



ASK THE CITY

Why does Monticello buy buildings & leave them vacant?

We get this question a lot, and the answer has two important parts:

The City buys property for economic development purposes when the property owner decides to sell.

Economic development is a partnership. When a property owner decides to sell, the city or EDA decides if owning the property works toward a city goal, such as redevelopment, reinvestment, or new housing.

This partnership is important because Minnesota cities can't use eminent domain for economic development purposes. The rule applies to a city and its Economic Development Authority (EDA). As a result, the City of Monticello and EDA only buy property for economic development **when a property owner decides to sell.**

This was the process for acquiring the city and EDA-owned buildings downtown. The older buildings only become the property of the City or EDA when the property owner is ready. **So why do they sit vacant?**



The existing buildings and improvements become an important piece of financing something new.

If the city decides to tear buildings down before a new project is ready to go, a new project may never happen because we risk losing an important redevelopment tool.

New development is expensive. Redevelopment is even more expensive. In many redevelopment situations, there are traditional development costs for buying the property and constructing a new building. However, the projects also have costly environmental review and abatement costs as well as demolition charges. Plus, often several parcels have to be purchased to be able to complete one larger project.



To help encourage redevelopment despite these costs, cities have an important tool – tax increment financing, also known as TIF. Essentially, TIF allows a city to capture the difference between the prior tax value of a property and the new tax value created by development. Cities or EDAs

then utilize that new tax value, or increment, to help offset development costs.

There are different types of TIF districts used by cities. One of the most commonly used in downtowns is a **Redevelopment TIF District**. It helps make the cost to redevelop more like the cost to develop something new. To create and use Redevelopment TIF districts, the city has to prove a site was previously developed and has become substandard and too expensive to rehabilitate.

Once a city verifies those circumstances and tears the building down, it only has three years for new development to occur before the opportunity to create a Redevelopment TIF District expires. **If the city tears the building down immediately after purchase, it loses the chance to support redevelopment.**

The city & EDA do their part to encourage redevelopment of vacant properties.

While it may look like nothing is happening in these vacant buildings, the city and EDA prioritize and market the properties to the private sector. They emphasize the value and characteristics of the land. They also highlight the various incentives for developers - including the possibility of a Redevelopment TIF District!

So, the next time you see a vacant downtown building owned by the city or EDA and wonder “why doesn't the city just tear that building down,” the answer is – **because the city needs to preserve the opportunity to help create something new!**

BLOCK 52 MONTICELLO

HIGH VISIBILITY - 2000 vehicles travel Highway 25 through Block 52 from bridge on the east corner, and approach leading to the lake pass the bridge westward.

BEAUTIFUL CITY PARK - The south office wing of the block is grand old commercial building and building "Theater Arts"

DOWNTOWN TRADER AREA - 3,500 sq ft, 2000 sq ft commercial building

TRADE AREA - The combined population of the secondary trade area was 127,190 (2010 census). Monticello population in 2010 census: 12,759

Highly Visible!
Highly Desirable!

CITY OF Monticello
Downtown Riverfront Development
OPPORTUNITIES
Majirs Advertising & Design