

# FARMINGTON TAX INCREMENT FINANCING POLICY

June 2016

## 1.0 PURPOSE

- 1.01 For the purposes of this document, the term “City” shall include the Farmington City Council and Farmington Economic Development Authority (EDA).
- 1.02 The purpose of this policy is to establish the city of Farmington’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.
- 1.03 The City is granted the power to utilize TIF by the Minnesota Tax Increment Financing Act, as amended. The fundamental purpose of tax increment financing in the city of Farmington is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TIF.
- 1.04 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 can deviate from this policy for projects that supersede the objectives identified herein.
- 1.05 Though the EDA has expressed support for the use of TIF as needed, the EDA may reject any TIF application prior to consideration by the Farmington City Council.

## 2.0 OBJECTIVES OF TAX INCREMENT FINANCING

- 2.01 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:
  - a. 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.
  - b. Projects that provide value in the forms of needed transportation and other utility infrastructure improvement that would be completed in conjunction with the project.
  - c. To encourage additional unsubsidized private development in the area, either directly or indirectly through “spin off” development.

- d. To facilitate the development process and to achieve development on sites which would not otherwise be developed but-for the use of TIF.
- e. To remove blight and/or encourage redevelopment of commercial and industrial areas in the city of Farmington that result in high quality redevelopment and private reinvestment.
- f. To offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
- g. To create opportunities for affordable housing.
- h. Projects that improve the quality of life in the city of Farmington by providing a desirable good or service and address an unmet demand in the community.

### 3.0 **POLICIES FOR THE USE OF TIF**

- 3.01 At all times, procedures and policies related to the proposed or actual approval of TIF usage will comply with the state laws.
- 3.02 The project must be in accord with the city of Farmington’s Comprehensive Plan and Zoning Ordinances to secure assistance.
- 3.03 The use of TIF may be a “business subsidy” as defined by state law. In these cases, the use will comply with the requirements of applicable statutes and the city of Farmington’s Business Assistance Policy.
- 3.04 The following general types of TIF districts may be established:
  - a. Redevelopment District
  - b. Renewal and Renovation District
  - c. Economic Development District
  - d. Housing District
  - e. Other types of TIF districts, along with specific criteria, may be considered on a case by case basis.

In addition to these districts, the City may also consider the creation of TIF Districts as authorized by applicable legislation.
- 3.05 When possible, TIF shall be used to pay for the costs of public improvements associated with a project, including but not limited to streets, sewers, storm water control, water, public parking lots and structures, lights, fiber optic infrastructure, transit and transportation, energy technologies, and publicly owned infrastructure.
- 3.06 TIF shall generally be used to reimburse the developer for eligible costs on a “Pay as You Go” basis. The City shall have the option to issue a TIF note with or without interest. The principal amount of the TIF note will not exceed the amount of eligible project costs incurred and documented by the developer. The developer shall be required to provide written receipts that show costs eligible for reimbursement have been paid. In all cases, TIF payments shall be based on available increment generated from the project. TIF payments shall be made after collection of property taxes.

- 3.07 The applicant is required to retain and be assisted by qualified professionals, e.g. accountants, legal counsel, etc., separate and independent from the EDA.
- 3.08 TIF shall not be used for projects that would place extraordinary demands on city services or for projects that would generate significant environmental impacts.
- 3.09 Construction of an eligible project shall not commence until the City has given final approval to the application for financing and the TIF district has been established, if required.
- 3.10 The City reserves the right to deny any application for financing at any time prior to final execution of a business subsidy agreement or development agreement, whichever applies.
- 3.11 The EDA shall be reimbursed by the applicant for all its costs related to the request for TIF. At the time of application, the applicant will deposit with the EDA an amount as determined by the EDA as necessary to cover all costs incurred by the EDA in connection with the proposed project.
  - a. The amount of the initial deposit shall be determined by the Executive Director of the EDA.
  - b. The fact that the applicant's deposit is accepted by the EDA is not to be construed as a guarantee that the EDA will authorize the project.
  - c. The EDA may request and the applicant shall be responsible to pay any additional amounts as determined from time to time by the EDA, should associated costs exceed the initial deposit.
- 3.12 All applications and supporting materials and documents shall become the property of the EDA, and, as such, are subject to the Minnesota Data Practice Act.
- 3.13 The EDA reserves the right to select a third party to assist in the management of the TIF process.
- 3.14 All TIF proposals must take into account the direct costs to the City and county and how those costs will be addressed. The applicant shall pay all permits and fees normally charged by the City as part of the subdivision or building permit approval.
- 3.15 The EDA will reserve up to 10% of all TIF funds to pay the EDA's administrative costs.

