

# **City of Blaine**

## **Tax Increment Financing and Tax Abatement Policy**

### **Introduction**

Minnesota cities are granted the power to utilize Tax Increment Financing (TIF) and Tax Abatement by Minnesota Statutes, Chapter 469. In addition to Chapter 469, all requests shall comply with Minnesota Statutes 16J.993 and 116J.994, the Business Subsidies Act. As statutes authorizing TIF and Tax Abatement are frequently amended, this policy is subject to change to conform to amendments to such statutes.

### **Difference between TIF and Tax Abatement**

The primary difference between Tax Increment Financing and Tax Abatement is the way in which the dollars are awarded to the project. When the City awards TIF to a project, the other political subdivisions (the school district and the county) are required to contribute their portion of the increased taxes to the project. Conversely, when Tax Abatement is requested, each political subdivision has the option of granting its portion of the increased taxes to the project. Subsequently, the dollars generated for the project with Tax Abatement are generally less than the dollars generated with TIF.

### **Purpose**

The purpose of this policy is to establish the City's position regarding the use of Tax Increment Financing (TIF) or Tax Abatement (Abatement) for private development. The term "City" as used in this policy shall include both the City of Blaine and the Blaine Economic Development Authority (EDA). This policy shall be used as a guide in the processing and review of applications requesting TIF or Abatement assistance. The City, in adopting this policy, retains the sole and absolute discretion to grant or deny any request for any reason. The City shall have the option of amending or waiving sections of this policy when the City Council has determined that to do so is necessary or appropriate and when it is determined that the total economic benefit exceeds this policy's intent.

Additionally, this policy will be used to:

- Describe the city's goals and objectives for the use of tax increment and abatement financing including requirements, review criteria, eligible activities and funding approach;
- Guide staff in forming recommendations regarding the use of tax increment and abatement financing and negotiating contract terms with developers;
- Provide a framework within which the City Council and EDA can evaluate and compare proposed uses of tax increment and abatement financing; and
- Inform the public of the City's position on the use of tax increment and abatement financing and the process through which decisions regarding the use of the tool are made.

## **Tax Increment Financing**

### **Objectives**

The City of Blaine is committed to maintaining the vitality of the city through the development or redevelopment of existing and new commercial, industrial and residential areas, to increase jobs, strengthen the local tax base and to assist in the provision of a variety of affordable housing opportunities for city residents.

The City will consider the use of tax increment financing to accomplish the following objectives:

1. Strengthen the city's property tax base and maintain a stable mix of residential, commercial, and industrial uses.
2. Support the local economy to create opportunities for living-wage jobs, with an emphasis on providing job opportunities for the unemployed and underemployed.
3. Eliminate blight and substandard conditions that impede the development potential and economic health of the City.
4. Clean contaminated land to provide sites for uses that achieve City redevelopment objectives.
5. Provide an array of housing choices that meet the needs of current residents and attract new residents to the city, with an emphasis on providing affordable housing.
6. Support neighborhood retail services, commercial corridors and employment hubs.
7. Support redevelopment efforts that enhance and preserve unique urban features and amenities.
8. Create a desirable and unique character through compatible land use and quality design in new and redeveloped building.
9. Preserve historically significant structures to reuse in viable commercial, industrial or residential activities.
10. Promote the development of certain areas and properties consistent with the city comprehensive plan.
11. Retain and attract stable industries that provide significant employment and tax base.

### **General Guidelines in the Use of Tax Increment Financing**

The City of Blaine will comply with all requirements of the Minnesota Tax Increment Financing Act, as amended. The City will undertake a rigorous analysis to ensure that the proposed project satisfies the "but for" test embodied within the Tax Increment Financing Act.

The City of Blaine will use tax increment financing only when a clearly identified city development objective is served and only to the degree necessary to accomplish that development objective.

Tax increment financing will only be used in cases where the City has the financial capacity to provide the needed public assistance, the Council deems it fiscally prudent to provide

such assistance, and the developer can clearly demonstrate that the development will be able to meet its financial and public purpose commitments.

The City of Blaine will recapture the public subsidy to the maximum extent feasible after allowing the developer a reasonable return.

Tax increment financing is to be paid solely from related tax increment revenue. Projects that employ "pay as you go" (PAYGO) financing and reimbursement of front-end public redevelopment costs with tax increment revenues, are preferable to bond financing and are to be considered and used when appropriate.

