



ECONOMIC DEVELOPMENT AUTHORITY MEETING AGENDA

City of New Prague

Wednesday, December 11, 2024 at 7:30 AM
City Hall Council Chambers - 118 Central Ave N

1. **CALL TO ORDER**
2. **CONSENT AGENDA**
 - a. November 13, 2024, EDA Meeting Minutes
November 13, 2024, EDA Meeting Minutes - Closed
 - b. Claims for Payment: **\$326.60**
3. **FUTURE EDA ENDEAVORS**
 - a. December 11, 2024
4. **BUSINESS RETENTION AND EXPANSION (BR&E) PROGRAM**
5. **BUSINESS UPDATES**
 - a. December 2024
6. **MINNESOTA CITY PARTICIPATION PROGRAM**
 - a. 2024 Final Usage Report
7. **UTILIZING SMALL CITIES DEVELOPMENT PROGRAM (SCPD) INCOME**
 - a. Program Income Fact Sheet
8. **CDA UPDATE**
9. **SCHOOL DISTRICT UPDATE**
10. **EXECUTIVE DIRECTORS REPORT**
11. **MISCELLANEOUS**
12. **ADJOURNMENT**

Next Meeting: Wednesday, January 8, 2025

OUR MISSION IS TO PROMOTE AND FACILITATE ECONOMIC DEVELOPMENT IN THE NEW PRAGUE AREA:

- * Strengthen existing businesses and non-profits *
- * Create an environment conducive to new economic development *
- * Create long term funding strategy *

Troy Pint, Vice President

Eric Krogman, Secretary

Nick Slavik

Austin Reville

Duane Jirik, Mayor

Bruce Wolf, Councilmember

Joshua Tetzlaff, City Administrator & Executive Director

Term Ending 5/31/27

Term Ending 5/31/25

Term Ending 5/31/24

Term Ending 5/31/29



ECONOMIC DEVELOPMENT AUTHORITY MEETING MINUTES

City of New Prague

Wednesday, November 13, 2024 at 7:30 AM

City Hall Council Chambers - 118 Central Ave N

1. CALL TO ORDER

The meeting was called to order at 7:32 a.m. by President Quast with the following members present: Brent Quast, Erik Krogman, Troy Pint, Austin Reville, and Bruce Wolf.

Absent: Duane Jirik and Nick Slavik

Staff present: City Administrator Joshua Tetzlaff and Planning/Community Development Director Ken Ondich

2. CONSENT AGENDA

Motion to approve the Consent Agenda was made by Pint, seconded by Quast.

Motion carried (5-0)

- a. October 9, 2024, EDA Meeting Minutes
October 9, 2024, EDA Meeting Minutes - Closed
October 16, 2024, EDA Meeting Minutes - Closed
- b. Claims for Payment: **\$150.00**

3. CONSIDER EDA SALE OF LOT 5, BLOCK 2, NEW PRAGUE BUSINESS PARK 11TH ADDITION, SCOTT COUNTY, MINNESOTA TO Q5 PROPERTIES, LLC

- a. Public Hearing at 7:30 a.m.
The public hearing was opened and closed at 7:37 a.m. as nobody from the public was present for the hearing.
- b. Resolution Number 2024 - No. 1 - Approving Sale of Land and Purchase and Development Agreement between the Authority and Q5 Properties, LLC
Motion made to approve Resolution Number 2024 - No. 1 was made by Quast, seconded by Reville.
Motion carried (5-0)

4. CONSIDER EDA SALE OF LOT 3, BLOCK 2, NEW PRAGUE BUSINESS PARK 11TH ADDITION, SCOTT COUNTY, MINNESOTA TO RURAL COMMUNICATIONS HOLDING CORPORATION

- a. Public Hearing at 7:30 a.m.
The public hearing was opened and closed at 7:38 a.m. as nobody from the public was present for the hearing.
- b. Resolution Number 2024 - No.2 - Approving Sale of Land and Purchase and Development Agreement between the Authority and Rural Communications Holding Corporation
Motion made to approve Resolution Number 2024 - No. 2 was made by Quast, seconded by Reville.
Motion carried (5-0)

5. COMPREHENSIVE PLAN OVERVIEW

Planning/Community Development Director Ken Ondich provided an overview of the new comprehensive plan that was adopted on October 21, 2024 with an emphasis on reviewing the section related to Economic Development.

- a. Presentation
- b. Plan

6. MHFA 2025 MINNESOTA CITY PARTICIPATION PROGRAM

Motion to approve the application to the 2025 Minnesota City Participation Program was made by Quast, seconded by Reville.

Motion carried (5-0)

- a. Memo MCPP

7. FUTURE EDA ENDEAVORS

City Administrator Joshua Tetzlaff noted that the City's new financial advising firm, Ehlers, offers EDA Planning Services and he would report back with the EDA with what services they can offer for the EDA.

- a. November 13, 2024

8. BUSINESS RETENTION AND EXPANSION (BR&E) PROGRAM

City Administrator Joshua Tetzlaff noted that A&W Automotive was visited recently even though they are located outside of City Limits.

9. BUSINESS UPDATES

Planning/Community Development Director Ken Ondich provided the monthly update. General discussion of the EDA took place regarding what they consider as economic development related activities.

- a. November 2024

10. CDA UPDATE

11. SCHOOL DISTRICT UPDATE

12. EXECUTIVE DIRECTORS REPORT

13. MISCELLANEOUS

Wolf inquired if all industrial park development expenses have been incurred. Tetzlaff indicated that the trail is still an outstanding item, but that staff has been applying for grants to fund the trail. Wolf also asked if Jo Foust with the CDA could provide any updated summary of the BRE visits and wondered if a new questionnaire might be needed.

14. ADJOURNMENT

Motion to adjourn the meeting at 8:52 a.m. was made by Pint, seconded by Reville.

Motion carried (5-0)

Respectfully Submitted,

Joshua M. Tetzlaff
City Administrator / EDA Executive Director



ECONOMIC DEVELOPMENT AUTHORITY MEETING - CLOSED MINUTES

City of New Prague

Wednesday, November 13, 2024 at 7:35 AM

City Hall Council Chambers - 118 Central Ave N

1. CALL TO ORDER

President Brent Quast called the Closed Meeting to order at 8:53 a.m. with the following members present: Brent Quast, Erik Krogman, Troy Pint, Austin Reville, and Bruce Wolf.
Absent: Duane Jirik and Nick Slavik
Staff present: City Administrator Joshua Tetzlaff and Planning/Community Development Director Ken Ondich.

2. APPROVAL OF REGULAR AGENDA

Motion made by Reville, seconded by Quast, to approve the regular agenda.
Motion carried (5-0)

3. CLOSED SESSION:

Discussion was had on the property identified as PID No. 24.124.0050.

4. GENERAL BUSINESS ON CLOSED SESSION, IF NEEDED

Motion made by Quast, seconded by Krogman, to decline the offer from TCI Properties, LLC for Lot 4, Block 2.
Motion carried (5-0)

5. ADJOURNMENT

Motion made by Quast, seconded by Reville, to adjourn the meeting at 9:13 a.m.
Motion carried (5-0)

Respectfully Submitted,

Joshua M. Tetzlaff
City Administrator / EDA Executive Director

Vendor Name	Description	Net Invoice Amount
ROSS NESBIT AGENCIES INC.	AGENCY FEE	9.30
ROSS NESBIT AGENCIES INC.	AGENCY FEE	9.30
SUEL PRINTING	LEGAL ADS	288.00
US BANK CREDIT CARD	PARKING	20.00
Total EDA:		326.60
Grand Totals:		326.60

EDA

Account	Account Code Description	2024 CURRENT Budget	Current Period	Year to Date Thru 10/31/2024	Budget Balance
680-3-0000-31010	CURRENT PROPERTY TAXES	\$ 75,000.00	\$ -	\$ 37,870.73	\$ 37,129.27
680-3-0000-31020	DELINQUENT PROPERTY TAXES	\$ -	\$ -	\$ 229.73	\$ (229.73)
680-3-0000-36210	INTEREST INCOME	\$ 250.00	\$ 305.99	\$ 8,591.82	\$ (8,341.82)
	TOTAL OPERATING REVENUE	\$ 75,250.00	\$ 305.99	\$ 46,692.28	\$ 28,557.72
680-4-4650-101	WAGES FULL-TIME	\$ 44,901.00	\$ 3,269.55	\$ 34,210.89	\$ 10,690.11
680-4-4650-103	WAGES PART-TIME	\$ -	\$ -	\$ -	\$ -
680-4-4650-113	EMPLOYEE BENEFITS	\$ 24.00	\$ -	\$ -	\$ 24.00
680-4-4650-121	EMPLOYER CONT. PERA	\$ 3,366.00	\$ 245.20	\$ 2,622.04	\$ 743.96
680-4-4650-122	EMPLOYER CONT. F I C A	\$ 3,435.00	\$ 244.11	\$ 2,608.67	\$ 826.33
680-4-4650-129	GERF CHANGE	\$ -	\$ -	\$ -	\$ -
680-4-4650-131	HEALTH INSURANCE	\$ 5,890.00	\$ 279.54	\$ 3,200.61	\$ 2,689.39
680-4-4650-132	DENTAL INSURANCE	\$ 618.00	\$ 25.66	\$ 282.26	\$ 335.74
680-4-4650-133	LIFE & S-T DISABILITY INS.	\$ 124.00	\$ 10.18	\$ 111.98	\$ 12.02
680-4-4650-151	WORKER'S COMPENSATION INS.	\$ 242.00	\$ -	\$ 260.33	\$ (18.33)
680-4-4650-200	SUPPLIES	\$ 500.00	\$ -	\$ 2.49	\$ 497.51
680-4-4650-220	REPAIRS & MAINT. SUPPLIES	\$ 500.00	\$ -	\$ -	\$ 500.00
680-4-4650-301	AUDIT	\$ 521.00	\$ -	\$ 10.16	\$ 510.84
680-4-4650-305	CIVIL LEGAL FEES	\$ 3,000.00	\$ -	\$ -	\$ 3,000.00
680-4-4650-310	PROFESSIONAL SERVICES	\$ 1,500.00	\$ -	\$ 335.78	\$ 1,164.22
680-4-4650-320	POSTAGE	\$ 200.00	\$ -	\$ 69.06	\$ 130.94
680-4-4650-322	COMPUTER COMM/MAINT	\$ -	\$ -	\$ 92.53	\$ (92.53)
680-4-4650-330	TRAVEL, CONF, MILEAGE ALLOW.	\$ 300.00	\$ 150.00	\$ 150.00	\$ 150.00
680-4-4650-340	ADVERTISING & PUBLICATIONS	\$ 1,200.00	\$ 288.00	\$ 288.00	\$ 912.00
680-4-4650-369	INSURANCES	\$ 2,685.00	\$ 9.30	\$ 411.16	\$ 2,273.84
680-4-4650-433	DUES & SUBSCRIPTIONS	\$ 545.00	\$ -	\$ 545.00	\$ -
680-4-4650-441	SPECIAL PROJECTS	\$ 5,699.00	\$ -	\$ -	\$ 5,699.00
680-4-4650-490	DONATION OTHER CIVIC ORG.	\$ -	\$ -	\$ -	\$ -
680-4-4650-720	TRANSFER-OUT	\$ -	\$ -	\$ -	\$ -
680-4-4650-905	DEBT PAYMENT	\$ -	\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSES	\$ 75,250.00	\$ 4,521.54	\$ 45,200.96	\$ 30,049.04

