

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY REGULAR MEETING
TUESDAY, MAY 26, 2020 – 8150 BARBARA AVENUE**

****Meeting Via Zoom Conferencing****

1 & 2 CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met via Zoom Video Conferencing on Tuesday, May 26, 2020. President Piekarski-Krech called the meeting to order at 6:00 p.m. Present were Economic Development Authority Members Bartholomew, Dietrich, Perry, and Tourville; Executive Director Rand, City Attorney Nason, City Administrator Lynch, City Clerk Kiernan, and Secretary Fox.

3. CONSENT AGENDA

A & B. Minutes and Disbursements

Motion by Tourville, second by Perry, to approve the minutes from the February 10, 2020 Regular Economic Development Authority Meeting and disbursements from February 11, 2020 to May 26, 2020.

Ayes: 5

Nays: 0 Motion carried

4. REGULAR AGENDA

A. Consider Resolution Authorizing a Financial Assistance Review Process

Heather Rand, Executive Director, asked Boardmembers to consider formalizing a review process for economic development activity where a developer is requesting financial assistance from the EDA. The new entitlement review process would include the developer submitting a financial assistance application form to the city and EDA in which the developer must demonstrate that their project costs or the uses of funds for a development project and their sources of funds identify a financial gap to which they are requesting some assistance for. The completed application would be reviewed by the Community Development and Finance directors, as well as the City's financial consultant, to determine if the project is consistent with city and EDA development goals, city land use requirements and appears to have financial gap. They would then make a preliminary recommendation to the EDA or City Council identifying whether they believe there is a gap that is prohibiting the project from moving forward toward construction. The application process would require an application fee and possibly an escrow deposit. Staff suggests a \$3,000 application fee and up to a \$10,000 escrow which would cover the cost of review and consultant costs for the drafting of agreements, legal representation, etc. Ms. Rand noted that accepting a \$3,000 application fee would not obligate the EDA or Council to approve financial assistance. This type of process will enable professional staff with consultants to review developer project proforma's and provide more objective analysis of financial requests when formulating recommendations to the EDA and city council Ms. Rand explained.

Boardmember Tourville asked Ms. Rand to share her experience in other cities with application fees and escrows.

Ms. Rand replied that it is quite customary for cities and counties in Minnesota and nationwide to utilize a financial assistance application and review process including the cities she has previously work in. She further stated that most developers are comfortable with the suggested required application fee and if need be an escrow when they are requesting assistance for a sizeable project because of a perceived financial gap.

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Jessica Cook, Ehlers, agreed, stating developers prefer a formal process as it provides good communication and a more predictable outcome for the city and developer.

Boardmember Bartholomew asked for more clarification of the process.

Ms. Rand stated that developers typically approach the Community Development Director first, who after concluding that the project appears in alignment with city development goals per comprehensive land use plan, ordinances and city council strategic plan, would then suggest developer complete a financial assistance application and submit the fee. She would then start working with the City's Finance Director and Ehlers and city's financial advisor to review the data provided by developer which is largely project proforma data. Staff would then make a recommendation to City Council or the EDA as to whether they believe the preliminary review of application has identified a potential financial gap worthy of further analysis. Ultimately, this process would provide Council/EDA members with more subjective information that would help them make a final determination as to if and at what level financial assistance possible in the form of tax abatement, tax increment financing, public infrastructure bonding or other means should be provided to the project from the city and EDA. She noted that experienced developers expect a predictable review process such as what is being suggested tonight.

Boardmember Bartholomew asked for assurance that applications at some point get to Council and that everyone is clear up front that the Council or EDA will decide whether the lending of funds is appropriate or not.

Ms. Rand reassured Boardmembers that staff would not dismiss developers who have submitted an application and associated fee without giving Council a chance to weigh in.

Boardmember Tourville asked if the application could continue along the path, even if staff recommended against providing financial assistance.

Ms. Rand replied in the affirmative, stating staff would make a recommendation, but ultimately the Council or EDA would make that determination.

President Piekarski-Krech supported a standardized process like what was being recommended, stating it would give the City a better handle on whether a project needed financial assistance.

Boardmember Bartholomew agreed that this was a good standardization of the process.

President Piekarski-Krech noted that this process would determine if a developer must fully fund their project or whether they would get financial assistance. Regardless of the determination, the project could still move forward.

Boardmember Bartholomew agreed but wanted to clarify that staff would not be the gatekeeper for the financial assistance and determine who does and does not get it.

