



MEMORANDUM

Date: June 23, 2016

To: Mayor and Council Members

From: Catherine Pausche, Director of Finance and Administrative Services
Sarah Smith, Community Development Director

Subject: Proposed Policy ADMIN-004 Tax Increment Financing

Tax Increment Financing, or 'TIF', has been around for 40 years and is an economic development tool that helps cities preserve and grow their local economies, which in turn contributes to the economic health and vitality of the state.

The primary emphasis on determining whether TIF is needed to spur development is the "but-for" test, which says the project develops a substandard or blighted area on sites which would not otherwise be developed "but/for" the use of TIF. Redevelopment TIF districts differ from housing TIF districts. There is less regulation involved with a housing TIF district, which exists to encourage development of affordable housing. To qualify for a housing TIF district, at least 20% of the units must be occupied by individuals with 50% of median income, or 40% of the units occupied by individuals with 60% of median income.

The City of Mound has three redevelopment TIF districts, including TIF 1-1 Commerce Place, which was decertified in 2009 after 24 years and repayment of the debt. TIF 1-2 Metroplains was created to develop Mound Market Place and Village by the Bay which will decertify in 2026. TIF 1-3 Mound Harbor Renaissance was created to develop Lost Lake and the Harbor District and decertifies in 2031. The City uses the tax increment to repay debt service on bonds that were issued for these developments. When the TIF district decertifies, the debt is satisfied and the tax capacity of the City increases.

Although it is impossible to anticipate all of the scenarios and projects that will result in a request for a subsidy, recent trends suggest rental housing is leading the economic recovery and the market study completed in 2013 suggested Mound has limited capacity to support commercial and industrial development. Mound needs to be positioned to promote and support development and ensure resources are being spent on projects that bring long-term benefits to the community, not just in the way of increased tax capacity, but also in the services and amenities businesses and residents desire.

The HRA discussed and recommended approval of the attached ADMIN-004 TIF Policy at the June 14th regular meeting, to help guide the decision making process on whether or not to grant TIF or some other form of public subsidy. Staff recommends approval as well.



ADMIN POLICY - TAX INCREMENT FINANCING		
Original Adoption:	06/28/2016	Reference No. ADMIN-004
Reviewed/Updated:	TBD	

PURPOSE AND SCOPE

This policy is intended for situations where the Housing and Redevelopment Authority of and for the City of Mound ("HRA") has been asked to provide Tax Increment Financing ("TIF") or other public subsidy for a proposed development project in the community.

The City of Mound is granted the power to utilize TIF by the Minnesota Tax Increment Financing Act, as amended. It is the intent of the City to provide the minimum amount of TIF at the shortest term required for the 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.

Meeting policy criteria does not guarantee the award of TIF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

AUTHORITY

Minnesota State Statutes 469-174 through 469-1799 govern the use of TIF and supersede any issues that conflict with this Policy.

POLICY CONSIDERATIONS

The HRA will consider the following list of economic development goals and objectives when evaluating requests for TIF or other public subsidy for a potential development or redevelopment project in Mound:

1. The project must be consistent with community values and vision as described in the Mound Comprehensive Plan and demonstrate the proper balance of type of use supported by market studies and/or other economic indicators.
2. The project must contribute to the economic vitality of the community, provide employment opportunities and ultimately expand the tax base.
3. The project will attract or retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits through

- a. Diversification of the local economy
 - b. Providing a high number of full time permanent jobs at good wages
 - c. Providing jobs to persons who are currently unemployed or underemployed
4. The project promotes development of mixed-use areas with housing, retail, office, entertainment and institutional uses adding significantly to the City's commercial and industrial tax base. Project area should encompass "natural" boundaries to ensure proper aesthetics and avoidance of remnant properties.
 5. The project provides significant rehabilitation of an existing apartment complex or significant rehabilitation and/or expansion of an existing office or commercial facility.
 6. The project encourages a mixture of housing types for all stages of life and income levels, including affordable housing units, and adds to and/or complements the existing housing stock with regard to unit mix and sizes.
 7. The project develops a substandard or blighted area of Mound on sites which would not otherwise be developed but/for the use of TIF. (Statutory Reference). TIF is used to offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
 8. The project provides significant improvement to surrounding land uses, the neighborhood, and/or the City while reflecting Mound's existing land use patterns including adding needed road, access and multi-modal transportation improvements.
 9. The design of the project protects any significant natural, cultural, historic and/or archaeological features and contributes to the implementation of other public policies, as adopted by the city from time to time, such as the promotion of quality historical, cultural or architectural design, enhancement of natural features, including but not limited to, water quality improvements, innovative storm water strategies, energy conservation, multi-modal transportation, and decreasing capital and/or operating costs of local government.

For these reasons, the Housing and Redevelopment Authority of and for the City of Mound will only consider a Tax Increment Financing (TIF) request or request for other public subsidy that meets a substantial number of the established economic development goals and objectives as mentioned above, as determined by the HRA, and fully demonstrates long-term benefits to the community.



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APPLICATION FOR PUBLIC FINANCING

Applicant Information

1. **Applicant Name:** _____
(Name should be the officially registered name of the business entity.)

