

**City of Ramsey**  
**Agenda**  
**Economic Development Authority (EDA)**  
**Thursday January 13, 2011**  
**7:30 am**  
**Lake Itasca Room, 7550 Sunwood Drive NW**

- 1. Call to Order**
- 2. Approve Agenda**
- 3. Approve Minutes**
  1. Approve December 9, 2010 EDA minutes
- 4. EDA Business**
  1. Appoint Interim Chairperson and Vice Chairperson
  2. MultiSource Manufacturing Closing & RLF Update
  3. E-Gov Link Offerings & Presentation
  4. Consider EDA Restaurant Subsidy Policy
  5. EDAM 2011 Legislative Policy
  6. Staff Update  
  
EDA 2011 Work Plan/Goals  
TED Application
- 5. Member/Staff Input**
- 6. Adjournment**

**Economic Development Authority (EDA)**

**Item #: 3. 1.**

**Date: 01/13/2011**

**By:** JoAnn Shaw  
Community Development

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**Information**

**Title:**

Approve December 9, 2010 EDA minutes

**Background:**

N/A

**Funding Source:**

N/A

**Council Action:**

N/A

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**Attachments**

EDA 12.09.10 Minutes

**Form Review**

**Inbox**

Kurt Ulrich

Form Started By: JoAnn Shaw

Final Approval Date: 01/07/2011

**Reviewed By**

Jo Thieling

**Date**

01/07/2011 03:00 PM

Started On: 01/07/2011 11:16 AM

**ECONOMIC DEVELOPMENT AUTHORITY  
CITY OF RAMSEY  
ANOKA COUNTY  
STATE OF MINNESOTA**

The City of Ramsey Economic Development Authority (EDA) conducted an EDA meeting on Thursday, December 9, 2010, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present:     Chairperson Chris Riley  
                          Member John LeTourneau  
                          Member Wayne Skaff  
                          Member Jim Steffen  
                          Member Kristine Williams  
                          Member David Elvig  
                          Member Matt Look

Members Absent:     None

Also Present:         Aaron Backman, Economic Development/Marketing Manager  
                          Kurt Ulrich, City Administrator  
                          Mike Mulrooney, Economic Development Consultant

**CALL TO ORDER**

Chairperson Riley called the Economic Development Authority meeting to order at 7:32 a.m.

**APPROVE AGENDA**

Motion by Member LeTourneau, seconded by Member Skaff, to approve the agenda.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, Steffen, Williams, Elvig, and Look. Voting No: None. Absent: None.

**APPROVE MINUTES**

Motion by Member Steffen, seconded by Member Skaff, to approve November 18, 2010 minutes as presented.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, Steffen, Williams, Elvig, and Look. Voting No: None. Absent: None.

**EDA BUSINESS**

**Case #1:           CONSIDER RLF LOAN FOR MS HOLDINGS, LLC AS IT PERTAINS TO  
                          THE SALE OF THE PROPERTY AT 6690 SUNWOOD DRIVE NW**

Economic Development/Marketing Manager Backman presented the Staff report and introduced Gary Hadley, President and CEO of MultiSource Manufacturing.

Mr. Hadley spoke to the EDA about his company's interest in purchasing the Harber Industries building. His company currently owns five facilities in Minnesota, which are located in Burnsville, Minnetonka, Fridley, Blaine, and Anoka, and operates a facility in Colorado. The Fridley location is at capacity, and MultiSource Manufacturing is interested in consolidating their Fridley and Blaine operations in Ramsey, resulting in approximately 85 jobs moving to the city. A few renovations would need to be done to the building to accommodate for their needs, and at some point, the company would look to do some additional build-out. Mr. Hadley stated that they would like to close on the building by the end of the year, and would hope for a time-frame of late March or early April for move-in.

Motion by Member LeTourneau, seconded by Member Elvig, to move to closed session.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, Steffen, Williams, Elvig, and Look. Voting No: None. Absent: None.