EDA Industrial Park

Account	Account Code Description	2024 CURRENT Budget	Current Period	Year to Date	Budget Balance
681-3-0000-36210	INTEREST INCOME	\$ -	\$ 135.33	\$ 3,792.59	\$ (3,792.59)
	TOTAL OPERATING REVENUE	\$ -	\$ 135.33	\$ 3,792.59	\$ (3,792.59)
681-4-4650-305	CIVIL LEGAL FEES	\$ -	\$ -	\$ 1,214.40	\$ (1,214.40)
681-4-4650-420	DEPRECIATION EXPENSE	\$ 1,773.00	\$ -	\$ 591.16	\$ 1,181.84
681-4-4650-500	CAPITAL PROJECTS	\$ -	\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSES	\$ 1,773.00	\$ -	\$ 1,805.56	\$ (32.56)

EDA			
		2023	2024
		YTD BALANCE	CURRENT YTD BALANCE
		10/31/2023	
ASSETS			
680-10101	CLAIM ON CASH	\$ 145,115.73	\$ 166,123.10
680-10120	MONEY MARKET-FIRST BK & TRUST	\$ 25,635.77	\$ 25,712.78
680-10125	MONEY MARKET-4M	\$ 241,608.93	\$ 252,992.52
680-11500	ACCOUNTS RECEIVABLE	\$ -	\$ -
680-15501	PREPAID OTHER	\$ -	\$ -
680-15696	DEFERRED OUTFLOW - OPEB	\$ 147.00	\$ -
680-15699	GERF DEFERRED OUTFLOW	\$ 5,912.00	\$ -
	TOTAL ASSETS	\$ 418,419.43	\$ 444,828.40
LIABILITIES			
680-20210	ACCOUNTS PAYABLE	\$ 9.30	\$ 438.00
680-21717	OPEB LIABILITY	\$ 554.00	\$ -
680-22296	OPEB DEFERRED INFLOW	\$ 142.00	\$ -
680-22299	GERF DEFERRED INFLOW	\$ 296.00	\$ -
680-23999	GERF PENSION LIABILITY	\$ 19,266.00	\$ -
	TOTAL LIABILITIES	\$ 20,267.30	\$ 438.00
	RETAINED EARNINGS	\$ 398,152.13	\$ 444,390.40
	TOTAL LIABILITIES & FUND EQUITY	\$ 418,419.43	\$ 444,828.40

EDA Industrial Park			
		2023	2024
		YTD BALANCE	CURRENT YTD BALANCE
CURRENT ASSETS			
681-10101	CLAIM ON CASH	\$ 737,229.22	\$ 76,624.03
681-10120	MONEY MARKET-FIRST BK & TRUST	\$ 12,818.42	\$ 12,857.25
681-10125	MONEY MARKET-4M	\$ 106,622.66	\$ 111,642.20
	TOTAL CURRENT ASSETS	\$ 856,670.30	\$ 201,123.48
NON CURRENT ASSETS			
681-16100	LAND	\$ 400,625.38	\$ 453,940.38
681-16300	INFRASTRUCTURE	\$ 88,675.68	\$ (0.32)
681-16310	ACCUM. DEPRECIATION-INFRASTR	\$ (12,243.43)	\$ (591.17)
	TOTAL NON CURRENT ASSETS	\$ 477,057.63	\$ 453,348.89
	TOTAL ASSETS	\$ 1,333,727.93	\$ 654,472.37
LIABILITIES			
681-20210	ACCOUNTS PAYABLE	\$ -	\$ -
681-20610	CIP RETAINAGE PERCENTAGE	\$ -	\$ 6,286.00
	TOTAL LIABILITIES	\$ -	\$ 6,286.00
	RETAINED EARNINGS	\$ 1,333,727.93	\$ 648,186.37
	TOTAL LIABILITIES & FUND EQUITY	\$ 1,333,727.93	\$ 654,472.37



118 Central Avenue North, New Prague, MN 56071
phone: 952-758-4401 fax: 952-758-1149

MEMORANDUM

TO: EDA BOARD
FROM: JOSHUA TETZLAFF, CITY ADMINISTRATOR
SUBJECT: FUTURE EDA ENDEAVORS (NEW MEMO)
DATE: DECEMBER 5, 2024

The EDA has been talking at a very high level what the next steps will be for quite some time. With the Comprehensive Plan wrapped up, it is time for the EDA to begin looking at the next steps more seriously. While this is certainly something we can attempt to plan for in house, getting help on how we move forward in an organized way may be worth investing in.

The City’s new financial advisors, Ehlers, does offer EDA Strategic Planning within their portfolio of offerings. Lakeville recently went through this exercise with them and Ehlers shared what the Lakeville proposal looked like as well as the final product. I have attached both of those item for your review.

If this is something the EDA is interested in, and I believe it would be a great tool to use as the EDA looks to take its next step, staff can work on drafting a proposal that we can put out. If the EDA was interested in a product similar to Lakeville’s, Ehlers has indicated it would be about \$15,000 for a cost.

FEBRUARY 14, 2024

PROPOSAL TO PROVIDE STRATEGIC PLANNING SERVICES TO:

The City of Lakeville, Minnesota



Ehlers
3060 Centre Point Drive
Roseville, MN 55113

Municipal Advisor Registration Number: K0165
SEC CIK Number: 0001604197

ehlers-inc.com

EHLERS ADVISORS:

Jason Aarsvold
Senior Municipal Advisor
jaarsvold@ehlers-inc.com
651-697-8512

Keith Dahl
Municipal Advisor
kdahl@ehlers-inc.com
651-697-8595

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February 14, 2024



Tina Goodroad
Community Development Director
20195 Holyoke Avenue
Lakeville, MN 55044

RE: Proposal for Strategic Planning Services for the City of Lakeville

Dear Ms. Goodroad,

We are excited to present this proposal to provide economic development strategic planning services for the City of Lakeville. Preparing an actionable plan that is focused on key community objectives and manageability from both time (for staff *and* elected officials) and funding perspectives is critical to success. Ehlers' strategic planning services will help your community prepare a practical, realistic plan centered on the following foundational elements:

- » Identifying the major challenges and opportunities for continued community success
- » Establishing a framework for a strategic planning process that will permit key officials to shape a practical, achievable plan within a short time period
- » Creating a strategic planning document with tactics, assignments, resources and time requirements for a manageable set of goals

Jason Aarsvold and Keith Dahl will facilitate the strategic planning process, bringing over 30 years of combined experience in direct, hands-on economic development work. What sets us apart from other firms is that we provide strategic plans that aren't simply policy documents, but actual roadmaps and work plans to achieve the stated goals. These living documents are intended to promote action and include timelines for performance and success. In addition, our technical economic development expertise provides guidance on policy and program development, best practices, and funding options that are critical to implementing any economic development strategy.

Thank you for including Ehlers in this RFP process. We look forward to the opportunity to work with you and the City of Lakeville. Please feel free to contact us with any questions. We note that this proposal will remain valid for a period of no less than 120 days from the date of submittal. Firm identification and contact information is located on the cover page of the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Aarsvold'.

Jason Aarsvold
Senior Municipal Advisor
jaarsvold@ehlers-inc.com
651-697-8512

A handwritten signature in black ink, appearing to read 'Keith Dahl'.

Keith Dahl
Municipal Advisor
kdahl@ehlers-inc.com
651-697-8595

Qualifications & Experience

Per the requirements of the City’s RFP, Ehlers offers the following similar projects, along with references, to demonstrate our qualifications and experience with this type of work.

The City of Burnsville, Minnesota
Economic Development Strategic Plan
Jeff Thomson Community Development Director 100 Civic Center Parkway Burnsville, MN 55337 (952) 895-4467

The City of Roseville, Minnesota
Business Subsidy Criteria & Public Assistance Policy
Jeanne Kelsey Housing & Economic Development Program Manager 2660 Civic Center Drive Roseville, MN 55113 (651) 792-7086

The City of Dayton, Minnesota
Economic Development Strategic Plan
Zach Doud City Administrator 12260 S Diamond Lake Rd Dayton, MN 55327 (763) 323-4010

Key Personnel

Ehlers proposes the following professional team to fulfill the City's needs as stated in the RFP's Scope of Services:

MUNICIPAL ADVISORS

Jason Aarsvold

Senior Municipal Advisor
Project Manager

Keith Dahl

Senior Municipal Advisor
Project Research & Analysis

Professional biographies for each team member follow below:



Jason Aarsvold

Senior Municipal Advisor

Jason has more than 20 years of municipal development and finance experience, including direct local government experience. He has analyzed and negotiated some of the most complicated economic development and redevelopment projects in Minnesota, navigating complex financial issues and creating new, innovative community solutions. One of Jason's greatest attributes is his ability to demystify the complexities of the economic development process for his clients. He unites community leaders, developers and residents, guiding them through program development with his strong market knowledge and public finance expertise. Specific to the Scope of Services for this engagement, Jason has worked with several EDAs and City Councils to set strategic priorities, prepare policies and programs for implementation, and execute on objectives to achieve a broad range of community development goals. [See Jason's full biography.](#)



Keith Dahl

Municipal Advisor

Keith joined Ehlers in 2019 and currently serves as a Municipal Advisor with our Minnesota Municipal Finance Team. His prior direct experience in local government, economic development and housing development gives him keen insight into the opportunities and challenges his client communities face. Keith displays a strong understanding of public financial assistance and is able to distill complex information into easy-to-understand terms.

[See Keith's full biography.](#)

Work Plan & Budget

After a thorough review of the City's RFP and existing reports, Ehlers has a clear understanding of Lakeville's four key priorities and the measurable goals to benchmark progress against them. We intend to help the City *evo/ve* the 2020-2023 Strategic Plan to account for present-day and forecasted future needs, challenges and opportunities relative to:

- » Business retention, expansion and diversification
- » Community brand awareness, competitive benchmarks and infrastructure to attract development
- » Housing that stimulates commercial development and supports job base
- » Workforce optimization to ensure job availability meets demand and existing jobs match available skill sets

We'll use a well-tested, yet flexible approach to gather information, conduct research and analysis, and develop and refine the plan.

Our Facilitation Approach

Have fun!

- » Foster an environment where people want to participate and they can speak freely
- » Build strong relationships amongst EDC commissioners and between EDC commissioners and staff
- » Demonstrate that everyone has the same interest, which leads to betterment of the community

Establish ground rules and obtain group consensus to follow those rules.

- » Agree to standard ground rules (behavioral, acknowledgement for speaking, etc.)
- » Incorporate time limits on comments (critical in order to get through all material in the allotted time frame)

Review Ehlers/staff prepared material (base community characteristics) and facilitate discussion.

- » Encourage participation and thoughtful discussion from all attendees
- » Ask questions to help participants think differently
- » Help participants understand different points of view as needed
- » Foster solutions that incorporate diverse points of view
- » Obtain consensus on each issue/item before moving to next (summarize group consensus)

Manage time effectively.

- » Drive discussions forward by keeping members focused on issues/items and removing roadblocks

Record comments and facilitate consensus on work product from the strategic planning sessions.

