven't considered this
very likely	very likely	very likely	very likely	very likely	very likely	very likely	very likely	very likely
unlikely	unlikely	likely	unlikely	likely	likely	likely	likely	likely
very likely	unlikely	very likely	very likely	very likely	very likely	unlikely	likely	unlikely
unlikely	unlikely	unlikely	likely	unlikely	likely	likely	unlikely	very likely
haven't considered this	haven't considered this	likely	not at all likely	not at all likely	haven't considered this	haven't considered this	haven't considered this	likely
unlikely	haven't considered this	likely	likely	likely	haven't considered this	likely	haven't considered this	likely
haven't considered this	not at all likely	not at all likely	not at all likely	unlikely	not at all likely	likely	not at all likely	not at all likely
unlikely	haven't considered this	likely	likely	unlikely	unlikely	unlikely	unlikely	unlikely
likely	unlikely	unlikely	likely	likely	likely	likely	likely	likely
haven't considered this	haven't considered this	likely	very likely	likely	likely	very likely	likely	haven't considered this
unlikely	unlikely	very likely	likely	haven't considered this	haven't considered this	likely	unlikely	likely
haven't considered this	not at all likely	not at all likely	not at all likely	not at all likely	unlikely	not at all likely	not at all likely	not at all likely
unlikely	unlikely	unlikely	likely	haven't considered this	haven't considered this	very likely	unlikely	unlikely
likely	likely	likely	unlikely	likely	unlikely	likely	unlikely	unlikely
very likely	very likely	haven't considered this	likely	not at all likely	likely	haven't considered this	not at all likely	not at all likely
likely	likely	haven't considered this	likely	likely	likely	likely	haven't considered this	unlikely
not at all likely	not at all likely	not at all likely	very likely	likely	unlikely	likely	not at all likely	not at all likely
unlikely	unlikely	unlikely	likely	unlikely	unlikely	unlikely	unlikely	unlikely
unlikely	unlikely	not at all likely	not at all likely	likely	likely	likely	likely	likely
likely	haven't considered this	haven't considered this	haven't considered this	haven't considered this	haven't considered this	haven't considered this	haven't considered this	haven't considered this
likely	very likely	haven't considered this	likely	very likely	very likely	very likely	very likely	haven't considered this
very likely	likely	likely	very likely	likely	likely	haven't considered this	likely	likely
3 Very Likely 5 Likely	3 Very Likely 3 Likely	3 Very Likely 6 Likely	5 Very Likely 11 Likely	3 Very Likely 9 Likely	3 Very Likely 9 Likely	4 Very Likely 11 Likely	2 Very Likely 6 Likely	2 Very Likely 7 Likely



ECONOMIC DEVELOPMENT AUTHORITY
Item 5.2

TO: Economic Development Authority
FROM: Samantha DiMaggio
SUBJECT: Housing Development / TIF
DATE: Monday, July 22, 2019

PURPOSE/ACTION REQUESTED

Discussion on a Tax Increment Financing (TIF) Application for the Kingsway Development.

SUMMARY

As the EDA moves forward with the single family housing development along Kingsway, they'll need to consider alternatives on how to finance this development. One alternative for the EDA to consider would be a Housing TIF District. Staff would like to have a discussion on how TIF works and how it could be used for this development.

RECOMMENDATION

At the June 24, 2019 EDA meeting, the EDA authorized staff to expend up to \$15,000 on the Kingsway Development. Staff is now asking that the EDA utilize \$3,000 of these dollars for a joint TIF application (partnering with INH) and that the remaining \$13,000 be set aside for engineering and other expenditures related to the platting of the single family lots.

How TIF Works: Basic Mechanics

What is the primary purpose of TIF?

Tax increment financing (TIF) is a method of financing real estate development costs--i.e.:

1. to encourage developers to construct buildings or other private improvements, or
2. to pay for public improvements, such as streets, sidewalks, sewer and water, and similar improvements.

What is the source of the financing?

TIF uses the additional property taxes paid as a result of development in the district to pay for part of the development costs. When a new building is constructed, the market value of the property and its property taxes typically rise. Classic examples would be building a new store on an undeveloped parcel or replacing one or more old buildings with a new, larger building. In both of these instances, the market value of the property will rise because the improvements add value to the parcel.