Mr. Hadley thanked the EDA for allowing him to speak at the meeting and proceeded to leave the meeting so the EDA could discuss financial information.

The EDA moved into closed session at 7:50 a.m.

Chairperson Riley re-opened the EDA meeting at 9:04 a.m.

Motion by Member Elvig, seconded by Member LeTourneau, to move forward with the underwriting process of a \$250,000 Revolving Loan Fund for MultiSource Manufacturing as proposed by staff with the requirement that MultiSource Manufacturing provide three years of tax returns which will be reviewed and kept confidential by Consultant Mulrooney with staff providing Findings of Fact in the affirmative to support this action.

Further discussion continued regarding the information Economic Development Consultant Mulrooney is in possession of, as well as the additional information MultiSource Manufacturing has agreed to provide.

Mr. Mulrooney summarized the checklist of information that will be obtained, and it includes a copy of signed purchase agreement, documentation of improvements made to the building, sources and uses of funds, history description of the business, current financials, articles of incorporation, bylaws, etc., and resumes of the key managers involved in the organization.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, Steffen, Williams, Elvig, and Look. Voting No: None. Absent: None.

**Case #2: STAFF UPDATE**

Economic Development/Marketing Manager Backman presented the Staff report.

The city has aggressively been trying to find money for the Armstrong Boulevard interchange project. A grant application prepared by staff is currently at the Anoka County offices and is being paired with their documentation before it is submitted to MnDOT. The sought after grant is through a new program called TED (Transportation Economic Development), which was created this fall by MnDOT and DEED. The requirements of the application process are currently being worked on and letters of support have been coming in from local businesses. Six other communities are also vying for the funds.

In Mid-November, the City's Economic Development/Marketing Manager was contacted by a real estate broker regarding a prospect interested in leasing a portion of the Old Municipal Center. The prospect toured the building and provided a letter of interest to the City to lease approximately 6,100 sq. ft. of the main level starting in February 2011. The lease would not impact space occupied by the Ramsey Fire Department and the prospect would pay for its portion of the utility costs and for any leasehold improvements. The City's Economic Development/Marketing Manager presented this opportunity to the City Council at its November 30, 2010 Work Session. The City Council directed staff to pursue development of a lease agreement between the City and the prospect that would be considered at a future meeting. An Interim Use Permit application was also provided to the broker and prospect for the activity that was proposed for the Old Municipal Center. In early December, after further discussions, it was conveyed to staff that the prospective lessee had decided to lease space on an interim basis at the Ramsey Elementary School on Nowthen Boulevard. There is a possibility that in the future the prospect may revisit a lease arrangement for the Old Municipal Center.

The Shop Local project will be presented at the next meeting.

A precision manufacturing prospect contacted Economic Development/Marketing Manager Backman with interest in locating to Ramsey. The company is from the U.K. and is a family-owned company employing approximately 30 people. The company originally contacted Coon Rapids, but Coon Rapids did not express interest in bringing the business to their city.

## **MEMBER INPUT**

Member Steffen recognized Member Matt Look as this is his last EDA meeting and thanked him for his service on the EDA.

## **ADJOURNMENT**

Motion by Member Steffen, seconded by Member LeTourneau, to adjourn the meeting.

Motion carried. Voting Yes: Chairperson Riley, Members LeTourneau, Skaff, Steffen, Williams, Elvig, and Look. Voting No: None. Absent: None.

The regular meeting of the Economic Development Authority adjourned at 9:25 a.m.

Respectfully submitted,

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Aaron Backman  
Economic Development/Marketing Manager

ATTEST:

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Amy Dietl  
Deputy City Clerk

**Date: 01/13/2011**

**By:** JoAnn Shaw  
Community Development

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**Information**

**Title:**

Appoint Interim Chairperson and Vice Chairperson

**Background:**

At the beginning of the year, the Commissions and Boards appoint officers for the upcoming year. However, terms have changed to expire in March of each year. Last year officers were appointed until December 31, 2010. EDA needs to appoint an Interim Chairperson and Vice Chairperson to serve until March 31, 2011. At the April meeting officers will be appointed to terms running from April 1, 2011 to March 31, 2012.