- » Clearly show thoughts/ideas/perspectives and consensus reached
- » Have “parking lot” sheet to set aside issues that may need to be discussed further at a future meeting because they cannot be resolved during the allotted time-frame

Work Plan & Budget

Ehlers anticipates a minimum of two (2) meetings for planning purposes with the Economic Development Commission (EDC) and joint meeting with EDC, Planning Commission, and City Council. **Ehlers proposes to complete this work for an amount not to exceed \$14,625.** We will not bill the City for any other expenses. Included below is a proposed scope of work and process for creation of Lakeville’s Economic Development Strategic Plan. **We intend to complete the scope of work by August 30, 2024.**

THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK

Step	Scope of Work	Estimate & Cost
Data Collection and Compilation	<ul style="list-style-type: none"> » Meet with City Staff to review community and planning issues and discuss process timeline » Review existing plans and studies » Facilitate initial meeting with EDC to discuss process and expectations <ul style="list-style-type: none"> * Overview of community context and data for level setting purposes » Conduct telephone interviews with EDC members (30 minutes each) 	15 Hours
Meetings and Presentations	<ul style="list-style-type: none"> » Facilitate up to three strategic planning sessions with EDC members and City Staff » Facilitate joint meeting with EDC, Planning Commission, and City Council » Identify key themes and development objectives for inclusion in the strategic plan » Build consensus around goals and objectives for inclusion in the Plan. 	20 Hours
Strategic Plan Preparation	<ul style="list-style-type: none"> » Prepare an Economic Development Strategic Plan Document that includes: <ul style="list-style-type: none"> * Short, mid and long-terms goals * Specific tasks and a work plan designed to accomplish the stated goals * Recommended programs and policies for advancement of the Plan * Identification of funding sources and other tools » Meet with City Staff to review and refine summary 	26 Hours
Plan Presentation	<ul style="list-style-type: none"> » Present Final Plan to EDA and City Council, then revise and refine as necessary 	4 Hours
Total Hours		65 Hours
Total Cost @ \$225/Hour		\$14,625

Conflict of Interest

Ehlers has no known material or potential conflicts of interest.

Proposal Agreement

Ehlers and the City of Lakeville agree to the scope of work, not-to-exceed budget, and completion timeline detailed in this proposal.

Ehlers:



Signature: _____ **Date:** February 26, 2024

Jason Aarsvold
Senior Municipal Advisor

The City of Lakeville:

Signature: _____ **Date:** _____

Tina Goodroad, AICP
Community Development Director

City of Lakeville, MN

ECONOMIC DEVELOPMENT STRATEGIC PLAN 2024 – 2028

APPROVED BY EDC: December 3, 2024



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

ACKNOWLEDGMENTS

The Economic Development Commission of the City of Lakeville (EDC) developed this document to ensure a pragmatic approach to growth and development throughout the City of Lakeville over the next five years. The EDC is comprised of nine members, one alternate, and three ex officio positions.

Economic Development Commission Members:

- Victor Arredondo, Alternate Commissioner
- Rebecca Bergin, Commissioner
- Lowell Collman, Vice Chair
- Joe Eykyn, Commissioner
- Rick Bjorklund, Commissioner
- Jack Matasosky, Commissioner
- Andrew Phillips, Commissioner
- Don Seilier, Chair
- Glenn Starfield, Commissioner
- John Swaney, Commissioner
- Justin Miller, City Administrator
- Luke Hellier, Mayor
- Krista Jech, Chamber President

Staff Liaisons:

- Tina Goodroad, Community Development Director
- Kati Bachmayer, Economic Development Manager

Consultants:

- Jason Aarsvold, Ehlers and Associates
- Keith Dahl, Ehlers and Associates

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Introduction

OVERVIEW

The City of Lakeville, Minnesota is a growing community located in the southern portion of the Minneapolis-St. Paul Statistical Area. It is located immediately south of where Interstate 35W and 35E connect. The United States Census Bureau estimates the City had a population of 75,217 in 2023. This is an increase of about 34% from the 2010 census.

The City is seeing strong demand for both residential and industrial growth given its available land, proximity and location within the Twin Cities Metropolitan Area. The EDC is intently aware of its assets, competitive position, and continued growth potential. Lakeville intends to capitalize on its opportunities and help shape growth over the next five years in a manner consistent with community values. To accomplish this, the EDC undertook an in-depth and intentional strategic planning process for economic development.

This Strategic Plan sets forth an achievable, strategic economic development plan for the EDC and City of Lakeville. The Strategic Plan identifies specific goals, strategies and actions which build upon unique strengths and distinct characteristics of the City. Each of the goals focus on one or more priorities of the EDC which factor into the economic health and enhanced vitality of the City. The Strategic Plan's purpose is to articulate a set of measurable strategic actions that facilitate development within the City and provide guidance to staff on where to spend their time and City resources.

The Strategic Plan is not meant to be an exhaustive outline, but rather is intended to be a roadmap for guidance and direction. In addition, the Strategic Plan is meant to be fluid in that it should be reviewed regularly to determine if there is a change in priorities or if resources need to be shifted. A key aspect of this Strategic Plan is to assure the mechanisms are in place to recognize success, big or small, in development and to continuously realign the resources and policies of the City to meet the goals of the EDC.

PROCESS

The strategic planning process began the week of April 15, 2024, with all the EDC members completing an intake questionnaire form. A series of questions were asked to “level set” the initial conversation with the EDC. Staff desired to understand 1) what their perspectives, perceptions, and realities were of Lakeville, 2) identify priorities for development of the Strategic Plan, 3) review roles and responsibilities for implementation of the Strategic Plan, and 4) assess the course of direction for the future – how would success be measured over five years.

On April 23, Ehlers provided the EDC with an overview of the strategic planning process, an assessment of current economic conditions, and shared the major themes that originated from the intake questionnaire forms. EDC members broke into small groups to discuss their immediate reactions, as well as strengths, weaknesses, opportunities, and threats (SWOT). The primary goal of a SWOT analysis is to gain a better understanding of the current environment. It’s an honest attempt to evaluate internal and external factors involved in establishment of a strategic plan. Through this discussion, the EDC identified the following characteristics in each area:

Strengths:

- One of the Largest Industrial Park in Minnesota
- Proximity to Airports - MSP International & Airlake
- Convenient Access to I-35
- Land Availability
- Quality of School District
- Engaged Community, Chamber, Tech College, School District, and City Leadership
- Small Town Mentality with a Big Town Feel
- Diverse Business Base / Growing Residential Community
- Parks, Trails, and Open Spaces
- Historic Downtown

Weaknesses:

- Public Transportation to and within Lakeville
- Diversity & Affordability of Housing
- Cost to maintain existing infrastructure
- Cost to construct new infrastructure
- Labor Retention and Attraction for the Industrial Park
- Bedroom Community – Homogenous tax base
- Location – Harder to Attract Certain Employers
- Lack of centralized commercial corridor
- High income employment opportunities
- Geographic size of the community – Four pockets

Opportunities:

- Interchange at I-35 and CSAH 50 (Kenwood Trail)
- County Road 70 – East/West Corridor
- Promotion of Lakeville outside of Greater MSP and DEED – Increase Marketing Efforts of Development Opportunities
- Collaboration & Coordination with Local Partners, Stakeholders and Businesses
- Land Availability for Attraction & Retention of Businesses
- Attraction of Capital-Intensive Industries
- Public Transportation to Industrial Park
- Annexation of Adjacent Land
- Implementation of a Business Retention and Expansion Program
- Secure Financial Resources for Economic Development & Identify Financial Incentives

Threats:

- Transition of Online Services and Sales
- Financial Impacts to the City – Growth May Mean Increased Levies
- Resources of the City may not be Adequate for Expectations of Economic Development Efforts
- Labor Availability – Dwindling Workforce
- Not having a Diverse Commercial/Industrial Tax Base
- Not Listening to the Business Community
- Inadequate Housing to Meet the Needs of Jobs within Lakeville
- Decline of School District
- State Legislation
- Financial Demands on Resources with Aging Population and Infrastructure

When it comes to a SWOT analysis for factors specifically related to “threats”, it’s important to note that staff encouraged the EDC to cast a wide net. No community, organization, or group is immune to threats. Therefore, many of the characteristics addressed above are simply considerations that the EDC discussed as possibilities.

Following the conclusion of the SWOT analysis, staff began formulating goals for consideration and discussion at the May EDC meeting. Members broke up into small groups again to obtain thoughts, concerns, or objections to the draft goals. Staff took the EDC’s feedback, refined the goals, and then began drafting strategies to accomplish each goal.

Then, at the next meeting in June, the EDC finalized the goals and strategies for inclusion into the Strategic Plan. Staff began compiling the Strategic Plan and shared it with EDC members individually in July for final review and comments.

Current Conditions

EDC Commissioners spent time reviewing data about the City of Lakeville to help inform development of the Strategic Plan. The following information and key “take-aways” provided through the planning process allowed the EDC to review the state of Lakeville in context against that of the metro area, selected peer communities, and the State of Minnesota.

TAX BASE

Growing the tax base is one of the central goals of any economic development effort. Tracking the growth in Lakeville’s tax base will be one important way to measure success. Comparing that growth to the state as a whole, as well as other peer communities will help the City understand if the tax base growth is simply inflationary, or if the City’s growth is increasing relative to its peers. A strong economic development strategy is one factor that can contribute to tax base growing faster than peer communities. The table below compares Lakeville’s market value, which is a measure of the City’s tax base, to selected peer communities and the State of Minnesota between 2019 and 2023.

Table No. 1

City	2023 Population	Estimated Market Value		Change 2019 - 2023		Market Value
		2019	2023	Amount	Pct.	Per Capita
Apple Valley	56,252	\$5,844,660,177	\$7,925,007,900	\$2,080,347,723	35.59%	\$140,884.02
Blaine	73,546	\$6,976,175,700	\$10,219,852,900	\$3,243,677,200	46.50%	\$138,958.65
Burnsville	65,327	\$7,286,183,800	\$9,189,233,700	\$1,903,049,900	26.12%	\$140,665.17
Cottage Grove	42,648	\$3,621,147,803	\$5,517,714,600	\$1,896,566,797	52.37%	\$129,378.04
Lakeville	75,217	\$7,660,224,000	\$11,815,943,000	\$4,155,719,000	54.25%	\$157,091.39
Maple Grove	71,676	\$9,546,158,649	\$13,591,232,100	\$4,045,073,451	42.37%	\$189,620.40
Woodbury	78,740	\$9,495,119,701	\$13,548,254,400	\$4,053,134,699	42.69%	\$172,063.18
Minnesota	5,737,915	\$730,666,043,555	\$979,760,018,170	\$249,093,974,615	34.09%	\$170,751.92

Source: US Census Bureau - ACS 5-Year Estimates; Minnesota Department of Revenue; Metropolitan Council

As indicated in Table No. 1, Lakeville’s market value growth between 2019 and 2023 has outpaced peer communities and the State. This comparison is a helpful way to understand whether the City’s market value growth reflects the general inflation within the region, or if there may be other factors contributing, such as an intentional economic development strategy. The fact that Lakeville is a growing community with available land, is directly contributing to this. In addition, both total market value and market value on a per capita basis, are strong compared to selected peer communities.

Table No. 2

Tax Capacity	2019	2023	Amount	Pct.
Apple Valley	\$62,864,531	\$85,222,663	\$22,358,132	35.57%
Blaine	\$78,483,537	\$115,300,642	\$36,817,105	46.91%
Burnsville	\$82,872,409	\$110,035,999	\$27,163,590	32.78%
Cottage Grove	\$37,558,965	\$58,070,742	\$20,511,777	54.61%
Lakeville	\$82,788,937	\$130,066,363	\$47,277,426	57.11%
Maple Grove	\$109,919,969	\$158,706,622	\$48,786,653	44.38%
Woodbury	\$106,383,864	\$153,859,077	\$47,475,213	44.63%
Minnesota	\$7,819,004,851	\$10,638,170,403	\$2,819,165,552	36.06%

Source: Minnesota Department of Revenue

While market value growth is a strong tax base indicator, it needs to be compared to tax capacity since property taxes, in Minnesota, are directly calculated using tax capacity instead of market value. This allows communities to understand how much tax base is available to disburse their levy across. Table No. 2 verifies that the growth Lakeville is experiencing from market value has translated into tax capacity growth for property tax purposes.

Breaking down the total tax capacity of Lakeville in Table No. 2 above by property classifications, provides us with an understanding of where Lakeville is experiencing growth. Table No. 3 on the following page breaks this down by property classification so we can see the growth or decline between 2019 and 2023.

