



City of Waseca Minnesota

Public Financial Assistance and Business Subsidy Development Policy

I POLICY PURPOSE

For the purposes of this document the term “City” includes the Waseca City Council, Staff, Advisory Boards and Commission, Financial consultants, and legal counsel.

The purpose of this policy is to establish the City’s guide for the processing and review of applications requesting public financial assistance. The fundamental purpose of public financial assistance in Waseca is to encourage development, redevelopment or public improvements which clearly demonstrate a need for assistance and provide a public benefit. The City is granted the power to utilize tax abatement financing by the Minnesota Tax Abatement Act (Minnesota Statutes, Sections 469.1812 to 469.1815, as amended). Tax abatement in this context is a rebate of taxes rather than an exemption from paying property taxes. The City is granted the power to utilize Tax Increment Financing by Minnesota Statutes, Sections 469.174 through 469.178. It is the intent of the City to provide assistance in the form of Tax Abatement, Tax Increment Financing (TIF) and other forms of assistance, as applicable, to help make a project of demonstrable public benefit viable. The decision will be made on a case by case basis taking into account established policies, project criteria, and demand on city services in relation to the potential public benefits from the project. In an effort to support local business, extra consideration will be given to existing businesses seeking to expand and grow within the City. Priority will be given to services not already provided in the City. The project must be consistent with the City’s Comprehensive Plan and Zoning Ordinances. Meeting project criteria does not guarantee the awarding of public financial assistance to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

A. OBJECTIVES FOR USE OF Public Financial Assistance

As a matter of adopted policy, the City will consider using Public Financial Assistance to assist private development projects and public improvements to achieve one or more of the following objectives:

- General economic development, such as preserving and increasing the tax base, the number of jobs in the area, or diversification of the economic base
 - Encourage additional unsubsidized private development in the area, either directly or indirectly, through “spin off” development
- Construction of public facilities or infrastructure (e.g., streets and roads)
- Redevelopment, renovation, and renewal of deteriorating or blighted areas or to develop sites that would not otherwise be developed without assistance

- Provide employment opportunities in the City
- Providing access to services for residents (e.g., housing or retail would be common examples)
- Deferring or phasing in a large (over 50 percent) property tax increase
- Land stabilization to remove hazardous substances, pollution, or contaminants, or to remove and replace unstable soils therefore making a site suitable for improvement.
- Tourism projects as allowed by statute.
- The amount of newly created taxable value shall be used to help determine the amount of assistance provided for the project.
- Job creation can be part of the project’s requirements. In that case, jobs created must pay at least \$2.00 over the State minimum wage.
- Stabilize the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.
- Create opportunities for affordable housing.
- Projects that improve the quality of life in the City.
- Tax abatement assistance will be provided to private developers upon receipt of taxes by the City.
- Tax increment financing assistance will be provided on a “pay as you go” basis. Requests for the City to issue bonds to finance upfront costs on a project will be considered but are generally discouraged.
- Other similar uses that provide public benefit

II Illustrations of How Tax Abatement and TIF May Be Used

<u>Tax Increment Financing (TIF)</u>	<u>Tax Abatement</u>
Revenue received from a specified district to a specified district	Revenue can be captured from a specific property but can also include surrounding properties
Revenue is limited to what is generated from the new tax increment	The existing revenue on the value before improvements are made can also be captured
TIF captures the revenue on the new increment from the City, County, and School	The City, County, and School all have the option to participate or not participate on an individual basis
Different district types have different durations: 8 to 25 years	The maximum duration is 15 years if all entities participate and 20 years if two or less (Tax Abatement can be granted to properties that have been in a TIF District once the TIF District has been decertified.)

Very limited use allowed for retail and tourism projects	Wide latitude in the types of projects that can be assisted
Projects must show that "But for" the assistance the project would not take place	No "but for" requirement
Housing development assistance generally limited to affordable housing	Wider latitude is given to meet local housing needs.