Currently, Chris Riley serves as Chairperson and Wayne Skaff as Vice Chairperson

**Funding Source:**

N/A

**Council Action:**

Motion to appoint \_\_\_\_\_ as Interim Chairperson of the Economic Development Authority until March 31, 2011.

and

Motion to appoint \_\_\_\_\_ as Interim Vice Chairperson of the Economic Development Authority until March 31, 2011.

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**Form Review**

**Inbox**

Kurt Ulrich

Form Started By: JoAnn Shaw

Final Approval Date: 01/10/2011

**Reviewed By**

JoAnn Shaw

**Date**

01/10/2011 10:02 AM

Started On: 01/10/2011 08:42 AM

**Date: 01/13/2011**

**By:** Aaron Backman  
Administrative Services

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**Information**

**Title:**

MultiSource Manufacturing Closing & RLF Update

**Background:**

MultiSource Manufacturing, a company based in Burnsville, MN, needs additional and better facility space to accommodate its growth. The company specializes in performing complex precision machining, plastic fabrication and assembly services for a variety of industries, including medical, aerospace, defense, computer, and other high-tech applications.

As EDA members are aware MultiSource has been considering purchasing the former Harber Industries building. At the Special EDA meeting on November 18th the EDA discussed in closed session the sale of City property adjacent to the Harber building and potential financial assistance. A contract sale of the City's property and an RLF loan for fixed assets were reviewed. Tax Increment Financing (TIF) was considered but ruled out at this time based on previous TIF assistance on the property and the "but for" test. Following the EDA meeting a written proposal was provided by the Economic Development/Marketing Manager Backman to MultiSource. On November 29th, a revised proposal was sent that provided a \$250,000 RLF loan for 7 years for equipment or 15 years for the building. The interest rate remained at 3.5%. The contract financing for the land acquisition was proposed as a \$250,000 forgivable loan. The interest rate was also 3.5%. The term was a 15 year amortization with a five year balloon (monthly payments estimated to be \$1,751.46).

On November 30th the Economic Development/Marketing Manager Backman had a conference call with Gary Hadley, President/CEO and Bill Hibbs, Chairman of the Board for MultiSource. We discussed the financing options. Mr. Hibbs indicated, after consulting his partners, that MultiSource would not pursue the City's land purchase at this time, but did want to move ahead with the RLF Loan and the purchase of the former Harber Industries building if possible by the end of December. They also indicated that the buyer of the property would be MS Holdings, LLC, a mirror entity created for that purpose.

At the December 9th EDA meeting Gary Hadley indicated that the company likes the Ramsey location, wanted to close before December 31st, anticipated a late March or early April move-in, and at some point would consider additional buildout at the site. The Ramsey EDA is pleased to report that the transaction regarding the sale of the former Harber building to MS Holdings was completed on December 29, 2010. According to Gary Hadley, the company intends to make its new Ramsey location its largest in terms of employees. Once building renovations are completed, MultiSource plans on setting-up operations for 85 employees initially. The site does enable the company to construct a 20,000 sq. ft. addition based upon future growth of the company. In mid-December Mike Schuffenhauer, MultiSource's COO, who will be implementing building modifications and coordinating the company's move, began discussions with City staff regarding changes required for a parking lot expansion to accommodate a building expansion. Planning staff has provided a written response to MultiSource.

