

LEGISLATIVE POLICY 2011



ECONOMIC
DEVELOPMENT
ASSOCIATION OF
MINNESOTA



WHO IS EDAM?

The Economic Development Association of Minnesota (EDAM) is a statewide association representing more than 500 public and private sector professionals involved with implementing state, regional or local economic development initiatives.

Our legislative policies are shaped by members' unique experience and understanding of the tools and tactics that are most effective in positioning and marketing Minnesota as a location for corporate, small business, housing and community investment. Economic developers generally focus on financing, marketing and implementation strategies for:

- Developing public infrastructure;
- Facilitating business expansion, job creation, and redevelopment;
- Attracting, training and mobilizing a skilled local workforce;
- Addressing local housing needs;
- Marketing Minnesota's benefits as a place to live and locate a business.

INTRODUCTION

Economic Development creates and retains jobs, increases incomes and increases tax base. This is done through enhancing human capital, supporting entrepreneurship, developing community infrastructure, marketing to targeted industries, and promoting business development and retention. EDAM's legislative policies are established through surveying our members and consulting with our partners.

EDAM anticipates that the nation's and the state's economic recovery will be slow and not uniform. Businesses that ultimately create the jobs that grow the economy will do so based on the demand for goods and services. Federal stimulus programs will take time to bear fruit and may not solve all economic problems. Notwithstanding the current deficit and economic challenges, EDAM encourages the State of Minnesota to look at both short-term and long-term goals in its development strategies. EDAM and its members support continued investment in economic development programs so that Minnesota remains competitive with other jurisdictions both nationally and internationally.

I. ENHANCING TAX INCREMENT FINANCING (TIF) AS AN ECONOMIC DEVELOPMENT TOOL

With the current economic situation, there is a need to re-evaluate current economic development parameters and statutory restrictions that inhibit projects at the local level in the State of Minnesota. Tax Increment Financing remains the most viable tool for economic development and community reinvestment efforts. Tax Increment Financing (TIF) is a method local governments use to pay for the costs of qualifying improvements necessary to create new development, redevelopment, or publicly-assisted housing. The financing of the qualifying improvements is paid from the increased property taxes generated from the new development, redevelopment, or housing that would not occur "but for" such assistance. In light of the economic challenges in Minnesota and in our country, there are steps that the State could take that would enhance the effectiveness of TIF and generate more jobs and tax base.

To spur additional development, EDAM encourages the Minnesota Legislature to undertake the following targeted, time-specific changes in the State's Statutes:

- a. Extend the current Jobs TIF Legislation as approved in the 2010 Session for an additional 4 years.
- b. Lengthen the duration of Economic Development TIF benefits to a full 9 years. This would save communities money, leverage more private investment in communities, and it would not have a fiscal impact in the State's budget.
- c. Strengthen the Redevelopment TIF statute so that project areas would qualify in which "50% or more" of buildings are found to be substandard (as opposed to the current wording of "more than 50%").

II. BROWNFIELDS SITES AND REDEVELOPMENT PROGRAM FUNDING

Cleanup sites, also referred to as brownfields redevelopment, create vibrant new places and replace lost jobs and taxes on sites where former industrial uses have left a legacy of blight and contamination. The 2010 US Conference of Mayors survey found that, among 150 surveyed cities, more than 86% reported successfully redeveloping brownfields. These 116 cities accounted for 2,667 sites (11,000 acres) cleaned up and redeveloped, accommodating 75,000 jobs and generating \$108 million in new local

tax revenue. On average, \$1 of public investments in brownfields has been shown to leverage \$8 in total investment. Brownfields investment also leverages jobs: on average, it takes only \$10,000 to \$13,000 in public investment to produce one job vs. the standard \$35,000 per job as estimated by the U.S. Department of Commerce. In Minnesota, the figures are even more impressive. According to the Minnesota Department of Employment and Economic Development's (DEED) records, it takes less than \$6,000 in public investment per job. In addition, each DEED dollar attracts an average of \$26 in other investments.

Public expenditures in environmental assessments and cleanups related to property transactions and redevelopment are far-sighted investments in future responsible growth - more brownfields sites will be made "development-ready," future growth can be steered to places where infrastructure is in place, and existing communities can be revitalized, and the negative externalities associated with sprawl can be avoided.

DEED funds brownfield cleanup and redevelopment through its Cleanup and Redevelopment Grant Programs. EDAM supports legislative initiatives that restore and strengthen funding levels for economic development and brownfields programs administered by DEED and the Metropolitan Council. In recent years both DEED and the Met Council have experienced budget reductions for these programs. EDAM supports maintaining or enhancing current funding levels for investigating and cleanup up contaminated property for redevelopment.

DEED's Redevelopment Grant program assists with other site preparation costs not related to contamination, such as demolition and infrastructure improvements on sites where future development plans will create jobs, new housing opportunities and tax base enhancement. Cities sometimes need assistance with demolition and other activities on sites where there is no current development plan. Communities may need to address more immediate public safety concerns or hazardous conditions on a site before considering future redevelopment options. A proposed Demolition Loan Program would provide development authorities loans up to 100% of demolition costs for a qualifying site. Loans would be at 2% interest and a portion could be forgiven based on development benefits. EDAM supports funding the Redevelopment Grant program at a level of \$15 million per year, with half being allocated to a newly proposed Demolition Loan Program.

In addition to DEED's statewide brownfield Cleanup and Redevelopment Grant Programs, and proposed Demolition Loan Program, a Transit Improvement Area Loan Program was created in 2008 to fund installation of public improvements. Al-

though DEED has designated the Transit Improvement Areas, the program has not yet been funded. Each of these programs assists sites that have future redevelopment potential. EDAM supports funding in the amount of \$10 million per year for the Transit Improvement Area Loan Program.

The Department of Commerce administers a Petrofund which provides partial reimbursement for corrective action costs associated with releases from underground and above-ground petroleum storage tanks. The Petrofund also removes abandoned underground petroleum storage tanks. The Petrofund is also the primary funding source for DEED's Contamination Cleanup Grant Program. The Department of Commerce is expected to introduce legislation to extend the current sunset of 2012 for the Petrofund. EDAM supports extending the sunset date for the Petrofund.

III. PASSAGE OF STATE NEW MARKET TAX CREDITS

New Market Tax Credits loans are intended to provide the financing to allow small business owners in low income census track areas to expand their businesses.

EDAM supports passage of a State New Market Tax Credit Investment Program for businesses that either expand or relocate in low income census tracks in Minnesota. This program would mirror the Federal New Market Tax Credit Program that was created 10 years ago to address the lack of capital available for businesses and economic development ventures in low income areas. The program could include the following provisions:

- a. Business loans in low income census tracks within Minnesota could be used to purchase equipment, purchase buildings, build new, or remodel buildings.
- b. Investors would receive a 39% tax credit for investing in low income areas.
- c. The 39% state income tax credit would be taken over seven (7) years. The State program could be modeled after the successful Missouri Program, zero tax credits for years 1 and 2, then 7% for year three and 8% for the final four (4) years. With this structure, the immediate impact on the State budget would be lessened and could be incrementally increased over time. This will let the legislature give an immediate boost to economic development in the most needed areas, attract and leverage more federal tax credit dollars to Minnesota and help create new jobs in the low income census tract areas of the state.
- d. The Minnesota Department of Revenue will administer this tax credit program.



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