

Jackson Economic Development Authority
March Meeting Agenda
Tuesday, April 12th, 2022, 12:00 p.m., Jackson City Hall

Voting Members: AU Kent Bargfrede AU Mike Brinkman AU Brandon Finck

Quorum 4 X Tim Olson, Vice Chair X Rocky Sieler, Chair X Arlene Vee, Sec./Treas.
X Mayor Wayne Walter **5 Voting members present 2 Unexcused Absence**
AU=Absent Unexcused X=Present EA=Excused Absent

Staff: X Dave Schmidt X Matt Skaret X Shelley Pohlman **3**

The meeting was called to order by Chairman Rocky Sieler at 12:05 p.m.

1. Agenda Changes

- a. Add 4 E

* Motion made by Mayor Wayne Walter, seconded by Arlene Vee, to approve the agenda as presented. Motion carried unanimously.

2. Consent Agenda

- a. March 8th minutes

* Motion made by Mayor Wayne Walter, seconded by Arlene Vee, to approve all consent items. Motion carried Unanimously.

3. Reports

a. EDC Report - Attachment A

- Joshua Schuetz is working with Mark Titus on creating a walking history tour.
- The Ballard Ave. property is for sale. Marketing the property has been approved. The EDA will review applications.
- Grant application for Good Food Access Program/Sunshine Foods (\$50,000) has been submitted. <https://www.mda.state.mn.us/grants/grants/gfapequipmentgrant>
Applicants will be notified of the decision on April 29, 2022.

b. Financial Report - Attachment B

- The Facade program has a balance of \$ 31,250.00

4. Other Business

a. UCAP spec home project

- 10 lots available - build 5 houses on the lots.
- The City would donate 10 lots and waive building permit fees.

- The next City Council meeting is April 19, 2022. UCAP is a discussion item on the agenda. Dave Schmidt will attend the meeting.

* Motion made by Arlene Vee, seconded by Tim Olson, to recommend participation with UCAP to the City Council. Motion carried unanimously.

b. Jackson city wide abatement program (attachment c)

* Motion made by Arlene Vee, seconded by Tim Olson, to approve moving forward with a City Wide abatement program. Applicant would be ineligible for tax abatement if the applicant is receiving additional funding from other Federal/State/County entities. Use Lakefield's Initiative Program as a guide. Motion carried unanimously.

c. Virginia & Company loans (Covid & Facade)

No action was taken.

d. Jackson Business Challenge - need two volunteers to look at guidelines for 2023

Rocky Sieler and Tim Olson volunteered to review the guidelines of the Business Challenge Program.

e. Home Loan Application

Motion made by, Mayor Wayne Walter seconded by, Arlene Vee to approve move forward with a home loan application. Motion carried Unanimously

5. Adjourn

The meeting was adjourned at 12:50 p.m. by Chairman Rocky Sieler

Action Items:

1. Dave will review the Facade program terms of agreement. Does the program have a sunset clause?

Economic Development Coordinator's Report

Major Work Items

EDA

- **SCDP** - Application has been submitted.
- UCAP is interested in single family homes. More in discussion items.
- SWMHP is interested in being a part of our workforce housing project.

JEDC

- **Multi-Tenant Commercial Project**
 - Building is framed
 - Roof is on
 - Working on building interior
- **Short-long term planning session**

JBDC

- Will be restarting downtown business visits

Miscellaneous.

- Housing Commissioner Ho visit postponed. Most likely later this month or early May.
- Completed and submitted GFAP grant application for Sunshine Foods.
- Dave will be out of the office April 20-22.

Meeting/Events Attended

- **Mar 9th - Sunshine Foods Grant**
- **Mar 10th - Trails Committee mtg**
- **Mar 15th - JEDC**
- **Mar 15th - UCAP Housing Meeting**
- **Mar 16th - KKOJ Morning Juice**
- **Mar 22nd - George Brophy in Jackson**
- **Mar 23rd - Minnesota West Dean Dr. Craig Phillips**
- **Mar 24th - Tour County building on Industrial Parkway**
- **Mar 24th - Chamber business meeting**
- **Mar 29th - Annie Nichols in Jackson**
- **Mar 30th - SWMHP in Mankato**
- **Apr 4th - CEDA meeting in Blue Earth**
- **Apr 5th - JEDC**
- **Apr 5th - Chris Giesen in Jackson**
- **Apr 7th - JBDC**