Likewise, further discussions were held regarding the RLF Loan. MultiSource did agree to provide three years of corporate tax returns for both MultiSource Manufacturing and for MS Holdings. At the end of December a draft of the subordination agreement between U.S. Bank (the senior creditor) and the Ramsey EDA (the junior creditor) was provided to the City. Both the City Attorney and the Economic Development/Marketing Manager have concerns with the provisions of the subordination agreement. The Ramsey EDA stands ready to work closely with the company and its representatives if a satisfactory subordination agreement can be reached.

**Recommendation:**

The Ramsey RLF loan for MS Holdings would be permanent financing, not construction financing. As such the money would not be needed until the renovations are completed in March or April. What is important are the provisions in the subordination agreement. The two primary issues are: 1) We are not willing to appoint U.S. Bank as its agent and attorney-in-fact for collection efforts on the City's Note. 2) As the junior creditor we are not willing to standby regarding the loan principal and interest payments pending payment of the U.S. Bank senior debt payment. A redlined version with the City's proposed changes was provided to MultiSource and their attorney on 1/6/11. We await the response from U.S. Bank and MultiSource.

**Funding Source:**

Business Revolving Loan Fund

**Council Action:**

Until the issues with the Subordination Agreement are resolved, it is recommended that the Ramsey EDA not take any formal action regarding the RLF financing vis a vis MS Holdings.

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**Form Review****Inbox**

Heidi Nelson

Kurt Ulrich

Form Started By: Aaron Backman

Final Approval Date: 01/07/2011

**Reviewed By**

Heidi Nelson

Amy Dietl

**Date**

01/07/2011 03:54 PM

01/07/2011 04:07 PM

Started On: 01/07/2011 12:58 PM

**Date: 01/13/2011**

**By:** Aaron Backman  
Administrative Services

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**Information**

**Title:**

E-Gov Link Offerings & Presentation

**Background:**

The Economic Development/Marketing Manager and the Deputy City Administrator/Community Development Director have been interacting with representatives of E-Gov Link. This Ohio-based company provides information technology solutions for local governments. Its offerings include Citizen Request Management (CRM), Permit, Community Calendar, Available Properties, Business Listings, Rumor Mill, and other applications, etc. I have arranged for Peter Selden from E-Gov Link to make a presentation for the Ramsey EDA members at the upcoming EDA meeting on January 13th.

**Recommendation:**

The EDA demonstration is informational for the members. No decision by the EDA is requested at this time.

**Funding Source:**

Potentially EDA fund. There are two options for pricing the E-Gov applications.\*

- 1) Annual Pricing. The City would pay the same amount each year, as long as we use the software.  
Any four features @ \$3,000 per year. Any added feature is \$300 per year.
- 2) Up-front Pricing. The City would pay an initial upfront fee and a reduced annual fee. Saves money in under 3 years.  
And reduces costs by 60% after that. Any four features for \$6,200 first year and \$1,200 per year thereafter.  
Any added feature is \$620 for first year and \$120 per year thereafter.

\*E-Gov PermitsLink has a different pricing structure.

**Council Action:**

No EDA decision is requested at this time.

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**Form Review**

<b>Inbox</b>	<b>Reviewed By</b>	<b>Date</b>
Heidi Nelson	Heidi Nelson	01/07/2011 03:55 PM
Kurt Ulrich	Amy Dietl	01/07/2011 04:07 PM
Form Started By: Aaron Backman		Started On: 01/07/2011 03:26 PM
Final Approval Date: 01/07/2011		

**Date: 01/13/2011**

**By:** Aaron Backman  
Administrative Services

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**Information**

**Title:**

Consider EDA Restaurant Subsidy Policy

**Background:**

It has been a long-term goal and desire of the City to attract new, quality sit-down restaurants to the community. To that end, the EDA participated in assistance to the building owner for the addition of Acapulco Mexican Restaurant in the Coborn's anchored retail center in The COR. Recently, the EDA preliminarily approved assistance to the building owner for the relocation of the Well's Catering operation to The Fountains of Ramsey and the addition of The Falls Coffee and Deli in The Ramsey Office Plaza building. The assistance preliminarily approved for The Falls by the EDA is pending City Council approval. In both cases Sewer Access Charges and Water Access Charges (SAC & WAC fees) were tied to a forgivable loan over seven years.