Boardmember Tourville supported the proposed process.

Boardmember Dietrich agreed that there should be a clear linear process in determining financial assistance. She questioned the need for a \$3,000 fee, stating the tax dollars for staff salaries should cover that. She would also like to see clear communication on how and when escrow monies are being spent. She asked for clarification on whether the escrow would be \$10,000, or up to \$10,000.

Ms. Rand replied that it would be up to a \$10,000 escrow. She agreed that developers should get a monthly update with respect to the draw down on their escrow account. She stated that she believes a \$3,000 application fee is reasonable.

Boardmember Tourville suggested that the wording on the application be changed to up to \$10,000.

Ms. Rand replied that she believed they were covered as the application states that any remaining funds will be returned to the developer.

Motion by Tourville, second by Bartholomew, to adopt an application fee and escrow requirements for application for financial assistance.

Ayes: 5

Nays: 0 Motion carried

B. Consideration of New Inver Grove Heights Affordable Housing Development Policy and Related Program

Ms. Rand asked the EDA to consider approving a resolution adopting an affordable housing development policy that would guide the EDA and staff in advancing the creation and retention of affordable housing in IGH. Because of the serious need for affordable housing, she is recommending that the EDA consider using the recently decertified TIF District 4-1 funds to assist affordable housing projects throughout the City. The fund balance is approximately \$4.1 million. If the City opts to use the TIF District 4-1 balance for this purpose, staff recommends that the EDA and City Council establish an affordable housing policy with criteria and a process for awarding funds to specific development projects. If the EDA were to approve this tonight it would enable Ms. Rand to continue to work with Ehlers and the workforce housing development community regarding potential projects in the City. She is currently working with two groups looking for a letter of intent or a term sheet from the City so they can demonstrate that the City is supportive when submitting an application for tax credits by the July 15 deadline.

President Piekarski-Krech asked what Ms. Rand meant by the City supporting the affordable housing projects when they apply for tax credits.

Ms. Rand replied that an example of demonstrating support was when the City gave Prairie Estates a letter of support so they could pursue low income tax credits to renovate 110 housing units on Carmen Avenue that were in disrepair. In the case of another developer, Ron Clark Construction, they will be requesting both a letter of support and some type of financial gap assistance in the coming months for their proposed workforce housing project on Upper 55th.

Boardmember Bartholomew questioned whether the EDA should assign the entire \$4.1 million in decertified TIF funds to affordable housing rather than sending it back to the taxing entities which would reduce the amount to about \$1.75 million that the Council could use as it sees fit.

Ms. Rand replied that from her perspective approving this tonight would not commit all \$4.1 million to affordable housing ; the funds could still be turned back to the county at a later date if for budgetary purposes it was deemed appropriate by the city council.

Ms. Cook added that based on this years' tax rates, if the City returned the decertified TIF funds back to the County for distribution, about \$2.1 million would come back to the City and could be used for any governmental purpose. She advised the EDA not to make that decision tonight because of proposed legislation that would allow available tax increment to be used by a community for any governmental purpose has been introduced at the state legislature recently. She further emphasized that the action being

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requested from the EDA this evening is to simply set up a framework so there is a policy in place about how EDA and city would use whatever portion of those decertified TIF funds should projects come forward for consideration.

Boardmember Bartholomew stated his concern is that the staff memo specifically states that the funds could only be used to assist affordable housing projects. He wants to make sure it is understood that Ms. Rand has stated we are just setting up the framework.

President Piekarski-Krech asked City Attorney Bridget Nason to comment on this issue.

Ms. Nason stated the resolution indicates that the EDA is to adopt an affordable housing development fund policy and also that approval of the policy is subject to the City's approval of transferring control of the administration of TIF District 4-1 to the EDA pursuant to statute.

Ms. Cook stated it is her understanding that it was the EDA's intention to administer subsidies for affordable housing and other types of projects. In order for the EDA to play that role with tax increment it was the opinion of Jenny Boulton, the City's TIF attorney, that the City should transfer administration of the decertified TIF funds for potential affordable housing fund assistance to the EDA. If the program is going to be funded with TIF proceeds, the same entity should administer both the decertified TIF district and the affordable housing fund program.

President Piekarski-Krech asked if approving this resolution would lock the City into doing what it says in the resolution.

