

# City of Arlington

# TIF/Abatement Policy

Tax Increment/Abatement Policy

3/6/2014

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# City of Arlington TIF/Abatement Policy

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## I. POLICY PURPOSE

### A. General.

The purpose of this policy is to establish the position of the City of Arlington (the 'City') and the Economic Development Authority (the 'EDA') with respect to the use of Tax Increment Financing ('TIF') or tax abatement ('abatement') for private development within the City. This policy shall be used as a guide in the application for, review, and consideration of any requests for TIF or abatement assistance.

The fundamental purpose of TIF or abatement use in Arlington is to encourage desirable development and/or redevelopment that would not otherwise occur "but for" assistance provided through TIF or abatement.

The City of Arlington and EDA shall consider TIF or abatement for projects that serve to accomplish the City's goals for housing and economic development as they may change over time. The goals include facilitating projects that would result in the creation of quality jobs (i.e. stable employment and/or attractive wages and benefits) and the attraction, retention, and expansion of business and housing options in the City.

### B. TIF.

The City/EDA is granted the power to utilize tax increment financing by the Minnesota Tax Increment Financing Act including subsequent amendments which govern the establishment of tax increment financing and collection of tax increments (Minn. Stat. §§ 469.174 - 469.179). The development authority act (i.e. municipal development act) also governs the purposes for which tax increments may be expended. It is the intent of the City to provide the minimum amount of TIF, as well as other incentives, at the shortest term required for the project 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 a project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

### C. Abatement.

The City/EDA is granted the power to utilize tax abatement financing by the Minnesota Tax Abatement Act (*Minnesota Statutes, Section 469.1812 to 469.1815, as amended*). Tax abatement in this context is a rebate of taxes, rather than an exemption from paying property taxes. It is the intent of the City to provide the minimum tax abatement, as well as other incentives, at the shortest term required for the project on a case by case basis, taking into consideration established policies, project criteria, and

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demand on city services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of tax abatement to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

## II. OBJECTIVES

### A. Purpose Objectives.

As a matter of adopted policy, the City of Arlington and the EDA will consider using TIF and/or abatement to assist private development projects to achieve one or more of the following purposes:

1. To enhance, diversify, or increase the City of Arlington's economic base.
2. Remove blight and/or encourage redevelopment in the commercial and industrial areas of the City in order to encourage high quality development or redevelopment and private reinvestment in those areas.
3. To provide for a balanced and sustainable housing stock to meet diverse needs both today and in the future.
4. To retain local jobs and/or increase the number and diversity of quality jobs (i.e. stable employment and/or attractive wages and benefits).
5. To encourage additional unsubsidized private development in the area, either directly, or through secondary "spin-off" development.
6. To offset increased costs of redevelopment (i.e. contaminated site clean-up), over and above those costs that a developer would incur in normal development.
7. To facilitate the development process and to achieve development on sites which would not be developed without assistance or would not be developed at a level of quality acceptable to the Council and EDA.
8. To finance the costs associated with public infrastructure and public facilities.
9. To encourage the removal of blight or the rehabilitation of a high profile or priority site.
10. To meet other uses of public policy, as adopted by the Council from time to time, including promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.

## III. QUALIFICATION STANDARDS

### A. Qualifying Project Costs.

The City of Arlington and EDA may consider the use of TIF or abatement to cover project costs as allowed for under MN Statutes. The types of project costs eligible for tax increment financing are as follows:

1. Project design fees including: utilities, landscape, architectural and engineering design.
2. Site related work including: permits for site work, earthwork/excavation, soil correction, landscaping, utilities, streets and roads, street/parking lot paving, street/parking lot lighting, curb and gutter, and sidewalks.
3. Land acquisition.
4. Payment of special assessments.
5. Legal fees (acquisition, finance, closing).
6. Soil tests.
7. Environmental studies.
8. Land surveys.
9. Park and open space dedication fees.
10. Interest rate write downs.
11. Relocation assistance.
12. Replacement or clean-up of contaminated soils which would otherwise preclude redevelopment.
13. Rehabilitation.
14. Any other costs allowable by Statute.

### B. Minimum Required Qualifications.

1. All new TIF and/or abatement projects considered by the City/EDA must meet the following minimum qualifications and will also be evaluated based on their ability to meet the desired qualifications for assistance. However, it should not be presumed that a project meeting any of

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the qualifications will automatically be approved. Meeting the qualifications creates no contractual rights on the part of any potential developer to have its project approved.

