



REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: 09/20/2021

Item No.: 5.d

Department Approval

Executive Director Approval

Item Description: Review a preliminary budget and adopt a Resolution requesting a preliminary tax levy collectible in 2022

BACKGROUND

Per the by-laws adopted by the Roseville Economic Development Authority (REDA), the REDA must review and recommend a preliminary budget to the City Council.

To request a preliminary EDA levy, the REDA must adopt a budget for consideration by the City Council via Resolution. Once the initial EDA levy request is approved, the levy may be lowered but cannot be raised above the preliminary level. The maximum amount the REDA can levy for in 2022 is \$989,247.

A preliminary levy of \$442,570 is being proposed for 2022, a decrease of \$11,100 from the EDA's 2021 levy. When factoring in a projected valuation increase on single family homes of 5.7% for taxes payable in 2022, the preliminary levy amount proposed would result in an estimated decrease of \$0.42 in the annual EDA property tax for a median valued single-family home projected to be valued at \$296,500.

The REDA was presented the budget and preliminary levy on July 19, 2021. No changes were directed at that time. The information contained in these materials is unchanged, except the cash balances in the various funds have been updated as of September 14, 2021.

STAFFING

The Community Development Director is proposing no changes to the staffing structure for 2022. Economic Development staff supported by the EDA levy include a full-time Economic Development and Housing Program Manager and a .5 time Economic Development Coordinator (who also holds the title of GIS Specialist). The most significant impact proposed for 2022 consists of inflationary costs related to salaries and benefits and a \$3,000 increase to the Administrative Service Fee, which is a payment to the City's Finance Department to service the EDA's finances.

The total cost for EDA staff in 2022 is anticipated to be: **\$194,070**

<u>General REDA Expenditures and Personnel</u>	\$240,770
The REDA has operating costs associated with overhead, staff, attorney fees, recording secretary services, and continuing education/training of staff. This amount reflects total operating costs and personnel costs.	<i>(includes the \$194,070 of staff-only costs)</i>

30 **PROGRAMMING**

31 The tables below outline existing housing and economic development programs the City of Roseville’s
 32 Economic Development Authority currently maintains. In addition to personnel costs, accompanying costs
 33 of these programs are included herein.

34 In 2022, the following programs will continue to operate but do not require additional funds:

<u>Multi-Family Loan and Acquisition Funds</u> Offers rehabilitation loans to existing rental property owners (whose properties have 5 or more units) and also makes dollars available for energy improvements. This program is also available for general redevelopment activities and has a balance of \$1,715,230* (fund 724).	\$0
Roseville Rehab Revolving Loan Program, Last Resort – Emergency Deferred Program, Manufactured Home Improvement Program, Senior Deferred Loan Program, and First Generation Down Payment Assistance Program. This fund has a balance of \$839,844* (fund 723).	\$0
Abatement Assistance (payment of abatement costs for code enforcement activities). This fund has a balance of \$129,493* (fund 722).	\$0
Housing Replacement/Single Family Construction Fund. This fund has a balance of \$479,714* (fund 720).	\$0

35 *fund balances noted are as-of September 14, 2021.

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 37 In 2022, the following programs are proposed to be budgeted for as follows:

<u>Ownership Rehabilitation Programs</u> Provides residents with free, comprehensive consultation services about the construction/renovation process to maintain, improve, and/or enhance their existing home, with a specific focus on energy efficiency. The program also recognizes homeowners that have done green construction or improvements to their homes and yards. This program budgets for at least 200 energy efficiency audits to be completed each year. This budget reflects no increase for 2022.	\$27,850
<u>Marketing</u> This budget is maintained for printing and mailing of marketing materials. This budget has also been used to fund housing studies. The Council’s 2021-2022 Strategic Priority related to Housing calls for an updated Housing Needs Assessment in “2022 and beyond”. \$5,000 will not fully fund an updated Housing Needs Assessment. However, based upon the volume of housing units currently under construction, staff suggests leaving this budget flat until it is better understood when the most value will come from an updated study. If necessary in 2022, and this budget is insufficient to fund the study, excess fund balance monies could be used or the study could be delayed until 2023.	\$5,000
<u>Economic Development</u> The Economic Development budget reflects resources to aid in outreach to existing and prospective businesses. Current efforts include partnerships with the Minnesota State Chamber, St. Paul Area Chamber of Commerce, Twin Cities North Chamber, and others to assist with quarterly educational workshops,	\$53,500

