

RESOLUTION 18-4

BUSINESS ASSISTANCE POLICY

CITY OF BRAHAM

1. PURPOSE

Subd. 1.01. The purpose of this policy is to establish the City of Braham's position as it relates to the use of Tax Increment Financing, Tax Abatement and other business assistance programs for private development. This policy shall be used as a guide in processing and reviewing applications requesting business assistance.

Subd. 1.02. The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. *Minnesota Statutes 116J.994, Subd. 2*, allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the department.

2. STATUTORY LIMITATIONS

Subd. 2.01. In accordance with the City of Braham's Business Assistance Policy, assistance requests must comply with applicable State Statutes.

3. ELIGIBLE USES FOR THE RECEIPT OF BUSINESS ASSISTANCE

Subd. 3.01. As a matter of adopted policy, the City of Braham will consider using a business assistance tool to assist private developments only in those circumstances in which the proposed private projects meet one or more of the following uses:

- A. To meet the following housing related uses:
 - 1. To provide a diversity of housing not currently provided by the private market.
 - 2. To provide a variety of housing ownership alternatives and housing choices.
 - 3. To promote affordable housing for low or moderate income individuals.
 - 4. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.
- B. To remove blight and encourage redevelopment in the commercial and industrial areas of the City in order to encourage high levels of property maintenance and private reinvestment in those areas.
- C. To increase the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents while lessening the reliance on residential property tax.

- D. To retain local jobs, increase the local job base, and provide diversity in that job base.
- E. To increase the local business and industrial market potential of the City of Braham
- F. To encourage additional unsubsidized private development in the area, either directly, or through secondary "spinoff" development.
- G. To offset increased costs of redevelopment, over and above the costs that a developer would incur in normal development.
- H. To accelerate the development process and to achieve development on sites which would not be developed without this assistance.

4. BUSINESS ASSISTANCE PROJECT APPROVAL CRITERIA

Subd. 4 .01. All new projects approved by the City of Braham should meet the following mandatory minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.

- A. The assistance shall be provided within applicable state legislative restrictions, State Auditor interpretation, debt limit guidelines, and other appropriate financial requirements and policies.
- B. The project should meet one or more of the uses identified in Section 3, Eligible Uses for the Receipt of Business Assistance.
- C. The project must be in accord with the Comprehensive Plan and Zoning Ordinances, or required changes to the Comprehensive Plan and Zoning Ordinances which would accommodate the project must be under active consideration by the City at the time of approval.
- D. The assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. Assistance will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business assistance request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is consistent as set forth in Appendix A.
- E. Prior to approval of business assistance, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with an independent underwriting.

- F. Any developer requesting business assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
- G. It is desirable if the developer retains ownership of the project at least long enough to complete construction, to stabilize its occupancy, to establish the project management, and to initiate repayment of the business assistance.
- H. The level of business assistance funding should be reduced to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and then using other funding sources or income producing vehicles that can be structured into the project financing, prior to using additional business assistance funding.

5. BUSINESS ASSISTANCE PROJECT EVALUATION CRITERIA

Subd. 5.01. All projects will be evaluated by the Braham City Council on the following criteria (as set forth in Section 5.03) for comparison with other proposed business assistance projects reviewed by the City and for comparison with other subsidy standards (where appropriate). It is realized that changes in local markets, costs of construction, and interest rates may cause changes in the amounts of business assistance subsidies that a given project may require at any given time.

Subd. 5.02. Some criteria, by their very nature, must remain subjective. However, wherever possible "benchmark" criteria have been established for review purposes. The fact that a given proposal meets one or more "benchmark" criteria does not mean that it is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business assistance proposals, using uniform standards whenever possible.

Subd. 5.03. Following are the evaluation criteria that will be used by the City of Braham:

- A. All proposals should, in the opinion of the City Council, optimize the private development potential of a site.
- B. All proposals should, in the opinion of the City Council, create the highest feasible number of jobs on the site. All proposals will meet the Business Subsidy Criteria established by the City.
- C. When considering business assistance for a relocating or new business request, the Council should weigh the impact on existing competition / businesses which are already established in the community.
- D. All proposals should, in the opinion of the City Council, create the highest possible ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the City, this ratio will vary widely.

