

AGENDA
ECONOMIC DEVELOPMENT AUTHORITY MEETING
FRIDAY, DECEMBER 16, 2016
7:00 A.M.

CITY COUNCIL CHAMBERS

- I. Call to Order/Roll Call

- II. Approval of Agenda

- III. Consent Agenda
 - A. November 18, 2016 Minutes

- IV. Public Comment

- V. Old Business
 - A. EDA Strategic Plan and Tactics
 - B. Tax Abatement Update; WAC & SAC Fees

- VI. New Business
 - A. 2017 Meeting Dates – Reschedule August 18 Date

- VII. Other

- VIII. Updates
 - A. CVN
 - B. CGI Videos
 - C. Boards & Commissions
 - B.E.S.T.
 - December 12, 2016 Board of Directors Meeting

- IX. Next Meeting Date
 - A. January 20, 2017

- X. Adjournment

Upon request, accommodations will be provided for individuals with disabilities wishing to participate

MINUTES

**ECONOMIC DEVELOPMENT AUTHORITY
NOVEMBER 18, 2016
7:00 AM
CITY COUNCIL CHAMBERS – CITY HALL**

I. Call to Order/Roll Call

The meeting was called to order at 7:00 a.m. by President Russ Weir.

Members Present: Daren Arndt
Dave Dunn
Ann Fitch
Jill Stagman
Larry Thompson
Russ Weir

Members Absent: Marty Armstrong

Staff Present: Gary Sandholm, Economic Development Coordinator
Daniel Lenz, City Manager
Shelly Kolling, Finance Director
Ranae Schult, Community Development Assistant

II. Approval of Agenda

It was moved by Fitch, seconded by Arndt, to approve the agenda as presented; the motion carried 6-0.

III. Consent Agenda

- A. September 16, 2016 Economic Development Authority Meeting Minutes**
- B. October 17, 2016 Economic Development Authority Planning Session Minutes**
- C. Synchronist Payment; Annual User Fee \$2,400**

It was moved by Fitch, seconded by Thompson, to approve the Consent Agenda as presented; the motion carried 6-0.

IV. Public Comment

No public comments were made.

V. Old Business

A. Business List Enhancement

Gary Sandholm, Economic Development Coordinator, stated post cards were sent to over 300 businesses. Of this amount, approximately 150 responded with email addresses and other requested information.

This information is available on the City website, as well as a fillable card to provide additional information to the City.

B. EDA Strategic Plan

Staff provided the updated Strategic Plan and Tactics to the Economic Development Authority members for their review and comments.

Board member Thompson commented that he felt this is a good job at capturing the intention of the group, and inquired when performance is measured. Danny Lenz, City Manager, stated that would be the next logical step.

This information will be sent to the EDA members for finalization at the December EDA meeting.

VI. New Business

No new business was presented.

VII. Other

A. Decertification of Tax Increment Financing District #23

In 2000, the Waseca City Council created a 25 year Tax Increment Financing (TIF) District #23 for Central Redevelopment activity. In 2005, the City did a modification to this TIF plan and issued bonds to fund downtown improvements. TIF proceeds from this district are the source of revenue to repay the bonds.

The original bond issue was for a twenty year term ending in February 2026. Upon review of this bond issue it has been determined the City of Waseca will be able to pay off the balance of this bond issue.

Staff has reviewed regulations related to this TIF district to see if there is another purpose for the City to use this revenue. From a regulation standpoint, the most effective process is to set up a new TIF district at the time we have a project that is eligible.

Based on the processes indicated above, staff recommended to Council who has approved decertification of TIF District #23 as of year-end 2016. Staff is presenting this information to the EDA for informational purposes.

The next steps include City Staff completing the decertification process with the County Auditor/Treasurer and the State of Minnesota. The request will inform them of the action taken and establish with the County Auditor/Treasurer to no longer remit any increment to the City for this district. Following decertification of the district, taxes for this area will be distributed to the taxing authorities at the same rates established for other parcels in the City.

The decertification of these parcels will result in the City receiving their allocation of the taxes, which are estimated to be additional tax revenue of \$100,000. The additional money will be used for street improvement projects.

VIII. Updates

Updates were provided regarding the following topics:

A. **Housing**

- **Tax Abatement:** Robert Scott, legal counsel for the City of Waseca, will be providing information to the Waseca City Council regarding the use of Tax Abatement to spur housing. Staff indicated they hope to have this in place prior to first of 2017. The intent is to streamline the process, and be able to approve abatement by the County, School District and City at one meeting.
- **Interest in New Projects:** Staff indicated there is interest from developers, etc. for housing projects in Waseca. The desirable level for housing starts in 2017 is ten housing starts utilizing tax abatement.