How do the mechanics of TIF work?

When a TIF district is created, the county auditor certifies the current tax capacity of the properties in the district as the TIF district's "**original tax capacity**." As the property in the district increases in value, these increases above the original tax capacity are "captured." The law refers to this amount as the district's "**captured tax capacity**."

When a TIF district is created, the county auditor also certifies an "**original tax rate**." The original tax rate is total property tax rate that applies in the district, i.e., the tax rates imposed by all of the local governments that levy taxes (the city/town, county, school district, and special taxing districts).

The "**tax increment or increment**" for the district is determined by multiplying the original tax rate by the captured tax capacity. This roughly equals the taxes paid by the captured tax capacity or the increase in taxes that occur as a result of the development.

What are the typical uses of TIF?

TIF traditionally was used as a means of redeveloping urban areas that had old or worn-out buildings in need of replacement or rehabilitation. It was initiated as a tool to help with urban renewal (redeveloping "slums" and "blighted" areas). Its use has spread to other purposes. TIF in Minnesota is generally used to:

- Redevelop areas occupied with substandard buildings
- Build housing for low-income and moderate-income families
- Clean up pollution
- Provide general economic development incentives
- Finance public infrastructure, such as streets, sewer, water, sidewalks, and similar improvements. (This is not an explicit purposes of TIF, but Minnesota cities frequently use it for this purpose.)

What is an example of how TIF is used?

Developer is considering building an office building. The city would like to redevelop a site that consists of three parcels of property (parcels A, B, and C in the figure below). Parcel A is vacant and Parcels B and C contain substandard commercial buildings. Parcel D contains a building in good shape. Construction of the office building will require demolition of the two buildings, new utilities (sewer and water), and closing an alley. The cost of acquiring the property, demolishing the substandard buildings, and putting in the utility and alley improvements is \$1.5 million. However, Developer could obtain a comparable site elsewhere in the area for \$500,000, including special assessments for utilities. The three parcels have a tax capacity of \$24,000 and pay \$33,600 a year in property taxes (at a 1.4 rate). But if Developer builds the planned \$5 million office building, the tax will rise to \$304,000 per year (an increase of \$280,000).

To induce Developer to build on the site, the city designates a project area and creates a TIF district that includes the development site. The district consists of parcels A, B, C, and D (the shaded area). (Parcel D must be included to permit the site to qualify as a redevelopment district under state law.) The district is illustrated in the figure. The city agrees with Developer to acquire the site, demolish the substandard buildings, and put in the utility improvements and vacate the alley. The city, in turn, sells the site to Developer for its market value of \$500,000. This is commonly called "writing down" the cost of the land. The city's \$1.5 million cost is "written down" to \$500,000. (The city could write it down to zero—in effect, giving the land to Developer.) The computation of the increment is shown in the table. The "project area" is the area in which increment may be spent (e.g., if some of the sewer and water improvements may actually be outside of the district). The extent to which this may be done is restricted by the rules on "[pooling](#)."

Project Area TIF District			
Parcel A (Vacant land)			
Parcel B (Substandard building)	Parcel C (Substandard building)	Parcel D (Building in good condition)	
Computation of Tax Increment			
Parcel	Original Tax Capacity	Post Development Tax Capacity	Captured Tax Capacity
A	\$18,000		\$224,000
B	\$3,000		
C	\$3,000		
D	\$124,000		\$124,000
Total	\$148,000		\$348,000

Computation of Tax Increment

Parcel	Original Tax Capacity	Post Development Tax Capacity	Captured Value
Tax Rate	1.4		
Tax Increment			\$280,000 (tax rate x captured value)

Does the increment equal the full taxes paid by the captured value?

In Minnesota this is frequently not the case. The original tax rate limits increment to the taxes generated by the tax rates in effect when the district was created. Thus, if the local governments increase their tax rates (e.g., to increase revenues or because of changes in the tax base), the increased rates do not yield more increment. Furthermore, in the Twin Cities metropolitan area and in the taconite tax relief area, increment may be reduced by the fiscal disparities contribution for the district's properties, if the city elects that option.

Does TIF capture value increases from inflation or general market effects, as well as those attributable to new improvements?

