

MEMORANDUM

TO: Nate Carlson, Economic Development Coordinator
FROM: Nick Anhut, Ehlers
DATE: September 29, 2021
SUBJECT: Tax Increment Financing – Redevelopment Findings

The City is contemplating the use of Tax Increment Financing (“TIF”) to provide financial assistance for a redevelopment project in the City. The former Archer House building located at 212 Division Street was damaged in a fire and is intended to be cleared in order to eliminate a potential nuisance and make the site ready for redevelopment. The City anticipates that TIF generated from the project could be used to assist with site redevelopment costs consistent with its vision for the historic downtown riverfront area.

The use of TIF is governed under Minnesota Statutes, Section 469.174 to 469.1794 (the “TIF Act”). The TIF Act establishes various qualifications regarding the status and use of property that is designated for a TIF District. One of these qualifications is the presence of one or more buildings that are structurally substandard to a degree requiring substantial renovation or clearance. Increment can be utilized to assist in redeveloping the qualifying site. The City Council must make its findings on the site’s qualification by resolution prior to engaging in any redevelopment activities.

The TIF Act further contemplates that certain conditions may exist where it is in the public interest that a substandard building be demolished and/or removed prior to finalizing redevelopment plans and/or the formal creation of a TIF District. In such a circumstance, the TIF Act requires that the findings necessary to designate the building as substandard be adopted prior to the demolition, and that a formal agreement on the demolition be in place between the City and any private owner of the property on which the building is located. This action allows the City to preserve the findings necessary for the site to qualify for consideration of a new Redevelopment TIF District, as well as document its intent that TIF be considered as part of financing the larger redevelopment effort. The TIF Act allows a period of up to three years after the date of demolition for the City to complete steps to create the TIF District. This will include providing public notice, holding a public hearing, and obtaining subsequent City Council approval to establish the TIF District.

After the fire, the City solicited an inspection of the Archer House building by LHB, Inc. to document its condition for purposes of the TIF Act. The inspection determined that the building was in poor condition due to smoke and water damage, with several elements compromised because of fire. The report concludes that applying the statutory criteria for a Redevelopment TIF District, the building qualifies as substandard and that the two tax parcels which comprise the redevelopment site are occupied by the building and other improved areas.

Based on the analysis of the inspection report, we recommend that the City adopt the findings and preserve its ability to consider the use of TIF for the redevelopment of this site through the passage of the attached resolution. The action will also execute an agreement with the property owner to designate that they may engage in the demolition, at their expense, and acknowledge both parties' intent that the City identify the site for redevelopment and the potential use of TIF. However, any such use of TIF would be subject to review and approval by the City Council after it has established the TIF District and negotiated acceptable terms and conditions within a separate TIF Assistance Agreement.

We look forward to continuing to provide assistance to the City as it considers this important redevelopment project.