Ms. Cook replied that the way she looks at it is the EDA is establishing a program and a policy for that program, but not committing funds. The EDA is identifying a funding source for that program, but funds are committed on a project-by-project basis. As each project comes forward the EDA will determine if it fits the program criteria, meets City's objectives, and whether funding is available.

Boardmember Bartholomew asked Ms. Cook for clarification that if the EDA puts this process in place we are not committing to anything until such time as potentially the city council determine they wish to turn some or all of the available decertified TIF district funds, and if her advice is we delay turning the money back until the legislature has determined whether we can use the money for something other than affordable housing and if there is demonstratable need to.

Ms. Cook replied that was correct.

Boardmember Perry asked for clarification that the EDA and city council could potentially choose to turn back a portion of the TIF monies to the County and keep a portion of it for the City to use for affordable housing projects.

Ms. Rand replied that was correct. The city council and EDA could choose to turn back some of the funds, all of the funds, or none of the funds and that decision did not to be made in the context of approving the policy before the EDA tonight.

Boardmember Tourville suggested that the EDA wait to see if the legislature discusses allowing decertified TIF funds to be used for purposes other than affordable housing.

Ms. Rand reemphasized that what staff and Ehlers are recommending the EDA to adopt tonight does not eliminate city council's future ability to turnback uncommitted decertified TIF district funds, that there will still be flexibility going forward. What the EDA policy will do is enable staff to continue to work with workforce

housing developers and potentially recommend the city council and EDA utilize TIF funds from this decertified TIF district for a subsidy if a financial gap for an affordable housing project is identified. The EDA will still, at a later date, have the opportunity to approve or deny finance requests for affordable housing projects project by project. If Boardmembers are uncomfortable with the language perhaps legal council would consider striking or changing a word to make clearer. Her preference would be not to table this; however, as the affordable housing developer she has been working with needs to apply for tax credits by July 15.

Ms. Nason advised that the TIF district and related documents were created by Jenny Boulton, the City's TIF council. The resolution was prepared by Ehlers. Her understanding is that by adopting this resolution tonight the EDA is not irrevocably making a decision with respect to how those funds are going to be spent; however, they can confirm that with TIF council.

Boardmember Bartholomew stated it is also important that they are not locking themselves out of the ability to turn the TIF funds back to the taxable entities and receive a portion of back.

Ms. Nason stated she was fairly comfortable with these documents; however, not having been involved with the creation of that TIF district or speaking directly with TIF council regarding the matter, it might be beneficial to have that conversation to make sure there is nothing the EDA would lock itself into or would create a challenge moving forward should the City want to take a different route.

Boardmember Tourville stated in his opinion there should be language stating that decertified TIF funds can be used for things other than just affordable housing.

President Piekarski-Krech stated her understanding was that decertified TIF funds could only be used for affordable housing at this time.

Boardmember Tourville asked the city attorney to address this question.

Ms. Nason stated her understanding was that if the City wanted to keep all \$4.1 million in decertified funds it could only be used on affordable housing. If, however, they turned back the funds to the taxing entities the portion they were able to keep could be used for any general governmental purpose. She noted that she would have to confirm this by reviewing the statute.

City Administrator Joe Lynch suggested that this item be tabled to June 8 and that the EDA call a special meeting that night prior to the regular City Council meeting. The primary purpose of that meeting would be to get a legal opinion from Jenny Boulton, the City's TIF attorney, on the use of funds and also that some language be drafted in terms of how the City handles TIF districts and decertified funds going forward.

Motion by Tourville, second by Bartholomew, to table the request to a Special EDA Meeting on June 8, 2020 at 6:00 pm.

Ayes: 5

Nays: 0 Motion carried.

C. Progress Plus Update

Due to the EDA meeting needing to be adjourned at 7:00 p.m., Tourville invited Jennifer Gale to present the Progress Plus update under Citizen Comments at tonight's Council meeting.

Jennifer Gale, Progress Plus President, replied that unfortunately she would not be able to attend tonight's Council meeting due to a prior commitment.

5. NEXT MEETING:

Motion by Tourville, second by Perry, to set a Special EDA Meeting for June 8, 2020 at 6:00 pm. to discuss an Affordable Housing Development Policy, TIF district decertification, and how the funds could be used.

Ayes: 5

Nays: 0 Motion carried.

6. ADJOURNMENT: Motion by Perry, second by Tourville, to adjourn. The meeting was adjourned by unanimous vote at 7:00 p.m.