Attachment B

EDA Financial Report

Financial Report - March 2022

| <u>Name</u> | <u>Fund</u> | <u>Fund Balance</u> | <u>Committed Funds</u> | <u>Y-T-D Income</u> | <u>Y-T-D Expenditures</u> | <u># of Loans</u> | <u>Outstanding Principal</u> |
|---------------------|-------------|---------------------|------------------------|---------------------|---------------------------|-------------------|------------------------------|
| EDA Fund | 616 | \$250,814.87 | \$31,250.00 | \$0.00 | \$367.69 | N/A | N/A |
| Revolving Loan Fund | 801 | \$891,688.36 | | \$178.58 | \$0.00 | 6+20 | \$235,220.98 |
| SCDP Income | 802 | \$26,303.96 | | \$1,895.82 | \$0.00 | 5 | \$23,010.98 |
| Housing Programs | 804 | \$57,923.53 | | \$9,407.58* | \$0.00 | 19 | \$ 51,893.94 |

616 Committed
Facade -
2020 - \$5,000
Mitch Jasper -. \$5,000
2021 - \$1,250
Man I Feel Like A Woman - \$1,250
2022 - \$25,000
Deputy Registrar #50 - \$4,300.16

Look At Application

804 Committed

* SCDP loan paid early \$5,464.20



Lakefield Home Initiative Program

City of Lakefield Guidelines

Intent

The purpose of the Lakefield Home Initiative Program (LHIP) is to provide incentives to encourage the construction of new owner occupied and rental residential housing units, and to encourage replacement of dilapidated housing structures with new housing structures within the City of Lakefield between March 1, 2022 and December 31, 2024.

Tax Abatement Availability

Minnesota Statute 469.1813 Subdivision 8 places limitations on tax abatement. In any given year, the total amount of taxes abated by a municipality shall not exceed 10% of the net tax capacity (NTC) of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater.

Eligible Participants

Any person who constructs a new single-family home, duplex, or multi-family housing unit and who files application materials and seeks formal approval from the appropriate local jurisdiction between March 1, 2022 and December 31, 2024 may be eligible to receive 100% tax abatement of the City's share of increased real estate taxes as a result of building newly constructed housing or a home, for a period of 5 years provided all of the following are met:

1. Property is located within Lakefield city limits and zoned properly for the proposed development project.
2. The applicant shall not have received other local financial assistance (tax increment financing/TIF, Workforce Housing, SCDP).
3. Project is built to building codes adopted at the time building permit is obtained.
4. Property taxes are current and paid on time and in full.
5. Program approvals must be obtained prior to the start of construction of the new housing/home.

The real estate taxes to be abated shall be for up to the full amount of the real estate taxes collected from added tax base of the newly constructed housing/home annually. Real estate taxes collected for the value of the land or any current additional structures value are not eligible for tax abatement, and will not be abated as part of this program.

This abatement will transfer with the sale of the property for the balance of the five years abatement period.

This abatement will not include voter approved school referendums.

This abatement does not apply to, or include, existing and/or new assessments to the property.

The City shall provide the awarded abatement payment following payment of due real estate taxes annually. One single payment shall be made to the owner of record at the time of the payment, by December 30th for that calendar year.

Application

Statute requires the City to approve each abatement application. Thus, all applications will be considered on a “first come - first served” basis. The acceptance of new applications will be contingent upon EDA and Council approval and abatement capacity as defined above.

A complete application for Abatement shall consist of:

- A letter requesting abatement for eligible projects addressed to the Lakefield City Clerk.
- Legal description of the subject property, including address and property identification number.
- A site plan and construction plans for the proposed project.
- A copy of the building permit once received.

Applications are to be submitted to Lakefield City Clerk, 301 Main St, PO Box 900, Lakefield, Minnesota, 56150. Upon receipt of a completed application, the Clerk will submit to the EDA and, following EDA approval, the City Council to schedule a date on which to consider the application. Notice of those date shall be sent to the applicant within 30 days of the application being filed and following EDA approval. Upon consideration and approval by the City Council, the Council will approve a resolution outlining the details of the abatement program and authorization of staff to enter into a tax abatement agreement with the developer/builder/owner.

The abatement period will commence with the completion of construction, or not more than one year following approval of the taxing authority’s resolution, whichever is first, and shall continue for 5 years.

Property Tax Abatements for Economic Development

What is economic development property tax abatement?