Given that restaurant subsidies have been approved by the EDA in the recent past, it is advisable that restaurant subsidy guidelines be established to delineate such development in the City of Ramsey in the future. In October 2010 the Deputy City Administrator/Director of Community Development presented information regarding the restaurant subsidy policy from the City of Champlin and significant background material that includes analysis of utility fee structures in various north metro communities.

Taking into account the restaurant subsidy programs that other cities have developed, the Economic Development/Marketing Manager has developed program guidelines utilizing a forgivable loan structure. The draft Full-Service Restaurant Subsidy Program is focused on assisting new restaurants with water connections costs. It is proposed that Ramsey offer a forgivable loan up to 70% of WAC fees with a maximum term of five years. The forgivable loan would be at zero percent interest. Under the proposed guidelines, SAC fees would be fully paid by the businesses.

It should be noted that the City of Champlin offers qualified restaurants forgivable loans for up to 70% of WAC fees with terms of 5% interest for five years. Champlin does not provide similar loans for defraying SAC fees. The City of Brooklyn Park provides non-forgivable loans for restaurants to minimize the impact of WAC fees. Loans less than three years carry no interest, loans with terms of 3 to 5 years are charged a one percent interest rate. Loan payments are made with utility payments. The maximum WAC loan in Brooklyn Park is \$75,000.

**Recommendation:**

Establish a restaurant subsidy policy for the City of Ramsey.

**Funding Source:**

Restaurant subsidies would be coming from the EDA Fund

**Council Action:**

Review the draft restaurant subsidy guidelines and provide direction to City staff with regard to establishing a restaurant subsidy policy.

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## Attachments

### Restaurant Subsidy Guidelines

### Form Review

**Inbox**

Heidi Nelson

Kurt Ulrich

Form Started By: Aaron Backman

Final Approval Date: 01/10/2011

**Reviewed By**

JoAnn Shaw

JoAnn Shaw

**Date**

01/10/2011 10:03 AM

01/10/2011 10:03 AM

Started On: 01/07/2011 03:46 PM

DRAFT



## **Full-Service Restaurant Subsidy Program Guidelines**

### **The Program**

The purpose of the program is to create an environment of contiguous, complementary retail activity along key transportation corridors of the City of Ramsey. This subsidy program is intended to serve as a catalyst for securing new restaurant concepts in Ramsey by providing financial assistance to qualified restaurant businesses. The full-service restaurant must be located in The Cor, along Armstrong Boulevard, on State Highway 10, or along County Highway 47 in the City of Ramsey (See Exhibit A).

To facilitate new full-service restaurants, the EDA would provide zero interest, forgivable loans to eligible full-service restaurants for the purpose of financing their water connection fees. The maximum loan amount would be 70% of the proposed restaurant's Water Access Charge (WAC fee). The 70% cap would ensure that the businesses are covering some of the fixed capital costs for the City's water system. The loan would be recorded as a subordinated mortgage and the principal would be forgiven if the restaurant remained in operation and in good standing with the City for five years. The loan principal would be forgiven at a rate of 20% per year.

In establishing the loan amount and the percentage of WAC subsidy, the EDA would advise the Ramsey City Council regarding several factors. The factors are (1) the size of the restaurant's capital investment, (2) the financial need and potential for long-term viability, and (3) the quality of the restaurant's concept. A full-service restaurant is defined as one that has washable plates, cups and utensils, and whose projected SAC/WAC fees are charged at a rate of one unit per eight seats.