Yes, the mechanics of TIF capture all of the increase in value of the district. Thus, increments may be attributable to:

- Construction of improvements
- Overall inflation in property values unrelated to development
- Market effects that are attributable to the TIF development, if the properties are in the TIF district. (Proximity to a new development, in many cases, will increase the value of surrounding properties.)
- Market effects that are unrelated to the TIF development, if the properties are in the TIF districts. (Market values in areas around TIF districts may increase and these increases may be caused by factors, such as shifts in locational values or tastes, other than the TIF development. For example, some researchers have observed the tendency of cities to put TIF districts in areas that are already experiencing rising property values.)

What types of developments are not good candidates for TIF assistance?

TIF works because developments frequently increase taxable market values. For developments that do not significantly increase taxable market value, TIF will not generate enough revenues to use to help finance the development. This presents problems for:

- **Developments that do not increase the intensity of land uses or that decrease the intensity of land use.** For example, TIF works if the development replaces an apartment building with a large office building or single family homes with large apartment buildings. But it does not work well if one wishes to replace a deteriorated apartment building with single family homes.
- **Tax-exempt developments (e.g., nonprofits or government buildings).** Since these properties are exempt from property taxes, they do not generate increments and, thus, cannot be financed with increments, unless increments are taken from other developments.

What are other limitations to using TIF as a financing method?

Development costs must be paid "up-front" or at the very beginning of the development, but the increased property taxes (increments) are not paid until later and, then, only in modest amounts (relative to the development costs) spread over many years. This creates an imbalance or mismatch between costs and revenues. TIF traditionally overcomes this mismatch by issuing bonds. These bonds pay for:

1. Development cost (e.g., site acquisition),
2. Interest on the bonds until increments are received. The need to pay these interest costs on borrowing, pending receipt of increments is commonly referred to as **capitalizing interest**. The need to capitalize interest means that increment flows must be larger to pay off this component of the cost.

Before 1986, municipal bonds were routinely used as part of TIF financing. These bonds were usually tax exempt, providing a lower interest rate to the city and the developers. The 1986 tax reform made it more difficult to issue tax-exempt bonds for this purpose. This took away much of the incentive for the local governments to borrow in anticipation of receipt of tax increments. The practice in Minnesota now often does not use bonds, but instead expects developers to pay the costs and to be reimbursed as increments become available. This approach (called "**pay-as-you go**" financing) shifts the "capitalized interest" costs to the developers. In some cases, the city or development authority absorbs the cost by advancing its money (e.g., from another city or authority fund) until it can be reimbursed with the increments. If the city accepts lower or no interest on these advances, it is using these funds to assist or subsidize the development.

November 2009

Housing TIF Districts

Duration Limit

How long can increments be collected from a housing district?

The law permits increments from a housing district to be collected for 25 years after the receipt of the first increment. [Minn. Stat. § 469.176](#), subd. 1b(5). The authority may, in the TIF plan, elect to waive up to the first four years of increment. [Minn. Stat. § 469.175](#), subd. 1b. This allows the authority to avoid using the duration limit for a year in which only a small amount of increment is received.

What is the duration limit for interest reduction programs?

A special duration limit applies to interest reduction programs. These programs are most commonly, if not exclusively, funded with housing district tax increments. Increments may be collected for an interest reduction program for 15 years after the first interest reduction payment is made. [Minn. Stat. § 469.176](#), subd. 4f. This limit does not, however, limit the duration of the actual housing TIF district. The district may collect increments for the full 25-year duration, if the increments are used for other qualifying purposes (i.e., noninterest costs of the project or another project).

Geographic Areas that Qualify

Do geographic restrictions apply to housing TIF districts?

In general, no geographic restrictions apply to housing districts. A housing district may be created anywhere, but its increments must be used for qualifying purposes. However, the law does contain one geographic-based provision: the income limits on qualifying housing do not apply in [targeted areas](#).

Do pooling rules limit where housing district increments may be spent?

Unlike other types of TIF districts, housing districts are largely exempt from the pooling rules. The [pooling rules](#) limit the portion of increments that may be spent outside of the TIF district (but within the project area). For a housing district, though, these rules consider amounts spent on housing projects to be within the district, regardless of where the developments are physically located. [Minn. Stat. § 469.1763](#), subd. 2(b).

Permitted Uses of Increments

What are the permitted uses of housing district increments?

