EXECUTIVE SUMMARY

Community Development

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Golden Valley City Council Work Session

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Agenda Item

2. City of Golden Valley Economic Development Incentive Discussion

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Summary

The City of Golden Valley strives to be competitive in attracting, expanding, and retaining a diverse economy. Currently, the city does not have a 5-year Economic Development Strategy that would serve as an implementation framework for how the city grows its economic base in order to meet its Comprehensive Planning goals. Golden Valley's economic development toolbox could include incentives at the City level and in partnership with the County and State level and can assist eligible businesses with technical assistance support to thrive in our community. This discussion will provide an overview of economic development incentive tools in order to be responsive to potential requests for city pass-through agreements and consider possible tools such as property tax abatements and/or permit waivers or exemptions via our Tax Increment Financing (TIF) as a consideration.

On occasion, the City often receives Request for Proposals (RFPs) from the State of Minnesota Department of Employment and Economic Development (DEED) and organizations such as GreaterMSP for businesses looking to move into the State. In order to be competitive and have a business consider Golden Valley for the siting of their business we need to be proactive and respond in a short time period (can be less than a week) to these RFP requests that typically request local incentives.

Having the HRA and City Council aware of all the potential economic development incentives is important because staff may come before you with a request for a letter of support for a proposed project or a resolution supporting the use of an economic development incentive. Community Development wanted to hold a work session to go over these economic development incentives to provide a foundation for staff policy and program development.

<u>LOCAL</u>

The city incentives for Golden Valley include a policy that was established to provide public assistance for private development or redevelopment activities through Tax increment Financing (TIF). One additional public assistance program that has not been discussed are Tax Abatements.

Tax Abatement

Minnesota law authorizes cities to abate local property taxes in order to promote local economic development. An economic development abatement allows a city to expend money to benefit a property in one or a number of ways, including by reducing property taxes, deferring payment of property taxes, or spending the money directly on improving the property. A city will often grant an abatement pursuant to an abatement agreement with the landowner; in exchange for the abatement, the land owner agrees to develop the land in a way that will promote local economic development. Permitted uses of abatements include the following:

- General economic development, such as increasing the tax base or the number of jobs in the area.
- 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)

Tax abatements can be used within a TIF District if the period of the tax abatement will occur after the TIF District is decertified. A developer cannot use tax abatement and TIF at the same time. A developer can however obtain approval of an abatement at the same time it receives TIF approval, which allows the developer to tack the abatement onto the end of the term of the TIF district and incorporate the abatement in its financing.

Waiver and/or Exemption of Building Permit Fees

State code requires the charging of permit fees. The City could create an exception via a fee ordinance or economic development policy that would create potential exemptions. A policy decision such as this will require consideration of all types of projects since it could not be for one specific use. It could also be an extended incentive of TIF proceeds should the HRA see the value of the waiver or exemption of permit fees as an incentive.

COUNTY

Hennepin County programs would include a number of workforce programs that a business could make direct connect to and does not have a financial commitment or require a cities approval. The one program that would require working with Hennepin County would be:

MinnPACE

This program was established through State legislation, and the Saint Paul Port Authority (Port Authority) was designated at the program administrator with a statewide reach to help make energy efficient upgrades to properties.

Eligible participants are commercial and industrial building owners, owners of multi-family housing, and non-profit or private owners of community facilities. Projects could include building-related energy efficiency upgrade such as windows, lights, and HVAC. Also renewable energy systems such as solar, wind, and geothermal as well as energy-saving equipment in new construction.

MinnPACE financing allows for 100% financing (including hard and soft costs) with payments rolled into property taxes through a special assessment. The payments are lower than a typical loan with up to 20-year financing at a fixed interest rate.

The Port Authority works directly with the County through a joint powers agreement. This agreement allows MinnPACE authority to place an assessment on properties where the owner has consented to

the agreement.

STATE

State incentives to be considered for development include the following four programs:

Minnesota Investment Fund (MIF)

- MIF provides financing to help add new workers and retain high-quality jobs on a statewide basis. The focus is on industrial, manufacturing and technology-related industries to increase the local and state tax base and improve economic vitality statewide.
- Companies must work with the City to apply to DEED to receive a MIF award.
- The size of an award depends on a variety of factors including (but not limited to) Minnesota's competitiveness, local economic conditions, job creation and wage levels. All expenditures and hiring related to the MIF assistance may not occur until funding has been formally approved.

Job Creation Fund (JCF)

- JCF provides financial incentives to new and expanding businesses that meet certain job creation and capital investment.
- Companies deemed eligible to participate may receive up to $1 million for creating or retaining high-paying jobs and for constructing or renovating facilities or making other property improvements. In some cases, companies may receive awards of up to $2 million.
- To be designated as a JCF business, a business must meet the minimum criteria outlined by the State. It is important to note that projects that begin prior to becoming designated by Minnesota Department of Employment and Economic Development (DEED) are not eligible for the JCF.

Redevelopment Grant Program

- This program helps communities with the costs of redeveloping blighted industrial, residential or commercial sites and putting land back into productive use.
- Grants pay up to half of the redevelopment costs for a qualifying site, with a 50% local match.
- Grants can assist with several things including building and site demolition, infrastructure improvements, soil stabilization, ponding or other environmental infrastructure and costs necessary for the adaptive reuse of buildings, such as asbestos abatement and lead paint mitigation. Grants do not provide assistance for building construction, renovation or rehabilitation.
- The program distributes grant funding twice a year, with 50% being awarded to the seven-county Twin Cities metropolitan area, and 50% awarded to greater Minnesota. There are two application rounds each year.

Contamination Cleanup and Investigation Grants Program

- The program helps communities pay for assessing and cleaning up contaminated sites for private or public redevelopment.
- Grants pay up to 75% of the costs to investigate and clean up polluted sites. Both publicly and privately owned sites with known or suspected soil or groundwater contamination qualify.
- There are two applications rounds each year and requires a 25% local match, participation in the Metropolitan Council's Local Housing Incentives Programs for Twin Cities Metro area applicants, and the expectation that the site is ready to be redeveloped.

The work session will provide an opportunity to further discuss these economic development incentives so that when a project comes forward to the HRA and/or City Council you will have background information on the incentive potentially being requested from a business, and Golden Valley can continue to be a great place to locate and retain businesses.