

CITY OF COLUMBUS
ECONOMIC DEVELOPMENT AUTHORITY MEETING
May 8, 2013

The May 8, 2013 Economic Development Authority meeting for the City of Columbus was called to order at 6:04 p.m. by President Dave Povolny at the City Hall. Present were EDA Commissioners Tracie Wilson, Denny Peterson, Jessie Messina, and Jeff Duraine, Executive Director Elizabeth Mursko; Attorney Bill Griffith, Jr., and Assistant Secretary Emmy Robinson.

Also in attendance: Tammy Omdahl, Northland Securities, Pat Preiner, Jesse Preiner, and Dave Povolny Jr.

Absent: Council Member Krebs

APPROVAL – MINUTES April 10, 2013

Motion by Peterson to approve the Minutes of the April 10, 2013 EDA meeting as written. Second by Wilson. Motion carried.

AGENDA APPROVAL

Motion by Peterson to approve the Agenda presented. Second by Duraine. Motion carried.

NEW BUSINESS

TIF 101 (Handout at Meeting)

Tammy Omdahl, Northland Securities distributed a TIF 101 handout at this time. Ms. Omdahl reviewed the handout at this time. (*See power point at end of minutes*)

Ms. Omdahl reviewed an example project at this time. (Slides 15 – 18)

Why would the city provide TIF to a business/how is the need determined?

A financial need is not the only reason to provide TIF to a developer, the long term benefit to the community of tax income is also a consideration. There would be a TIF fund in the budget once a TIF district is developed.

The process for providing Assistance was reviewed at this time. (Slide #18)

Some examples of TIF projects could include how to improve the road in the northwest quadrant of the city's land and soil corrections. The improvements could benefit the city, but cannot be done until a development occurs.

Does the EDA actions need council approval?

There are some limitations of the EDA as was set by the EDA resolution. At this time the six member EDA includes 5 elected officials. If this membership structure was changed the City Council would want to review the powers allocated to the EDA at that time.

Does the developer have to show a need for TIF?

The City's financial consultants provide a review of the financial status of the developer. It is the EDA's decision however if TIF is granted to a project. The city would request a project Pro forma.

Is the risk greater to the city with developers requesting TIF?

No, sometimes the city requires more for the total improvement project (design, looks, etc.) than the developer needs for their business.

It was noted that the EDA needs to be very clear on what projects the EDA considers for TIF.

OPEN BUSINESS

Discussion - Mid-Continent Franchise Agreement Points

A meeting is scheduled for May 16th. The Attorney wanted to review the expectations of the EDA for the meeting. The City is joining the remaining cities in the franchise agreement, with a separate negotiation for Columbus' needs. The focus of the meeting will be:

- What are the standards for residential service
- Provide service to the commercial districts; The Freeway District and Lake Drive commercial areas.
- What is Midcontinent's business plan for Columbus and how does that translate to criteria for service installation.
- How does Midcontinent envision servicing other properties in the commercial areas?
- Internet service is of primary concern vs. cable services.
- Make it clear that Columbus is not negotiating on its own. The goal is to have a standard that works for Columbus, which may or may not be the same as the other cities and this is not a negotiation for the entire franchise agreement. Brian Grogan, Attorney for the Forest Lake Cable commission is responsible for the franchise negotiations for all cities.

Mayor Dave Povolny suggested that a percentage should be used instead of density, so that if a certain percentage of residents on a road are willing to sign up for service, it should be provided.

Update - Business Retention & Expansion Program

A June 4th meeting is planned for further planning discussions and a direction and report will be forthcoming.

Update - Website Production

The City Administrator met with representatives from LATV10 and they will work with the EDA to complete the video.

Review - 2013 Goals (Page 1)

An updated 2013 Goals list was included in the agenda packet. The City Administrator reviewed the list at this time.

Review - Entrance Columbus Signs

The direction was to take this goal off the 2013 list.

COMMISSION OPEN DISCUSSION

No topic was raised for open discussion.

EXECUTIVE DIRECTOR'S REPORT

No report.

Treasurer's Report

100 EDA General Fund Loan	\$617,167.17
240 EDA Fund	\$15,407.70
480 EDA Quad 35 Project Fund	\$3,096,224.00 (Land Value)
481 EDA Quad 35 Bond Fund	\$29.00
482 EDA Quad 35 RESERVE Fund	\$419,344.00

Set Next Meeting Date: Next regularly scheduled meeting June 12, 2013 6:00 p.m.

ADJOURNMENT

Motion by Duraine to adjourn. Second by Peterson.

Meeting adjourned at 7:02 p.m.

Respectfully Submitted:

Emilia S. Robinson
Assistant Secretary EDA

City of Columbus Economic Development Authority

Discussion of Powers and Authority
And Review of Example TIF Project

May 8, 2013

NORTHLAND  SECURITIES

Member FINRA and SIPC



The information in this presentation is based on sources believed to be reliable, but does not purport to be complete and is not warranted by Northland Securities, Inc.

