



City of
**Elk
River**

**Tax Increment
Financing Policy**

Tax Increment Financing Policy

Purpose

The purpose of this policy is to ensure development receiving Tax Increment Financing (TIF) is consistent with the long-term city *Comprehensive Plan*, Strategic Plan, *Mississippi Connections Plan* and/or most recent Housing Study. This is a guide for processing and review of TIF applications. The City of Elk River shall utilize TIF to encourage desirable development or redevelopment that would not otherwise occur but for TIF.

The city is empowered to utilize TIF by the Minnesota Tax Increment Financing Act, as amended in Minnesota Statutes 469-174 through 469-1794. The city provides the minimum amount of TIF at the shortest term required for a project to proceed. The city reserves the right to approve or reject projects on a case-by-case basis, taking into consideration established policies, project criteria, and demand on city services in relation to the potential benefits from the project. Projects meeting policy criteria are not guaranteed the award of TIF. Approval or denial of a certain project is not a precedent for approval or denial of another project.

The City Council and Economic Development Authority and the Housing and Redevelopment Authority can deviate from this policy for projects that supersede the objectives identified herein.

Authority

Minnesota Statutes 469-174 through 469-1794 govern the use of TIF and exceed any issues that conflict with this policy.

Public Purpose

The City of Elk River will consider TIF for projects that achieve one or more of the following:

1. Demonstrate long-term benefits to the community.
2. Retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits through:
 - Diversification of the local economy
 - Significant addition of permanent, high-wage, full-time jobs
 - Addition of jobs attractive to those unemployed or underemployed
3. Significantly increases the city's commercial and industrial tax base.

4. Demonstrates the ability to encourage unsubsidized private development through “spin off” development.
5. Facilitates the development process and achieves development on sites that would not develop “but for” the use of TIF.
6. Removes blight and/or encourages redevelopment of commercial and industrial areas resulting in high quality redevelopment and private reinvestment.
7. Offsets redevelopment costs (i.e. contaminated site cleanup) over and above the costs normally incurred in development.
8. Aids the implementation of the *Mississippi Connections Plan*.

Policy Statements

1. The primary intent of TIF is direct funding for public improvements and secondarily for developer assistance.
2. The use of TIF shall be in accordance with state law. The more restrictive language will apply when a conflict exists between this policy and state law.
3. Projects must be consistent with the *Comprehensive Plan* and/or the *Mississippi Connections Plan*.
4. Projects must be consistent with the Strategic Plan for Economic Development and/or the most recent Housing Study.
5. Preferred projects promote the completion of major public improvement projects within the city such as the installation of trunk sewer and water lines and major transportation projects.
6. The level of assistance provided will be determined on a case-by-case basis as referenced in Public Purpose.

Based on the extent to which the project achieves the policy statements (1-6 above), the city will consider TIF for projects in the following categories:

- Manufacturing
- Major office warehouse/production facilities
- Research and development
- Commercial projects encouraging substantial redevelopment of substandard properties
- Housing needs identified in the most recent city housing study

1. Assistance for TIF is required to meet the uses identified by statute including, but not limited to the following:
 - Public improvements
 - Land acquisition and land write down
 - Loans
 - Site preparation and improvement
 - Demolition
 - Legal, administration, and engineering

2. The preferred method of TIF is pay-as-you-go for eligible costs as reimbursement, upfront financing maybe considered on a case-by-case basis.

3. A maximum of ten percent (10%) of any tax increment received from the district shall be retained by the city to reimburse administrative costs.

4. All TIF assistance must be accompanied by a signed development agreement including a minimum assessment value. The developer must provide additional financing guarantees to ensure completion of the project, including, but not limited to: letters of credit, personal guarantees, corporate guarantees, etc.

5. TIF District's shall be limited to the minimum term necessary to meet the project needs. Only projects exceeding the objectives identified in this policy will be considered to exceed the following general thresholds:
 - Redevelopment District 15 Years (Max is 26)
 - Housing District 15 Years (Max is 26)
 - Soils Condition District 15 Years (Max is 21)
 - Renewal and Renovation District 10 Years (Max is 16)
 - Economic Development District 8 Years (Max is 9)

6. Policy Considerations
 - Each project is required to meet the “but-for” test to determine the need for and level of assistance. This test and the amount of tax increment generated determines the district's term. It is difficult to facilitate a redevelopment, housing or soils condition district for less than the maximum term as the extraordinary costs involved are usually significant.

 - The term of the district could coincide with the amount of tax increment the city has to spend on its priorities within a project area.

 - Of all the TIF districts, the Economic Development District is most often the one limited to a lesser term. Economic Development Districts are really “incentive” districts where it is not so much the extraordinary costs as it is an “incentive” to get a business to locate in a community. In the other districts, the costs are easily identifiable and usually significant such as demolition, relocation, environmental remediation, and the cost differential between market rate and income/rent restricted housing.

7. Developers receiving TIF assistance shall provide a minimum of ten percent (10%) cash equity investment in the project. TIF will not be used to supplant cash equity.
8. TIF will not be used in circumstances where land and/or property price is in excess of fair market value. A third-party appraiser agreed upon by the city and developer will determine the fair market value of the land.
9. The developer shall demonstrate a market demand for a proposed project. TIF shall not be used to support purely speculative projects.
10. The developer shall adequately demonstrate, to the city's sole satisfaction, an ability to complete the proposed project based on past development experience, general reputation, and credit history, among other factors, including the size and scope of the proposed project.
11. For the purposes of underwriting the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the city or its consultants.
12. The city of Elk River shall only use TIF to encourage economic growth and development within the city limits.

