

## City of Shakopee, Minnesota

### TAX INCREMENT FINANCING (TIF) POLICY

#### 1) POLICY PURPOSE

*For the purposes of this document the term “City” includes the Shakopee City Council, Staff, the Economic Development Authority, Advisory Boards and Commission, Financial consultants, and legal counsel.*

The purpose of this policy is to establish the City of Shakopee’s position relating to the use of Tax Increment Financing (TIF) for private development above and beyond the requirements and limitations set forth by State Law. This policy shall be used as a guide in the processing and review of applications requesting tax increment assistance.

The City of Shakopee (City) is granted the power to utilize TIF by the Minnesota Tax Increment Financing Act, Minnesota Statutes 469.174 through 469.1794, as amended. The fundamental purpose of tax increment financing in the City of Shakopee is to encourage desirable development or redevelopment that would not otherwise occur *but for* the assistance provided through TIF.

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 business assistance to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

The City Council (and EDA Board) can deviate from this policy for projects that supersede the objectives identified herein.

#### 2) OBJECTIVES OF TAX INCREMENT FINANCING

Tax Increment Financing (TIF) uses the increased property taxes generated by new real estate development within a tax increment district to pay for certain eligible costs associated with the development. As a matter of adopted policy, the City will consider using TIF to assist private development projects that will achieve one or more of the following objectives:

- To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits. Preference will be given to higher paying jobs that also provide benefits such as health care coverage.
- Projects that provide value in the forms of needed transportation and other utility infrastructure improvement that would be completed in conjunction with the project.
- To encourage additional unsubsidized private development in the area, either directly or indirectly through “spin off” development.

- To facilitate the development process and to achieve development on sites which would not otherwise be developed but-for the use of TIF.
- To remove blight and/or encourage redevelopment of commercial and industrial areas in the City that result in high quality redevelopment and private reinvestment.
- To offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
- To create opportunities for affordable housing.
- Projects that improve the quality of life in the City by providing a desirable good or service and address an unmet demand in the community.
- To contribute to the implementation of other public policies, as adopted by the city from time to time, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.

### **3) USE OF TAX INCREMENT FINANCING**

1. When possible, TIF shall be used to finance public improvements associated with the project. The priority for the use of TIF funds is:
  - a. Public improvements, legal, administrative, and engineering costs.
  - b. Site preparation, site improvement, land purchase, demolition, and environmental remediation.
  - c. Capitalized interest, bonding costs.
2. The following types of TIF districts may be established:
  - a. Economic Development Districts (maximum term 9 years)
  - b. Redevelopment Districts (maximum term 26 years)
  - c. Housing Districts (maximum term 26 years)
  - d. Renewal and Renovation Districts (maximum term 16 years)
  - e. Other types of TIF districts, along with specific criteria, may be considered on a case by case basis.
3. TIF assistance shall not be provided for reimbursement of land and/or property price that is in excess of fair market value. An appraisal by a third party, agreed upon by the City and Developer, will determine the fair market value of the land.
4. The City shall retain a fee to reimburse administrative costs up to but not to exceed ten percent (10%) of any tax increment received.
5. Any developer receiving TIF assistance shall provide a minimum of twenty percent (20%) cash equity investment in the project. The TIF assistance shall not be used to supplant cash equity. The City may consider exceptions for “pay-as-you-go” TIF projects.
6. Developer shall be able to demonstrate a market demand for a proposed project. TIF shall not be used to support purely speculative projects.
7. TIF shall not be utilized in cases where it would create an unfair and significant competitive financial advantage over other projects in the City.
8. TIF shall not be provided for projects that would place extraordinary demands on city services or for projects that would generate significant environmental impacts.

9. The developer must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, personal guarantees, etc.
10. The developer shall 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.
11. For the purposes of analyzing the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City or its consultants.

#### **4) PROJECT QUALIFICATIONS**

All TIF projects considered by the City of Shakopee must meet all of the following requirements:

- 1) To be eligible for TIF, a project shall result in one of the following:
  - a. For Economic Development TIF Districts, new construction of a minimum of 50,000 square foot building.
  - b. For Economic Development TIF Districts, the minimum creation of one new or retained full time job per \$15,000 of TIF provided.
  - c. For Redevelopment TIF Districts, a minimum value increase of 2 times the current year assessed value, whichever is greater.
- 2) The project shall meet at least **one** of the objectives set forth in Section 2 and satisfy all the provisions set forth in Section 3 of this document.
- 3) The developer shall demonstrate that the project is not financially feasible but-for the use of TIF.
- 4) The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- 5) The project shall serve at least **two** of the following public purposes:
  - a. Creation of jobs with livable wages and benefits, per City's Business Subsidy Policy.
  - b. Increase of tax base.
  - c. Enhancement or diversification of the City's economic base.
  - d. Industrial development that will spur additional private investment in the area.
  - e. The project contributes to the fulfillment of the City's development or redevelopment objectives.
  - f. Removal of blight or the rehabilitation of a high profile or priority downtown site.

#### **5) SUBSIDY AGREEMENT & REPORTING REQUIREMENTS**

- All developers/businesses receiving tax increment financing assistance from the City of Shakopee shall be subject to the provisions and requirements set forth by State Statute 116J.993 and summarized below. Developers/businesses must also comply with the City's Business Subsidy Policy.
- All developers/businesses receiving TIF assistance shall enter into a *Subsidy Agreement* with the City of Shakopee that identifies: 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 State Statute 116J.993.

- 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 performance 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 Shakopee 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 days of meeting the requirements.
- The developer/business owner shall maintain and operate its facility at the site where TIF assistance is used for a period of five years after the benefit is received.
- The developer/business will be required to attain or exceed the jobs and wages goals set forth in the *Subsidy Agreement*.
- Developer/Businesses failing to comply with the above provisions will be subject to fines, repayment requirements, and be deemed ineligible by the State of Minnesota to receive any loans or grants from public entities for a period of five years.

**6) APPLICATION PROCESS**

- 1) Applicant submits the completed application
- 2) City staff reviews the application and completes a project score sheet.
- 3) Results of the score sheet are submitted to the appropriate governing authorities for preliminary approval of the proposal.
- 4) If preliminary approval is granted, the applicant submits the application fee of \$12,000 and the Tax Increment Financing Plan, along with all necessary notices, resolutions and certificates are prepared by City staff and/or consultants. The application funds will be placed in a non-interest bearing account and any unused portion of the fee will be returned to the applicant.
- 5) Notices are published and sent to the county and school board.
- 6) Public hearing(s) on the proposed project are held.
- 7) The City Council grants final approval or denial of the proposal.

\*This policy shall be reviewed on a biannual basis with the next review being set for April, 2016.