Minnesota law authorizes political subdivisions to grant property tax abatements for economic development (e.g., to encourage a business to locate or expand at a location or to redevelop an area). Minn. Stat. §§ 469.1813 - 469.1816.

Abatements can be used for purposes similar to tax increment financing (TIF), a widely used development tool.

These economic development tax abatements should be distinguished from property tax abatements that are granted by the county board primarily to correct errors (e.g., to reduce the assessor's market value or to change the classification of the property). Minn. Stat. § 375.192.

For what purposes may abatements be used?

The law allows abatements to be used for a broad range of purposes, if the political subdivision finds that public benefits exceed the costs. Permitted uses of abatements include:

- General economic development, such as increasing the tax base or jobs
- Construction of public facilities or infrastructure (e.g., streets and roads)
- Redevelopment of blighted areas
- Providing access to services for residents (e.g., housing or retail would be common examples)
- Deferring or phasing in a large (over 50 percent) property tax increase
- Stabilizing the tax base resulting from the updated utility valuation administrative rules

Which property taxes may be abated?

Counties, cities, towns, and school districts may grant abatements of the taxes they impose by resolution. For towns, action at the town meeting is not required. Taxes imposed by special taxing districts (e.g., watersheds or regional agencies) cannot be abated. Similarly, the state general property tax (on commercial/industrial and seasonal-recreational properties) cannot be abated. In the Twin Cities metropolitan area and on the Iron Range, the fiscal disparities tax cannot be explicitly abated. However, a political subdivision may increase its abatement amount to reflect the amount of the tax imposed under fiscal disparities. The abatement does not directly enter into the fiscal disparities calculations.

How long does an abatement apply?

The political subdivision sets the length of the abatement, which cannot exceed 15 years. The term can be extended to 20 years if only two of the three political subdivisions (city/town, county, and school district) grant an abatement.

What is the limitation on abatements?

The total amount of property taxes abated may not exceed the larger of:

- 10 percent of the net tax capacity of the political subdivision, or
- \$200,000.

How do the mechanics of abatement work?

The abatement resolution, approved by the political subdivision, sets the duration and the amount to be abated. The political subdivision has considerable flexibility in setting the terms of the abatement; for example, it may set the abatement as a percentage of tax payable, a dollar amount, the tax attributable to a portion of the parcel's market value, or something else. The local government adds the abatement to its property tax levy. The owner pays property tax and the political subdivision uses the payments as provided by the abatement resolution. For example, the abatement may be used to pay bonds or be paid to the property owner.

May abatements be used to pay bonds used to fund public or private improvements?

The abatement law authorizes the issuance of bonds to be paid with the abatements. For example, bonds could be issued to construct public improvements or to pay for a site for a business. The bonds can be general obligation bonds or revenue bonds. The abatement bond provisions parallel those in the TIF law: the abatement bonds are not subject to referendum approval and are excluded from debt limits.

Under Department of Education administrative guidance, school districts may only issue abatement bonds for certain school parking improvements without voter approval. School districts have issued about \$47 million of these abatement bonds for parking improvements. The \$5 million annual levy to pay these bonds is not included in the school abatement levies in the table below.

How do abatements compare with TIF?

The legislature designed the abatement law as an alternative to and a supplement to TIF; both programs can be used for similar purposes, rely on property tax funding, and have very similar bonding powers. But they differ in these important respects:

- TIF can be used for longer durations (up to 25 years in some cases) than abatements (typically 15 years)
- TIF requires approval only by the municipality (usually the city) to capture all local property taxes, while abatement requires each entity's approval to capture its taxes and cannot capture special district taxes
- TIF use is subject to more legal restrictions than abatement. These include a blight test for redevelopment districts, but-for findings, and stricter limits on what increments may be spent on.

How widely has abatement been used?

The following amounts of abatement levies were reported for property taxes payable in 2018, as reported to the Departments of Revenue (cities and counties) and Education (schools).

| | Number | Amount |
|----------|---------------|---------------|
| Cities | 73 | \$12,485,808 |
| Counties | 31 | 2,409,625 |
| Schools | 12 | 1,608,875 |
| Total | 116 | \$16,504,308 |

For more information: See the House Research publication *Tax Increment Financing*, September 2018.

The Research Department of the Minnesota House of Representatives is a nonpartisan office providing legislative, legal, and information services to the entire House.