



City of
Blue Earth

**CITY OF BLUE EARTH
AGENDA
CITY COUNCIL WORKSESSION
MONDAY APRIL 2, 2018 @ 4:30 P.M.**

Call to order.

Roll call.

Old Business.

1. Animal Control Complaints

New Business.

1. Green Giant Museum Financing Update/Tax Abatement

Adjourn.

By Order of the Blue Earth City Council

Timothy Ibisch

City Administrator

Post @ City Hall-Friday, March 30, 2018 through Monday, April 2, 2018

Distribute to Mayor & Council members-Media & file



City of
Blue Earth

the earth so rich the city grows

TO: CITY COUNCIL
FROM: TIMOTHY IBISCH
CC: CINDY LYON
SUBJECT: Schedule for Green Giant Museum Project
DATE: 3/27/2018

Please see the following for the planned schedule for the Green Giant Museum Project. I will have updates as the project proceeds.

ID	Task Name	Duration	Start	Finish
1	GIANT MUSEUM	121 days	Mon 4/16/18	Mon 10/1/18
2	SITE DEMO	4 days	Mon 4/16/18	Thu 4/19/18
3	SOIL CORRECTIONS	5 days	Fri 4/20/18	Thu 4/26/18
4	UTILITY WORK	8 days	Fri 4/27/18	Tue 5/8/18
5	SITE CONCRETE	2 days	Wed 5/9/18	Thu 5/10/18
6	DIG FOOTINGS	2 days	Wed 5/9/18	Thu 5/10/18
7	TURF RESTORATION	2 days	Fri 5/11/18	Mon 5/14/18
8	FOOTINGS AND FOUNDATIO	5 days	Fri 5/11/18	Thu 5/17/18
9	BACKFILL FOUNDATIONS	3 days	Fri 5/18/18	Tue 5/22/18
10	ELECTRICAL FLOOR ROUGH	3 days	Wed 5/23/18	Fri 5/25/18
11	PLUMBING ROUGH IN	5 days	Wed 5/23/18	Tue 5/29/18
12	POUR FLOOR	2 days	Wed 5/30/18	Thu 5/31/18
13	CURE FLOOR	6 days	Fri 6/1/18	Fri 6/8/18
14	ROUGH FRAMING	25 days	Mon 6/11/18	Fri 7/13/18
15	ROOFING	10 days	Mon 7/16/18	Fri 7/27/18
16	DOORS & WINDOWS	5 days	Mon 6/11/18	Fri 6/15/18
17	ELECTRICAL ROUGH IN	15 days	Mon 7/30/18	Fri 8/17/18
18	HVAC & PLUMBING	25 days	Mon 7/9/18	Fri 8/10/18
19	INTERIOR FINISHES	30 days	Mon 8/20/18	Fri 9/28/18
20	SITE CONCRETE	5 days	Mon 7/30/18	Fri 8/3/18
21	FINAL GRADING SITE	5 days	Mon 8/6/18	Fri 8/10/18
22	TURF RESTORATION	2 days	Mon 8/13/18	Tue 8/14/18
23	CERT OF OCC	1 day?	Mon 10/1/18	Mon 10/1/18

Tax Increment Financing

What is TIF?

Tax increment financing (TIF) uses the increased property taxes that a new real estate development generates to finance costs of the development. In Minnesota, TIF is used for two basic purposes:

- To induce or cause a development or redevelopment that otherwise would not occur—e.g., to convince a developer to build an office building, retail, industrial, or housing development that otherwise would not be constructed. To do so, the increased property taxes are used to pay for costs (e.g., land acquisition or site preparation) that the developer would normally pay.
- To finance public infrastructure (streets, sewer, water, or parking facilities) that are related to the development. In some cases, the developer would be required to pay for this infrastructure through special assessments or other charges. In other cases, all taxpayers would pay through general city taxes.

How does TIF work?

When a new TIF district is created, the county auditor certifies (1) the current net tax capacity (i.e., property tax base) of the TIF district and (2) the local property tax rates. As the net tax capacity of the district increases, the property taxes (i.e., the “tax increment”) paid by this increase in value is dedicated and paid to the development authority. The tax increment is limited to the tax derived from the certified tax rate. Increases in value that generate increment may be caused by construction of the development or by general inflation in property values. The authority uses the increment to pay qualifying costs (e.g., land acquisition, site preparation, and public infrastructure) that it has incurred for the TIF project.

How is TIF used to pay “upfront” development costs?

There is a mismatch between when most TIF costs must be paid—at the beginning of a development—and when increments are received—after the development is built and begins paying higher property taxes. Three basic financing techniques are used to finance these upfront costs:

- **Bonds.** The authority or municipality (city or county) may issue its bonds to pay these upfront costs and use increment to pay the bonds back. Often, extra bonds are issued to pay interest on the bonds (“capitalizing” interest) until increments begin to be received.
- **Interfund loans.** In some cases, the authority or city may advance money from its own funds (e.g., a development fund or sewer and water fund) and use the increments to reimburse the fund.
- **Pay-as-you-go financing.** The developer may pay the costs with its own funds. The increments, then, are used to reimburse the developer for these costs. This type of developer financing is often called “pay-as-you-go” or “pay-go” financing.

