



REPORT/RECOMMENDATION

To: MAYOR AND COUNCIL	Agenda Item <u>HRA Item: II.</u>
	<u>Council Item: IV.C.</u>
From: Scott Neal	<input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion <input type="checkbox"/> Information
Date: April 19, 2011	
Subject: PROPOSED Tax Increment Finance Policy	

ACTION REQUESTED:

Approve proposed Tax Increment Finance (TIF) Policy

INFORMATION/BACKGROUND:

The City of Edina does not currently have a Tax Increment Financing Policy.

I have adapted this policy from one that was originally produced by the League of Minnesota Cities and then subsequently modified by a number of Minnesota cities. This proposed policy would be fairly characterized as a conservative policy. For example:

1. It does not provide up-front or speculative TIF assistance. It allows only PAYGO TIF assistance.
2. It requires the use of “look back” provisions in TIF agreements that allow for the City to recapture the TIF assistance if it can be demonstrated that it was not actually needed.
3. It requires applicants for TIF assistance to pay for all costs associated with the development of the TIF agreement up front through application fees and pre-action deposits.

A TIF policy is desirable for staff and applicants alike. It provides a basic deal framework for those early discussions between staff and applicant which can be very important in an economic development opportunity.

ATTACHMENTS:

Proposed Tax Increment Finance Policy



CITY OF EDINA TAX INCREMENT FINANCING POLICY

For the purpose of this policy, the “City” shall also mean the Edina Housing and Redevelopment Authority (HRA), which assists in a variety of housing, redevelopment, and economic development activities for the City of Edina.

General TIF Definition:

- The City of Edina has the authority to use Tax Increment Financing (TIF) pursuant to Minnesota State Statutes. TIF uses the increased property taxes generated by new real estate development within tax increment financing districts to pay for certain cost associated with the development. The complete TIF Act can be found in Minnesota Statutes, Section 469.174 - 469.1799.

Policy Purpose:

- Establish criteria and guidelines for how Tax Increment Financing (TIF) is utilized in Edina.
- Help insure that TIF assistance is used in a consistent and equitable manner.

General TIF Policies:

- The use of TIF will be considered for projects that qualify and meet the general use of law as defined in Minnesota Statutes, Section 469.174 – 469.1799.
- The use of TIF will only be considered on case by case basis for projects that help accomplish the City’s goals for housing, redevelopment, and economic development described in its Comprehensive Plan, Economic Development Strategies, and other related policy documents approved by the City Council.
- TIF may be considered to encourage, stimulate, and attract desirable development and/or redevelopment that would not occur without the use of TIF.
- TIF will be provided on a pay-as-you-go basis. In certain cases, up-front assistance may be considered by the City, but will be at the sole discretion of the City Council.
- The City reserves the right to approve or reject the use of TIF, the amount of TIF, and the total term, on a case by case basis, taking into consideration established policies, project criteria, and demand on services in relation to the potential benefits from the project.

- Applicant will pay for all legal and consultant costs associated with the preparation, processing, review and actual use of TIF. Applicant will submit to the City a deposit equal to the total estimated costs for legal and consultant fees. The City will draw upon these funds to pay all related expenses.
- Applicant will also pay to the City a separate non-refundable application fee of \$2,000 to reimburse staff costs and cover all other City related costs associated with the processing the TIF request.
- Projects utilizing TIF are responsible for paying their share of Fiscal Disparities contribution from the project.
- The City's Financial Advisor shall prepare the TIF plan and the applicant will provide to the City and its financial advisor all information necessary to conduct a financial analysis of the proposed project.
- Tax increment financing assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of tax increment financing. The business or developer shall provide the City with a project financial pro-forma and a development budget at the time of application. In effect, tax increment financing assistance will not be provided solely to provide an excessive contingency to the project or broaden a developer's profit margins on a project.
- Prior to approval of a tax increment financing plan, the business developer shall provide any required market and financial feasibility studies, appraisals, environmental studies, soil boring information 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. Such information may be public information at the time of submission.
- The business developer should provide adequate financial guarantees to ensure completion of the project and the repayment of the tax increment financing subsidy. These may include, but are not limited to, assessment agreements, insurance, letters of credit, etc.
- Any business or developer requesting tax increment financing assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. The developer shall submit a list of qualifications and references.
- The TIF agreement will include "look back" provisions to ensure that the TIF was actually needed or will be reimbursed unless otherwise determined by the City Council.
- The provision of TIF is contingent upon receiving all other necessary project approvals for the City.
- The City will require compliance with the State of Minnesota Business Subsidy Laws in Minnesota Statutes, Section 116J.993 through 116.997, unless the project meets one of the business subsidy exceptions.