

**MINUTES
ECONOMIC DEVELOPMENT ADVISORY BOARD MEETING
JUNE 14, 2016**

The meeting was called to order at 6:00 p.m.

Present: Artner, Horak, Keleher, Scherman, Zinschlag; Town Board Liaison: Kermes; Clerk: Short; Finance Officer: Kelly; Jenny Boulton, TIF Attorney, Springsted.

Absent: McCune with notice.

APPROVAL OF AGENDA (Additions/Deletions): Artner moved approval of the agenda as submitted. Horak seconded. Ayes all.

APPROVAL OF APRIL 12, 2016 JOINT EDAB & PARK BOARD MEETING MINUTES: Artner moved approval of the April 12, 2016 Joint EDAB and Park Board Meeting. Horak seconded. Ayes all.

TIF 22: The Clerk reported that there was a shortfall of increment received in the Water Gremlin TIF District this year. He provided a map of the Water Gremlin TIF District as it is defined and a map which shows a portion of the district which was omitted in the TIF District map by the County. MN Statute 469.177 Subd. 13, allows for corrections of errors. There are actions that can be taken to correct the error. They are: 1) Certify the original tax capacity of the affected parcels at the appropriate value for a later taxes payable year and extend the duration of the district, in whole or in part, to compensate; 2) Recertify the affected parcels and extend duration of the district, in whole or in part, to compensate; 3) Recertify or correct the original tax capacity rate for the district; 4) Adjust the tax rates of one or more of the taxing districts imposing taxes in the tax increment financing districts for one or more years to recoup amounts advanced by the county or other entity to the authority to replace the reduced increments; or 5) Take other appropriate action so that the amount of increment compensates for or offsets the error or mistake and correctly reflects application of the law.

The Clerk reported that the Town's TIF Consultants have reviewed the situation and the preference would be to extend the duration of the increment to make up the loss of increment, estimated by the County to be approximately \$55,000 per year for 2015 and

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2016, with the adjustment permanently made for taxes payable 2017. From the statutory provisions and the communication with Ramsey County, this does not appear to be an issue. Jenny Boulton, TIF Attorney will prepare a resolution which will recite what happened and the correction to be made. She will also provide a short amendment to the TIF Plan for a longer duration of the district and to identify the actual property ID number. This does not change the boundaries or the total assistance, just the schedule for the district.

There was discussion if the amendment to the TIF Plan needs to come back to the EDAB before being presented to the EDA. Jenny Boulton stated that June 30th is the cut off, but does not apply to this case, just to correct the error. It was the consensus that since the matter was carefully reviewed that the amendment to the TIF Plan and Development Agreement for Water Gremlin could go directly to the EDA.

Artnier moved to recommend to the EDA to approve the resolution to amend the TIF Plan for Water Gremlin and to amend the Development Agreement to extend the duration of the TIF District and tax payments for two years. Horak seconded. Ayes II.

EDA FUND – ANNUAL REVIEW: The Finance Officer reported that as of December 31, 2015 the EDA Fund balance was \$1,559,109.54. He reported that TIF District 1-13 Water Gremlin/St. Croix Valley Hardwoods was decertified early. TIF District 1-15 Birch Lake Villas paid its final pay-as-you-go payment to the developer, however, the district still has bond payments due through 2021, at which time the district could be decertified prior to its required 2016 decertification. The Finance Officer said that it is likely that the bond will be called in February 2017. There will still be some surplus increment which will have to go to the County and School District. Jenny Boulton suggested that the pooling obligations be looked at in this case. In 2016 TIF District 1-1, Drill-A-Matic/Cortec; District 1-2 Thermoform; and District 1-19 SMC are required to be decertified in December 2016. District 1-9 Cottages has completed all of its obligations and could be decertified. There is a \$176,000 balance which can be retained and used in a housing district for qualified expenditures. District 1-14 Comtal, only has the 2011C bond payments left. The bond will be paid off in 2019 so the district could be decertified prior to 2024 decertification. District 1-22 Water Gremlin has/had an issue with County certifying wrong parcels resulting in significant reduction in tax increment received. This is in the process of being corrected. District 1-22 Nextern increment is estimated based on value and building completion in 2016. The first payment will be in 2018. TIF reports are due to the State Auditor by August 1, 2016 with annual disclosure of TIF districts published in the paper.

The Finance Officer reviewed the EDA Fund total (projected 12/31/15). The Clerk reviewed Birch Lake Villas, District 1-15, as an example for the other districts. He reviewed and explained the account descriptions, total revenues; expenditures; total expenditures; excess revenue over expenditures; beginning fund balance; ending fund balance; restricted redevelopment; other restricted increment; loan payback – unrestricted; and general surplus increment.

2015 TIF FUND SUMMARY – REVIEW: The Clerk reviewed the TIF Districts – Distribution of Increment. He reviewed the districts which will decertify on December 31, 2016 (Cortec, Drill-A-Matic, SMC and Thermoform). Jenny Boulton stated that resolutions could be adopted decertifying districts but it is not necessary.