Table No. 3

	Payable Year		Change
	2019	2023	2019-2023
Tax Capacity	\$ 82,788,937	\$ 130,066,363	\$ 47,277,426
Residential - homestead	68.38%	69.36%	0.98%
Residential - non-homestead	7.76%	8.66%	0.91%
Farm	0.88%	0.54%	-0.34%
Commercial/Industrial	18.40%	16.28%	-2.12%
Apartments	2.73%	4.04%	1.31%
Other	1.85%	1.11%	-0.74%

Source: Minnesota Department of Revenue

Lakeville experienced exponential increase to its tax capacity between 2019 and 2023. Tax capacity increased more than \$47 million, an increase of approximately 58%. It’s important to note that Table No. 3 above breaks down the relative percent of each property classifications’ tax capacity against the total. A negative number in the “change” column does not directly mean the tax base for that property classification declined. Rather, it means the total tax capacity is shifting between different property classifications. Table No. 3 allows us to ascertain that residential growth has outpaced commercial and industrial development growth between 2019 and 2023.

BUSINESSES

Businesses play a crucial role in every community. They create jobs, influence community identities, and generally give back to the community in which they are a part of. As indicated in Table No. 4 below, Lakeville had 1,546 businesses at the end of 2023. The makeup of businesses within Lakeville have been broken down by industry sectors and compared to the same industry sectors of the State for contextual purposes.

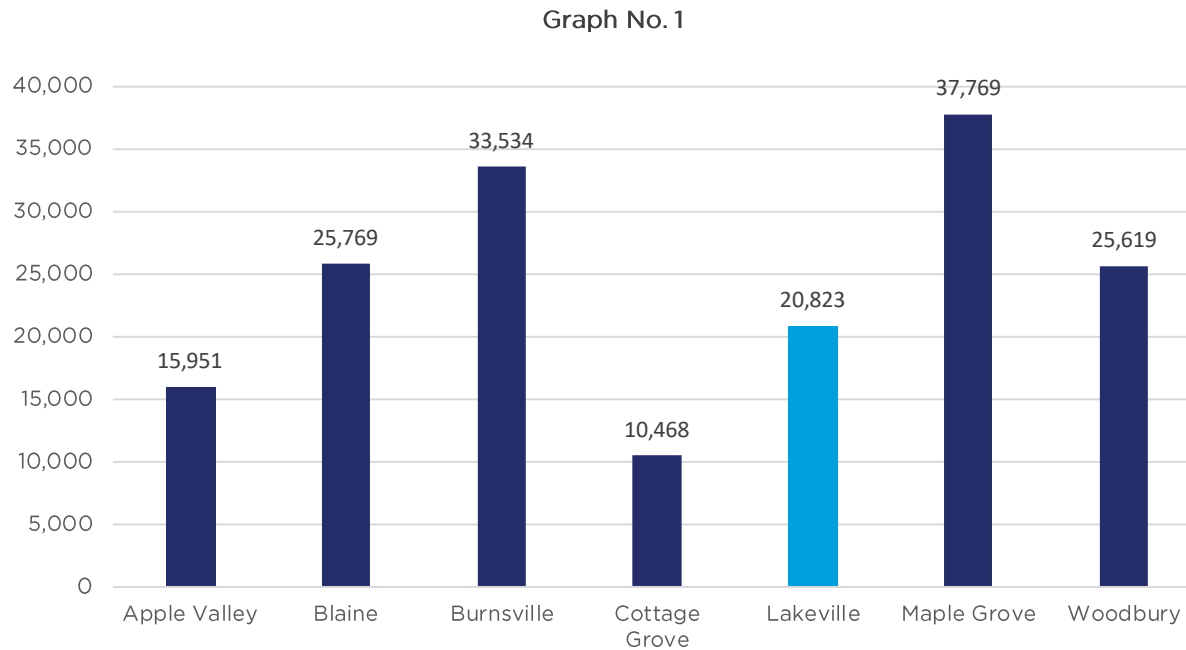
Table No. 4

Industry	Lakeville	Pct.	Minnesota	Pct.
Businesses	1,546		207,648	
Agriculture, forestry, fishing and hunting, and mining	6	0.39%	3,488	1.68%
Construction	154	9.96%	18,343	8.83%
Manufacturing	74	4.79%	8,625	4.15%
Utilities	0	0.00%	538	0.26%
Wholesale trade	86	5.56%	15,423	7.43%
Retail trade	116	7.50%	17,737	8.54%
Transportation and warehousing, and utilities	41	2.65%	6,352	3.06%
Information	32	2.07%	6,928	3.34%
Finance and insurance, and real estate and rental and leasing	167	10.80%	17,967	8.65%
Professional, scientific, management, administrative, and waste management	262	16.95%	41,706	20.08%
Educational services, and health care and social assistance	316	20.44%	29,735	14.32%
Arts, entertainment, and recreation, and accommodation and food services	108	6.99%	16,725	8.05%
Other services, except public administration	179	11.58%	20,687	9.96%
Public administration	5	0.32%	3,394	1.63%

Source: Source: MN Department of Employment and Economic Development

EMPLOYMENT

Existence of job opportunities within a community is one indicator of economic strength. Jobs provide opportunities for residents, but they also bring significant economic activity that helps support additional growth in the commercial sector. Lakeville has experienced steady job growth over the last two decades. Graph No. 1 below compares the number of jobs in Lakeville to selected peer communities at the end of 2023.



Source: Source: MN Department of Employment and Economic Development

Lakeville had 20,823 jobs within the community. The US Census Bureau estimates 4,201 residents of Lakeville were employed within Lakeville. Moreover, they also estimated that 38,819 residents of Lakeville were employed meaning approximately 90% of residents of Lakeville commute outside of Lakeville for employment. Understanding these metrics are crucial when developing an economic development strategy.

This ultimately led us to review and evaluate the types of jobs within Lakeville by industry. Table No. 5 below breaks down the number of jobs within Lakeville by industry. As indicated on the table, the majority of jobs are in 1) educational services, and health care and social assistance, 2) manufacturing, 3) arts, entertainment, and recreation, and accommodation and food services, and 4) retail trade.

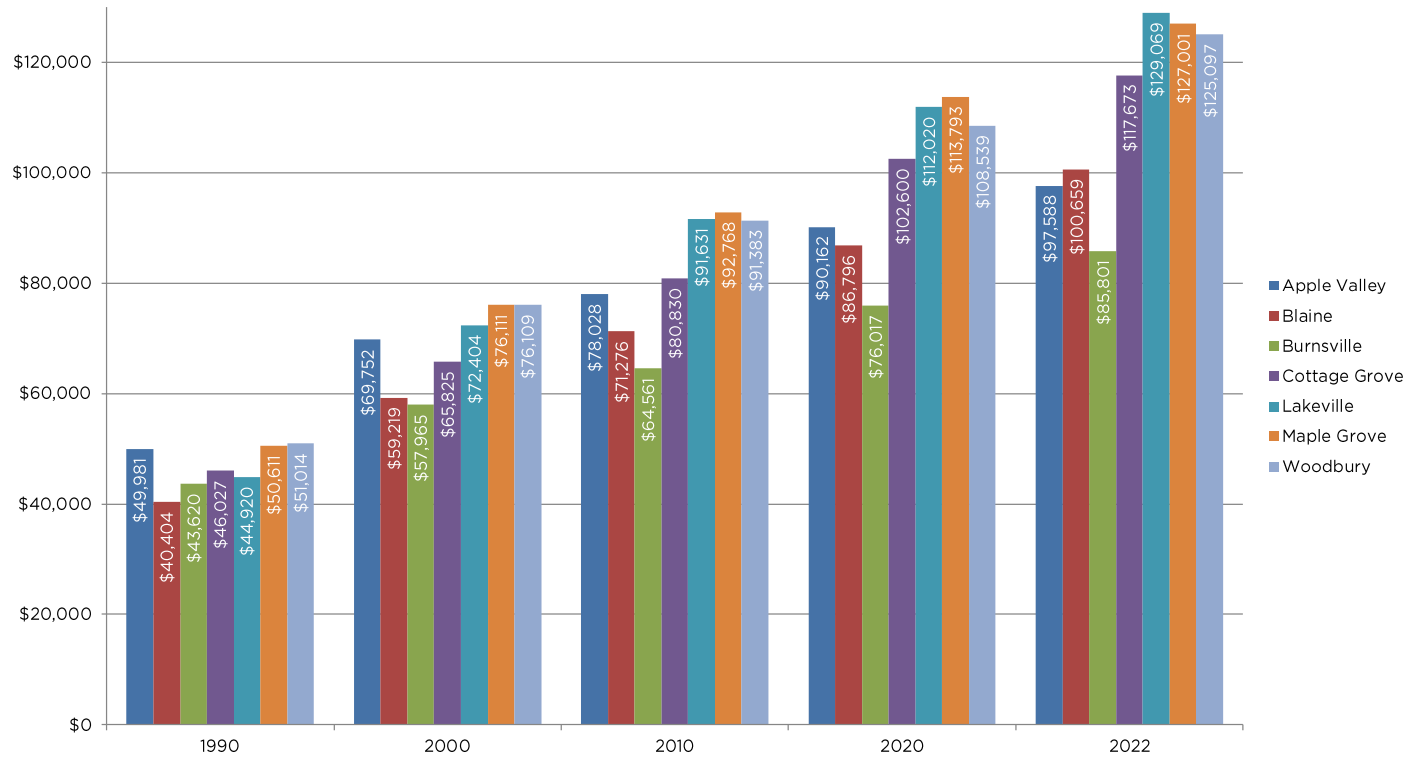
Table No. 5

Industry	Lakeville	Pct.	Minnesota	Pct.
Jobs	20,823		2,903,264	
Agriculture, forestry, fishing and hunting, and mining	26	0.12%	29,089	1.00%
Construction	1,138	5.47%	142,943	4.92%
Manufacturing	3,005	14.43%	325,814	11.22%
Utilities	0	0.00%	14,441	0.50%
Wholesale trade	807	3.88%	133,457	4.60%
Retail trade	2,739	13.15%	283,766	9.77%
Transportation and warehousing, and utilities	777	3.73%	114,523	3.94%
Information	278	1.34%	48,232	1.66%
Finance and insurance, and real estate and rental and leasing	859	4.13%	176,260	6.07%
Professional, scientific, management, administrative, and waste management	2,479	11.91%	387,754	13.36%
Educational services, and health care and social assistance	4,495	21.59%	741,298	25.53%
Arts, entertainment, and recreation, and accommodation and food services	2,860	13.73%	278,083	9.58%
Other services, except public administration	864	4.15%	90,307	3.11%
Public administration	496	2.38%	137,297	4.73%

Source: Source: MN Department of Employment and Economic Development

INCOME

Graph No. 2



Source: US Census Bureau

Lakeville’s median household income increased from \$44,920 in 1990 to \$129,069 in 2022. A 187% increase.

Median household income in the Twin Cities increased from \$36,565 in 1990 to \$94,673 in 2022. A 159% increase.