2. TIF/abatement assistance shall be provided to private developers on a 'pay-as-you-go' basis which means any assistance is contingent upon prior receipt of taxes paid by the Developer to the City. Requests for 'up front' financing where the TIF/abatement is used to pay a bond may be considered at the EDA/City's discretion but are discouraged as they involve the City incurring financial risk by pledging the full faith and credit of tax payers.
3. The project shall meet one or more of the objectives outlined in Section II of this Policy.
4. The developer must demonstrate that the project is not financially feasible "but for" the use of TIF or abatement.
5. The project must be consistent with the City's Comprehensive Plan and Zoning Ordinance. If not consistent, adjustments or updates of said plan/ordinance must be in process.
6. The Developer shall provide any requested market and financial feasibility studies, appraisals, soil borings, private lender commitment, business plan, and/or other information the City, the EDA or its financial consultants may require in order to process the request for assistance.
7. The Developer must provide adequate financial guarantees to ensure the completion of the project. These may include, but not limited to: assessment agreements, letter of credit, personal deficiency guarantees, maximum cost contract, etc.
8. Any Developer requesting assistance shall demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. TIF and/or abatement 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 the projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City/EDA.
9. For abatement projects: The project shall comply with all provisions set forth in Minnesota's Tax Abatement Law, (Minnesota Statutes 469.1812 to 469.1815) as amended. The term of any tax abatement may not exceed 15 years if all three taxing jurisdictions participate or 20 years if one or two jurisdictions participate.

### C. Preferred Qualifications for Projects.

1. Developments creating a higher ratio of property taxes paid before and after redevelopment will receive priority consideration.
2. TIF/abatement should not normally be used to support speculative industrial, commercial, office, or housing projects. In general, the Developer should be able to provide independent market feasibility studies, competitive and position analysis, tenant letter(s) of commitment, primary lender letter of commitment, and/or finance statements which support the market potential/demand for the proposed project.

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3. TIF/abatement will not normally be used in a project that involves an excessive land and/or property price. This will normally be where the acquisition price is more than 20% in excess of the market value as determined by an independent appraisal of the property.
4. Preference will be given to projects that do not place extraordinary demands on City services. If it is determined by the City Engineer that an extraordinary increase in public service would result because of the project, TIF/abatement will not be considered.
5. TIF/abatement will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments. Priority will be given to projects that further clean-up of existing contaminated sites.
6. For tax abatement projects, priority will be given to tax abatement proposals that secure another taxing jurisdiction's participation. An applicant is responsible for requesting tax abatement from either the County or the School District.

## IV. EVALUATION CRITERIA

### A. Evaluation of Requests.

1. Confirmation that minimum qualifications met.
2. Examination of the number of preferred qualifications met.
3. Extra consideration shall be given to existing businesses seeking to expand and grow within the City. The extra consideration is an effort to support existing local business.
4. In the event TIF/abatement is being utilized to finance public facility and infrastructure projects, as opposed to those benefitting private business and development objectives, the EDA will recommend the preliminary use of TIF/abatement for a particular facility/infrastructure project. A formal application, deposit agreement, and application worksheet will not be required.
5. The adequacy of the Developer's financial guarantees to ensure completion of the project including, but not limited to: assessment agreements, letters of credit, personal guaranties, or additional documentation as necessary.
6. Tax abatement cannot be granted for any period while the property is located in a tax increment financing district.

## V. ADMINISTRATION

### A. Application.

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1. The City's TIF/abatement programs shall be administered by the Arlington Economic Development Authority (EDA), however, the City Council shall take action to approve/deny a financing request.
2. A completed, written application and a fee as required under the Arlington Fee Resolution shall be paid to the EDA at the time of the submittal of a final application.

### **B. Approval Process.**

1. The approval process for a private or public proposal may take anywhere from three weeks to three months including any required public hearings.
2. The typical process is as follows:
  - a) City staff reviews the application.
  - b) Proposals are submitted to the EDA for preliminary approval or denial.
  - c) The EDA determines whether or not the proposed use of funds meets the appropriate test(s) for eligibility.
  - d) The EDA makes a recommendation to the City Council on whether or not to accept a final application. The Council decides whether or not a final application is warranted.
  - e) In the event a final application submittal is authorized, the Applicant shall complete and file the final application along with the required fee and any other information required by City staff, consultants, or elected/appointed officials.
  - f) Staff reviews the final application. Necessary document drafting is initiated including plans required by law and a TIF/abatement agreement.
  - g) The EDA reviews the final application, determines whether or not a financing gap exists, and makes a recommendation to the City Council regarding the specific amount of TIF/abatement requested and the criteria for approval.
  - h) A public hearing is scheduled, other jurisdictions provided notice as required.
  - i) The City Council holds a public hearing. The City Council acts on a resolution that identifies conditions upon which an application is approved or findings upon which an application is denied.

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## VII. OTHER POLICY ISSUES

### A. Public Use of Tax Increment.

The City and EDA shall follow applicable state laws in terms of potential public improvement financing with TIF and/or abatement. It shall be the general policy of the City and EDA to identify public improvements at the time of adoption or amendment of the TIF Plan or abatement agreement.

### B. Assignment of Agreement.

The TIF/abatement agreement shall not be assigned to a third party without prior written approval of the City.

**PASSED AND DULY ADOPTED this 25<sup>th</sup> day of March, 2014 by the Arlington EDA.**

**PASSED AND DULY ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2014 by the City of Arlington.**

\_\_\_\_\_  
Mark Lundstrom, EDA President

ATTEST \_\_\_\_\_  
EDA Executive Director

\_\_\_\_\_  
James R. Kreft, Mayor

ATTEST \_\_\_\_\_  
Liza M. Donabauer, City Administrator