- E. Proposals should usually not be used to support speculative industrial, commercial, and office projects.
- F. Assistance will usually not be used in a project that involves an excessive land and/or property price.
- G. All business assistance projects will need to meet the "but for" test. Assistance will not be used unless the need for the City's economic participation is sufficient that, without that assistance the project could not proceed in the manner as proposed.
- H. Business assistance will not be used when the developer's credentials, in the sole judgment of the City, are inadequate due to past track record relating to: completion of projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City.
- I. Business assistance will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments.
- J. Business assistance funding should not be provided to those projects that fail to meet good public policy criteria as determined by the Council, including: poor project quality; projects that are not in accord with the comprehensive plan, zoning, redevelopment plans, and City policies; projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the City in the opinion of Mayor and Council; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use for the property.
- K. The following supplemental policies are attached hereto and made part of the Business Assistance Policy:
 - Attachment 1: Tax Increment Financing Policy
 - Attachment 2: Tax Abatement Policy

Adopted by the Braham City Council this ____ day of _____, 2018.

Mayor

Attest: _____
Clerk/Administrator

ATTACHMENT 1

Tax Increment Financing Policy

1. PURPOSE

Subd. 1.01. The purpose of this policy is to establish the City of Braham's position as it relates to the use of Tax Increment Financing for private development. This policy shall be used as a guide in processing and reviewing applications requesting business assistance, and in conjunction with the City's Business Assistance Policy. The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. STATUTORY LIMITATIONS

Subd. 2.01. In accordance with the City of Braham's Tax Increment Financing Policy, assistance requests must comply with applicable State Statutes. Minnesota Statutes, Section 469.174 through 469.179 (Tax Increment Finance Act), as amended authorizes local governments to utilize Tax Increment Financing to assist development and redevelopment of certain parcels within its boundaries.

3. POLICY BACKGROUND

Subd. 3.01. The City recognizes that local government plays a critical role in enhancing the vitality of our community. This is particularly true as the city reaches full development.

Subd. 3.02. All reasonable means shall be utilized to leverage private business development and redevelopment in the city consistent with this and other policies. Tax increment financing is an important and useful tool in attracting and retaining businesses.

Subd. 3.03. The fundamental principle that makes tax increment financing viable is that it is designed to encourage development that would not otherwise occur. The City shall be responsible to determine that (1) a project would not occur "but for" the assistance provided through tax increment financing; and (2) no other development would occur on the relevant site without tax increment assistance, that could create a larger market value increase than the increase expected from the proposed development (after adjusting for the value of the tax increment).

Subd. 3.04. The City shall consider tax increment financing in cases that serve to accomplish targeted city goals for development and redevelopment as they may change over time. These goals include, but are not limited to projects that will (1) foster and support redevelopment; (2) result in the creation or retention of a significant number of jobs that pay wages adequate to support households; or (3) assist with the retention and expansion of businesses, and (4) expand the city's tax base.

4. CREATION OF TIF DISTRICTS

Subd. 4.01. The City shall consider the creation of any of the general types of TIF Districts allowed by Minnesota Statutes or the creation of other types of TIF Districts allowed by Special Legislation, when doing so is consistent with the development and redevelopment goals of the City.

Subd. 4.02. TIF Districts are the specific parcels within a Project Area from which tax increment is captured. MN Statutes currently defines five general types of TIF Districts which the City shall consider:

- 1) Redevelopment District
- 2) Renewal and Renovation District
- 3) Soils Condition District
- 4) Housing District
- 5) Economic Development District

Subd. 4.03. In addition to these five general types of TIF Districts, defined by Minnesota Statutes, the City may also consider the creation of TIF Districts as authorized by applicable special tax increment financing legislation.