Lakeville’s median income is growing faster than the Twin Cities region

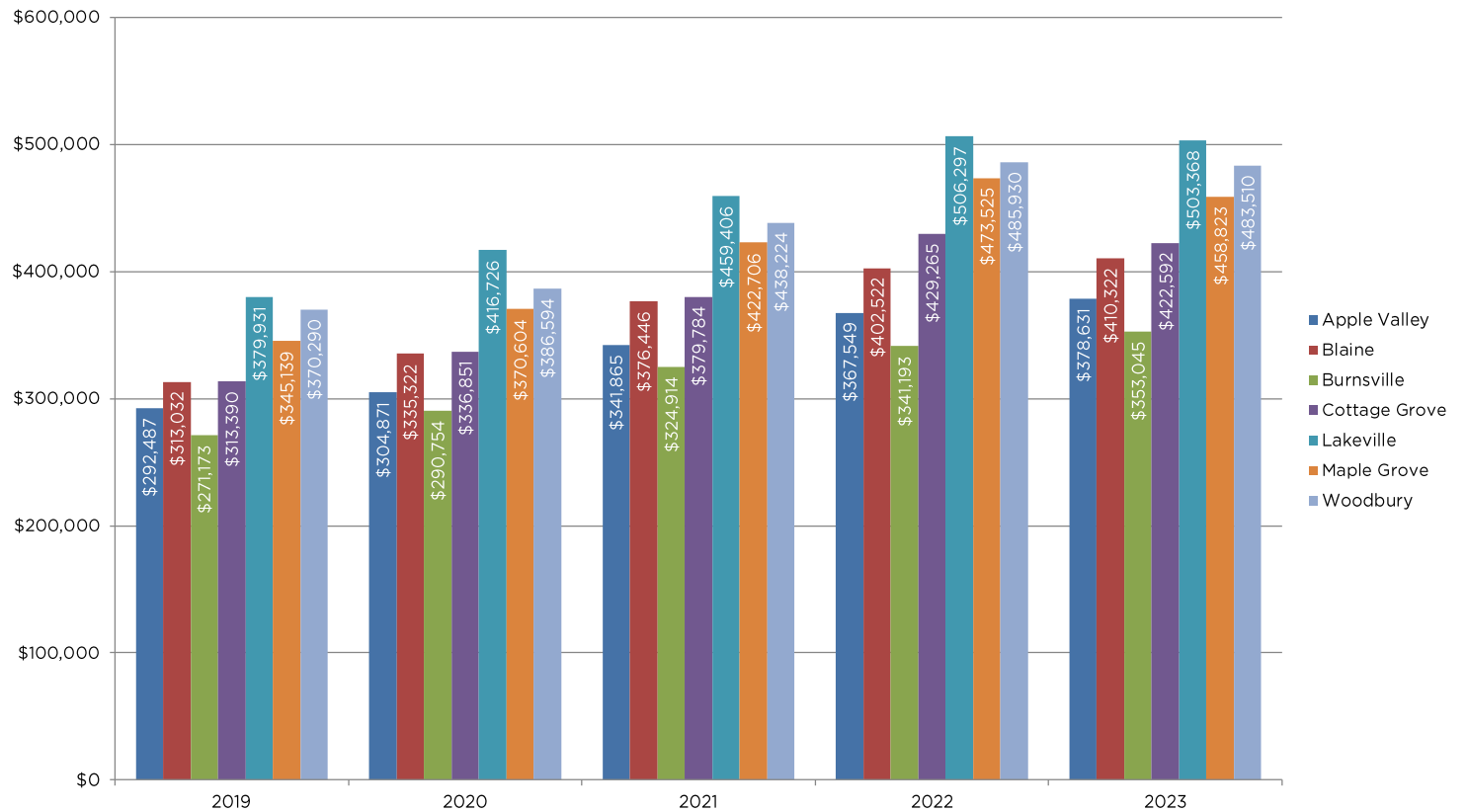
HOUSING SALES

Lakeville’s median home sale price was \$379,931 in 2019 and increased to \$503,368 in 2023, which is a 32% increase.

The median home sale price in the Twin Cities region was \$288,000 in 2019 and increased to \$370,000 in 2023, which is a 28% increase.

Lakeville’s median home sales price is the highest of the peer cities reviewed.

Graph No. 3



Source: Minnesota Area Realtors Association

Resources

Successful implementation of Lakeville’s Economic Development Strategic Plan will require attention to the balance between priorities and available resources. The amount of work in this plan that the City can take on and the timeframe within which it can be accomplished will be a function of available resources. These resources include funding, human capital, and technology. There may always be more activities on the economic development wish list than available resources to give them all the appropriate attention.

The City’s staff and other financial resources are finite, and it is difficult to create a large enough “hope chest” in the short-term to address all the City’s needs. The City has relied in the past on the use of some public resources and tools that exist to accomplish its goals and will need to in the future as well.



The primary limiting resource for the City is funding availability to fully execute long-term plans. For this reason, prioritizing the City’s economic development activities is critical. This exercise in prioritization must be done in the context of the resources available to get the job done. Finding the proper balance will help ensure the City’s investment in economic development is achieving the goals most important to the community. If priorities and resources are out of balance, the City will either have trouble accomplishing its goals, or will be investing more than may be necessary. The City will need to continually evaluate its economic development program and funding levels to stay in balance.

The plan contemplates time horizons for accomplishing each goal based on a schedule that uses short term and long-term increments within the four-year time span (2024 - 2028). Short term actions are anticipated to be completed within two years while long-term actions may extend the full four-year time span and possibly beyond. When this plan is updated, long-term actions will be reevaluated and may be carried over into the next plan.

Ongoing actions identify activities that the EDC and staff regularly focus their time, attention, and efforts on as they interact with the public, business community and developers.

We recommend establishing an annual work plan to address these goals and action items. This will allow the EDC to prioritize which items are most important so staff can identify the necessary resources to carry out the plan.

Economic Development Strategy

GOAL 1: IDENTIFY RESOURCES AVAILABLE FOR ECONOMIC DEVELOPMENT

STRATEGY	ACTIONS	TIMELINE
1.A.	Evaluate resources necessary to accomplish goals identified in this Economic Development Strategic Plan	Short Term
1.B. Explore internal resources available for economic development	Consider a Housing and Redevelopment Authority (HRA) levy	Long Term
	Evaluate creation of an Economic Development Authority (EDA) and implement levy	Long Term
	Assess tax increment financing (TIF) pooling and formulate a policy to ensure it's maximized on future TIF districts	Long Term
	Establish a revolving loan fund for businesses	Long Term
1.C.	Review and update public financing policies to determine where, when, and how public assistance will be provided (i.e. minimum qualifications, desired qualifications, community return on investment, etc.)	Long Term
1.D.	Strengthen external relationships with local and regional funding agencies	Ongoing

SUCCESS MEASURES

1. Track the development ratio of public to private funds invested
2. Update public financing policies
3. Track capitalization of internal and external resources available for economic development
4. Implementation of this economic development strategic plan

GOAL 2: EXPAND EXISTING BUSINESSES AND PROMOTE ENTREPRENEURSHIP

STRATEGY	ACTIONS	TIMELINE
2.A. Establish a formal Business Retention and Expansion (BRE) Program	Assess human capital availability, annual budget appropriation, and technology necessary	Short Term
	Identify individuals and/or groups of individuals who will manage, monitor, and evaluate the program, as well as individuals and/or groups who will implement the BRE program and administer site visits	Short Term
	Formalize business visitation process and surveying parameters	Short Term
	Promote BRE program to the local business community	Short Term
2.B. Identify opportunities to assist entrepreneurs and start-up businesses		Ongoing
2.C. Increase outreach to and understanding of local home-based businesses to assess growth potential, technical needs, and market opportunities		Short Term
2.D. Encourage development of co-working, maker spaces, commercial kitchens, and other small business and entrepreneurial space needs in Lakeville		Long Term
2.E. Work with public and private partners to foster affordable commercial space solutions		Ongoing
2.F. Identify an internal funding mechanism to provide assistance to small businesses		Long Term

SUCCESS MEASURES

1. Track the development ratio of public to private funds invested
2. Track total amount of grant funds secured and received
3. Track number of site visits to assess businesses needs

GOAL 3: ESTABLISH LAKEVILLE’S COMPETITIVE EDGE

STRATEGY	ACTIONS	TIMELINE
3.A. Enhance awareness and image of Lakeville and its opportunities	Consider performing a marketing audit to assess Lakeville’s current marketing content, and refresh content, taglines, and data as needed	Long Term
	Identify and engage with external partners and organizations (i.e. local real estate brokers, site selectors, developers, banks, regional trade organizations, professional groups and other special interest groups)	Ongoing
	Identify underutilized properties and areas of development opportunities	Short Term
	Promote small town feel, big City opportunities	Ongoing
	Solicit and leverage testimonials from local business who endorse Lakeville as a great place to do business (i.e. tell Lakeville’s story through firsthand experiences and decision making - why do businesses choose Lakeville?)	Short Term
	Enhance relationships with external partners (i.e. Chamber of Commerce, School Districts, Dakota County Technical College, Dakota-Scott Workforce, Greater MSP, Minnesota Department of Employment and Economic Development and other quasi-governmental entities)	Ongoing
	Create a detailed package of promotional materials and industry-specific marketing materials - online and print materials	Long Term
	Proactively promote development opportunities and available sites within Lakeville	Ongoing

3.B. Address initiatives to support workforce retention and attraction	Conduct an occupational data analysis to assess qualifications, skills and abilities of current workforce	Long Term
	Continue to partner with local school districts – ISD 192, 194, and 196, Dakota County Technical College, Dakota-Scott Workforce Development Board, local business advocates such as the Chamber of Commerce, regional advocacy groups, and local businesses	Ongoing
	Continue the collaborative efforts with the Chamber of Commerce on implementing Lakeville Works	Ongoing
	Explore and encourage Lakeville Works to include ISD 192 and 196	Long Term
	Leverage Dakota County Technical College and CareerForce for business training programs	Ongoing
	Promote and encourage Lakeville’s school districts to continue and expand their STEM (science, technology, engineering, and mathematics) programs at all grade levels	Ongoing
	Connect businesses to training and employment resources	Ongoing
	Identify opportunities for diversity and affordable housing options (i.e. zoning changes to lot widths, sizes and allowable densities, and partnering with developers on affordable ownership and rental projects)	Long Term
	Update City public financing policies to define parameters around providing public assistance for housing projects, if any	Long Term

3.C. Invest in transportation efforts that maintain and improve access to commercial nodes and corridors	Assess the viability of the Metropolitan Council’s plan of Cedar Avenue to understand the future plan for bus rapid transit (BRT)	Short Term
	Analyze selected transit stops to determine if market demand exists based on the surrounding commercial and multi-family housing	Short Term
	Coordinate transportation planning and implementation with Dakota County on County State Aid-Highway (CASH) infrastructure improvements that impact industrial districts, and commercial nodes and corridors, specifically establishment of an east/west principal arterials and future minor and major collectors	Ongoing
	Evaluate access and connections of sidewalks, parks, and trails to and between industrial districts, and commercial nodes and corridors	Long Term
	Collaborate between community development and public works departments to ensure future Comprehensive Plans address commercial and industrial growth - infrastructure investment and preserving undeveloped land	Ongoing

SUCCESS MEASURES

1. Track demographic analytics for the City’s economic development webpage
2. Track number of businesses relocating and expanding within Lakeville
3. Measure number of jobs created and retained
4. Track average wage levels overtime
5. Measure net increase in commercial and industrial square footage
6. Track number of available sites, sale information, and what was developed
7. Track participation numbers and results from Lakeville Works and STEM programming

GOAL 4: STRENGTHEN LAKEVILLE’S LOCAL TAX BASE

STRATEGY	ACTIONS	TIMELINE
4.A. Encourage growth and diversification of local tax base	Promote development opportunities and reinvestment in existing properties	Ongoing
	Cultivate working relationships with local and regional economic development partners, such as the local Chamber of Commerce, educational institutions, Dakota County, Greater MSP and DEED	Ongoing
	Respond to site selector requests for information and proposals on potential development sites from DEED and Greater MSP	Ongoing
4.B. Identity target industries for attraction	Evaluate the need to conduct and perform a sector industry analysis and/or industry cluster analysis	Short Term
	Engage with a site selector(s) to review areas for opportunity, evaluate development sites, and market sites to companies	Ongoing
4.C. Foster employment growth with livable wage opportunities	Direct City assistance to projects with job density and higher wages	Ongoing

SUCCESS MEASURES

1. Measure increased market value and tax base growth year-over-year
2. Track number of RFIs and RFPs submitted by the City
3. Identify two or more target industries and produce target industry profiles for each

GOAL 5: ENHANCE LAKEVILLE’S DISTINCT INDUSTRIAL AND COMMERCIAL DISTRICTS

STRATEGY	ACTIONS	TIMELINE
5.A. Encourage infill and redevelopment opportunities that strengthen district character		Ongoing
5.B. Consider small area plans where appropriate		Short Term
5.C. Engage development community around opportunities for goal implementation		Ongoing
5.D. Explore enhanced linkages between development districts and adjacent neighborhoods		Ongoing
5.E. Assess placemaking initiatives to brand areas of Lakeville		Long Term
5.F. Facilitate collaboration between the Lakeville Convention Center & Visitor Bureau and the Chamber of Commerce to promote commercial corridors and nodes	Evaluate other fairs and festivals to promote retail and small business operations (i.e. food truck festivals, restaurant weeks, etc.)	Long Term

SUCCESS MEASURES

1. Track and report on efforts made to enhance the distinct industrial and commercial districts

Appendix A – Program Structural Considerations

Public assistance is provided in many different forms. Structural consideration must be given when determining program feasibility since it directly influences the impact and outcome of a program. This section summarizes different types of program structures to start building a framework for future programs. Generally, there are two main categories – grants and loans – and each category has several variations for consideration.

