

City of Jordan, Minnesota

Tax Increment Financing
Policy & Application

Adopted by:
Economic Development Authority- August 21, 2001
City Council - September 4, 2001

Table of Contents

I.	Policy Purpose.	. . . . .	. 3
II.	Objectives of Tax Increment Financing.	. . . . .	. 3
III.	City of Jordan Policies for the Use of TIF.	. . . . .	. 4
IV.	Qualifications.	. . . . .	. 5
V.	Subsidy Agreement & Reporting Requirements.	. . . . .	. 6
VI.	Application Process.	. . . . .	. 7
VII.	Application.	. . . . .	. 8
	Applicant Information.	. . . . .	. 8
	Project Information.	. . . . .	. 9
	Public Purpose. .	. . . . .	. 9
	Sources & Uses.	. . . . .	. 10
	Checklist & Additional Information.	. . . . .	. 11
VIII.	Application Review Worksheet. .	. . . . .	. 12
IX.	Exhibits.	. . . . .	. 14
	A	Corporation/Partnership Description	
	B	Project Description	
	C	Shareholders	
	D	But for Analysis	
	E	Prospective Lessees	

I. POLICY PURPOSE

For the purpose of this document, the term “City” shall include the Jordan City Council, Economic Development Authority, and housing Redevelopment Authority.

The purpose of this policy is to establish the City of Jordan’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 fundamental purpose of tax increment financing of Jordan is to encourage desirable development or redevelopment that would not otherwise occur but the assistance provided through TIF.

The City of Jordan is granted the power to utilized TIF by the Minnesota Tax Increment Financing Act, as amended. It is the intent of the City to provide the minimum amount of TIF at the shortest term required for the projects on a case by case basis, taking into consideration established policies, project, 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 the project, nor approval or denial of another project.

II. OBJECTIVES OF TAX INCREMENT FINANCING

As a matter of adopted policy, the City will consider using TIF to assist private development projects to achieve one or more of the following objectives:

- 1.) To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- 2.) To remove blight and/or encourage redevelopment of commercial and industrial areas in the City that results in high quality redevelopment and private reinvestment.
- 3.) To encourage additional unsubsidized private development in the area, either directly or indirectly through “spin off” development.
- 4.) To facilitate the development process and to achieve development on site which would not be developed without TIF assistance.
- 5.) To offset increased costs of redevelopment (i.e. contaminated site clean up) over and above the costs normally incurred in development.
- 6.) To create opportunities for affordable housing.
- 7.) 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.

III. POLICIES FOR THE USE OF TIF

- a. When applicable, TIF shall be used to finance the public improvements associated with the projects. The priority for the use of TIF funds is:
 1. Public improvements, legal, administrative, and engineering costs.
 2. Site preparation, site improvement, land purchase, and demolition.
 3. Capitalized interest, bonding costs.
- b. It is the City's policy to establish the following types of TIF districts:
 1. Economics Development Districts
 - It is desired that the project result in the creation of one full time job per \$20,000 of TIF.
 2. Redevelopment Districts
 - The market value of a redeveloped site shall increase by a minimum of 50% of the current market value.

Other Types of TIF districts, along with specific criteria, may be considered on a case by case basis.

- c. TIF assistance shall be provided to the developer upon receipt of the increment by the City, otherwise referred to as the pay-as-you-go method.
- d. Ten percent (10%) of any increment received from the district shall be retained by the City to reimburse administrative costs. This is not to pay for cost of established the tax increment district.
- e. Any developer receiving TIF assistance shall provide a minimum of twenty percent (20%) cash equity investment in the project.
- f. TIF shall not be used in circumstances where land and/or property price is in excess of fair market value.
- g. Developer shall demonstrate a market demand for a proposed project. TIF shall not be used to support purely speculative projects.
- h. TIF shall not be utilized in cases where it would create an unfair and significant competitive financial advantage over other projects on the area.

- i. TIF shall not be used for projects that would place extraordinary demands on City services or for projects that would generate significant environmental impacts.
- j. The developer shall provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, personal guarantees, etc.
- k. The developer shall adequately demonstrate, to the City's sole satisfaction, and ability to complete the proposed projects based on past development experience, general reputation, and credit history, among other factors, including the size and scope of the proposed project.
- l. For the purposes of underwriting the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City or its consultants.