If a TIF project is to be bond-financed, it is the City's preference to structure the bond issue as a TIF Revenue Bond, with repayment of the debt solely from the increment generated from the project. Use of General Obligation (G.O.) Tax Increment Bonds (those bonds guaranteed or backed by the full faith, credit, and taxing power of the City) are allowed under this policy only with an affirmative vote of at least five (5) Councilmembers. In addition, the following conditions must be met:

- Such G.O. backed financing will not, in the opinion of the Council place an undue burden on tax rates and relative debt load (as expressed in terms of per capita debt, or as a percentage of debt to Assessor's Market Value);
- No other, better, financing alternative exists;
- There is a very significant rate of return relative to the risk taken or if it is found that there are overriding socioeconomic considerations which are significant to the City overall, as determined by the City Council.

G.O. Tax Increment Bonds may also be used in instances where all net bond proceeds are used to directly pay public costs or refinance debt that was previously issued to pay for such costs.

Only those public improvements and public redevelopment costs directly associated with or needed to service the proposed development plan or project should be financed through tax increment. The City will analyze each potential new TIF district and recommend whether it should be included or excluded from the fiscal disparities contribution. The impact of the fiscal disparities election on the City's general tax base will be analyzed using the methodology prescribed by the Minnesota Department of Revenue and will be reported to the City Council in a manner understandable to the general public prior to approval of the proposed use of tax increment financing.

#### **Economic Analysis and Risk Assessment Process**

Proposed uses of TIF and will be subject to rigorous economic analysis and risk assessment. City Finance Department staff will be responsible for overseeing the analysis and assessment process. Consultants will be used to complete needed analysis and assessment as appropriate.

The analysis and assessment of all proposed uses of TIF and will address the following questions as part of the standard format for reports to the City Council:

- What is the public purpose of the financial assistance to the project?
- Why is there a financial need for public investment and/or subsidy?
- What is the total cost of the project?
- What is the appropriate level of public participation?
- What are the risks associated with the project?
- What are the alternative plans for managing the risk?
- How does the proposed project finance plan compare with previously approved comparable projects?
- What is the project's impact on other publicly financed projects?

The results of the economic analysis and risk assessment will be presented to the City Council at the time of the request for approval of the proposed use of TIF. The report will identify any elements of the proposed project that are not in conformance with this Tax Increment Policy.

Projects with an anticipated term of increment collection greater than 15 years or projects with tax increment principal in excess of \$10 million will be subject to a more extensive analysis, including appropriate market analysis and review by City Finance Department staff.

The City will not approve any new tax increment district or abatement district if the resulting total projected tax capacity (net of estimated Fiscal Disparities Contribution) of all tax increment districts in the City (including the proposed district) exceeds 10.0 % of the total projected tax capacity of all taxable property (including the proposed district) in the City.

### **Evaluation Criteria**

The following items will be taken into consideration in the evaluation of any development proposal requesting tax increment assistance.

- **Need For Public Assistance.** In all cases, it is required that the need for public assistance be demonstrated and documented by the developer to the satisfaction of the City Finance Department. All such documentation, including development budgets, cash flow projections, market studies and other financial and market information, must be submitted by the developer along with an application for public financial assistance. If the request is based on financial gap considerations, the developer will demonstrate the profitability and feasibility of the project (i.e. gross profit, cash flow before taxes, cash-on-cash return, IRR, etc.), both with and without public assistance.
- **Amount of Public Assistance versus Private Investment.** All development proposals should seek to maximize the amount of private investment per dollar of public assistance. Public assistance as a percentage of total development costs will be determined for each project (or discrete portion of a project receiving a subsidy)

and compared to other development projects or subprojects of similar scope and magnitude whenever possible.

- **Term of Public Assistance.** The term of the public assistance shall be kept to a minimum. The proposed term of any public assistance shall be fully documented and explained to the City Council.
- **Development: Benefits and Costs.** The direct and indirect benefits of the development proposal shall be determined and quantified to the degree possible. Benefits shall include, but are not limited to:
  - Employment benefits (number of jobs retained or created; percentage of jobs held by City residents; wage and salary information, etc.);
  - Tax base benefits (estimated market value of new development, new property taxes generated, etc.);
  - Housing benefits (number of new rental or ownership units, number of affordable units, etc.); and
  - Other benefits relating to transportation, parking, blight remediation, environmental cleanup and historic preservation.

Costs of the development proposal to the City shall also be identified to the degree possible. Such costs shall include, but are not limited to, additional required infrastructure, required local contributions by the City and the impact on the City's General Fund of the fiscal disparity contribution election if tax increment financing is used. The timeframe used for these cost estimates should equal the timeframe of the project finance plan and should separately identify any projected recapture of public subsidy.

**Recapture of Public Subsidy.** It is the City's goal to recapture all, or a portion, of the public subsidy provided to the extent practical. Methods of recapture shall include, but are not limited to, long-term ground leases, subordinated loans, sale and/or refinancing provisions, and equity participation.

