

MEMORANDUM

TO: Sean Sullivan, Economic Development Manager
FROM: Jason Aarsvold and Stacie Kvilvang - Ehlers
DATE: March 3, 2022
SUBJECT: Sunfish – Tungsten Redevelopment Area

The City is currently contemplating redevelopment along Highway 10 between Sunfish Lake Blvd. and Tungsten St. N.W. This area is depicted on the map provided by the City and attached to this memorandum. The current working assumption is that some of these properties may be acquired by Anoka County in connection with planned improvements along Highway 10. Once acquired, the County plans to demolish the buildings first, and then may consider selling the vacant parcels to the City of Ramsey. You requested that we outline a process by which you can accomplish your eventual redevelopment objectives which would include:

- (1) Preserving your ability to create one or more Redevelopment Tax increment Financing (TIF) Districts, and;
- (2) Providing for reimbursement from a future tax increment district, or districts, for any City costs that may be incurred now in acquiring these properties from the County for redevelopment.

To qualify an area as a redevelopment TIF district, two basic conditions must be met:

- (1) Parcels consisting of 70% of the area of the district must be occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; and
- (2) More than 50% of the buildings, not including outbuildings, must be structurally substandard to a degree requiring substantial renovation or clearance.

To confirm conditions one and two above exist, we recommend hiring a qualified third party to conduct an independent analysis and prepare a report to document the findings. Given that we do not yet know which parcels will be included together in a future TIF district, or districts, we recommend documenting these findings for each individual parcel that will be acquired.

Generally, we recommend that you do not demolish buildings and create a TIF district until you have a redevelopment project identified and are ready to move forward. It is our understanding, however, that the planned acquisition from the County may not allow this project to proceed in that manner.

If buildings must be removed from an acquired parcel in advance of a potential redevelopment project, the City must document the redevelopment TIF eligibility findings by resolution. This resolution must be adopted **prior** to demolition and declare that the property is intended to be included within a future TIF district. The City has three (3) years from completion of demolition to include a parcel(s) in a district. The demolition **must** be done or financed by the City or done by

the County under a development agreement with the City (or possibly under a contract with the County to complete the demolition on the City's behalf).

For each resolution passed in connection with a parcel to be acquired, the City should include a provision documenting an inter-fund loan (IFL). Inclusion of IFL language in the resolution is the mechanism that will allow the City to reimburse itself from future tax increment for any costs that the City incurs now related to:

- Property acquisition
- Demolition
- Relocation
- Site preparation

The IFL will identify a maximum reimbursement amount that should be set sufficiently high to cover all the City's anticipated expenses for that particular property, knowing the City will only draw the amount actually needed for the IFL.

If the City does not create a redevelopment TIF district within three years of demolishing the building(s), then the opportunity to use redevelopment TIF as a tool for any project will have passed. At that point, the City's ability to use TIF on this site would be limited to:

- Creation of an economic development TIF district, provided 85% of the buildings and facilities (determined on the basis of square footage) are be used for manufacturing and warehousing;
- Creation of a housing TIF district, only if the district includes:
 - (1) A rental housing project in which at least 20% of the units are affordable to those at 50% of area median income (AMI), or 40% of the units are affordable to those at 60% of AMI; or
 - (2) An owner-occupied residential project in which at least 95% of the housing units are initially purchased and occupied by families with incomes at or below 100% AMI for a family of 2 or fewer, or 115% of AMI for a family of 3 or more.
- Special legislation to create a redevelopment TIF district

The City can, however, go ahead and create a redevelopment TIF district before the end of the three-year period even if there is no pending project. The City can delay receipt of first increment in that district for up to 4 years, which can preserve more time to get a project started and still benefit from the full 26 years of tax increment collections. The City would have up to five years from the date of certification of the district to enter into an agreement with a private party and provide pay-as-you-go tax increment payments that could then extend over the life of the district.

Please contact me at 651-697-8512 with any questions.

Ramsey Sunfish Boulevard TIF Feasibility Analysis