GRANT PROGRAMS

Project Grants: These grants usually fund 100% of specific costs. Project grants are most often competitive and available to eligible organizations and individuals through an application process.

Pros	Cons
<ul style="list-style-type: none"> • Leverages internal resources to facilitate a desired outcome • Highly competitive since recipient would not have to repay the funds • May be less administratively time consuming than loan programs which require recording loan documents against the property 	<ul style="list-style-type: none"> • Program funds may be depleted rather quickly • May be harder to claw back funds if not used as intended • Recipient may not use funds efficiently

Matching Grants: These grants require recipients to contribute a specified amount towards project costs. Matching grants may be offered competitively or non-competitively throughout the year.

Pros	Cons
<ul style="list-style-type: none"> • Encourages organizations and individuals to efficiently manage project costs • Program funds typically stretch further and can benefit more recipients • May be less administratively time consuming than loan programs which require recording loan documents against the property • Leverages external resources • Requires organizations and individuals to have “skin in the game” 	<ul style="list-style-type: none"> • Requires recipient to source matching funds • May be harder to claw back funds if not used as intended

LOAN PROGRAMS

No-Interest Loans: These loans do not require recipients to repay any interest on the funds borrowed, provided that the recipients meet certain requirements for repayment on the principal amount.

Low-Interest Loans: These loans require recipients to begin repaying principal and interest following distribution of funds. While interest rates are below conventional financing rates, the interest charged usually at a minimum, covers the cost of the lender to make and service the loan. Interest rates may range between 1% - 3%.

Deferred Loans: These loans do not require recipients to repay principal and interest during a specific period of time or until a specific event happens, such as a sale or transfer of ownership. Deferred loans may or may not have an interest rate component.

Forgivable Loans: These loans are typically structured as deferred loans that convert into a grant when a specific event occurs. Most often a recipient will cover the issuance cost and only repay it if a specific event doesn't occur within a specified period of time.

Pros	Cons
<ul style="list-style-type: none"> • Encourages organizations and individuals to efficiently manage project costs 	<ul style="list-style-type: none"> • May create barriers for future development since funds may be required to be repaid, except for forgivable loans
<ul style="list-style-type: none"> • Funds will eventually be repaid and recycled back into the program for future use, except for forgivable loans 	<ul style="list-style-type: none"> • Higher administration costs related to issuance and servicing of the loans
<ul style="list-style-type: none"> • Funds may be clawed back if recipient doesn't use them as intended or does not achieve the desired outcome 	<ul style="list-style-type: none"> • Recipient may not have the means or a revenue stream to payback principal and/or interest over time

Each program structure has pros and cons related to its use and application. Evaluating the best option for a program, however, comes down to the impact and outcomes desired – the reason, or reasons, for establishing it.

For instance, if the main reason to create a program is to incentivize something with the lowest possible cost to the recipient, then a grant or a forgivable loan may be the best option since it would cover the up-front cost and not need to be repaid. However, if the main reason to create a program is to incentivize something with the expectation that the assistance would be repaid, then a loan other than a forgivable one would be the best option since it would cover the upfront cost of demolition but would eventually be repaid.

Appendix B – City Resources for Economic Development

When it comes to securing program resources there are two fundamental questions that must be contemplated: From where is the money going to come? And is it on a recurring basis? Successful implementation of this Strategic Plan and future programs for economic development will require attention to the balance between City priorities and available resources. Resources for economic development may be secured from a variety of external partners in the form of grants and loans. This section contemplates a few City-controlled options available for economic development purposes, but it is not intended to be an exhaustive list. These City resources are often leveraged with other outside funding sources to accomplish City economic development objectives.

HOUSING AND REDEVELOPMENT AUTHORITY (HRA)

Under MN Statutes, cities are allowed to establish a housing and redevelopment authority (HRA) and levy a special tax on all taxable property within the area of operation of the authority. Lakeville has an established HRA but does not levy a special tax. If Lakeville decided to levy a special tax under their HRA powers, the amount of the levy would be set by the authority and may not exceed 0.0185% of the estimated market value in the City. If the maximum amount of a levy was approved, the resources available to Lakeville would be around \$2,357,915 based on estimated market values for pay 2024.

Use of these resources could be for housing or redevelopment projects where the HRA is meeting one of its stated purposes under the HRA Act. Generally, purposes of an HRA are to provide adequate, safe, and sanitary dwelling for low-income individuals, as well as clearance and redevelopment of blighted areas.

ECONOMIC DEVELOPMENT AUTHORITY (EDA)

Under MN Statutes, cities are allowed to establish an economic development authority (EDA) and levy a tax in any year for the benefit of the authority. If Lakeville decided to levy a tax under EDA powers, the amount of the levy would be set by the authority and may not exceed 0.01813% of the estimated market value in the City. If the maximum amount was levied, the resources available to Lakeville would be around \$2,310,756 based on estimated market values for pay 2024.

Use of these resources could be for various economic development projects that promote growth. Generally, primary powers of an EDA are to promote business development and recruitment of new businesses. EDAs effectively bridge the divide between what HRAs and Port Authorities are allowed to do. This allows cities to create more flexible options to provide business and development assistance.

PORT AUTHORITY

Under MN Statutes, cities are allowed to establish a Port Authority and levy a tax in any year for the benefit of the authority. If Lakeville decided to levy a tax under Port Authority powers, the amount of the levy would be set by the authority and may not exceed 0.01813% of the estimated market value in the City. If the maximum amount was levied, the resources available to Lakeville would be around \$2,310,756 based on estimated market values for pay 2024.

Use of these resources could be for promote the general welfare of a port district, increase the commercial efficiency of the district, and actively improve business opportunities. Generally, the powers of a Port Authority are more expansive of an HRA or EDA.

TAX INCREMENT FINANCING (TIF):

Tax increment financing (TIF) is a method of stimulating economic development in a targeted geographic area within a community. Tax increment is generated from creation of new value (i.e. construction of new development, rehab of existing properties, and/or property appreciation) being created within a TIF district over and above the base value. Currently, there are five main types of TIF districts, and they include a 1) Redevelopment District, 2) Renewal and Renovation District, 3) Housing District, 4) Soils Condition District, and 5) Economic Development District. Each type of TIF district has its own establishment requirements and eligible activity for which tax increment may be used to reimburse or pay for various costs and incentives.

Use of tax increment may be used is several ways including but not limited to redevelopment of obsolete and substandard buildings, construction of affordable housing, cleanup of contaminates properties, general economic development incentives, public infrastructure, administration, and certain activities outside of the TIF district - commonly referred to as TIF pooling.

While TIF is commonly associated with being an important mechanism for cities to incentivize development and redevelopment, cities are able to leverage tax increment in other ways to implement their economic development strategies. For instance, TIF pooling allows cities to use between 20% to 25% of total revenues derived from tax increments outside of the TIF district but within the development district, and up to 10% of tax increment collected on administrative expenses. Note: since administrative expenses are considered an expenditure outside of the TIF district, the amount of TIF pooling availability will reduce accordingly. Meaning, if a city's administrative costs for a TIF district are 10%, this reduces the TIF pooling availability down to 10% to 15% depending upon the type of TIF district.

TAX ABATEMENT:

Tax abatement is another mechanism for cities to incentivize development and promote local economic growth. The benefit of tax abatement is it's more flexible than TIF, however it will generally create a lesser amount of a development incentive. The reason for this is because every local taxing jurisdiction must approve being a part of the tax abatement where TIF every local taxing jurisdiction is a de facto partner as long as the city approves the TIF district. Many times, tax abatements for economic development only include the city's portion of property taxes. When used for economic development, tax abatements are essentially used to reduce a landowners property taxes or deferment of property tax payments.

December 2024 EDA Business Updates:

- **1 new home permit** was issued in November (1 single family home and 0 townhome units). 10 residential home permits have been issued so far in 2024 (10 single family, 0 townhomes, 0 apartment units).
- A building permit was issued for footings/foundation at **102 Chalupsky Ave. SE for a 54-unit apartment building**. Work on the footings started on November 27th. Full issuance of the permit is still pending.
- Commercial window and door permits were issued for four buildings downtown (located at **102 to 108 Main St. E.**).

From: Krenz, Greg (MHFA) <Greg.Krenz@state.mn.us>
Sent: Wednesday, December 4, 2024 10:28 AM
Subject: December Minnesota City Participation Program Update

Please see the attached Minnesota City Participation Program (MCP) final report for loans committed between January 16, 2024 and November 30, 2024. Along with MCP usage, we also provide loan data from other Minnesota Housing home mortgage programs in your community. This is the final report of the program year. Monthly emails will resume in February when I send out the 2025 MCP marketing toolkit.

This month's updates:

Thank You for a Great Year!

Most communities blew past their program usage allotment and served many more households than required. Collectively, here was our impact this year in MCP participating communities:

- **2,203** first-time homebuyers with incomes below 80% Area Median Income (AMI) received home mortgage loans in your communities. This is an increase of over 18% from last year.
- **3676** total homeowners received loans (including all first-time buyers and repeat buyers). This is an increase of almost 17% from last year.
- **81%** of borrowers received a down payment and closing cost loan.

Thank you for your hard work promoting the program within your communities and networking with lender partners who originate the loans. Our homeownership program is making a difference for families, your communities, and our local economy.