B. **CVN – Next Session December 9, 2016**

The next CVN session is scheduled for December 9, 2016. Anyone interested in attending should contact Gary Sandholm.

C. **CGI Videos**

The Tourism Board is making their final comments regarding the CGI videos for Waseca. It is anticipated they will be ready for release in the next 10 days to 2 weeks on the City website and possibly on the PEG channel. Staff indicated that this has been an overall good experience.

D. **Pondview lots are on the market and buildable/Lewer property purchase**

The City of Waseca closed on the purchase of the Lewer property south of the Pondview Subdivision. This action will allow building permits to be issued in the subdivision. Staff stated that with the defeat of the additional sales tax, the issue of funding for the construction of a \$500,000 - \$1,000,000 holding pond will need to be revisited.

Discussion was held regarding possible assistance for homes along Gaiter Lake that are consistently flooded.

Board member Dunn inquired who owns Gaiter Lake. The City Manager stated that the DNR controls the water bodies within the City Limits.

E. **DEED**

- **Regional job numbers above average but wages below average due to large retail employment**
Staff provided an update regarding information provided by DEED regarding averages wages and job numbers.
- **DEED interest in West Interchange construction plans**
Staff stated that with the City moving forward on drawing construction plans for the West Interchange, Lisa Hughes, DEED, mentioned that DEED will keep this area in mind when projects are brought to their attention.

A brief discussion was held regarding Pinnacle Foods and their interest in a freezer warehouse.

F. **Boards & Commissions**

- **FEMA – Private Assistance**
Staff provided a brief update on the FEMA process for providing private assistance. After initially denying the request, the Governor is submitting an appeal to reconsider funding. FEMA will again be in Waseca to review damage

to the community. They are also looking at possible locations for a recovery center, because if private funding is approved, they will need a location to be up and running as soon as possible.

**** Board member Arndt left the meeting at 7:50 a.m. ****

- **B.E.S.T. of Waseca County**
 - **October 26, 2016 Business Summit Update**

Members of the EDA commented they felt the Fall Summit was beneficial and well attended.
 - **Visioning**

A Visioning Committee has been established to develop a Visioning Process and has drafted a Request for Proposal for services in developing a community vision, strategic plan and action plans. B.E.S.T is being asked to oversee the project.

IX. Next Meeting Date

The next Economic Development Authority meeting is scheduled for Friday, December 16, 2016, at 7:00 a.m.

X. Adjournment

It was moved by Fitch, seconded by Thompson, to adjourn the meeting at 7:55 a.m.; the motion carried 5-0.

Ranae Schult
Community Development Assistant



Request for City Council Action

Title:	Introduce and set a public hearing date for Resolution No. 16-56 establishing a Residential Property Tax Abatement program.		
Meeting Date:	December 6, 2016	Agenda Item Number:	5H
Action:	<input type="checkbox"/> MOTION <input checked="" type="checkbox"/> RESOLUTION <input type="checkbox"/> ORDINANCE <input type="checkbox"/> DISCUSSION	Supporting Documents:	
Originating Department:	Administration	Presented By:	City Manager
Approved By City Manager: <input checked="" type="checkbox"/>	Proposed Action: Introduce and set a public hearing date of Dec. 20, 2016 for Resolution No. 16-56, establishing a Residential Property Tax Abatement program		

BACKGROUND: New home construction declined sharply with the recession starting in 2008 and has not recovered to previous levels. In 2014, there were no permits issued to build new homes, and only two permits had been issued through November in 2015. Maxfield & Associates were hired to conduct a comprehensive housing study to evaluate the condition of existing housing in Waseca and determine the potential for new construction. 81 vacant lots were identified with 50 in the Pondview Addition alone. This inventory will take up to eight years to exhaust based on projected needs of 60 lots during the next three to five years (this equates to 12 to 20 new homes per year).

It was also identified in the housing study that there is limited supply of homes in the middle of the housing market, the range considered by many people for their second home. The cost to construct homes in the appropriate price range are frequently higher than the final value of the home, or so close that it makes construction a risky endeavor for builders. In addition, the supply of existing homes in this range have frequently not been updated to modern expectations for those seeking homes.

The lack of newer homes is constraining local employers. Many have employees who cannot find suitable housing in Waseca and therefore live elsewhere. This frequently leads to employees leaving Waseca businesses for jobs that are closer to their residences. Waseca has more people driving to work in Waseca than drive to work from Waseca. These people are good candidates to becoming Waseca residents.