Application Process

1. Applicant submits a complete application and a \$10,000 application deposit by the first Monday of the month. The application deposit will be used toward the cost of services provided in the evaluation of financial feasibility, establishment or modification of the district, and preparation of legal documents and agreements. An additional deposit of \$10,000 shall be required for projects requiring statutory redevelopment substandard tests. The applicant shall reimburse the city for professional services in excess of the initial deposit. Deposit portions not utilized shall be refunded.
2. City staff reviews the application for completeness and submits the application to the city's financial consultant for review and preparation of a financial analysis.
3. The Joint Finance Committee shall review the proposal's financial strength and make a recommendation to the appropriate commission with findings of fact.
4. The appropriate authority reviews the proposal and the recommendation to determine conformance with this policy. The authority makes a recommendation to the City Council.
5. After meeting the statutory requirements for establishing the Tax Increment District, the City Council holds a Public Hearing and takes action on the proposal (Approximately 45-60 days).

APPLICATION FOR TAX INCREMENT FINANCING

A. APPLICANT INFORMATION

Name of Entity _____

Address _____

Primary Contact _____

Address _____

Phone _____ Fax _____ Email _____

Brief description of the entity business, including history, principal product or service:

Brief description of the proposed project:

Attorney Name _____

Address _____

Phone _____ Fax _____ Email _____

Accountant Name _____

Address _____

Phone _____ Fax _____ Email _____

Contractor Name _____

Address _____

Phone _____ Fax _____ Email _____

Engineer Name _____

Address _____

Phone _____ Fax _____ Email _____

Architect Name _____

Address _____

Phone _____ Fax _____ Email _____

C. PUBLIC PURPOSE

It is the policy of the City of Elk River that the use of Tax Increment Financing should result in a benefit to the public. Please indicate how this project will serve a public purpose.

_____ Job Creation/Retention:

_____ Number of existing jobs

_____ Number of jobs created by project

_____ Average hourly wage of jobs created/retained

_____ New industrial development, which will result in additional private investment in the area.

_____ Enhancement or diversification of the city's economic base.

_____ The project contributes to the fulfillment of the City's Plan.

_____ Removal of blight or the rehabilitation of a high profile or priority site.

_____ Significantly increase the City's tax base.

_____ Other: _____

D. SOURCES & USES

| <u>SOURCES</u> | <u>NAME</u> | <u>AMOUNT</u> |
|---------------------|-------------|-----------------|
| Bank Loan | _____ | \$ _____ |
| Other Private Funds | _____ | \$ _____ |
| Owner Cash Equity | _____ | \$ _____ |
| Fed Grant/Loan | _____ | \$ _____ |
| State Grant/Loan | _____ | \$ _____ |
| EDA Micro Loan | _____ | \$ _____ |
| Tax Increment | _____ | \$ _____ |
| ID Bonds | _____ | \$ _____ |
| TOTAL | | \$ _____ |

| <u>USES</u> | <u>AMOUNT</u> |
|----------------------------------|-----------------|
| Land Acquisition | \$ _____ |
| Site Development | \$ _____ |
| Construction | \$ _____ |
| Machinery & Equipment | \$ _____ |
| Architectural & Engineering Fees | \$ _____ |
| Legal Fees | \$ _____ |
| Interest During Construction | \$ _____ |
| Debt Service Reserve | \$ _____ |
| Contingencies | \$ _____ |
| TOTAL | \$ _____ |

E. ADDITIONAL DOCUMENTATION AND CHECKLIST

Applicants will also be required to provide the following documentation.

- _____A) Written business plan, including a description of the business, ownership/management, date established, products and services, and future plans

- _____B) Financial Statements for Past Two Years
 - _____ Profit & Loss Statement
 - _____ Balance Sheet

- _____C) Current Financial Statements
 - _____ Profit & Loss Statement to Date
 - _____ Balance Sheet to Date

- _____D) Two Year Financial Projections

- _____E) Personal Financial Statements of all Major Shareholders
 - _____ Current Tax Return

- _____F) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Timeline

- _____G) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project

- _____H) Application deposit of \$10,000, with any unused portion to be refunded.

- _____I) Construction Plans and Itemized Project Construction Statement

- _____J) Attach the following documentation as Exhibits
 - _____ Exhibit A – Entity Documents
 - _____ Exhibit B – Description of Project
 - _____ Exhibit C – List of Shareholders/Partners
 - _____ Exhibit D – *But-For* Analysis
 - _____ Exhibit E – List of Prospective Lessees
 - _____ Exhibit F – Legal Description and PID Number(s)

Note: All Major shareholders will be required to sign personal guarantees if up front financing of the project is required.

The undersigned certifies that all information provided in this application is true and correct to the best of the undersigned's knowledge. The undersigned authorizes the City of Elk River to check credit references and verify financial and other information. The undersigned also agrees to provide any additional information as may be requested by the City after the filing of this application.

Applicant Name_____Date_____

**Tax Increment Financing
Policy History**

| Adopted by: | On (date) | Item # |
|--------------|------------|--------|
| City Council | 12/4/2017 | |
| EDA | 11/20/2017 | |
| HRA | 11/6/2017 | |