

**SPECIAL MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
MONDAY, AUGUST 12, 2024 – 11:30 A.M.
LAKESIDE CONFERENCE ROOM-CITY HALL
MINUTES**

Present: Janet Kennedy, Dan Markham, Connor Randall, Roz Randorf

Absent: ChaQuana McEntyre, Ellie Just, Arik Forsman

Others Present: Amanda Mangan, Tricia Hobbs, Ariana Dahlen, Chad Ronchetti, Jason Aarsvold, Sam Smith, Chris Adatte, Jason Crawford, Gary Eckenberg, Margie Nelson, Danielle Rhodes, Kelli Latuska

CALL TO ORDER: This meeting was called to order at 11:30 a.m.

TIF BROWN BAG LUNCH AND LEARN WITH EHLERS PUBLIC FINANCE ADVISORS

Jason Aarsvold with Ehlers gave an overview of Tax Increment Financing, explaining what TIF is and why it is used. Jason introduced himself and gave a brief overview on what his presentation would entail. He stated it is important to think about why a city would want to utilize TIF, what policies can be used to guide staff, and how to utilize TIF as a tool. He briefly covered the MN statutes that are required for TIF implementation, developer fee policies, etc.

Aarsvold went on to discuss the topic of protecting local resources. He stated that before using any economic development tool, the goals must be identified, the problem must be identified, and other competitors must be identified. Developers' application and financial information must be reviewed to establish appropriate level of public assistance. Maximize private funding sources and minimize public assistance to make the project financially viable.

Aarsvold explained pro forma analysis which is to find the financial assistance gap. There are gaps in development financing because financial barriers prevent the private market from developing a site in accordance with City vision. Examples include contaminated land, blighted buildings, high construction costs and interest rates, high development fees, market rent is too low, infrastructure costs too high, cheaper alternatives elsewhere, and city vision being incompatible with the market.

Aarsvold defined Tax Increment Financing as the ability to capture and use most of the increase in local property tax revenue from new development within a defined geographic area for a defined period without the approval of the other taxing jurisdictions.

DEDA Commissioners and Planning Commissioners had questions about how these TIF values are calculated for an area. Aarsvold explained that as new value is added over time, the TIF captures the value increases that happen over time. Then these taxes can be moved around the city where they are needed. Once an understanding of the base value of a property is established, then it's possible to calculate the annual increment that will accrue. Inflation is also considered when creating a new TIF plan.

A district captures what it will capture, and then an agreement must be made between the developer and the city in order to determine what will be paid out to who. The taxes will be collected by the county, and they will give the settlements to the city. This payment usually happens twice a year. Planning Commissioner Rhodes asked a clarifying question about when the payments could be made, as she had thought that there would be an up-front payment made. Aarsvold says this is possible, but then the city would collect on the increment stream. This is risky, because if the increment is less than what was originally expected, then the city is out of luck. Typically, the pay-as-you-go method is utilized by cities that have TIF plans.

TIF agreements can be broken via defaults, but they cannot be broken for no reason as it is a contract. Rhodes asked what a typical term for a TIF plan is, and Jason responded that each district is different. Districts cannot just be created anywhere for no reason. The state created and regulated the different district types and what is required for each one. The different TIF district types are as follows: Economic Development TIF District (9-year term), Housing TIF District (26-year term), Redevelopment TIF District (26-year term), Renewal & Renovation TIF District (16-year term), Soils TIF District (20-year term).

Aarsvold then went on to describe the process for establishing a TIF district. The process begins with the project plan and description, determining market value and tax rates, estimating the maximum budget as well as the potential financial impacts. A notice must be made to the county commissioner 30 days prior to hearing notice publication. Hearing notice publication must be made at least 10 days prior to hearing.

Aarsvold gave an example of a TIF district, noting the Birdtown Flats in Robbinsdale. This was a Redevelopment TIF District which created 152 new market rate housing units.

Duluth currently has 16 active TIF Districts which includes 13 redevelopment TIF districts and 3 housing TIF districts. 3 of the 16 districts are “decertified”.

There are 3 future TIF districts, however there is no activity with these districts yet. Those districts include:

- TIF district No. 36 – 1st Street Redevelopment
- TIF district No. 37 – Incline Plaza Phase 1
- TIF district No. 38 – Sofidel (consideration coming in August/September of 2024)

Aarsvold presented a table of all the existing TIF districts within the city of Duluth, as well as a table of captured TIF tax capacity for Duluth and how Duluth compares to other cities in Minnesota that utilize TIF. He also provided a graph of pooled TIF resources for future projects and what those numbers are projected to be over the next couple decades. His last slide was about administrative funds, which stated that TIF funds may be used to pay for ongoing administrative expenses. These funds are limited by statute and the TIF plan budget. Status report ensures compliance with requirements and budgets annual administrative amounts for staffing and third-party costs.

ADJOURN: The August 12, 2024, Special meeting of DEDA ended at 1:10 P.M.

Respectfully submitted,

Chad Ronchetti- Executive Director