#### 4.0 **PROJECT QUALIFICATIONS**

- 4.01 All TIF projects considered by the City must meet the following requirements:
  - a. For Economic Development TIF Districts, new construction of a minimum of 5,000 square feet.
  - b. For Economic Development TIF Districts, the minimum creation of one new or retained full time job per \$25,000 of TIF provided.

- c. The developer shall demonstrate that the project is not financially feasible but-for the use of TIF.
  - d. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- 4.02 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.

#### **5.0 SUBSIDY AGREEMENT AND REPORTING REQUIREMENTS**

- 5.01 All recipients of TIF assistance from the City shall be subject to the provisions and requirements set forth by state statute.
- 5.02 All recipients of TIF assistance shall enter into an assistance agreement with the City that identifies the reason for the assistance, the public purpose served by the assistance, the goals of the assistance, as well as other criteria set forth by state statute.
- 5.03 The TIF assistance agreement may be amended from time to time as the parties may agree. Any such amendment must be in writing and signed by both parties. The TIF assistance agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The TIF assistance agreement shall be recorded in the office of the Dakota County Recorder or Registrar of Titles.
- 5.04 All recipients of TIF assistance 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 the assistance agreement have been met. Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City 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 requirement.

CITY OF FARMINGTON  
Application for Business Assistance

GENERAL INFORMATION:

Business Name: \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_

Type (Partnership, etc.): \_\_\_\_\_

Authorized Representative: \_\_\_\_\_ Phone: \_\_\_\_\_

Description of Business: \_\_\_\_\_

Legal Counsel: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

FINANCIAL BACKGROUND:

1. Have you ever filed for bankruptcy? \_\_\_\_\_  
\_\_\_\_\_

2. Have you ever defaulted on any loan commitment? \_\_\_\_\_  
\_\_\_\_\_

3. Have you applied for conventional financing for the project? \_\_\_\_\_  
\_\_\_\_\_

4. List financial references:  
a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

5. Have you ever used any business subsidy before? \_\_\_\_\_

If yes, where and when? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**PROJECT INFORMATION:**

1. Location of Proposed Project: \_\_\_\_\_

\_\_\_\_\_

2. Amount of Business Subsidy Assistance requested? \_\_\_\_\_

\_\_\_\_\_

3. Why the need for Business Subsidy Assistance: \_\_\_\_\_

\_\_\_\_\_

4. Present ownership of site: \_\_\_\_\_

\_\_\_\_\_

5. Number of permanent full-time jobs created as a result of project. Please include projected wage levels/ranges. \_\_\_\_\_

\_\_\_\_\_

6. Estimated annual sales: Present: \_\_\_\_\_

Future: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

7. Market value of project following completion: \_\_\_\_\_

\_\_\_\_\_

8. Name and address of architect: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

9. Anticipated start date: \_\_\_\_\_

Completion Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

FINANCIAL INFORMATION:

1. Estimated project related 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		_____

2. Source of financing:

a. private financing institution	\$	_____
b. tax increment/abatement funds		_____
c. other public funds		_____
d. developer equity		_____
TOTAL ESTIMATED SOURCES		_____
(Should equal Total Estimated Costs)		_____

What type of business assistance requested?

Tax Increment Financing \_\_\_\_\_ Economic Development Tax Abatement \_\_\_\_\_

Other: \_\_\_\_\_