Greg Krenz
Homeownership Program Manager | Single Family Division
Pronouns: He/Him/His

Minnesota Housing
400 Wabasha St. N., Suite 400 | St. Paul, MN 55102
Direct: 651.297.3623 | Main: 800.657.3769

Housing is the foundation for success. | mnhousing.gov



2024 MCPP Usage Report 1.16.2024 - 11.30.2024 (Applies to Start Up Program Loans Only)

For Informational Purposes Only

Applicant Name	Allocation Amount	Committed Loans	Committed Amount	*Usage Test	% of Usage	**Additional Start Up Loans		Step Up Loans		Fix Up Loans		Total Loan Activity		Downpayment and Closing Cost Loans	
						Committed Loans	Committed Amount	Committed Loans	Committed Amount	Committed Loans	Committed Amount	Committed Loans	Committed Amount	% of First Mortgage	Total Amount of Downpayment
Aitkin	\$ 300,526	6	\$896,466	MET	298%	0	\$ -	1	\$ 139,600	1	\$ 9,568	8	\$1,036,067	88%	\$ 112,100
Alexandria	\$ 276,088	5	\$873,222	MET	316%	2	\$ 519,900	1	\$ 300,457	3	\$ 77,364	11	\$1,693,582	73%	\$ 137,000
Anoka	\$ 6,661,718	255	\$66,381,718	MET	996%	68	\$ 21,359,310	51	\$ 16,283,198	51	\$ 1,267,581	425	\$104,024,277	80%	\$ 5,655,192
Becker	\$ 646,455	11	\$1,804,650	MET	279%	4	\$ 1,098,542	5	\$ 1,205,811	10	\$ 400,125	30	\$4,109,013	67%	\$ 291,996
Benton	\$ 275,075	2	\$386,350	MET	140%	0	\$ -	0	\$ -	1	\$ 14,490	3	\$386,351	67%	\$ 33,000
Blue Earth - City of	\$ 100,000	2	\$111,199	MET	111%	0	\$ -	0	\$ -	0	\$ -	2	\$111,199	100%	\$ 31,150
Blue Earth - County of	\$ 1,285,114	31	\$5,748,720	MET	447%	7	\$ 1,722,089	7	\$ 1,827,472	4	\$ 97,130	49	\$9,298,285	86%	\$ 673,500
Bluff Country HRA	\$ 739,069	15	\$2,414,393	MET	327%	2	\$ 301,980	2	\$ 362,465	11	\$ 378,359	30	\$3,078,849	63%	\$ 285,432
Breckenridge	\$ 100,000	3	\$462,608	MET	463%	0	\$ -	0	\$ -	0	\$ -	3	\$462,608	100%	\$ 33,000
Carver	\$ 1,992,221	26	\$6,590,857	MET	331%	5	\$ 1,448,485	12	\$ 4,305,986	1	\$ 20,459	44	\$12,345,329	91%	\$ 616,050
Chippewa	\$ 230,649	12	\$1,524,629	MET	661%	2	\$ 362,703	4	\$ 663,374	6	\$ 242,363	24	\$2,550,712	71%	\$ 240,900
Chisago	\$ 1,068,230	34	\$8,609,117	MET	806%	13	\$ 4,028,605	10	\$ 3,121,864	4	\$ 176,972	61	\$15,759,590	90%	\$ 904,355
Clay	\$ 1,226,669	32	\$5,966,977	MET	486%	9	\$ 1,916,958	11	\$ 2,643,642	10	\$ 287,592	62	\$10,527,587	84%	\$ 785,171
Cloquet	\$ 232,693	11	\$1,879,245	MET	808%	2	\$ 545,200	3	\$ 589,000	3	\$ 44,350	19	\$3,013,448	84%	\$ 263,200
Crow Wing	\$ 1,253,115	41	\$7,796,188	MET	622%	10	\$ 2,325,315	5	\$ 1,398,666	3	\$ 51,624	59	\$11,520,172	95%	\$ 871,118
Fergus Falls & Perham HRAs	\$ 319,990	15	\$2,563,562	MET	801%	2	\$ 453,647	2	\$ 334,887	4	\$ 145,544	23	\$3,352,100	78%	\$ 247,900
Foley	\$ 100,000	6	\$1,015,096	MET	1015%	0	\$ -	2	\$ 435,062	2	\$ 50,778	10	\$1,450,160	80%	\$ 123,850
Freeborn County (Albert Lea admin)	\$ 559,014	44	\$5,906,800	MET	1057%	5	\$ 909,484	1	\$ 98,800	14	\$ 367,926	64	\$6,915,098	77%	\$ 752,300
Grant	\$ 111,662	2	\$250,028	MET	224%	0	\$ -	2	\$ 435,579	1	\$ 45,000	5	\$685,608	80%	\$ 65,170
Headwaters Regional Dev. Commiss	\$ 1,591,356	13	\$2,090,038	MET	131%	7	\$ 1,259,030	2	\$ 455,000	19	\$ 468,249	41	\$3,804,087	51%	\$ 311,763
Hennepin	\$ 15,496,924	402	\$99,043,719	MET	639%	109	\$ 33,798,749	89	\$ 27,192,240	76	\$ 2,702,337	676	\$160,034,784	80%	\$ 8,883,903
Isanti	\$ 774,324	40	\$9,657,562	MET	1247%	6	\$ 1,817,504	9	\$ 2,792,765	2	\$ 83,504	57	\$14,267,833	91%	\$ 828,336
Kandiyohi	\$ 818,189	34	\$5,169,084	MET	632%	6	\$ 1,358,495	5	\$ 1,270,424	19	\$ 479,164	64	\$7,798,022	66%	\$ 651,780
McLeod	\$ 680,263	34	\$6,980,452	MET	1026%	7	\$ 1,657,926	2	\$ 632,613	5	\$ 147,195	48	\$9,270,996	88%	\$ 687,974
Meeke	\$ 432,502	20	\$3,336,702	MET	771%	4	\$ 801,941	6	\$ 1,268,649	6	\$ 142,649	36	\$5,407,298	83%	\$ 468,150
Mower	\$ 734,493	87	\$13,734,222	MET	1870%	5	\$ 996,274	6	\$ 1,191,749	14	\$ 417,378	112	\$15,922,259	80%	\$ 1,371,076
New Prague	\$ 150,860	5	\$1,210,523	MET	802%	1	\$ 272,423	4	\$ 1,222,550	0	\$ -	10	\$2,705,496	90%	\$ 156,800
New Ulm	\$ 255,322	4	\$605,506	MET	237%	0	\$ -	0	\$ -	5	\$ 185,870	9	\$605,511	44%	\$ 67,500
North Mankato	\$ 269,269	6	\$1,170,617	MET	435%	1	\$ 133,600	1	\$ 190,950	1	\$ 28,300	9	\$1,495,168	89%	\$ 127,967
NW MN Multi-Co. HRA	\$ 1,541,124	27	\$3,762,487	MET	244%	3	\$ 418,584	3	\$ 514,005	36	\$ 1,127,126	69	\$4,695,112	46%	\$ 382,973
Oakdale	\$ 503,916	34	\$8,030,932	MET	1594%	6	\$ 1,816,727	7	\$ 2,128,072	0	\$ -	47	\$11,975,731	96%	\$ 744,000
Olmsted	\$ 3,039,902	70	\$15,653,352	MET	515%	17	\$ 4,957,257	16	\$ 4,614,489	12	\$ 351,874	115	\$25,225,110	82%	\$ 1,507,182
Osakis	\$ 100,000	2	\$307,040	MET	307%	0	\$ -	0	\$ -	1	\$ 14,843	3	\$307,041	67%	\$ 28,250
Otter Tail	\$ 775,373	8	\$918,658	MET	118%	0	\$ -	2	\$ 193,595	5	\$ 174,298	15	\$1,112,258	67%	\$ 131,910
Pine County HRA	\$ 500,841	12	\$2,255,286	MET	450%	2	\$ 556,448	5	\$ 1,478,321	0	\$ -	19	\$4,290,055	100%	\$ 317,913
Ramsey	\$ 4,344,968	127	\$29,624,673	MET	682%	32	\$ 9,614,874	20	\$ 6,321,808	19	\$ 847,154	198	\$45,561,374	80%	\$ 2,638,003
Red Wing	\$ 305,211	6	\$1,209,205	MET	396%	2	\$ 432,850	5	\$ 1,295,827	1	\$ 25,000	14	\$2,937,883	86%	\$ 195,800
Rice	\$ 1,239,530	36	\$7,676,264	MET	619%	12	\$ 3,007,585	12	\$ 3,151,939	12	\$ 386,020	72	\$13,835,800	79%	\$ 909,272
Sandstone	\$ 100,000	1	\$130,500	MET	131%	0	\$ -	0	\$ -	2	\$ 68,435	3	\$130,502	33%	\$ 16,500
Sartell	\$ 354,648	8	\$1,886,497	MET	532%	4	\$ 1,199,919	5	\$ 1,361,698	2	\$ 104,623	19	\$4,448,116	89%	\$ 281,400
Sauk Rapids	\$ 245,265	11	\$2,511,149	MET	1024%	4	\$ 978,895	4	\$ 1,047,233	2	\$ 15,900	21	\$4,537,279	81%	\$ 279,000
Scott	\$ 2,707,485	67	\$20,051,418	MET	741%	25	\$ 8,201,035	16	\$ 5,628,221	8	\$ 248,416	116	\$33,880,682	84%	\$ 1,645,532
SE MN Multi-Co. HRA	\$ 1,405,513	30	\$5,522,510	MET	393%	8	\$ 1,950,303	13	\$ 3,660,371	9	\$ 283,527	60	\$11,133,193	85%	\$ 803,372
Sherburne	\$ 1,713,527	41	\$11,106,260	MET	648%	12	\$ 3,979,728	13	\$ 3,906,905	9	\$ 343,829	75	\$18,992,902	81%	\$ 943,923
St Cloud	\$ 1,286,507	86	\$16,803,131	MET	1306%	17	\$ 4,042,737	16	\$ 3,446,777	6	\$ 168,392	125	\$24,292,651	89%	\$ 1,755,849
St James	\$ 100,000	2	\$251,550	MET	252%	0	\$ -	0	\$ -	2	\$ 52,141	4	\$251,552	50%	\$ 32,549
St Joseph	\$ 128,738	2	\$397,000	MET	308%	1	\$ 229,900	3	\$ 830,110	3	\$ 172,637	9	\$1,457,013	67%	\$ 101,000
St Louis	\$ 3,634,316	141	\$19,989,876	MET	550%	26	\$ 5,150,209	34	\$ 6,266,193	20	\$ 586,197	221	\$31,406,298	89%	\$ 2,952,795
Owatonna/Steele County	\$ 701,391	35	\$6,967,385	MET	993%	3	\$ 738,747	9	\$ 2,426,467	2	\$ 103,621	49	\$10,132,601	86%	\$ 693,850
Stevens County HRA	\$ 170,052	4	\$630,709	MET	371%	2	\$ 278,320	2	\$ 412,665	0	\$ -	8	\$1,321,694	100%	\$ 128,700
SW Regional Dev. Commission	\$ 2,134,615	64	\$9,140,348	MET	428%	7	\$ 1,157,596	5	\$ 795,124	15	\$ 375,103	91	\$11,093,083	81%	\$ 1,021,359
Swift	\$ 181,864	9	\$1,315,630	MET	723%	0	\$ -	1	\$ 33,300	6	\$ 147,877	16	\$1,348,936	63%	\$ 145,300
Washington	\$ 4,463,051	99	\$26,821,258	MET	601%	29	\$ 8,713,628	29	\$ 9,532,839	14	\$ 453,435	171	\$45,067,739	85%	\$ 2,427,770
Winona - City of	\$ 470,217	17	\$2,847,267	MET	606%	3	\$ 456,953	1	\$ 194,000	2	\$ 104,428	23	\$3,498,222	91%	\$ 332,870
Wright	\$ 2,726,460	66	\$17,855,533	MET	655%	15	\$ 5,057,657	24	\$ 7,931,236	14	\$ 577,628	119	\$30,844,440	82%	\$ 1,602,208
Totals	\$ 73,556,303	2,203	\$477,846,168		650%	507	\$ 142,028,112	488	#####	478	\$15,064,375	3,676	\$757,408,756	81%	\$ 47,696,913

*Participants must use at least 50% of their allocation by the end of the program year in order to participate next year.