Subd. 4.04. The City shall consider the creation of a TIF District based on qualifications and term restrictions, as defined in Minnesota Statutes. The Authority shall consider a range of attributes including but not limited to the following:

- Projects consistent with development and redevelopment goals of the city
- Development of office, office/corporate headquarters, office/service/warehouse and manufacturing
- Maximized use of other financial resources
- Projects that provide funding for appropriate public improvements that may benefit numerous development projects
- Low percentage of public investment; high percentage of private investment
- Analysis of detailed business pro forma with reasonable timeline for completion and occupancy
- Project has potential to enhance spin-off development and redevelopment
- Exceeds minimum design standards per City Ordinance
- Presents minimal risk to the City
- Maximizes increased tax base and contributes to higher market values
- Number of jobs and pay level of positions will be a consideration but not a requirement if other appropriate public purpose(s) is met

5. ELIGIBLE COSTS

Subd. 5.01. The Authority shall consider the use of tax increment financing to cover project costs as allowed for under Minnesota Statutes. The types of project costs that are eligible for tax increment financing (under current state law) are as follows:

- TIF application deposit
- Architectural and engineering fees directly attributable to site work
- Earthwork/excavation
- Landscaping
- Streets and roads
- Street/parking lot lighting
- Sidewalks
- Special assessments
- Soils test and environmental studies
- Site related permits
- Soils correction
- Utilities (sanitary sewer, storm sewer, and water)
- Street/parking lot paving
- Curb and gutter
- Land acquisition
- Legal (acquisition, financing, and closing fees)
- Surveys
- Title insurance

6. DETERMINATION OF AMOUNT OF ASSISTANCE

6.01 Whether in a new or existing TIF District, the amount of tax increment financing provided to an applicant shall be based on a review of the following:

- Request for Financial Assistance Form (Exhibit A)
- Review of Applicant Pro Forma
- Amount of Increment Generated by the Project

Subd. 6.02. The level of assistance shall be evaluated on a case-by-case basis and may reflect an increase or decrease in requested financial assistance. When considering a request for tax increment financing for a project, there shall be consideration of the level of financial assistance provided for other previously approved projects in the TIF District or Project Area.

7. FORMS OF ASSISTANCE

Subd. 7.01. Tax increment financing shall generally be provided on a “pay-as-you-go” basis wherein the City compensates the applicant for a predetermined amount for a stated number of years. The City shall have the option to issue a TIF Note with or without interest, where the principal amount of the TIF Note is equal to the amount of eligible project costs incurred and proven by the developer. In all cases, semi-annual TIF payments shall be based on available increment generated from the project. TIF payments shall be made after collection of property taxes.

Subd. 7.02. Another form of assistance that shall be considered only in extraordinary circumstances is an “up-front payment” to the applicant. This may be in the form of a revenue or general obligation bond or an internal loan. The tax increment generated from the applicant’s project is a source of revenue for repayment of the bonds or loan. This form of assistance is not one the City or City will generally consider because under this

form of assistance the City assumes the risk that the tax increment will be sufficient for repayment of the bonds or interfund loan.

8. APPLICATION

Subd. 8.01. The City will require a deposit in the amount of \$10,000 from the applicant to investigate the feasibility of providing assistance to the applicant. If the City incurs additional expense beyond the \$10,000 prior to execution of the Developer's Agreement, the City shall notify the applicant in writing and the applicant must deposit additional funds for work on the application to continue. If the project is approved and the applicant proceeds with the project, the applicant's deposit may be reimbursed as an eligible project cost to the extent permissible under MN Statutes.

Subd. 8.02. In addition to the \$10,000 deposit fee, the applicant must submit the following forms and documentation at time of application for the application to be complete and review of the application to begin:

- Request for Financial Assistance Form (Exhibit A)
- Project Pro Forma Documentation (Developed by Applicant)

ATTACHMENT 2

Tax Abatement Policy

1. PURPOSE

Subd. 1.01. The purpose of this policy is to establish the City of Braham's position as it relates to the use of Tax Abatement for private development. This policy shall be used as a guide in processing and reviewing applications requesting business assistance, and in conjunction with the City's Business Assistance Policy. The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. STATUTORY LIMITATIONS

Subd. 2.01. In accordance with the City of Braham's Tax Abatement Policy, assistance requests must comply with applicable State Statutes. MN Statutes, Sections 469.1812 through 469.1815, authorizes a political subdivision to utilize property tax abatement on certain parcels of land within its boundaries.

