

To: Members of the Common Council

From: John Hamilton, Mayor

Date: April 11, 2023

Re: App Ord 23-02 - Appropriation of funds for Trades District EDA Tech Center Building

Councilmembers,

Please find below information responding to several questions posed by Council regarding the use of Community Revitalization Enhancement District (CRED) funds to support the US Economic Development Administration supported Tech Center building.

1) Why not use TIF funds instead of former CRED funds now residing in the General Fund?

As you are aware, the City of Bloomington Redevelopment Commission (RDC) has previously committed a substantial amount of Tax Increment Finance (TIF) funds for this project (~\$2M). The Administration is asking for former CRED funds instead of TIF funds for this remaining contribution for two main reasons: first, the RDC has significant other demands, including committed substantial TIF funding to the coming redevelopment of the former hospital site into the Hopewell neighborhood, including the remaining purchase cost along with major Phase 1 east infrastructure. And we anticipate TIF funding may be needed to address future infrastructure costs for the development of the remaining parcels (some of which may be reimbursed from future development). Second, as Council members noted last Tuesday, the use of the former CRED funds to complete the Tech Center is very appropriate and fully consistent with the purpose and prior uses of those funds. Drawing on CRED funds to complete the Tech Center follows our ongoing goal to maximize the use of all funds available to complete projects intended to spur future economic vitality.

2) How can we track the use of former CRED funds now residing in the General Fund?

The Administration recognizes and shares Council's interest in ensuring visibility to the ongoing use of CRED funds and proposes two layers of transparency: the Controller's office will track use of those funds via an ongoing regular public report, which will ensure Council updates on the funds until they have been fully disbursed. And the Administration will bring any future requests to use those funds to the Council as either a separate appropriation or as a part of the annual budget request/appropriation cycles.

3) Should we impose more restrictions on the uses of former CRED funds?

State law calls for the movement of the former CRED funds into the City's General Fund and allows their use for any legal purpose. We do not feel it prudent further to restrict the use of those funds beyond state requirements, particularly when Council will already be able to see and approve their appropriation.

4) Should we limit the geographic area(s) where former CRED funds may be used?

Similar to above, we do not feel it prudent to restrict the geographic area that these funds may be utilized beyond state law, as they now can be put towards projects that benefit all residents of the City.

5) What is the actual source of the CRED funds?

It's important to note that CRED funds represent the normal local income taxes paid by employees and sales taxes collected in the allocation areas. CRED taxes are not an additional tax, but are existing taxes that are redirected back to us from the State. Absent CRED, these funds would have been otherwise collected and used by the State for any legal purposes at the state level. Instead, we received a sort of 'rebate' through the CRED program that provided those funds back to us to promote recovery related to certain areas and thereafter for any legal purposes. By providing that residual CRED funds go to the city's General Fund, state law contemplates that those residual funds are available for beneficial projects in the entire city.