Address: _____

Telephone: _____ Email Address: _____

2. **Name of Person Completing the application:** _____

Address: _____

Telephone: _____ Email Address: _____

3. **Names and Addresses of Architect, Engineer, and General Contractor for this project:**

Attorney Name: _____

Address: _____

Telephone: _____ Email Address: _____

Architect Name: _____

Address: _____

Telephone: _____ Email Address: _____

Engineer Name: _____

Address: _____

Telephone: _____ Email Address: _____

General Contractor Name: _____

Address: _____

Telephone: _____ Email Address: _____

4. **If the applicant is a corporation, please name officers, directors, or stockholders holding more that 5% of the stock of the corporation. If the corporation is not formed, provide as much information as possible concerning potential officers, directors, or stockholders, either in the space below or in a separate exhibit:**

4a. If the applicant is a general partnership, name of the general partners and if a limited partnership, state the general partners and limited partners with more than 5% interest in the limited partnership. If the partnership is not formed, provide as much information as possible concerning potential officers, directors or stockholders, either in the space below or in a separate exhibit.

4b. Has the applicant ever been in bankruptcy? If yes, please describe the circumstances.

Yes (please Explain): _____

No: ____

4c. Has the applicant ever been convicted of a felony? Is yes, please describe the circumstances.

Yes (please Explain): _____

No: ____

4d. Has the applicant ever defaulted on any bond or mortgage commitment?

Yes (please Explain): _____

No: _____

Project Information

1. PID#'s, legal description, address, and size of project site:

PID#: _____

Address: _____

Legal Description: _____

Size of Project Size (Acres): _____

2. Current ownership of the site: _____

3. Do you have current control of the site:

Yes: _____

No: _____

4. Project description.

5. If property is to be subdivided or replatted, please describe.

6. Enter estimated project costs in the space below or in a separate exhibit: (Please enclose detailed sources and uses and 15-year operating *Pro Forma*).

- a. Land Acquisition: \$ _____
- b. Surveys: _____
- c. Demolition: _____
- d. Environmental/Soil Corrections: _____
- e. Architectural & Engineering Fees: _____
- f. Legal Fees/Other Consulting Fees: _____
- g. FF&E: _____
- h. Financing Costs: _____
- i. Construction Interest: _____
- j. Title Insurance: _____
- k. Mortgage Registration: _____
- l. Bank/Borrower Legal: _____
- m. Recording/Closing: _____
- n. Construction Loan Fees: _____
- o. Public Improvements: _____
- p. Site Development: _____
- q. Building(s): _____

Shell (if applicable) _____

Tenant Improvements
(if applicable) _____

r. S/W Connection Charges: _____

s. Permitting: _____

t. MCES SPC: _____

u. Park Dedication: _____

v. Appraisal: _____

w. Property Taxes: _____

x. Contingencies (construction): _____

y. Contingencies (soft): _____

z. Other: _____

TOTAL \$ _____

7. Source of Financing

a. Equity: \$ _____

b. Bank Financing: _____

c. Public Assistance:
(TIF or Tax Abatement) _____

d. Other governmental loans/grants: _____

e. Deferred Developer Fees: _____

f. Other: _____

TOTAL \$ _____

Terms of Financing (years): _____

Rate of Financing: _____

Cap Rate: _____

8. Project Construction Schedule:

a. Construction Start Date: _____

b. Construction Completion Date: _____

c. If Phased Project :

January 2, (year) _____ % Completed _____

January 2, (year) _____ % Completed _____

2. Describe the purpose for which Public Assistance (TIF or Tax Abatement) is required, either in the space below or in a separate exhibit.

3. Please submit an itemized list of project costs for which TIF assistance is being requested, either in the space below or a separate exhibit.

Note: 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

4. State specific reasons why, "but for" the use of public assistance, this project would not be possible.

Application Process

1. The following documents must accompany the Application:
- A. A detailed sources & uses statement and 15-year project *Pro Forma*
 - B. Parcel Map depicting the proposed redevelopment area
 - C. If housing, detailed breakdown of units by unit type, sq/ft, base room rent and service cost
 - D. Site plans and floors plans (as available)

E. Significant additional information may be requested at any time by the City/HRA and may be in addition to the materials outlined in this application. The Applicant shall be required to submit any and all information as requested by the City/HRA.

2. At the time of acceptance by staff of the Public Financing Application, the applicant shall deposit \$10,000 with the City/HRA to cover attorney and consultant costs incurred if the project is located in an existing TIF district or if a public subsidy other than TIF is being requested, or \$25,000 if the project is not located within an existing TIF district. Funds will also cover the drafting and negotiating of a development agreement and conducting any fiscal analysis that may be required to meet the requirements of utilizing any public financing. If additional expenses are incurred beyond the initial deposit, prior to the execution of a development agreement, the City/HRA shall notify the applicant in writing and the applicant will be required to deposit additional funds upon notice.
3. The Applicant shall hold the City/HRA, its officers, consultants, attorneys, and agents harmless from any and all claims arising from or in connection with the Project or Public Assistance Application, including but not limited to, any legal or actual violations of any State or Federal securities laws.
4. The Applicant recognizes and agrees that the City/HRA reserves the right to deny any application for Public Assistance at any stage of the proceedings prior to adopting the resolution approving the public assistance, that the Applicant is not entitled to rely on any preliminary actions by the City/HRA prior to the final resolution, and that all expenditures, obligations, costs, fees, or liabilities incurred by the Applicant in connection with the Project are incurred by the Applicant at its sole risk and expense and not in reliance on any actions of the City/HRA.

The undersigned, a duly authorized representative of the Applicant, hereby certifies that the foregoing information is true, correct, and complete as of the date hereof and agrees that the Applicant shall be bound by the terms and provisions herein.

NAME OF APPLICANT: _____

NAME OF ORGANIZATION: _____

APPLICANT'S SIGNATURE

DATE

CITY RECEIPT OF APPLICATION

DATE

APPLICATION FEE PAID _____

ESCROW ACCOUNT: _____