Increments from a housing district may only be used to finance a "housing project" or public improvements that are directly related to the project, as well as the authority's administrative expenses. [Minn. Stat. § 469.176](#), subd. 4d. The cost of a project includes items such as acquisition, construction, or rehabilitation of the housing, planning, engineering, and architectural services, and related financing costs. Public improvement or infrastructure costs must be directly related to the project. For example, sewer and water connections for or a public access road to the housing could be financed. However, an adjacent road that serves the general public likely could not be.

What is a "housing project" that qualifies for funding?

A housing project is a development that is intended for occupancy, in part, by low- and moderate-income individuals, as defined under a federal, state, or municipal law.

May an incidental amount of commercial development be assisted as part of a housing project?

Yes, the law allows up to 20 percent of the total square footage of improvements to be used for purposes other than low- and moderate-income housing. [Minn. Stat. § 469.174](#), subd. 11. This 20 percent share could be used for commercial developments, such as office or retail space. (It also could be used for housing for occupancy by individuals who do not meet the definition of low- and moderate-income housing under the federal, state, or municipal law.) In applying the 20 percent test, only developments that received assistance count.

What income limits apply to projects financed with housing district increments?

Two separate sets of income limits apply:

1. The income limits under the federal, state, or municipal law that the authority uses as the legal authority for the housing project
2. The specific income limits under the TIF law that apply regardless of the housing law used

Both of these income limits must be satisfied. The first income limit will vary depending upon the federal, state, or municipal law selected by the authority. The law requires that 80 percent of the fair market value of the project meet the first of these income limits. This will mean that units to be occupied by individuals meeting the income test under the selected law must comprise 80 percent or more of the market value of the property constructed in the district.

What income limit does the TIF act specify?

Separate income limits are established for rental and owner-occupied developments.

Rental developments must meet one of two tests:

1. **20-50 test:** 20 percent of the units are occupied by individuals whose incomes are 50 percent or less of the area median income.
2. **40-60 test:** 40 percent of the units are occupied by individuals whose incomes are 60 percent or less of the area median income.

These tests are taken from federal law.

Special rules with higher income limits apply if the project receives a grant from the Minnesota Housing Finance Agency Challenge Program. For those projects, the income limits under the Challenge Program apply (generally 80 percent of the applicable median).

Owner-occupied developments have considerably higher income limits than the rental developments. The general limit is 115 percent of the greater of (1) the area median income or (2) the statewide median income.

Are the income limits adjusted for family size?

Yes, the income limits are adjusted based on family size. Higher limits apply for units designed to serve larger families and lower limits for units for smaller families.

Projects qualifying for MHFA Challenge Program grants are not subject to family size adjustments.

What are the dollar amounts of the income limits for the Twin Cities metropolitan area and rural counties?

The income limits vary by family size and county or metropolitan area. The limits displayed in the table below apply to a family of four in the seven-county metropolitan area (and in Chisago, Isanti, Sherburne, and Wright counties) and in 42 rural counties. These are the highest and lowest area limits in the state.

TIF Housing District Income Limits

Twin Cities	38 Rural Counties
Rental Housing Developments	

TIF Housing District Income Limits

	Twin Cities	38 Rural Counties
50% of area median (20% required)	\$45,200	\$32,650
60% of area median (40% required)	54,240	39,180
		Owner-Occupied Housing
115% of the > of area or statewide median	103,960	75,095

Notes

For family of four, effective April 14, 2017

How long do the income limits apply?

The rental limits apply for the duration of the TIF district, while the owner-occupied limits apply only to the first purchaser of the housing.

Do exceptions apply to the TIF income limits?

Yes, the income limits do not apply in "targeted areas." [Minn. Stat. § 469.1761](#), subd. 1. Targeted areas are defined as census tracts in which 70 percent or more of families have incomes that are 80 percent or less of the statewide median family income. [Minn. Stat. § 462C.02](#), subd. 9(e).

What special rules apply to housing districts?