Meetings were held with builders, developers, and lenders to identify what can be done to spur new construction in Waseca. Recurring comments noted that many Waseca builders are doing most of their work outside of Waseca. Local demand has been low, and the risks associated with spec housing have kept builders from pursuing speculative projects in Waseca. The primary concern is the current price points in Waseca do not provide the potential return that is attractive to builders. Reducing the cost and selling price of a new home were determined to be key items to stimulate new construction. The proposed resolution allows the homeowner or developer to decide which abatement period best fits their individual needs.

The proposed tax abatement program is designed to reduce the cost of development for home construction, and is flexible enough to provide benefits for spec home construction by a developer and those wanting to build a home to live in as their primary residence.

The attached resolution identifies the lots that would be eligible for this program, which is made up of existing, single-family lots that are currently undeveloped, but have access to City infrastructure and utilities. The requirements of the program are as follows:

- A building permit must be issues for the construction of a single-family home by Dec. 31, 2018

- The maximum value of the home being constructed can't exceed \$500,000
- The property owner can select one of three possible abatement levels:
 - o 100% Abatement for up to 3-years
 - o 75% Abatement for up to 6-years
 - o 50% Abatement for up to 10-years
- The Abatement amount will be determined based on the final value of the property as determined by the County Assessor

The process envisioned is expected to add very little burden to the property owner. An application for the abatement will be completed in conjunction with the building permit. Upon issuance of a building permit the property owner will need to enter into an Abatement Agreement with the City, which will then require Council approval, but not another public hearing.

BUDGET IMPACT: None. The abatements only are for tax revenues that do not currently exist and are not part of the operating budget.

POLICY QUESTION: Should the City provide assistance for housing development without requiring proof of need for the construction to be financially feasible?

ALTERNATIVES CONSIDERED: Other incentives were reviewed, and some may receive further consideration. However, a solid, straightforward starting point is needed. Tax abatement appears to have the most potential over a wide spectrum of situations.

Other possibilities include:

- Waiving or reducing WAC and SAC fees.
- Waiving or reducing building permit fees. These fees cover the costs of plan inspection, building inspection, etc. An alternative source of funding will be needed to cover these functions if these fees are waived.
- Down payment assistance is a useful tool that usually is provided in need based situations. The costs of the program must be considered before implementing.
- Interest rate buy downs have been effective at times, but current very low mortgage rates limit the impact of this approach.

RECOMMENDATION: Motion to introduce and set a public hearing date of Dec. 20, 2016 for Resolution No. 16-56, establishing a Residential Property Tax Abatement program

RESOLUTION NO. 16-56

A RESOLUTION OF THE CITY OF WASECA, MINNESOTA, APPROVING A RESIDENTIAL PROPERTY TAX ABATEMENT PROGRAM

WHEREAS, the City Council of the City of Waseca (“City Council”) desires to encourage, promote and facilitate residential development on vacant residential lots located throughout the City of Waseca (“City”), and has adopted a Residential Tax Abatement Policy (the “Abatement Policy”), a true and correct copy of which is attached hereto as Appendix A, pursuant to which the City intends to offer abatement of City-imposed property taxes on qualifying residential properties in the City for which building permits for single family residential structures are applied for and issued by the City on or before December 31, 2018; and

WHEREAS, the parcels of real property for which abatements of City-imposed property taxes are conditionally approved herein are identified and legally described on Appendix B attached hereto (the “eligible parcels”), and generally consist of every currently vacant, unimproved parcel of property in a residential zoning district in the City that is served by municipal infrastructure including central water and sanitary sewer service; and

WHEREAS, the City proposes to use tax abatement for the purposes provided for in the Abatement Law and the Abatement Policy (and hereinafter defined). The proposed term of the abatements for each eligible property that satisfies the conditions for abatement established herein (“the qualifying parcels”) will be for a term not to exceed ten years, in a total abatement amount for any single qualifying parcel not to exceed \$20,458.85, for a maximum total abatement of all eligible parcels’ City-imposed property taxes not to exceed \$2,045,885. The abatements will apply to the City’s share of ad valorem property taxes on the qualifying parcels derived from the value of the residential structure for which the City issues a building permit and paid by the record owners of such qualifying parcels (the “abatements”); and

WHEREAS, on December 20, 2016 the Council held a public hearing on the question of the abatements, with proper notice being duly given and published in advance.

WHEREAS, the Abatements are authorized under Minnesota Statutes, Section 469.1812 through 469.1815 (the “Abatement Law”).