3. POLICY BACKGROUND

Subd. 3.01. The City recognizes that local government plays a critical role in enhancing the vitality of our community. This is particularly true as the city reaches full development.

Subd. 3.02. All reasonable means shall be utilized to leverage private business development and redevelopment in the city consistent with this and other policies. Tax abatement is an important and useful tool in attracting and retaining businesses.

Subd. 3.03. The tax abatement tool provides the ability to capture and use all or a portion of the property tax revenues within a defined geographic area. In practice, it is a tax "rebate" rather than an exemption from paying property taxes. Tax abatement is an important economic development tool that when used appropriately can be useful to accomplish the city's development and redevelopment goals and objectives. Requests for tax abatement must serve to accomplish the city's targeted goals for development and redevelopment. These goals include, but are not limited to projects that will result in the creation or retention of a significant number of jobs that pay wages adequate to support households, projects that will assist with the retention and expansion of businesses, and projects that will expand the city's tax base. Projects must meet the requirements established by the Business Assistance Policy of the City, to the extent it is applicable, in order to receive abatement.

4. PROJECT ELIGIBILITY

Subd. 4.01. Projects eligible for consideration of property tax abatement include but are not limited to the following:

- Mixed use projects including new and redevelopment projects
- Commercial and industrial redevelopment projects
- Commercial and industrial new developments
- Residential business properties (with some restrictions as defined in this policy)

5. OBJECTIVES

Subd. 5.01. A property tax abatement must meet at least one of the following public purposes:

- Increase or preserve the tax base
- Provide employment opportunities in the City
- Provide or help acquire or construct public facilities
- Help redevelop or renew blighted areas
- Help provide access to services for City residents
- Finance or provide public infrastructure

Subd. 5.02. The developer/landowner shall be able to demonstrate a market demand for a proposed project.

Subd. 5.03. Tax abatement shall not be used for projects that would place extraordinary demands on City services or for projects that would generate significant environmental impacts.

Subd. 5.04. Because it is not possible to anticipate every type of project, which may in its context and time present desirable community building, development, or redevelopment goals and objectives, the City retains the right in its discretion to approve projects and tax abatements that may vary from the principles and criteria of this policy.

6. DETERMINATION OF AMOUNT OF ASSISTANCE

Subd. 6.01. Tax abatement assistance available shall generally be limited to the incremental taxes generated on the improvements to the property. The City may consider a greater level of financial assistance, up to the maximum allowed under Minnesota Statutes, in limited circumstances. The level of assistance will be evaluated on a case-by-case basis and may reflect an increase or decrease in requested financial assistance from the applicant.

Subd. 6.02. The amount of tax abatement assistance provided to an applicant shall be based on a review of the following:

- Request for Financial Assistance Form (Exhibit A)
- Review of Applicant Pro Forma
- Amount of Increment Generated by the Project

Subd. 6.03. In any year, the total amount of property taxes abated (citywide) may not exceed (1) ten percent of the current levy, or (2) \$200,000, whichever is greater. The limit does not apply to an uncollected abatement from a prior year that is added to the abatement levy.

Subd. 6.04. The developer/landowner must 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. The developer/landowner must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements and letters of credit.

7. FORMS OF ASSISTANCE

Subd. 7.01. Tax abatement shall generally be provided on a "pay-as-you-go" basis wherein the City compensates the applicant for a predetermined amount for stated number of years. In all cases, semi-annual abatement payments are based on available (as approved by agreement) tax revenue from the property and issued to the applicant after payment of property taxes by the applicant.

