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Take Charge!

Local Government's Role in Economic (Re)Development

Today's Discussion

- Why do communities get involved in development efforts?
- Preparing for success
  - ✓ Planning, policies & tools
- Attracting development
  - ✓ Proactive & reactive strategies
- Working with developers
- Protecting local resources
- Project examples

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Why Engage in Economic Development?

- Job Creation
- Tax Base Growth & Diversification
- Redevelopment
- Neighborhood Preservation
- Develop Infrastructure
- Improve Housing Availability & Choice
- Pollution Control &/or Cleanup
- Quality of Life

Why Might Public Financing Be Necessary?

Site or Market Conditions Limit Feasibility

- Private developers have market-based return on investment (ROI) expectations
  - ✓They will pass on challenging sites
- Lenders & equity providers have limitations and requirements
- City goals may be incompatible with what the market wants to build

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Why Might Public Financing Be Necessary?

Public Financing Fills a Gap

- Helps projects move forward that otherwise would not based on market conditions
- May provide up front, or over time
- Goal: Positive cashflow & reasonable ROI to incent private investment

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Preparing for Success

Establish an economic development/redevelopment plan!

- Helps unite staff & policy makers around specific economic development efforts
  - ✓ Staff knows where to focus time and resources
  - ✓ Policymakers see direct action on what is important to them
- Provides foundation for a successful projects
- Ensures you're prepared when opportunity knocks
- Sets priorities for limited resources

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Preparing for Success

Adopt policies to set parameters for public involvement.

- Business subsidy policy
  - ✓ Required per MN statues 116J.993 – 116J.995
  - ✓ Include additional local goals
- Developer fee policy
- Application for assistance
- Other policies based on identified needs

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Preparing for Success

Formalize a process for evaluating public financing requests.

- Plans and policies anchor this process
  - ✓ Informs the development committee about the goals and conditions for public financing
- Allows staff to easily respond to requests with clear and concise requirements – the application outlines this
- Ensures that all requests are evaluated equally and held to the same set of standards
- Provides a funding mechanism to evaluate (developer fee)

Preparing for Success

Build Consensus around goals for specific sites

- Ensure all stakeholders are aligned when there is public involvement on a development/redevelopment site
  - ✓ Understand elected official's goals for outcomes
  - ✓ Engage the community and neighborhood to incorporate public input
  - ✓ Understand feasibility and development potential for your site
- Helps set realistic expectations and foundation for success for all parties

Preparing for Success

Know the tools available to help facilitate development.

EDA/HRA LEVY FUNDS

LOCAL REVOLVING LOAN FUNDS

TAX INCREMENT FINANCING (TIF)

TAX ABATEMENT

STATE & LOCAL RESOURCES (DEED, COUNTY, ETC.)

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Attracting Development

Proactive

- City-driven developer recruitment

Reactive

- Responding to developer requests
- Plans & policies help guide your reactions

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Attracting Development: Proactive Process

Direct outreach typically most effective	Developer roundtables & meetings
RFP/RFQ process	Not generally favored by developers, can be effective
Engage a broker to market the site	Professional expertise

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Attracting Development: Reactive Process

- Staff typically reacting to proposed project on private property
- If proposal comes unexpectedly with request for financial assistance, what's the best way to move it forward?
- Strong **plans, policies and process** help guide response to the requests

You HAVE these, right?!?!?