NOW, THEREFORE, be it resolved by the City Council of the City of Waseca that:

1. Findings for the Abatement. The City Council hereby makes the following findings:
 - a. The Council expects the benefits to the City of the abatements to at least equal or exceed the costs to the City thereof.
 - b. Granting the abatements is in the public interest because it will increase or preserve the tax base of the City, provide employment opportunities in the City, and increase the housing opportunities available in the City.
 - c. None of the eligible parcels are located in a tax increment financing district.
 - d. In any year, the total amount of property taxes conditionally approved for abatement by the City by this and other resolutions, if any, does not exceed the greater of ten percent (10%) of the City’s current net tax capacity or \$200,000.

2. Terms of Abatements. The abatements are hereby approved for eligible parcels subject to the conditions precedent set forth in Paragraph 3. The terms of the abatements are as follows:
 - a. The abatements shall apply to the taxes payable in the years 2019 through 2028 inclusive, and at the option of the applicant property owner, be for one of the following terms and abatement amounts:
 - i. three (3) years, with the City abating 100 percent of the portion of the City's share of ad valorem property taxes on the qualifying parcel derived from the value of the residential structure for which the City issues a building permit and paid by the property owner;
 - ii. six (6) years, with the City abating 75 percent of the portion of the City's share of ad valorem property taxes on the qualifying parcel derived from the value of the residential structure for which the City issues a building permit and paid by the property owner; or
 - iii. ten (10) years, with the City abating 50 percent of the portion of the City's share of ad valorem property taxes on the qualifying parcel derived from the value of the residential structure for which the City issues a building permit and paid by the property owner.
3. Conditions of Abatements. The abatements for any eligible parcel are contingent upon the satisfaction of the following conditions:
 - a. The owner of such parcel shall apply for and be issued a building permit for the new construction of a single family or multi-family residential structure (including stick built on site construction, modular construction, and manufactured homes) on such parcel, on or before December 31, 2018;
 - b. The owner of such parcel shall demonstrate that the assessed market value of the parcel for which a building permit is issued under Paragraph 3.a herein shall not exceed \$500,000.00 upon the completion of the construction of such single family or multi-family residential structure.
 - c. The owner of such parcel shall complete an application for abatement together with the building permit application required in Paragraph 3.a that includes:
 - i. a pre-construction value estimate for the eligible parcel; and
 - ii. additional information as may be requested by City staff or the City Council as necessary to evaluate the project and its potential impact on and benefit to the City.

- d. The owner of such parcel shall enter into an abatement agreement consistent with the terms of this Resolution in a form satisfactory to the City;
 - e. The owner of such parcel and any contractors, subcontractors, materials suppliers or other agents involved in the construction of the residential structure shall at all times comply with applicable federal, state or local laws or regulations; and
 - f. Waseca County (the “County”) and the Waseca School District (the “School District”), if they so choose, shall each approve an abatement program for the eligible parcels upon the same terms as set forth herein for the County’s and School District’s share of the property tax amount which the County receives from the qualifying parcels.
4. The abatements shall be subject to all the terms and limitations of the Abatement Law, as well as the Tax Abatement Agreements between the property owners and the City required by paragraph 3.b setting forth the rights and obligations of the parties with respect to the abatements in greater detail.
5. The abatements may not be modified or changed during the terms thereof.

This Resolution shall become effective immediately after its adoption.

Adopted this 20th day of December, 2016.

JOHN CLEMONS
MAYOR

ATTEST:

MARY BUENZOW
RECORDS SECRETARY

APPENDIX A
List of Eligible Parcels by Parcel ID Number

175280340		175350070		177110200
175280140		175350480		177070020
175280490		175350580		177090030
175280150		175350570		177090020
177120120		175350560		175260080
177120110		175350550		171070350
177120040		175350540		173260090
177120050		175350490		171170210
177120060		175350500		171190030
174790450		175350510		172010010
174800610		175350520		174520180
175350100		175350530		177100020
175350150		175350400		177100010
175350140		175350460		177100060
175350130		175350450		177100070
175350120		175350440		177100080
175350110		175350430		177100100
175350370		175350420		177100210
175350380		175350010		177100200
175350390		175350020		177100120
175350290		175350600		177100190
175350360		175350610		177100130
175350300		175350630		177100140
175350350		175350640		177100170
175350340		175350650		172760950
175350320		175350660		172761110
175350190		176130070		173010490
175350180		174560010		1.72E+08
175350240		174560020		172090250
175350230		174010180		1.73E+08
175350220		174010160		173280030
175350030		174020030		173280110
175350040		177110180		
175350050		177110190		

2017
ECONOMIC DEVELOPMENT AUTHORITY MEETING DATES

The following regular meetings are scheduled for the 3rd Friday of each month.

The meetings will be held in the City Council Chambers at Waseca City Hall, 508 South State Street and begin at 7:00 am.

January 20
February 17
March 17
April 21
May 19
June 16
July 21
August 18
September 15
October 20
November 17
December 15