



Economic Development

Drawer C

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History of TIF District (Lot 1-8) – Mountain Lake

Mountain Lake is a small rural community with a population of approximately 2,100 residents. The TIF district site has undergone significant transformation and long-term planning efforts to support economic development and housing needs.

The site originally contained four dilapidated structures, including a former dry-cleaning facility, which resulted in soil contamination. The City undertook demolition of these buildings and completed environmental remediation to prepare the lot for future development.

During this period, the Economic Development Authority (EDA) began discussions with the local clinic regarding relocation to this site. The proposed project included a mixed-use development with a medical clinic on the ground floor and residential apartments above. To support this vision, the original Tax Increment Financing (TIF) district was established.

Despite extensive planning, the project did not move forward due to rising construction costs, which made the project financially unfeasible. As a result, the clinic chose to remain in its existing facility.

Following this, the EDA proposed an alternative development consisting of an apartment complex and two retail spaces, with ownership by the City or EDA. Legislative support was sought from Senator Weber and former Representative Rod Hamilton to extend the TIF district to accommodate this plan. However, this project also did not materialize due to cost constraints, cash flow concerns, and a policy preference from the City Council for private ownership rather than public ownership of such developments. Subsequently, the EDA Director's employment was discontinued.

In 2023, a new EDA Director was hired and tasked with prioritizing the recruitment of a private developer for the site. Through coordinated efforts, the EDA successfully secured:

- A local private developer
- Support from the City Council, County, and EDA
- A local lending partner
- Funding approval from Minnesota Housing

This collaboration resulted in a viable project: a **12-unit market-rate apartment complex** to be constructed on the site. Construction is anticipated to begin in late spring or early summer of 2026. A TIF agreement has been executed in support of this development.

Justification for TIF Extension

The current TIF district (1-8) is set to expire in April 2026. However, the Minnesota Housing funding agreement allows for a construction start date anytime up to 2029.

Based on guidance from the City's bond counsel and legal counsel, an extension of the TIF district is recommended as a precautionary measure. Extending the district ensures alignment with the allowable construction timeline under Minnesota Housing requirements and provides flexibility should amendments to the TIF agreement become necessary.

While the City and development partners fully intend to begin construction in 2026, this extension provides essential structural and financial safeguards to support the successful completion of the project.