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Presentation Objectives

- Provide brief overview of EDA powers
- Offer practical observations from past experience
- Discuss possible EDA roles in Columbus
- Review an example project and use of tax increment financing
- Answer your questions



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Powers of an EDA

- MN Statutes 469.090-1082 grants authority to promote economic development
- Law also provides the EDA with the powers given to Housing Redevelopment Authorities in the HRA law
- Law also provides that an EDA may have all of the development powers granted to a City under certain laws (other development statutes)
- City may choose to limit the powers
 - See “enabling” resolution



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Review and Discussion on the Powers of an Economic Development Authority

- Primary purposes of an EDA
- Review of powers of an EDA for development
- Authority to levy taxes for EDA activities
- Limitations on Exercise of power



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Primary Purposes of an EDA

- Wide range of economic development goals
 - “New” development and redevelopment of existing property
- With HRA powers, may also serve the purpose of providing housing in addition to serving the purpose of assisting in the redevelopment of blighted areas
- With municipal powers, may take action to prevent the emergence of blighted and marginal lands and areas of chronic unemployment



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Powers of EDA for Development

- Acquisition of land/property
- Contracts and loans
- Limited partnership
- Public facilities
- Tax increment financing (TIF)
- Issuance of debt to finance projects or activities



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Acquisition of Land/Property

- May accept land, money, or other assistance, whether by gift, loan or otherwise, in any form from the federal or state government, or an agency of either, or a local subdivision of state government
- May sign options to purchase, sell, or lease property in order to set aside a piece of property and/or building for future development purposes
- Not subject to payment of property taxes (for a period up to 9 years) until property is put into use for non-governmental purposes



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Contracts and Loans

- May make a loan to a business, a for-profit or nonprofit organization, or an individual for any purpose that the EDA is otherwise authorized to carry out its powers
- May operate a revolving loan fund



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Limited Partnership

- May be a limited partner in a partnership whose purpose is consistent with the EDA's purpose



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Public Facilities

- May operate and maintain a public parking facility or other public facility to promote development in an economic development district
 - e.g., community centers, city halls, administration buildings, city halls, fire stations, for example
- EDA may issue revenue bonds to finance construction of the facility
 - Source of revenue for debt service on the bonds is derived from lease payments the city makes to the EDA



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Tax Increment Financing (TIF)

- Power to create TIF districts
- TIF law is complex and has changed over the years and continues to change
- Different types of TIF districts authorized by statute:
 - Economic Development District
 - Housing District
 - Hazardous Substance Sub-Districts
 - Redevelopment District
 - Renewal and Renovation District
 - Soils Condition District



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Issuance of Debt to Finance Projects or Activities

- Power to issue debt to finance projects and other activities of the EDA that is authorized by law with limitation as set by the City Council
 - i.e., for Columbus the sale of all bonds or other obligations issued by the EDA does not need to be approved in advance by the City Council
- Credit strength of an EDA is limited



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Authority to Levy Taxes for EDA Activities

- EDA Levy
 - At the request of the EDA, the City Council may levy a tax in any year for the benefit of the EDA in an amount not more than 0.01813 percent of taxable market value.
- HRA Levy
 - EDA may also levy a tax for HRA purposes upon all taxable property within the City's tax district, levy cannot exceed 0.0185 percent of taxable market value
 - Must be spent for purposes authorized under the HRA statutes
- Tax Abatement
 - Authority for abatement of city property taxes is with the City Council
 - EDA/HRA Levy may not be part of a tax abatement

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Limitation on Exercise of Power

- City council has the authority to limit the powers of an EDA
- City provided broad powers to the Columbus EDA when the enabling resolution was adopted in 2010

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Example Project Requesting TIF Assistance

- City owns 6 acres of land
- City to convey the property to Developer
- Planned development of 60,000 SF manufacturing building
- Future estimated assessed market value of \$3.0 million
- Public street improvements needed at an estimated cost of \$250,000 and Developer will incur cost through special assessments
- Start construction in summer 2013

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Considerations for EDA

- What type of TIF district would the project qualify for?
- If TIF is not an option is property tax abatement?
- What amount of assistance is requested (and pay-as-you-go versus up-front assistance)?
- Amount of TIF eligible costs?
- Source of up-front funds for public improvements?
- Decision on fiscal disparities (not applicable for economic development TIF district)?
- Amount of TIF retained for city administrative costs?

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Calculation of Tax Increment Example Project

Base Taxable Value of Land (Owned by EDA)	\$0
New Taxable Value from Development	\$3,000,000
New Tax Capacity from Development	\$59,250
<i>Less Tax Capacity Contributed to Fiscal Disparities</i>	<i>\$33,224</i>
Net Captured Tax Capacity for Tax Increment	\$26,026
Applicable Tax Rate	108.53%
Annual Tax Increment Collection	\$28,247
No. of Years (Period) Increment Collected	9 years
Total Tax Increment Collected Over Period *	\$254,223
Present Value of Tax Increment Collected (4%)	\$181,832

*Total tax increment collected is before administrative retention.

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Process for Providing Assistance

- Developer submits application for assistance
- City considers the application
- TIF Plan is developed, notice and public hearing process required
- City negotiates the amount of assistance with Developer
- TIF Plan is drafted
- City considers adoption of TIF Plan
- City considers adoption of Development Agreement with terms for assistance (and business subsidy)
- City staff creates TIF Fund – all tax increment from the TIF District is accounted for within this fund

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