What governmental units can use TIF?

Minnesota authorizes development authorities to use TIF. These authorities are primarily housing and redevelopment authorities (HRAs), economic

development authorities (EDAs), port authorities, and cities. In addition, the “municipality” (usually the city) in which the district is located must approve the TIF plan and some key TIF decisions. TIF uses the property taxes imposed by all types of local governments. But the school district and county, the two other major entities imposing property taxes, are generally limited to providing comments to the development authority and city on proposed uses of TIF. The state-imposed tax on commercial-industrial and seasonal-recreational properties is not captured by TIF.

What is the but-for test?

Before an authority may create a TIF district, it and the city must make “but-for” findings that (1) the development would not occur without TIF assistance and (2) that the market value of the TIF development will be higher (after subtracting the value of the TIF assistance) than what would occur on the site, if TIF were not used.

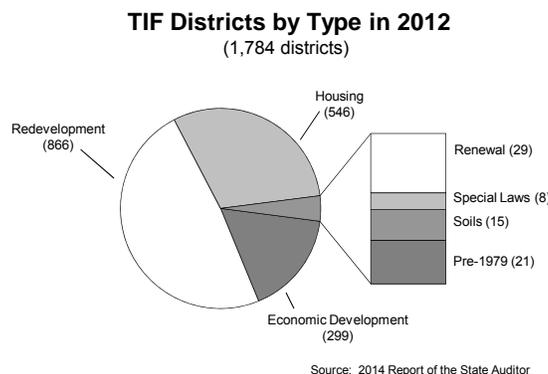
What types of TIF districts may be created?

Minnesota allows several different types of TIF districts. The legal restrictions on how long increments may be collected, the sites that qualify, and the purposes for which increments may be used vary with the type of district.

District type	Use of Increment	Maximum duration
Redevelopment	Redevelop blighted areas	25 years
Renewal and renovation	Redevelop areas with obsolete uses, not meeting blight test	15 years
Economic development	Encourage manufacturing and other footloose industries	8 years
Housing	Assist low- and moderate-income housing	25 years
Soils	Clean up contaminated sites	20 years
Compact development	Redevelop commercial areas with more dense developments	25 years

How many TIF districts exist?

According to the 2014 report of the Office of State Auditor (OSA), there were 1,784 active TIF districts in 2012. The graph shows the relative shares by type of district.



For more information: Contact legislative analyst Joel Michael at 651-296-5057. Also see the House Research website for more information on TIF at www.house.mn/hrd/issinfo/tifmain.aspx.

The Research Department of the Minnesota House of Representatives is a nonpartisan office providing legislative, legal, and information services to the entire House.

150,000	2,250	TC @ 1.5%
400,125	<u>8,003</u>	TC @ 2.0%
Total Tax Capacity:	10,253	

50,000	750	TC @ 1.5%
400,125	<u>8,003</u>	TC @ 2.0%
Total State Tax Capacity:	8,753	

		Tax Rate	Tax Amount	School
City	General	33.091%	3,392.65	
	HRA	1.765%	180.96	
	322	6.435%	659.75	
	319	4.850%	497.25	
	321	8.758%	897.91	
	323	1.287%	131.95	
	325	6.125%	627.97	
	326	3.522%	361.09	
	327	14.172%	1,452.98	
	EDA	5.190%	532.10	
	Streets	5.135%	526.47	
	328	5.482%	562.04	
		<u>95.812%</u>	<u>9,823.13</u>	
School	Fund 1	5.250%	538.26	
	Fund 2	0.614%	62.95	
	Fund 4	2.004%	205.46	
		<u>7.868%</u>	<u>806.67</u>	
County	General	20.295%	2,080.74	
	Public Works	4.258%	436.55	
	Human Services	8.325%	853.52	
	Library	0.565%	57.93	
	Jail Bonds	2.334%	239.29	
	Courthouse Improvements	0.496%	50.85	
		<u>36.273%</u>	<u>3,718.89</u>	
Region 9	General	0.183%	18.76	
Tax Capacity Tax		140.136%	14,367.44	
State TC Rate		43.865%	3,839.28	
Total Tax Capacity Tax Amount			18,206.73	

Taxable Market Value: 550,125

	Tax Rate	Tax Amount
Voter Approved	0.00000%	-
Non-voter Approved	0.13613%	748.89
	<u>0.13613%</u>	<u>748.89</u>

Tax Capacity Tax	14,367.44
Market Value Tax	748.89
State Tax	3,839.28
Total Tax	18,955.61