III Evaluation Criteria

The project shall comply with all provisions set forth in Minnesota's Tax Abatement Law, (Minnesota Statutes, Sections 469.1812 to 469.1815) as amended or Minnesota's Tax Increment Financing Law (Statutes 469.174 through 469.178 as amended), and, as applicable, Minnesota's Business Subsidy Act (Minnesota Statutes, Section 116J.993 through 116J.997, as amended).

The decision to provide Public Assistance or a Business Subsidy will be based on the following criteria:

1. The project shall meet at least one objective to further the public interests set forth in Section 1A of this document.
2. The demonstration, to be provided by the developer, of the project's benefits to the community and an analysis of the feasibility of the project without public financial assistance being provided.
 - a. For TIF the City must make "but for" findings that (1) the development would not occur without TIF assistance and (2) that the market value of the TIF development will be higher (after subtracting the value of the TIF Assistance) than would occur on the site if TIF were not used.
3. The estimated amount of new tax value (or increment) being created by the project.
4. Creation or retention of jobs.
5. Demonstration of market demand for the proposed project to staff satisfaction is to be provided by the developer for review and verification.
6. For housing projects, the number, type and configuration of units to be built or renovated, pricing estimates (rental or sale amounts) and other requested information.
7. The adequacy of the developer's financial guarantees to ensure completion of the project, including but not limited to: assessment agreements, letters of credit, personal guaranties or additional documentation as necessary
8. The demonstration, to the City's sole satisfaction, of the developer's ability to complete the proposed project based on past development experience, general reputation and credit history, among other factors, including experience with the size and scope of the proposed project.

A. Tax Abatement

The term of any tax abatement may not exceed 15 years if all three taxing jurisdictions participate or 20 years if one or two jurisdictions participate. The applicant is responsible for requesting tax abatement from either the County or the School District. When abatement is being utilized to finance public facility and infrastructure projects or in connection with a project of demonstrable public benefit (as opposed to projects predominantly benefitting private business and development objectives), the EDA will recommend the preliminary use of tax abatement financing for the project. A formal application, deposit agreement and application worksheet will thereafter be required to be submitted to the City. The decision to use tax abatement for a project will be based on the criteria set forth in this policy.

B. Tax Increment Financing

As per authorized by the State Code, the following types of TIF Districts will be considered by the City of Waseca: Revelopment District, Renewal and Renovation District, Housing District, Soils Condition District, and Economic Development District.

The following table illustrates the duration and eligible uses of the various types of TIF districts.

District Type	Duration Limit (after receipt of first increment)	Geographic Areas That Qualify	Permitted Uses of Increments
<u>Compact Development</u>	25 years	- 70% occupied by buildings - planned development increases the square footage of C/I buildings by three times or more	- Land acquisition and site preparation - Public infrastructure except roads, parking, or similar to service passenger vehicles
<u>Economic Development</u>	8 years	No restrictions	- Manufacturing - Warehousing - R&D facilities - Telemarketing - Tourism in qualifying counties - Commercial developments in small cities
<u>Housing</u>	25 years	No restrictions	Housing for low- or moderate-income renters or homeowners
<u>Hazardous Substance Subdistricts</u>	25 years	Parcels in a TIF district containing polluted sites and contiguous parcels	Site acquisition and cleanup
<u>Redevelopment</u>	25 years	- 70% occupied by buildings, 50% of which are substandard or - certain railyards	Correction of conditions justifying creating district

		- tank facilities	
<u>Renewal and Renovation</u>	15 years	70% occupied by buildings, 20% of which are substandard and another 30% require renovation	Correction of conditions justifying creating district
<u>Soils Condition</u>	20 years	Site contains pollution and cost of cleanup exceeds lesser of \$2/sq. ft. or the fair market value of the land	Site acquisition and cleanup
* Information provided by the Office of State Auditor. The percentages were calculated including districts not listed in the table, i.e., pre-1979 districts (19) and those adopted under special laws (9). The information on hazardous substance subdistricts is from the Department of Revenue for taxes payable in 2012.			