## **Tax Abatement Financing**

The City of Blaine may grant an abatement of taxes imposed by the City of Blaine on a parcel of property, or defer the payment of the taxes and abate the interest and penalty that would otherwise apply if:

- It expects the benefits to the City of Blaine of the proposed abatement agreement to at least equal the costs to the City of Blaine of the proposed agreement or intend the abatement to phase in a property tax increase; and
- It finds that doing so is in the public interest because it will:
  - Increase or preserve tax base.
  - Provide employment opportunities in the City of Blaine.
  - Provide or help acquire or construct public facilities.
  - Help develop or renew blighted areas; or
  - Help provide access to services for residents of the City of Blaine; or
  - Finance or improve public infrastructure; or
  - Phase in a property tax increase on the parcel resulting from the increase of 50 percent or more in one year on the estimated market value of the parcel other than increase attributable to improvement of the parcel.

The total amount of property taxes abated by the City of Blaine may not exceed five percent (5%) of the current general levy.

The City of Blaine will consider all proposals eligible for abatement districts before adopting an abatement district for any project. The duration limit for an abatement district shall not exceed 15 years.

The proceeds from the abatement district may be used to:

- Pay for public improvements that benefit the property;
- Acquire and convey land or other property as provided under this section;
- Reimburse the property owner for the cost of improvements made to the property;
- Pay the cost of issuance of any bonds issued to fund the project.

**CITY OF BLAINE**  
**PRE-APPLICATION**  
**TAX INCREMENT FINANCING ASSISTANCE**

Legal Name of Applicant:

\_\_\_\_\_

Address:

\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Name of Contact Person: \_\_\_\_\_

**REQUESTED INFORMATION**

Addenda shall be attached hereto addressing in detail the following:

1. A map showing the exact boundaries of proposed development.
2. Give a general description of the project including:
  - a. Size and location of building(s);
  - b. Business type or use;
  - c. Traffic information including parking, projected vehicle counts and traffic flow;
  - d. Timing of the project;
  - e. Other pertinent information.
3. The existing Comprehensive Plan Land Use designation and zoning of the property. Include a statement as to how the proposed development will conform to the land use designation and how the property will be zoned. Explain any discrepancies between the proposed development and the existing land use designation and zoning.
4. A statement identifying the public improvements requested to be financed and why the costs of the improvement cannot be paid by the developer.
5. A statement identifying the public benefits of the proposal including estimated increase in property valuation, new jobs to be created and other community assets.
6. A written perspective of the developer's company or corporation, principals, history and past projects.

Applicant understands and agrees that the information contained in this application, and the information contained in items above, is intended for use by the City of Blaine, its officers, employees, and agents in connection with the City's consideration of possible tax increment financing for applicant's project. However, the City gives no assurance that this information may not be disclosed, in whole or part, to persons other than City's officials, employees and agents.

**SIGNATURE**

Applicant's Signature:

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Date:

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**CITY OF BLAINE**  
**PRELIMINARY AGREEMENT FOR TAX INCREMENT FINANCING**

This Preliminary Agreement made and entered into by and between the City of Blaine, a Municipality organized and operating under the laws of the State of Minnesota (hereinafter called "City") and \_\_\_\_\_ a corporation organized under the laws of the State of \_\_\_\_\_ (hereinafter called "Developer").

**WITNESSETH:**

WHEREAS, the City has received from Developer a request that the City provide tax increment assistance pursuant to Minnesota Statutes, Sections 469.124 through 469.134 and Sections 469.174 through 469.179 (collectively, the "Act") in connection with a project to be undertaken by the Developer within the City.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

- A. The Developer agrees to deposit with the City \$25,000 for any and all expenses and costs of the City in connection with the preparation of the development program and all documentation and procedures required by the Act in connection with the issuance of tax increment bonds, whether or not the tax increment bonds are actually issued, as verified by itemized statements for services rendered. Costs and expenses shall include, but not be limited to, all out-of-pocket expenses, all fees for legal services, all fees for architectural engineering and financial services including feasibility reports, all administration costs, appraisal costs, all costs of reports and hearings. Monies not expended will be refunded to the applicant. Additional expenses, if any, will be passed to the developer.
- B. The City Council reserves the right to deny any application for financing at any stage of the proceedings prior to its entering into a Development Agreement.
- C. All applications and supporting materials and documents shall remain the property of the City. All such materials may be subject to disclosure and/or public review under applicable provisions of State Law.

IN WITNESS WHEREOF, the City and the Developer have executed this Agreement.

