



MEMORANDUM

To: Dean Zuleger, City of Lake Elmo
From: Tammy Omdal
Date: May 14, 2014
Re: Establishment of Redevelopment Project and Economic Development District for Downtown Area

The Economic Development Authority of the City of Lake Elmo Economic (EDA) is scheduled to discuss the potential establishment of a Redevelopment Project and Economic Development District for the downtown area at a meeting on May 21. This memorandum is intended to provide background information for the discussion.

Background

The City Council and EDA have discussed the concept of the use of tax increment financing (TIF) to assist with paying for project costs related to the redevelopment of the downtown area. The TIF authority that exists in Minnesota Statutes 469.174 through 469.174 (the "TIF Act") must be used in conjunction with the underlying development and redevelopment powers that exist in the statutes. When the City Council adopted the enabling resolution for establishing the EDA, the Council granted the full complement of development powers that exist for an EDA. These powers include the powers granted to housing and redevelopment authorities (HRAs). The EDA's development powers allow the EDA to pursue economic development objectives, such as the redevelopment of the downtown area.

The EDA will need to adopt a plan to exercise its powers. Certain powers can only be used within the boundaries of different types of areas as defined in the statutes. For example, certain powers can only be used within the boundaries of a "Redevelopment Project"; and certain powers can only be used within the area of an "Economic Development District".

Redevelopment Project

To allow the EDA to exercise many of the powers of an HRA, it is recommended the EDA consider the establishment of Redevelopment Project No. 1 (pursuant to Minnesota Statutes 469.001 to 469.047). To establish the Redevelopment Project, the EDA will need to adopt a redevelopment plan which provides an outline for the redevelopment area. A redevelopment plan for Redevelopment Project No. 1 has been drafted for review by the EDA and is attached.

Before adopting a Redevelopment Plan, the EDA must obtain the written opinion of the Planning Commission. The City Council must approve or disapprove the Plan within 30 days after holding a

public hearing on the Redevelopment Project. The City Council must make certain findings in connection with its approval. Those findings include:

1. The land in the project area would not be made available for redevelopment without the financial aid to be sought;
2. The redevelopment plans for the redevelopment areas in the locality will afford maximum opportunity, consistent with the needs of the locality as a whole, for the redevelopment of the areas by private enterprise; and
3. The redevelopment plan conforms to a general plan for the development of the locality as a whole.

Economic Development District

Because certain EDA powers must be exercised only within the boundaries of an Economic Development District (pursuant to Minnesota Statutes 469.100, Subdivision 1) it is recommended the EDA consider adopting an Economic Development District in conjunction with adopting a Redevelopment Project. The boundaries of an Economic Development District must be contiguous. It is recommended the boundaries of Economic Development District No. 1 be coterminous with the boundaries of the proposed Redevelopment Project No. 1.

The EDA must hold a public hearing on the establishment of an Economic Development District. Different from the establishment of a Redevelopment Project, the EDA does not need to adopt a plan for the Economic Development District. However, the EDA must find that an Economic Development District is proper and desirable to establish and develop within the City.

Tax Increment Financing District

TIF districts must be established within the boundaries of a project area. Future TIF districts that may be established (i.e., redevelopment TIF district, housing TIF district, economic development TIF district, etc.) by the City and EDA would be established within the boundaries of the proposed Redevelopment Project Area No. 1. Other future actions the EDA may wish to exercise, using its EDA powers, would be exercised within the boundaries of the Economic Development District No. 1.

Next Steps

Potential initial next steps for the EDA's consideration are as follows:

1. Request the City Council to call a public hearing for the establishment of Redevelopment Project No. 1 and the approval of the adoption of the Redevelopment Plan.
 2. Request a written opinion from the Planning Commission on the proposed Redevelopment Plan.
 3. Call a public hearing for the establishment of Economic Development District No. 1.
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