IV APPLICATION

A written application from a private business or developer, available from the Economic Development Authority (the “EDA”) of the City, shall be submitted for all projects seeking public assistance from the City. Applications must include:

- A. A letter formally requesting public assistance from the City.
- B. A completed application for public assistance with all supporting material attached.
- C. A non-refundable application fee of \$250
- D. Financial projections. An independent financial analysis may be requested.
- E. A refundable processing fee of 1.0 percent of the requested amount of assistance.
Refunding will be prorated to corresponding staff time if the application is denied by the City or removed by the applicant. The actual cost of searches, credit reports, filing fees, financial analysis and legal fees will be paid directly by the applicant. Fees will be waived if the City serves as developer.
- F. Additional information as may be requested by staff or the City Council as necessary for the City to evaluate the project and its potential impact on and benefit to the City.

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.

V APPROVAL PROCESS

From the time a complete application containing all of the information specified in Section IV is submitted to the City, the City will make all reasonable efforts to timely process the application. The City expects that the approval process for a private or public proposal may take anywhere from three weeks to three months, including any required public hearings, pursuant to the following procedure:

- A. City staff reviews the application, supporting materials and other required documents.
- B. Proposals are submitted to the EDA, as applicable, for preliminary approval or denial.

C. The EDA must determine that the proposed use of funds meets the appropriate test(s) for eligibility.

D. The EDA will determine if the financing gap exists between project funding sources and uses.

E. The EDA will recommend a specific amount of assistance, if any, to the City Council.

F. The City Council will hold a public hearing. The City Council will act on a resolution that identifies conditions upon which an application is approved or findings upon which an application is denied. The City Council will grant final approval or denial of the project.

VI SUBSIDY AGREEMENT & ANNUAL REPORTING REQUIREMENTS

All projects granted public assistance that are defined as a business subsidy pursuant to Minnesota Statutes, Section 116J.993-.996 (Business Subsidy Act) will be required to enter into a subsidy agreement and be subject to annual reporting requirements as specified in the Business Subsidy Act.

A. The subsidy agreement with the City shall clearly identify: the reason for the subsidy, the public purpose served by the subsidy, and the goals for the subsidy, as well as other criteria set forth by the Business Subsidy Act.

B. The developer/business shall file a report annually for two years after the date the benefit is received or until all goals set forth in the application and business subsidy agreement have been met, whichever is later. Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City of Waseca no later than March 1 of each year for the previous calendar year. Businesses fulfilling job creation requirements must file a report to that effect with the city within 30 calendar days of meeting the requirements.

C. The developer/business owner shall maintain and operate its facility at the site where the public assistance is used for a period of five years after the benefit is received.

D. In addition to attaining or exceeding the jobs and wages goals set forth in the subsidy agreement, the borrower shall achieve at least one of the objectives furthering the public interest as set forth in Section II of this document.

E. Developers/Businesses failing to comply with the above provisions will be subject to fines and repayment requirements, as well as deemed ineligible by the State to receive any loans or grants from public entities for a period of five years.

VII RECAPTURE OF PUBLIC FINANCIAL ASSISTANCE

Imposition of any recapture of financial assistance granted shall be pursuant to the terms of applicable approval resolutions and contracts with the developer/business and shall be pursued in the sole discretion of the City on a case-by-case basis. Recapture considerations may include but are not limited to the:

- A. Sale, refinance or closure of the facility and departure of the company from the jurisdiction.
- B. Significant change in the use of the facility and/or the business activities of the company.
- C. Significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic conditions.
- D. Failure to achieve the minimum number of net new jobs and wage levels as specified in the applicable approval resolution and/or contract with the developer/business, or city policies.
- E. Failure to comply with annual reporting requirements.
- F. Breach by developer/business of any terms of any contract applicable to the public assistance.