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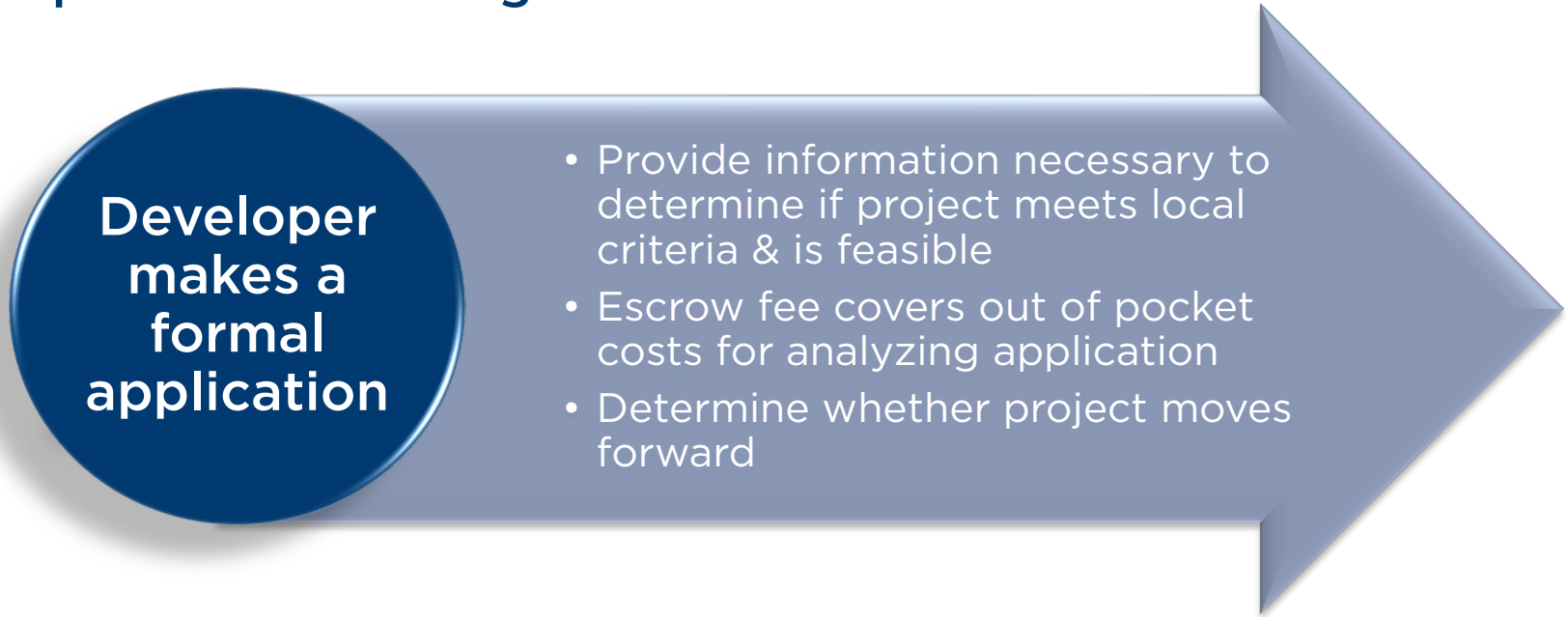
Working with Developers

Whether proactive or reactive, once a developer is on board, the processes converge.



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Working with Developers: Partners, Not Projects

- Involve elected officials and community early
- Be prepared to make decisions quickly
- Clarify the developer's request early
- Keep lines of communication open
- Set clear expectations

Avoid the "SLOW NO!"

Projects will evolve!

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Protecting Local Resources

BEFORE using any economic development tools:

- What is the community goal or plan?
- What problem are we solving for?
- What else competes for these limited resources?

Projects that don't advance goals end up wasting limited resources.

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Protecting Local Resources

- Review developer's application & financial information to establish appropriate level of public assistance
  - ✓ *pro forma* analysis
- Only want to provide the minimum level of public assistance to make a project finically feasible
  - ✓ Commonly referred to as the "but for" test
- Should be able to demonstrate for elected officials and community members that this standard has been met

Pro Forma Analysis

Compare developer's numbers against industry standards

- Land acquisition
- Construction Costs
- Developer Fee
- Debt Assumptions
- Return on Investment

Ensure development components accounted for correctly

- Revenues
- Expenditures
- Debt service

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Protecting Local Resources

- Final public assistance package is memorialized and governed by an agreement between the governmental entity and developer
  - ✓ Amount, duration, and source of assistance is identified
  - ✓ All developer and governmental obligations outlined
  - ✓ Provisions for default of conditions
- Often include “look back” provisions to review actual project performance against projections
  - ✓ If there are savings, then there is a reduction in assistance

Proactive Case Study: Robbinsdale

- Envisioned redevelopment of several sites in/around downtown
- Conducted developer roundtables – reviewed 10 potential sites
- Identified sites best suited for near-term development
- Completed 3 projects on high priority sites

Site #1: Terrace Theater Site: Before

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Site #1: Terrace Theater Site: After

- Developer that participated in roundtable process privately secured the site
- New HyVee store constructed
- City used redevelopment TIF & DEED grant

Site #2: Citizens Bank Site: Before

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Site #2: Citizens Bank Site: After

- Redevelopment of underutilized site
- 152 new market rate housing units
- City used redevelopment TIF to offset costs

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Site #3: Legion Site: Before