IV. PROJECT QUALIFICATIONS

All TIF projects considered by the City of Jordan must meet *at least one* of the following requirements:

- 1.) The new construction of a minimum of 10,000 square feet; or
- 2.) A Minimum increase of \$5,000 per year in property taxes; or
- 3.) Have a market value of at least \$250,000 upon completion.
 - a. The project shall meet at least *two* of the objectives set forth in Section II and satisfy all the provisions set forth in Section III of this document.
 - b. The developer shall demonstrate that the project is not financially feasible *but-for* the use if TIF.
 - c. The projects shall be consistent with the City Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
 - d. The project shall serve at least *three* of the following public purposes:
 - Creation of jobs with livable wages and benefits.
 - Enhancement or diversification of the City's economic base
 - Industrial development that will spur additional private investment in the area.
 - Fulfillment of the City's Strategic Plan for Economic Development.
 - Removal of blight or the rehabilitation of a high profile or priority site.

V. SUBSIDY AGREEMENT & REPORTING REQUIREMENTS

All developers/businesses receiving tax increment financing assistance from the City of Jordan shall be subject to the provisions and requirements set forth by state statute 116J.993 and summarized below.

All developers/businesses receiving TIF assistance shall enter into a *subsidy agreement* with the City of Jordan 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 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 Jordan 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 equal to amount of time the benefits is received.

In addition to attaining or exceeding the jobs and wages goals set forth in the *Subsidy Agreement*, the applicant shall meet the qualifications set forth in Section IV of this document.

Developers/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.

VI. APPLICATION PROCESS

1. Applicant submits the completed application along with all application fees.
2. City staff reviews the application and completes the Application Review Worksheet.
3. Results of the Worksheet are submitted to the appropriate governing authorities for preliminary approval of the proposal.

4. If preliminary approval is granted, the Tax Increment Financing Plan, along with all necessary notices, resolutions and certificates are prepared by City Staff and/or consultants.
5. Notices are published and sent to the county and school board.
6. Public hearing(s) on the proposed project are held.
7. The EDA or HRA recommends approval or denial of the project to the City Council.
8. The City Council grants final approval or denial of the proposal.

VII.APPLICATION FOR TAX INCREMENT FINANCING

A. APPLICANT INFORMATION

Name of Corporation/Partnership_____

Address_____

Primary Contact_____

Address_____

Phone_____Fax _____E-mail_____

On a separate sheet, please provide the following:

- Brief description of the corporation/partnership's business, including history, principal product or service, etc...Attach as Exhibit A.
- Brief description of the proposed project. Attach as Exhibit B.
- List names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership. Attach as Exhibit C.
- A *but-for* analysis. Attach as Exhibit D.

Attorney Name_____

Address_____

Phone_____Fax_____E-Mail_____

Accountant Name_____

Address_____

Phone_____Fax_____E-Mail_____

Contractor Name_____

Address_____

Phone_____Fax_____E-Mail_____

Engineer Name_____

Address_____

Phone_____Fax_____E-Mail_____

Architect Name_____

Address_____

Phone_____Fax_____E-Mail_____

B. Project Information

The project will be:

_____ Industrial Greenfield
Expansion

_____ New Construction

_____ Commercial Redevelopment
Rehabilitation

_____ New Construction

_____ Industrial Redevelopment
Rehabilitation

_____ New Construction

_____ Affordable Housing

_____ New Construction

_____ Other_____

The project will be: _____ Owner Occupied _____ Leased Space

If leased space, please attach a list of names and addresses of future lessees and indicate the status of commitments or lease agreements. Attach as Exhibit E.

Project Address_____

Legal Description_____

Site Plan Attached: _____ Yes _____ No

Amount of Tax Increment Request for:

Land Purchase \$ _____

Public Improvement \$ _____

Site Improvement \$ _____

Current Real Estate Taxed on Projected Site: \$ _____

Estimate Real Estate Taxes upon Completion: Phase I \$ _____

Phase II \$ _____

Construction Start Date: _____

Construction Completion Date: _____

If Phased Project: _____ Year _____ % Complete

_____ Year _____ % Complete

C. PUBLIC PURPOSE

It is the policy of the City of Jordan that the use of Tax Increment Financing should result in a benefit to the public. Please indicate how this project will serve a public purpose.

_____ Job Creation: Number of existing jobs _____

Number of jobs created by project _____

Average hourly wage of jobs created _____

_____ New industrial development which will result in additional private investment in the area.

_____ Enhancement or diversification of the City's economic base.

_____ The project contributes to the fulfillment of the City's Strategic Plan for Economic Development

_____ Removal of blight or the rehabilitation of a high profile or priority site.

_____ Other: _____

D. SOURCES & USES

SOURCES

Bank Loan

NAME

AMOUNT

\$ _____

Other Private Funds	_____	\$ _____
Equity	_____	\$ _____
Fed Grant/Loan	_____	\$ _____
State Grant/Loan	_____	\$ _____
EDA Micro Loan	_____	\$ _____
Tax Increment	_____	\$ _____
ID Bonds	_____	\$ _____
TOTAL		\$ _____

<u>USES</u>	<u>AMOUNT</u>
Land Acquisition	\$ _____
Site Development	\$ _____
Construction	\$ _____
Machinery & Engineering Fees	\$ _____
Architectural & Engineering Fees	\$ _____
Legal Fees	\$ _____
Interest During Construction	\$ _____
Debt Service Reserve	\$ _____
Contingencies	\$ _____

E. Additional Documentation

Applicants will also be required to provide the following documentation.

