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MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: JOSHUA TETZLAFF, CITY ADMINISTRATOR
SUBJECT: POTENTIAL ECONOMIC DEVELOPMENT TIF FOR PUBLIC INFRASTRUCTURE
DATE: APRIL 30, 2026

Starting in 2022, the City began applying for an Active Transportation grant through MnDOT to pay for a trail connection along 6th Avenue NW through the industrial park. This connection would be about 2,600 feet along the north side of 6th Avenue NW. To this point, the City's three applications have not been funded. The 2025 estimate had the trail work costing an estimated \$380k. Staff spoke with the City's Ehler's representatives about possible funding sources so that it is able to be complete this area of the industrial park. In addition to grant dollars, the other sources discussed were levying for the project and to create a TIF district over a couple of the properties in the industrial park to capture future value created by them.

As we have discussed in the past, a TIF district captures future created value on a property and allows the creator of the district, in this instance the City, to capture all three entities property taxes on the future created value to be used towards a defined purpose. The amount is determined through the normal tax process. In this instance, the City would retain the City's portion in addition to the School District's and County's portion of added value for the duration of the TIF district. The County and the School District would continue to receive the property tax dollars they are receiving today from these properties. The added future value for the next nine years would go to the City for the infrastructure improvements. After the TIF expires, taxes would again be disseminated proportionally to the other entities. This is an economic development tool that is allowed by the State so that local governments are able to focus public dollars for the betterment of all entities.

Specific boundaries are required for TIF districts, and this district would be no different. Because most of the industrial park is built out, there isn't a large amount of future added value to be created by most of the industrial park. Two portions were discussed, primarily the Brick's Boatworks property and the two remaining industrial park lots, as they have the most future value to gain. By its agreement, Brick's will be constructing additional buildings over the few years to house more boats indoors and the two remaining properties will build out after the closing of the properties. Both of these actions will create significant added value that the City could capture to pay for the trail improvement. As long as a TIF district is in place prior to the issuance of building permits for either of these properties, the City would be allowed to capture the future added value. If permits were issued prior to the approval of the district, future added value would not be able to be captured within a TIF district.

Recommendation

I would recommend moving forward with an Economic Development TIF District on these two properties. This district would allow New Prague to retain all future added tax value created by these properties for nine years to be able to build out the trail in the industrial park, completing the infrastructure required in the park. It would also allow the EDA to use their funds for other targeted economic development projects within the City to promote future economic growth.