

CITY OF BLAINE

Draft Policy Discussion

- (1)Debt Management;
- (2)TIF and Abatement

June 7, 2018

Debt Management

First Reviewed April 12, 2018

Establishing guidelines and parameters for the effective governance, management, and administration of debt and other financing obligations

Blaine Debt Policy Purpose/Objectives:

- Ensure debt is issued and managed properly
- Establish guidelines to help improve and direct decision making
- Minimize debt commitments

Blaine Debt Policy Elements:

- Strive to confine LT borrowing to projects with 3-year+ useful life
- Make effort to:
 - Keep debt terms to less than 20 years
 - Retire 65% of O/S debt within 10-years
 - Structure debt to match revenue streams and tax levies

Blaine Debt Policy Provisions:

- Where possible, support debt w/ revenues rather than property taxes
- City will not issue debt to support current operations
- Maintain regular communication with bond-rating agencies
- Allow for inter-fund borrowing

Tax Increment Financing & Tax Abatement

- Establishing City's position for effective use of TIF and Abatement.
- Forward-looking; consider long-term needs and evolving/developing conditions and circumstances

TIF vs Abatement:

Primary difference – the way funding provided

TIF

Other taxing entities
(primarily SD, county)
are **required** to
contribute

Abatement:

Other taxing entities
(primarily SD, county)
are **NOT required** to
contribute

Blaine TIF/Abatement Policy :

- Each individual request is approved or denied on its own merits and reviewed case-by-case
- CC retains sole and absolute discretion to grant or deny for any reason
- CC can amend or waive any section when deemed appropriate and in the best interests of the City

Blaine TIF/Abatement Policy :

- Guide staff to make recommendations
- Provide the framework for evaluation and comparative analysis
- Open, informative public process

Blaine TIF/Abatement Policy Purpose/Objectives:

- Strengthen City's tax base
- Maintain stable mix of land use
- Support local economy – job opportunities
- Eliminate blight and substandard conditions
- Clean contaminated land to achieve development objectives

Blaine TIF/Abatement Policy Purpose/Objectives:

- Provide housing options
- Support redevelopment to preserve unique features and amenities
- Promote certain areas for redevelopment
- Retain/attract stable industries that provide employment and preserve/enhance tax base

Use of TIF/Abatement:

- Requires clearly identified objectives
- Only to the degree necessary to accomplish the objective
- Only if financial ability exists; CC deems it fiscally prudent; developer clearly demonstrates project meets financial and public purpose commitments

Use of TIF/Abatement:

- The City will recapture subsidy to the maximum feasible, allowing developer reasonable ROI
- PAYGO projects and front-end reimbursements preferable to debt financing
- If debt financed, revenue bonds (repayable solely from TIF) are preferred

Use of TIF/Abatement:

- Any general obligation pledge requires **5 affirmative votes**
- To refinance or restructure previously issued TIF, Abatement debt

Other TIF Provisions:

- Each TIF analysis will contain a recommendation for inclusion or exclusion from Fiscal Disparities contribution
- FD inclusion/exclusion to be analyzed with prescribed methods and reported to Council in manner understandable to general public prior to approval of TIF

TIF Economic Analysis/Risk Assessment Process

- Identifies:
 - The public purpose that is served
 - The need for public investment/subsidy
 - The total cost of project
 - The appropriate level of City participation
 - The risks associated with the project and the alternatives for managing risks

TIF Economic Analysis/Risk Assessment Process

- Compares proposed financing plan to previously approved, comparable projects
- Takes into consideration the project's impact on other publicly financed projects
- Tax capacity of TIF districts will not exceed 10% of total City tax capacity at the time of approval

Tax Abatement

- May be used if:
 - Benefits at least equal costs
 - To phase in a property tax increase
 - Findings:
 - Increases or preserves tax base
 - Provides employment opportunities
 - Provides or helps acquire public facilities
 - Develop or renew blighted areas
 - Provides access or services to Blaine residents
 - Finances new or improved infrastructure