**Not MCPP Eligible. Borrower income is above 80% of Area Median Income.



118 Central Avenue North, New Prague, MN 56071
phone: 952-758-4401 fax: 952-758-1149

MEMORANDUM

TO: EDA PRESIDENT AND BOARD MEMBERS
FROM: JOSHUA TETZLAFF, CITY ADMINISTRATOR
SUBJECT: UTILIZING SMALL CITIES DEVELOPMENT PROGRAM (SCDP) PROGRAM INCOME
DATE: DECEMBER 5, 2024

Staff received word a couple weeks ago that the MnDEED was auditing their books and noticed that the City has a SCDP program balance of more than \$580,918. US HUD has determined that since our balance is this high, the City must not be utilizing its funds and would like the New Prague EDA to either utilize the funds or to return them to MnDEED.

The options given to the New Prague EDA are to:

- Retain the funding for future eligible SCDP activities;
- Establish a revolving loan fund; or
- Return the funds to MnDEED.

Staff has been brainstorming ways to use the funding so that we don't have to return it to MnDEED. The City could certainly setup a revolving loan fund for commercial and residential rehab, as has been done in the past. Staff has neither the expertise, or the bandwidth, to administer such a fund so the EDA would need to look at contracting with a company to do that on our behalf. Staff reached out to a few known firms that do administration work like this and received word that Bolton & Menk may be interested. We have a meeting with them on Friday, December 13th to discuss this possibility further.

MnDEED did state that the City needs to respond to them ASAP as to what it plans to do with the funds. If the EDA were to use Bolton & Menk to administer the funds, a portion of the funds would likely go towards paying Bolton & Menk for their services. Even with this payment, it would still be utilizing funds that would have otherwise been returned to MnDEED for another community to use.

I would recommend you authorize President Quast and Executive Director Tetzlaff enter into an agreement for Bolton & Menk to administer SCDP funds on behalf of the New Prague EDA, if Bolton & Menk is determined to be a good fit for working with the New Prague EDA.

Recommendation

I would recommend you authorize President Quast and Executive Director Tetzlaff enter into an agreement for Bolton & Menk to administer SCDP funds on behalf of the New Prague EDA, if Bolton & Menk is determined to be a good fit for working with the New Prague EDA.

November 19, 2024

Robin Pikal, Finance Director
City of New Prague,
118 Central Ave. N.
New Prague, MN 56071

Re: Small Cities Development Program (SCDP) Program Income

Dear Robin,

I am writing to inform you of an important action required by U.S. Department of Housing and Urban Development (HUD), the funders in relation to the recent monitoring of the Department of Employment and Economic Development (DEED) Small Cities Development Program (SCDP). It has come to our attention that there are compliance issues related to program income (PI) held by units of general local government (UGLG).

HUD's finding indicated that some UGLGs have not been effectively utilizing their PI, which is critical for the ongoing success and accountability of the program. Timely spending of PI is essential to ensure that federal requirements and the needs of the Greater Minnesota communities are met. Currently, the Small Cities records shows that the City of New Prague has a PI balance of \$ 580,918.

To address this matter, strategies have been developed to ensure compliance. Listed below are 3 options to utilize accumulated SCDP PI:

1. Retaining PI for future eligible SCDP activities or
2. Establishing a revolving loan fund or
3. Returning PI funds to DEED

The enclosed Program Income Fact Sheet provides detailed information on these three options.

To ensure no delays in meeting compliance, please submit a formal letter by December 3, 2024 with your intended PI option choice. Should you require any assistance or clarification regarding the PI options listed above, please feel free to contact me at Natasha.Kukowski@state.mn.us or at (651) 259-7425.

I look forward to your timely response and continual partnership.

Sincerely,

Natasha D. Kukowski

Natasha D. Kukowski
State Program Admin Director – Small Cities Unit

Enclosure

Small Cities Development Program Program Income (PI) Fact Sheet

Definition of Program Income

Program income is defined as any gross income of \$35,000 or more received by a unit of general local government (UGLG) in the federal fiscal year (October 1 to September 31) generated from the use of the Small Cities Development Program (SCDP) through the Community Development Block Grant (CDBG) funds, regardless of when the CDBG funds were awarded or whether the activity has been closed out.

Typical sources of program income may include:

- loan repayments (with interest, if applicable).
- proceeds from the sale of property in which SCDP funds were used.
- interest earned on the Program Income itself.
- Refer to HUD regulation 24 CFR 570.489 (e) for a full list of potential Program Income sources.

If the total income received is more than \$35,000 in a federal fiscal year, the full amount received is considered PI and can be retained by the UGLG or returned to DEED.

If the total income is less than \$35,000, then those funds are considered miscellaneous revenue and may be retained by the UGLG and moved to its general account. This transfer can only occur at the end of a federal fiscal year.

All revolving loan fund (RLF) income are considered program income regardless of the amount received annually, and are not eligible for this exclusion.

Program Income (PI) – Idle Accounts

PI held in a Reuse Account cannot be held in perpetuity. If PI within these accounts is stagnant, it will meet the definition of an Idle Account. An Idle Account occurs when the UGLGs:

- did not identify an eligible project during a 12-month period or more.
- did not have any accomplishments during a 12-month period or more.
- funds have been awarded but not disbursed within 12 months of the award date. For example - a failed project.

Funds held in an Idle Account must be returned in a timely manner within 60 days after the federal fiscal year end. UGLGs are encouraged to consult with the SCDP Representative regarding reasonable balances or the UGLG will not be considered in “good standing”, including ineligible to apply for future SCDP grants.

Amending Reuse Plan

If UGLG determines a need to amend their PI Reuse plan, the SCDP Representative should be contacted with

the proposed changes. The UGLG must submit an amendment request with the following items to DEED:

- Reason for the change of the PI Reuse plan,
- Certification of approval by the local governing body (meeting minutes)
- Copy of the proposed PI Reuse plan
- Expanded activities must include eligible SCDP activities and a national objective
- Subject to all cross-cutting federal requirements.

DEED will notify the UGLG of the results of the PI Reuse Plan amended request. Amended PI Reuse Plan must receive approval prior to implementation.

OPTIONS FOR RECAPTURED PI

UGLG has the following options for utilizing accumulated SCDP PI.

1. Retaining PI for SCDP eligible activities or
2. Establishing a revolving loan fund or
3. Returning PI funds to DEED

1. Retaining PI by UGLG to continue the same SCDP eligible activities

To retain PI, the UGLG must establish a SCDP PI Account and adopt a PI Reuse Plan approved by DEED that includes:

- a detailed Reuse PI plan for eligible activities consistent with continuing the same original project activity PI was generated from;
- A Certification that UGLGs will comply with the PI Reuse Plan including, but not be limited to the following:
 - PI funds are federal and subject to all applicable State and Federal regulations;
 - Complete the proper resolution, public hearings, and environmental review and other cross cutting requirements;
 - Funds must be used to benefit the residents of the community that previously received the initial SCDP Grant. The funds cannot be provided to any other programs that would assist other communities;
 - All projects must consist of activities that meet a CDBG National Objective.

At any time, the UGLG will have the option to discontinue the PI Reuse Plan and return PI funds to DEED.

2. Revolving Loan Fund

Revolving Loan Fund PI is defined as repayment of SCDP funds received from borrowers, including the principal and any interest earned, regardless of the amount collected as part of an established revolving loan fund.

If an UGLG administers a revolving loan funds for specific activities in line with 24 CFR 570.489(f)(1), the local revolving fund balances must be held in an interest-bearing account in accordance with 24 CFR 570.500(b).

Revolving Loan Fund PI collected by grantees should only be maintained in a revolving loan fund account for a short period of time before they are awarded back out to new applicants. UGLGs must ensure any revolving loan fund held are revolved for the account to be considered active by DEED.

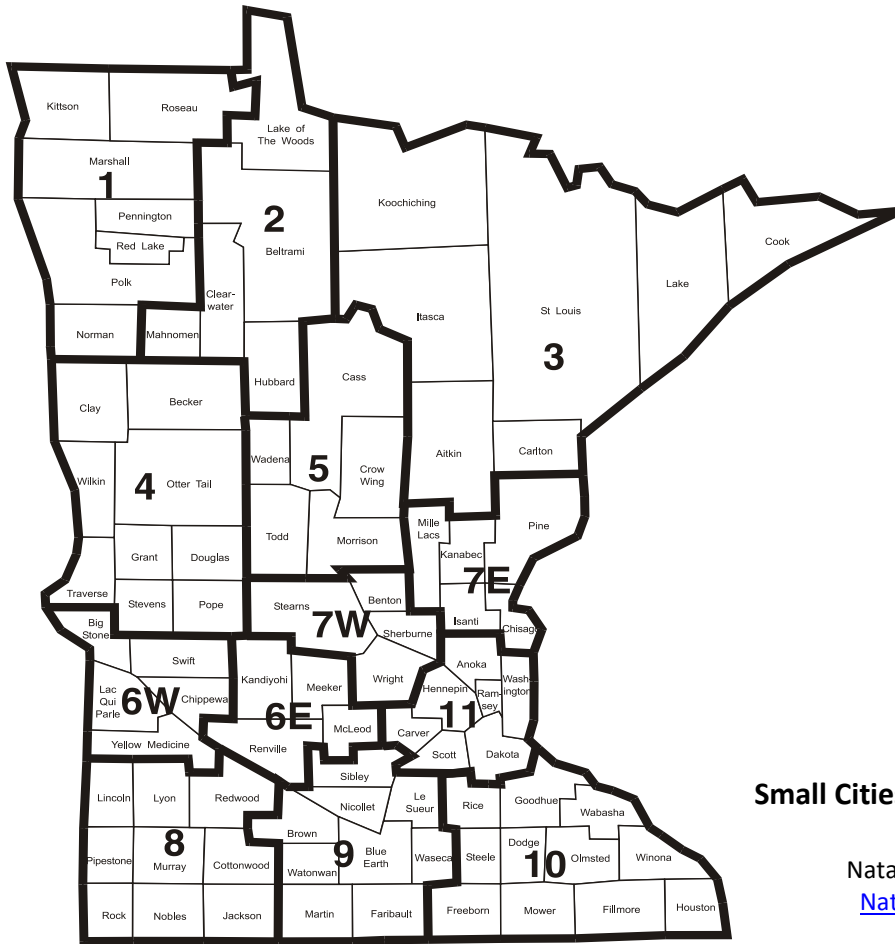
UGLGs who do not forgive loans issued will continue to generate program income and must continue to report on in perpetuity on each loan made as the threshold of \$35,000 do not apply to revolving loan funds.

3. Returning PI To DEED

DEED may recapture PI from an UGLG if there is not an approved PI Re-Use Plan. Funds may only be returned by the UGLG, and not by any subrecipient or beneficiary.

The process for returning program income funds includes:

- Cover letter with SCDP grant number that originated the funds and the PI funds being returned, and
- Check made payable to the "Minnesota Department of Employment and Economic Development".
- Mail cover letter and check to:
*Minnesota Department of Employment and Economic Development (DEED)
Great Northern Building
180 East Fifth Street, Suite 1200,
St. Paul, MN 55101
Attention: Natasha Kukowski, Small Cities Unit (PI)*



Small Cities Development Program (SCDP)

Natasha Kukowski – SCDP Director
Natasha.kukowski@state.mn.us
 (651) 259-7425

Small Cities Reps Regions	
Region	Reps Name
1, 2, 3, 4 & 7W	Christian Nordeng 651-259-7455 Christian.nordeng@state.mn.us
5, 9, 10 & 11	Zachary Klehr 651-259-7460 Zachary.klehr@state.mn.us
6E, 6E, 7E & 8	Christine Hartert 651-259-7461 Christine.hartert@state.mn.us

Small Cities Development Program projects must comply with fair housing.