<p>newsletters, and yearly networking events. Recruitment, acquisition assistance, and marketing efforts are being programmed through the use of economic development consulting (\$30,000), which includes the City’s public finance consultant Ehler’s. Annual contract obligations for Golden Shovel Agency economic development marketing services are also included in this total (\$12,000). This budget reflects a decrease of \$20,000 from 2021 for economic development consulting to reflect actual and anticipated spending.</p>	
<p><u>Neighborhood Enhancement</u> The Neighborhood Enhancement Program (NEP) is a seasonal effort whereby a pre-determined geographic area of the City is inspected for compliance with the City’s Nuisance Code. This program has previously been partially supported through the EDA, as well-maintained neighborhoods and housing are a function of city-wide economic development. Several staff provide support for this program. To provide levy relief in 2021, these costs were moved to the Community Development Fund. This is proposed to continue in 2022.</p>	\$0
<p><u>Southeast Roseville Initiatives</u> The Cities of Roseville, St. Paul and Maplewood hired the Saint Paul Area Chamber of Commerce in 2019 to begin implementation of the Rice & Larpenteur Alliance, which stemmed from completion of the Rice/Larpenteur Gateway Visioning Plan. In March of 2021, SPACC’s contract was extended an additional 12 months, with the City of Roseville (and Maplewood and St. Paul) continuing to set aside funds in support of the alliance and any other initiatives that may occur as a result of the visioning plan. While the Rice & Larpenteur Alliance’s Strategic Fundraising Framework programs a 20% reduction for Roseville’s contributions in fiscal year 2022, the impact of COVID has limited the Alliance’s ability to fundraise. As such, staff would recommend this budget remain flat for 2022. Because Roseville serves as the fiscal agent to the Alliance, and to comply with standard best practices in budgeting, the EDA will budget for the full Alliance funding of \$125,000, even though Roseville’s costs are only \$40,000. A revenue item has been inserted to account for Maplewood and St. Paul’s financial contribution towards the Alliance (\$85,000).</p>	\$125,000 (\$40,000 is Roseville’s cost)
<p><u>Open to Business/Small Business Assistance</u> Ramsey County executed a contract with the Metropolitan Consortium of Community Developers in the 1st quarter of 2020, bringing the Open to Business program to the City of Roseville. This program provides free business consulting services to Roseville businesses, as well as access to capital. There is no cost to the City for Open to Business. Beginning in 2020, the EDA began setting aside funds to administer a small business loan program in partnership with Open to Business. For year 2021, the EDA raised this budget by \$50,000 in recognition that small businesses will likely need additional support post-COVID. In 2021, the EDA agreed to create and fund a Small Business Loan Program in partnership with Open to Business, which these funds would be used for. This budget reflects no increase in 2022.</p>	\$98,575
<p>Total 2022 Levy Supported Program Expenses</p>	\$309,925

40 **NON-PROPERTY TAX REVENUE**

41 Historically, the levy has been the sole source to funding for activities conducted by the REDA. Several
42 years ago the University of Northwestern committed to paying the City \$23,125 annually in recognition of
43 their tax-exempt status and continued expansion beyond their campus property. This “charitable pledge” is
44 for economic development efforts aimed at expanding the tax base, thus they’ve been allocated to the
45 REDA. This revenue is used to offset expenses. Staff continues to program this revenue towards the EDA.
46 It’s worth noting the charitable pledge payments, per the June 2014 agreement, are set to expire in 2024. In
47 2022 and 2023, staff will begin engaging with Northwestern to extend the Charitable Pledge Agreement,
48 although there are no guarantees Northwestern will cooperate.

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50 Additionally, beginning in 2022 the EDA’s budget for the Rice and Larpenteur Alliance includes \$85,000 of
51 revenue paid by the cities of Maplewood (\$10,000) and St. Paul (\$75,000). Because Roseville is the fiscal
52 agent for the Rice and Larpenteur Alliance, the Finance Director has recommended the EDA budget all
53 revenues and expenditures for the Alliance, not just Roseville’s share.

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Total EDA Proposed Budget: (Program Expenses + REDA Expenditures & Personnel)	<i>\$550,695**</i>
Minus Non-Property Tax Revenue	<i>-\$23,125</i>
Southeast Roseville Revenues	<i>-\$85,000</i>
Proposed Preliminary 2020 Levy	<i>\$442,570</i> <i>(2.4% or \$11,100 decrease from 2021)</i>

55 **the cash balance of the EDA general fund on September 14, 2021 is \$665,583 (fund 725), which exceeds
56 35% of the proposed operating budget for 2020.

57 **STAFF RECOMMENDATION**

58 Discuss the EDA’s proposed 2022 budget and preliminary tax levy in the amount of \$442,570.

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60 **REQUESTED EDA ACTION**

61 Make a motion to adopt a Resolution requesting a preliminary tax levy in 2021, collectible in 2022, in
62 the amount of \$442,570.

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Prepared by: Janice Gundlach, Community Development Director
Attachments: A. Resolution
B. REDA Budget Comparison