### **Eligibility**

Eligible applicants are for-profit restaurant businesses that are not currently operating in the designated areas shown on Exhibit A. Eligible businesses must devote a majority of their floor space to the restaurant concept. All applicants must be a permitted use in compliance with all laws, zoning ordinances, rules and regulations applicable to the business. The Ramsey EDA will review each application on a case-by-case basis and reserves the right to exclude activities not consistent with the City's Comprehensive Plan, or if the concept does not benefit the health, safety and welfare of the community.

DRAFT

### **Application Process**

The applicant must submit a completed Business Assistance Application and all required attachments to the City's Community Development Department. City staff will make every effort to review completed applications within a three-week period of time. The Ramsey Economic Development Authority will make a recommendation on the full-service restaurant subsidy to the Ramsey City Council. Applicants will be notified of EDA and City Council meetings and may be asked to attend to present their request for assistance.

### **Implementation Procedures**

The program does require the applicant pay upfront permit fees and all applicable Sewer Access Charge (SAC fees) that the City of Ramsey is required to pay on behalf of the project to the Metropolitan Council. To be in good standing with the City, applicant and/or landlords must be current on all municipal taxes, special assessments, utility bills, or EDA loans. Principal forgiveness will cease if the applicant and/or landlords fail to be current on these obligations. Principal forgiveness will cease if the applicant discontinues the business, moves the business, or fails to comply with any and all building, fire, health, or zoning codes or regulations.

**Date: 01/13/2011**

**By:** Aaron Backman  
Administrative Services

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**Information**

**Title:**

EDAM 2011 Legislative Policy

**Background:**

The Economic Development Association of Minnesota (EDAM) is a statewide association representing more than 550 public and private sector professionals involved with implementing state, regional or local economic development initiatives. The City's Economic Development/Marketing Manager has been active with EDAM's Legislative Committee over the past five years. Each year the committee surveys members and develops the legislative policy goals for the organization. The policies are focused on tools and activities that most effectively position the state of Minnesota as a location for corporate, small business, housing and community investment. These policies are reviewed and adopted by the EDAM Board of Directors and advocated by the organization, individual members and lobbyists. For the 2011 Legislative Session the three main policies revolve around 1) Enhancing TIF as an Economic Development Tool, 2) Brownfields Sites and Redevelopment Program Funding, and 3) Passage of State New Market Tax Credits.

**Recommendation:**

It would be beneficial if the Ramsey EDA would be willing to formally support the EDAM's 2011 Legislative Policy.

**Funding Source:**

No funding requested.

**Council Action:**

To review EDAM's 2011 Legislative Policy and consider writing letters of support.

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**Attachments**

EDAM Legislative Policy 2011

**Form Review**

**Inbox**

Heidi Nelson

Kurt Ulrich

Form Started By: Aaron Backman

Final Approval Date: 01/10/2011

**Reviewed By**

JoAnn Shaw

JoAnn Shaw

**Date**

01/10/2011 10:03 AM

01/10/2011 10:03 AM

Started On: 01/07/2011 03:00 PM

# 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 tract 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 tracts 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 tracts 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.



BUILDING COMMUNITY  
DEVELOPING CAREERS

ECONOMIC DEVELOPMENT ASSOCIATION OF MINNESOTA

1000 Westgate Drive, Suite 252  
St. Paul, MN 55114-1067  
Tel 651-290-6296 • Fax 651-290-2266

[www.edam.org](http://www.edam.org)  
[info@edam.org](mailto:info@edam.org)

**Economic Development Authority (EDA)**

**Item #: 4. 6.**

**Date: 01/13/2011**

**By:** JoAnn Shaw  
Community Development

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**Information**

**Title:**

Staff Update

EDA 2011 Work Plan/Goals  
TED Application

**Background:**

To be discussed at the meeting.

No attachments provided.

**Funding Source:**

n/a

**Council Action:**

n/a

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**Form Review**

**Inbox**

Kurt Ulrich

Form Started By: JoAnn Shaw

Final Approval Date: 01/10/2011

**Reviewed By**

JoAnn Shaw

**Date**

01/10/2011 10:24 AM

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