

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

09-0625R

REPLACEMENT

RESOLUTION APPROVING LAWS OF MINNESOTA 2009, CHAPTER 88,
ARTICLE 5, SECTION 17, MODIFYING THE FIVE YEAR KNOCKDOWN
RULE FOR A TIF DISTRICT FOR THE USX SITE.

CITY PROPOSAL:

RESOLVED, that pursuant to the requirements of Minnesota Statutes Section 645.021, Subd. 3, the Duluth City Council hereby approves Laws of Minnesota 2009, Chapter 88, Article 5, Section 17, modifying the requirements pertaining to removal of parcels from tax increment districts and to the use of tax increment proceeds after a five year period as described in said section.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

PLNG/ATTY REA:blj 10/6/2009

STATEMENT OF PURPOSE: This resolution accepts the special legislation approved by the 2009 Minnesota State Legislature modifying statutory provisions normally applicable to TIF districts to facilitate the redevelopment of the site of the former U.S. Steel Works in Morgan Park.

After operating the works since about the turn of the century, U.S. Steel (now USX) completed closure of the facility in about 1973. Subsequent investigation determined the site to be badly contaminated and it was designated to be a "superfund site." Since that time, it has been the subject of a number of studies and has benefitted from extensive environmental clean-up but the site is still sufficiently problematic as to discourage redevelopment and consequently, the property continues to be vacant and unused, despite its potential for redevelopment.

The Duluth Seaway Port authority has been negotiating with USX for the possible acquisition of the site for the purpose of redeveloping it in line with its development potential but has faced obstacles finding funding sources that could assist in paying for the environmental work that still needs to be done. In particular, the size and ubiquitousness of the contamination requires that a "rolling redevelopment" plan be followed for the site, starting with a lengthy and arduous "de-listing" process and, as properties were "de-listed," working from the southern extremity and progressing to the northerly portion of the site.

Normally tax increment financing would be a tool that could be used for this purpose but its use in implementing such a "de-listing and rolling redevelopment" plan would be rendered practically unworkable by the general statutory scheme applicable to the use of TIF.

As the statutory scheme usually works, any property initially included in a TIF district which is not improved in accordance with the TIF plan within five years is disqualified from having the TIF generated from it used to support the cost of improvements including remediation. Obviously, a "de-listing and rolling redevelopment" plan would result in the TIF generated from many of its properties being ineligible for use in funding needed improvements.

Thus, the port authority requested that the 2009 legislature make these requirements inapplicable to the USX site in Morgan Park. The legislature agreed and approved the statute, subject to the city council's approval. This resolution would provide that approval.

It should be noted that before any tax increment financing plan could be implemented, the approval of it by the city council would still be required.