The Clerk reviewed the 5-Year Rule – All District Summary. He reviewed the TIF Districts, the 5-year rule deadline; surplus increment; and projected income over expenditures. He reported that Cortec, Drill-A-Matic and Thermoform are not subject to the 5 year rule.

The Clerk reviewed Surplus Tax Increment. Jenny Boulton suggested using the word “surplus” in place of “excess” when addressing tax increment. The Clerk reported that the Township has been utilizing its authority to create tax increment financing districts for twenty eight years. During this period of time, 21 districts have been created, ten of which have been decertified or have expired. There remain three Economic Development Districts; eight Redevelopment Districts, and a Housing District. Due to this variety of districts, and the constant changing of the State’s TIF laws, there are many different rules to follow for utilizing the increments, particularly the surplus increment which is the increment left over after developer assistance, 10% administrative fee and bond payments are deducted from the tax increments. The Township has utilized surplus increments for various projects, including acquisition and construction of the Community Park, construction of Township Parkway, reconstruction of Hammond Road, Administrative Building site improvements, purchase of Wall & Howe property (original State Tool site), and the purchase of the O’Connell, Baier, Wippich, Carlson, Franzen, McBride, Mample, Lagerquist, Mills, Cartier/Feffer, Ayde and other properties. In order to determine which districts the surplus increment for these projects may be taken from, various categories had to be created. In order to do this, surplus increments have been organized into categories. Each category is subject to a unique set of rules established by Statute.

All Surplus Increment: 1) This increment must be spent within Development District No. 1 (which includes the entire Town); 2) It must be spent on capital costs. Not maintenance or operations); 3) It must be spent for a public purpose; 4) Expenditures must be authorized in Tax Increment Financing Plans; 5) Some of qualified activity must take place within 5 years of date that district is certified; and 6) In districts created after 2000, no expenditures may be added to the budget five years after the district is certified. **General Surplus Increment Pool.** Surplus increment may be used for certain public improvements but may not be used to pay for construction of a building which is used for conducting a general government purpose or commons areas, recreational, social, conference centers, or community centers. **Redevelopment Pool:** Used for redevelopment activities and related public improvements (public or private) that correct conditions that allow designation of redevelopment districts, i.e.: 1) acquiring properties containing substandard buildings and improvements; 2) acquiring adjacent parcels necessary to provide a site of sufficient size for development; 3)

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demolition of structures; 4) clearing of land; and 5) installation of utilities, roads, sidewalks and parking facilities for the site. Increments from the following district may be used: District 1-2 – 80% of increment after all bonds and developer assistance is paid off. In this District 10% is directed to General Surplus Increment and 10% directed to Administrative Fees. **Restricted Redevelopment (Districts 1-13; 1-14; 1-15; 1-17; 1-18; 1-21; and 1-22).** Increment must be used within the boundaries of the TIF District from which it was generated (Districts 1-13; 1-14; 1-15; 1-17; 1-18; 1-21; and 1-22). Increment must be used for redevelopment activities and related public improvements. It is subject to the 5 year limit. Increments from the following districts may be used: 1-13; 1-14; 1-15; 1-17; 1-18; 1-21; and 1-22 – up to 80%, after all bonds, loans and developer assistance is paid off. **Housing Pool:** Used to finance costs of low and moderate income housing – may include public improvements such as construction of streets and utilities to the extent that it benefits low and moderate income housing and in proportion to the amount of the project that benefits that housing. Increment from the following districts may be used: 1-9 – 90% of increment. 5-year limit expired. **Restricted Manufacturing Pool:** May be used only for assistance to projects within the development district where building have no more than 15% of their area used for purposes other than manufacturing, warehousing, and research. District 1-16: up to 90% when developer paid off – 5 year limit expired; 1-19: up to 90% when developer paid off – 5 year limit expired; 1-20: up to 90% when developer paid off – 5 year limit expired 6/22/2012.

Kermes asked if there is a list of potential projects for which surplus increment may be used. He suggested a matrix of projects against sources of EDA fund balances and what those balances can be used for. The Clerk will update the list for the next meeting. Jenny Boulton stated that the EDA needs to consider if it is necessary to keep the fund balances if it could be used for projects according to policy goals. There will be continuing discussion regarding the use of tax increment and potential projects.

OTHER: The Clerk reported that Tom Snell, WBA Chamber of Commerce informed him that the Chamber would like to honor Boris Miksic, Cortec at a September meeting. He asked if the Township would like to participate in any way. The Clerk will look into it.

Horak and Zinschlag noted that they would not be in town for the next EDAB meeting on July 12, 2016. Short noted that there is nothing urgent before the EDAB at this time. It was the consensus of the EDAB to cancel the July meeting unless something urgent comes up.

The meeting adjourned at 8:00 p.m.

Respectfully Submitted,

William F. Short
Clerk-Treasurer

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