Approved by the City of Blaine, Minnesota, this \_\_\_\_ day of \_\_\_\_\_ 20

DEVELOPER

CITY OF BLAINE

\_\_\_\_\_  
Mayor  
\_\_\_\_\_

City Manager

## APPLICATION FOR TAX INCREMENT FINANCING ASSISTANCE

1. Qualifications of developer, including prior experience in similar or other developments. Qualifications of principal member of development team, including the architect, construction company, and financial advisor.
2. "But for" letter describing need for TIF assistance.
3. Financial information, including developer participation, and public and private funding.
4. Description of present ownership arrangement of project site.
5. Describe project. If project is a building, or addition to a building, specify number of stories, square footage, and related parking. (Attach site plan, landscape plan, and building elevations indicating building materials.
6. Describe use in building, i.e. industrial, office, commercial, and number of new employees resulting from the project.
7. Estimated project costs:
  - a. Land acquisition: \$ \_\_\_\_\_
  - b. Site development: \$ \_\_\_\_\_
  - c. Building cost: \$ \_\_\_\_\_
  - d. Equipment: \$ \_\_\_\_\_
  - e. Architectural and engineering fees: \$ \_\_\_\_\_
  - f. Legal fees: \$ \_\_\_\_\_
  - g. Underwriter, brokerage, discount fees: \$ \_\_\_\_\_
  - h. Interest during construction: \$ \_\_\_\_\_
  - i. Off-site development cost: \$ \_\_\_\_\_
  - j. Initial bond reserve fund: \$ \_\_\_\_\_
  - k. Contingencies: \$ \_\_\_\_\_
  - l. Other (please specify): \$ \_\_\_\_\_
  - m. Total \$ \_\_\_\_\_

8. Will project be occupied by applicant after completion? If not, state name of future lessees and status of commitments or lease agreements and amount of space. (Attach lease documents).

9. Describe amounts of City assistance being requested and for discuss what purpose.

10. 1 0. Are there any significant environmental impacts signs that impacts to the site or area that may result from the project?

11. 1 1 .Present schedule showing dates for design, construction and occupancy of the project .

12. 1 2. Applicant:

13. Name

i. \_\_\_\_\_

14. Address

i. \_\_\_\_\_

15. Phone

i. \_\_\_\_\_

16. Authorized Representative

i. \_\_\_\_\_

17. Business Firm (Partnership, Corporation, etc.)

a. \_\_\_\_\_

18. Date the Partnership or Corporation was formed

a. \_\_\_\_\_

19. 1 3.Names and addresses of principal partners, major stockholders, etc.

20. 14. Names, addresses, phone, and contact person for firms providing consulting services for the project.

21. Arehitect/Engineering

a. \_\_\_\_\_

22. Financial

i. \_\_\_\_\_

23. Market

i. \_\_\_\_\_

24. Legal

i. \_\_\_\_\_

25. Other

i. \_\_\_\_\_  
26. 1 5.Financial History/References.

27. Have you applied for conventional financing for the project? ayes a No

a. List status and details

a. \_\_\_\_\_

b. \_\_\_\_\_

28. Have you or any of the principals' in the project ever filed for bankruptcy?

a. ayes a No

29. Have you or any of the principals ever defaulted on property taxes for property in the City of Stillwater? ayes a No

30. Are your or any of the principals currently delinquent on property taxes for property in the

a. City of Stillwater? ayes a No

31. List three financial references:

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

32. A statement indicating the developers willingness to undertake the development of the proposed project if:

a. A satisfactory agreement can be reached for the City's commitment for the requested public improvements; bt A satisfactory mortgage and equity financing for the proposed project can be secured; and

b. The economic feasibility and soundness of the proposed project have been analyzed and confirmed to the satisfaction of the City and the developer.

33. Statement of willingness of developer to enter into an agreement, after project planning has been completed, which would require developer to provide appropriate guarantees prior to the City's provision of assistance to undertake public activity related to the proposed project.

34. Any other pertinent data developer wishes to propose.

35. The City reserves the right to require additional information and supporting data from the applicant after the filing of this application.

Applicant understands and agrees that the information contained in this application and the information contained in items above is intended for use by the City of Stillwater, its officers,

employees, and agents in connection with the City's consideration of possible tax increment bond financing for applicant's project; however, the City gives no assurance that this information may not be disclosed, in whole or in part, to persons other than City's officials, employees and agents.

The Undersigned, (a) (the) \_\_\_\_\_ of applicant, hereby represents and warrants to the City that (he) (she) has carefully reviewed this application, and that herewith are accurate and complete to the best of the Undersigned's knowledge and belief.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_