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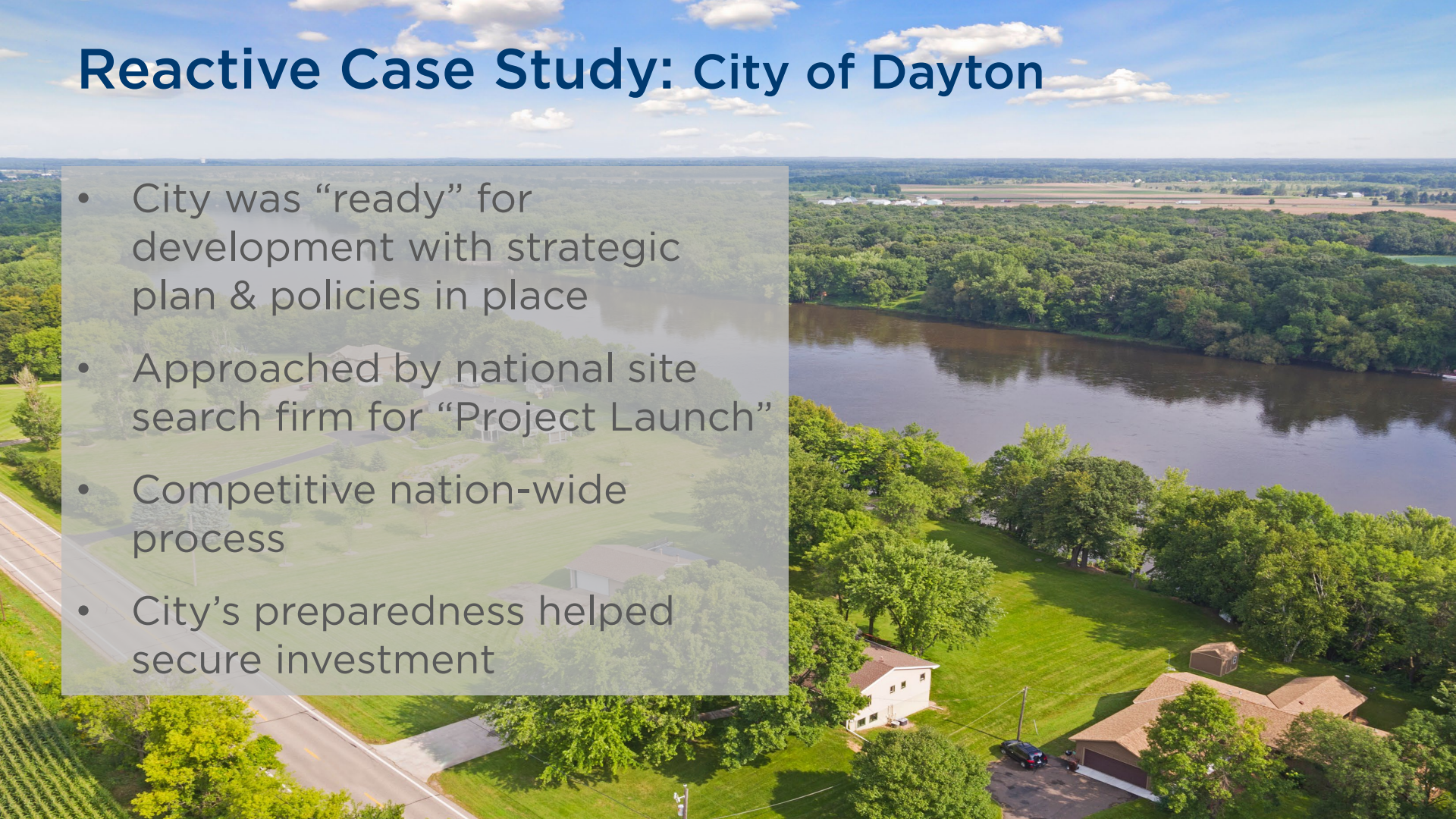
Site #3: Legion Site: After

- Redevelopment of underutilized site
- 197 new high amenity rental units
- City used redevelopment TIF & grants from Met Council, DEED and County

Reactive Case Study: City of Dayton



- City was “ready” for development with strategic plan & policies in place
- Approached by national site search firm for “Project Launch”
- Competitive nation-wide process
- City’s preparedness helped secure investment

“Project Launch:” City of Dayton

- City invested in new interchange
- Worked to promote conditions for new business development
- Created welcoming process for “Project Launch”

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“Project Launch:” City of Dayton

- Project Includes:
  - ✓ $500,000 sq. ft. facility (Phase I)
  - ✓ 90% manufacturing lab, testing & demo
  - ✓ 10% office
- $85 million total investment
- 225 jobs - $65,000/year average wages
- Company to purchase substantially more land for future expansion

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“Project Launch:” City of Dayton

- Higher MN costs drove request for TIF assistance
  - ✓ $3.3 million in total TIF ($2.57 million present value)
  - ✓ Qualifies as 9-year economic development TIF District
- Tax increment leveled playing field with other U.S. sites

15-Year Total Costs

	Dayton, MN	Out of State	Difference
Labor Costs	138,000,000	117,000,000	21,000,000
Land and Construction Costs	69,600,000	64,600,000	5,000,000
Equipment Costs	9,100,000	9,100,000	0
Sales Tax	1,800,000	1,900,000	-100,000
Real Estate Taxes*	16,049,550	16,000,000	49,550
Local Incentives	-3,300,000	-9,000,000	5,700,000
TOTALS	**231,249,550**	**199,600,000**	**31,649,550**

*Ehlers estimate for Dayton; Applicant projection was $17 million

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“Project Launch:” City of Dayton

- Graco identified as user
- Dayton site selected for development
- TIF district & agreement approved
- Project is built and occupied with first TIF in 2025

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Download the Presentation

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Thanks for Joining!

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