- _____ A) Written business plan, including a description of the business, ownership/management, date established, products and services, products and services, and future plans.
- B) Financial Statements for Past Two Years
 - _____ Profit & Loss Statement
 - _____ Balance Sheet
- C) Current Financial Statements
 - _____ Profits & Loss Statement to Date
 - _____ Balance Sheet to Date
- _____ D) Two Year Financial Projections
- _____ E) Letter of Commitment from applicant pledging to complete
- _____ F) Letter of Commitment from the other source of financing, stating terms and conditions of their participation in project

_____G) Application fee (see City of Jordan Annual Fee Schedule)
This is not reimbursed to the developer.

The following information may be required if the project utilizes financing other than pay-as-you-go:

_____H) Personal Financial Statements of all Major Shareholders
_____ Profit & Loss
_____ Current Tax Return

Note: All major shareholders will be required to sign personal guarantees if up front financing of the project is required.

The undersigned certifies that all information provided in this application is true and correct to the best of the undersigned's knowledge. The undersigned authorizes the City of Jordan to check credit references and verify financial and other information. The undersigned also agrees to provide any additional information as may be requested by the City after the filing of this application.

Applicant Name_____Date_____
By_____
Its_____

Tax Increment Financing Proposal Review Worksheet

1.) The Project meets the criteria set forth in Section III of the City's Tax Increment Financing policy.

- _____ a) Meets minimum thresholds for size, value, and tax capacity
 _____ b) Meets at least one of the objectives in Section III and satisfies the provision set forth in Section IV.
 _____ c) Demonstrates need for TIF with the *but-for* analysis.
 _____ d) Consistent with all City plans and ordinances.
 _____ e) Serves at least two public purposes as defined in Section IV.

2.) Ratio of Private to Public Investment in project:		<u>Points</u>
\$_____ Private Investment	5:1	5
\$_____ Public Investment	4:1	4
_____ Ratio Private: Public Financing	3:1	3
	2:1	2
Points: _____	Less than 2:1	1

3.) Job Creation in the City of Jordan:		<u>Points</u>
_____ Number of new jobs as a result of the project	20+	5
_____ Number of retained jobs	15+	4
_____ Total	10+	3
	5+	2
Points: _____	5	1

4.) Ratio of TIF to new jobs created:		<u>Points</u>
\$_____ TIF request	\$20,000 or less	5
_____ Number of <i>new</i> jobs created	\$25,000 or less	4
\$_____ of TIF per <i>new</i> created	\$30,000 or less	3
	\$40,000 or less	2
Points _____	Over \$40,000 or less	1

5.) Wage level of jobs created:		<u>Points</u>
Average hourly wage	Over \$24.00/Hour	5
of jobs created: _____	\$21-23.99/Hour	4
	\$18-20.99/Hour	3

Points_____	\$15-17.99/Hour	2
	\$12-14.99/Hour	1

6.) Project size:		<u>Points</u>
The project will result in the construction of square feet_____	50,000+	5
	35,000+	4
	20,000+	3
	10,000+	2
	5,000+	1

7.) Type of project:		<u>Points</u>
_____100% Owner Occupied		5
_____Mix Owner Occupied & Investment		4
_____Investment Property		3

Points_____

8.) Use:		<u>Points</u>
_____Manufacturing or Redevelopment		5
_____Research & Development		4
_____Commercial		3
_____Warehouse/Distribution		2
_____Housing		1

Points_____

9.) The project will pay annual property taxes in the first fully assessed year of \$_____		<u>Points</u>
	\$50,000+	5
	\$40,000+	4
	\$30,000+	3
	\$20,000+	2
	\$19,999 or less	1

Points: _____

10.) Likelihood that the project will result in unsubsidized, spin-off development.		<u>Points</u>
_____High		5
_____Moderate		4
_____Low		1

Points: _____

Sub-Total Points: _____ of a possible 45 points

11.) Bonus Points

_____ The project contributes to the goals of rehabilitating blighted buildings as classified under state statues.

Bonus Points: _____

Total Points: _____

Overall project analysis:

High 49-38 points

Moderate 37-29 points

Low 28-20 points

Not Eligible 19-0 points

EXHIBIT A

Description of the corporation of partnership

EXHIBIT B

Description of the proposed project

EXHIBIT C

Name of officers and shareholders/partners with more than five
Percent (5 %) interest in the corporation/partnership

EXHIBIT D

But-for analysis

EXHIBIT E

Prospective Lessees

VI. APPLICATION FOR TAX INCREMENT FINANCING

A. APPLICANT INFORMATION

Name of Corporation/Partnership_____

Address_____

Primary Contact_____

Address_____

Phone_____Fax_____Email_____

On a separate sheet, please provide the following:

- Brief description of the corporation/partnership's business, including history, principal product or service, etc.....Attach as **Exhibit A**.
- Brief description of the proposed project. Attach as **Exhibit B**.
- List names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership. Attach as **Exhibit C**.
- A *but-for* analysis. Attach as **Exhibit D**.