Housing districts are exempt from three requirements or rules that apply to other types of TIF districts:

1. The municipality is not required to make the increase in market value finding under the but-for test before approving a housing district. [Minn. Stat. § 469.175](#), subd. 3(b)(2)(ii). The legislature provided this exemption because low-income housing will rarely generate the largest increase in market value for a site and often may generate a lower market value than the use of the site that would be provided solely by the private market. The public benefit of housing districts is thought to be the expansion of the supply housing for low-income families, not the expansion of the property tax base, which lies at the heart of the market value component of the but-for test.
2. Housing districts may be created on parcels, whose property tax values were limited under the Green Acres, Minnesota Open Space Property Law, or the Metropolitan Agricultural Preserves Act. [Minn. Stat. § 469.176](#), subd. 7. In general, parcels in these programs may not be included in TIF districts. The rationale for this prohibition is that these programs are intended to encourage continued use of the property in less intensive uses (e.g., as farms or golf courses) by providing reduced taxes. Given this, the legislature considered it inappropriate to allow public subsidies to encourage development of these properties, shortly after they had received subsidies in return for not doing so. The exemption for housing districts was provided, apparently because the public benefits of expanding the supply of low-income housing was thought to outweigh these concerns.

Data on Use of Housing Districts

How many housing districts are active?

According to the March 2017 *Report of the State Auditor*, there were 541 active housing districts at the end of calendar year 2015.

What share do housing districts comprise of all TIF districts?

Housing districts comprise about 31.5 percent of [all TIF districts](#), according to the State Auditor's data for calendar year 2011.

July 2017



ECONOMIC DEVELOPMENT AUTHORITY
Item 5.3

TO: Economic Development Authority
FROM: Samantha DiMaggio
SUBJECT: Authorized Signers – Cornerstone State Bank
DATE: Monday, July 22, 2019

PURPOSE/ACTION REQUESTED

Authorize staff on the Direct Deposit Account at Cornerstone State Bank.

SUMMARY

At the June 24, 2019 EDA meeting, staff was authorized the move/close all the accounts currently open at Cornerstone State Bank with the exception of the Direct Deposit Account, staff was authorized to leave a balance of \$10,000 in that account. At this time, it was discovered that only Stacy Lawrence and Jasper Kruggel have access to these account. Staff is now requesting additional signers be authorized.

RECOMMENDATION

Staff is recommending approval of Res. No. 2019-4, a resolution allowing Zach Doud, Finance Director, and Samantha DiMaggio, Community Development Director to be authorized signers on the Direct Deposit Account at Cornerstone State Bank.

AUTHORIZATION RESOLUTION NO. 2019-04

LE SUEUR ECONOMIC DEVELOPMENT AUTHORITY

THIS IS TO CERTIFY: That at a regular meeting of the Le Sueur Economic Development Authority, a governmental subdivision under the laws of the State of Minnesota (“EDA”), duly called and held on the 22th day of July, 2019, the following resolution was offered by EDA Board Member _____;

WHEREAS, the Economic Development Authority (EDA) maintains a Direct Deposit Checking Account at Cornerstone State Bank to collect revolving loan payments, pay operating expenses, and clear debts.

WHEREAS, the EDA hereby designates and authorizes the individuals in the following positions to make changes to the account and to sign checks from this account.

- 1) Samantha DiMaggio – City of Le Sueur & EDA Executive Director
- 2) Zach Doud – Finance Director, City of Le Sueur

WHEREAS, the EDA hereby adopts this resolution for the direct deposit account management and for the signing and endorsing checks; and

NOW THEREFORE be it resolved by the Le Sueur Economic Development Authority in and for the City of Le Sueur, as follows:

- 1. That the EDA hereby appoints the President and Secretary of the EDA to sign resolutions making changes in the names of individuals in the designated position of authorized signers to be filed with Cornerstone State Bank; and
- 2. That the officers of the Le Sueur Economic Development Authority are, and each acting along, is hereby authorized and directed to take such further action as may be necessary, appropriate or advisable to implement this resolution and amend and any such prior actions are here by ratified; and
- 3. That Samantha DiMaggio and Zach Doud are designated account managers for the Direct Deposit Account at Cornerstone State Bank.

Said Resolution was duly seconded by EDA Board Member _____ and put to a vote.
Voting in favor:

VOTE: ___ VORTHERMS ___ PFARR ___ MEGER ___ KIRBY
___ MAHONEY ___ WENISCH ___ SULLIVAN

I CERTIFY THAT the above resolution was adopted by the Economic Development Authority of the City of Le Sueur on July 22, 2019.

ATTEST

EDA President

EDA Secretary

Date

Date