Subd. 7.02. Another form of assistance that shall be considered only in extraordinary circumstances is an "up-front payment" to the applicant. This may be in the form of a revenue or general obligation bond or an internal loan. (The City would consider revenue bond financing where the terms of the financing are satisfactory to the City.) The tax increment generated from the applicant's project is a source of revenue for repayment of the bonds or loan. This form of assistance is not one the City will generally consider because under this form of assistance the taxpayers assume the risk that the tax increment will be sufficient for repayment of the bonds or the interfund loan.

8. DURATION AND RESTRICTIONS

Subd. 8.01. The City may grant an abatement for a period no longer than 15 years, except as provided under 8.02. The City may specify in the abatement resolution a shorter duration.

Subd. 8.02. The City, when proposing to abate taxes for a parcel, may make a written request to Isanti or Kanabec County or a school district in which a parcel is located to grant an abatement of county or school taxes for the property. If one of the two political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel is increased to 20 years.

Subd. 8.03. The City may not enter into a property tax abatement agreement that provides for abatement of taxes on a parcel, if the abatement will occur while the parcel is located in a tax increment financing district.

9. APPLICATION

Subd. 9.01. The City will require a deposit in the amount of \$10,000 from the applicant to investigate the feasibility of providing assistance to the applicant. If the City incurs additional expense beyond the \$10,000 prior to execution of the Developer's Agreement, the City shall notify the applicant in writing and the applicant must deposit additional funds for work on the application to continue. If the project is approved and the applicant proceeds with the project, the applicant's deposit may be reimbursed as an eligible project cost to the extent permissible under MN Statutes.

Subd. 9.02. In addition to the \$10,000 deposit fee, the applicant must submit the following forms and documentation at time of application for the application to be complete and review of the application to begin:

- Request for Financial Assistance Form (Exhibit A)
- Project Pro Forma Documentation (Developed by Applicant)

EXHIBIT A

REQUEST FOR FINANCIAL ASSISTANCE FORM

1. Provide a brief project description and the following information:

Building square footage:

Size of property:

Description of building:

Materials and other additional relevant building information:

2. Provide a brief description of your business and the following information:

Business Name:

Address:

Telephone:

Contact Name:

3. Provide information on the present ownership of the site

Name:

Address:

Phone Number:

Contact Name:

4. Estimated Project Costs

a. Land acquisition	\$ _____
b. Site development	_____
c. Building cost	_____
d. Equipment	_____
e. Architectural/engineering fee	_____
f. Legal fees	_____
g. Off-site development costs	_____
TOTAL ESTIMATED COSTS	\$ _____

5. Estimated Project Funding

a. Private financing institution	\$ _____
b. Tax increment/abatement funds	_____
c. Other public funds	_____
d. Developer equity	_____
TOTAL ESTIMATED SOURCES	\$ _____
(should equal Total Estimated Costs)	

6. Describe amount and purpose for which TIF or Tax Abatement is required.

7. State specific reasons why TIF or Tax Abatement is necessary for the project (“but for” test).

8. List project costs that may be eligible for assistance.

9. Provide market value information.

Current market value (from County Assessor):

\$ _____

Proposed market value at completion:

\$ _____

10. Provide real estate property tax information.

Existing real estate taxes of property: \$ _____

Estimated real estate taxes of property upon completion: \$ _____

11. Provide name and address of architect, engineer, and general contractor for the project.

12. Provide project construction schedule.

Estimated construction start date: _____

Estimated construction completion date: _____

If phased project: _____ Year _____ % Complete

_____ Year _____ % Complete

13. Provides names of any other municipalities wherein the applicant, or other corporations the applicant has been involved with, has completed developments within the last five years

14. Provide the following required supplemental information:

- Project Pro Forms (one showing with assistance and one without assistance)
- Legal description of the property
- Application fee of \$10,000 payable to the City of Braham
- Site plan and building rendering

In addition to the required information from above (items 1-14), the following information is requested and will be considered as part of the application approval process:

- Provide number of years in business
- Provide number of years located in the City of Braham (if applicable)
- Describe potential for business growth or future development

- Explain whether the building will be owner-occupied (Yes/No)
- If rental space, provide the targeted retail rates
- Provide land costs per acre or square foot
- Provide the projected building cost per square foot
- Additional comments