Attorney Name_____

Address_____

Phone_____Fax_____Email_____

Accountant Name_____

Address_____

Phone_____Fax_____Email_____

Contractor Name_____

Address_____

Phone_____Fax_____Email_____

Engineer Name_____

Address_____

Phone_____Fax_____Email_____

Architect Name_____

Address_____

Phone_____Fax_____Email_____

B. PROJECT INFORMATION

The project will be:

_____Industrial	_____New Construction	_____Expansion
_____Commercial	_____New Construction	_____Expansion
_____Redevelopment	_____New Construction	_____Rehabilitation
_____Other	_____	

The project will be: _____Owner Occupied _____Leased Space

If leased space, please attach a list of names and addresses of future lessees and indicate the status of commitments or lease agreements. Attach as **Exhibit E**.

Location Address_____

Legal Description_____

Site Plan Attached: _____Yes _____No

Amount of Tax Increment Requested: \$_____

Current Real Estate Taxes on Project Site \$_____

Estimated Real Estate Taxes upon Completion \$_____

Construction Start Date: _____

Construction Completion Date _____

If Phased Project: _____ Year _____ % Completed
 _____ Year _____ % Completed

C. PUBLIC PURPOSE

It is the policy of the City of Jordan that the use of Tax Increment Financing should result in a benefit to the public. Please indicate how this project will serve a purpose.

_____ Job Creation Number of existing jobs _____
 Number of jobs created by project _____
 Average hourly wage of jobs created _____

_____ New industrial development which will result in additional private investment in the area.

_____ The project contributes to the fulfillment of the City's Strategic Plan for Economic Development.

_____ Removal of blight

_____ Rehabilitation of a significant structure(s)

_____ Other: _____

D. SOURCES & USES

<u>SOURCES</u>	<u>NAME</u>	<u>AMOUNT</u>
Bank Loan	_____	\$ _____
Other Private Funds	_____	\$ _____
Equity	_____	\$ _____
Fed Grant/Loan	_____	\$ _____
State Grant/Loan	_____	\$ _____
EDA Micro Loan	_____	\$ _____
IR Bond	_____	\$ _____
 TOTAL		 \$ _____

<u>USES</u>	<u>AMOUNT</u>
Land Acquisition	\$ _____
Site Development	\$ _____
Construction	\$ _____

Machinery & Equipment	\$ _____
Architectural & Engineering Fees	\$ _____
Legal Fees	\$ _____
Interest During Construction	\$ _____
Debt Service Reserve	\$ _____
Contingencies	\$ _____
TOTAL	\$ _____

E. ADDITIONAL DOCUMENTATION

Applicants will also be required to provide the following documentation:

- _____A) Written business plan, including a description of the business, ownership/management, date established products and services, and future plans.
- _____B) Financial Statements for Past Two Years
 - _____Profits & Loss Statement
 - _____Balance Sheet
- _____C) Current Financial Statements
 - _____Profit & Loss Statement to Date
 - _____Balance Sheet to Date
- _____D) Two Year Projections
- _____E) Personal Financial Statements of all Major Shareholders
 - _____Profit & Loss
 - _____Current Tax Return
- _____F) Letter of Commitment from Applicant Pledging to Complete During the Proposed Projects Duration
- _____G) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project
- _____H) Application fee \$10,000 paid (or see City of Jordan Annual Fee Schedule). This is not reimbursed to the developer.

Note: All major shareholders will be required to sign personal guarantees.

The undersigned certifies that all information provided in this application is true and correct to the best of the undersigned's knowledge. The undersigned authorizes the City of Jordan to check credits references and verify financial and other information. The undersigned also agrees to provide and additional information. The undersigned also

agrees to provide and additional information as may be requested by the City after the filing of this application.

Applicant Name _____ Date _____

By _____

Its _____

EXHIBIT A

Description of the corporation or partnership

EXHIBIT B
Description of the proposed project

EXHIBIT C

Names of officers and shareholders/partners with more than
Five percent (5%) interest in the Corporation/partnership.

EXHIBIT D
But-for analysis