



# **Tax Increment Financing (TIF) Policy**

**Adopted August 18, 1997**

**Amended and Restated December 6, 2021**

## **St. Louis Park Economic Development Authority**

### **Tax Increment Financing Policy**

*For the purpose of this policy, the "city" shall primarily mean the St. Louis Park Economic Development Authority (EDA), which serves in conducting various economic development, housing and redevelopment programs and activities within the City of St. Louis Park.*

#### **I. General policy**

The purpose of this policy is to establish the city's position relating to the use of Tax Increment Financing (TIF) for private development. This policy shall be used as a guide in processing and reviewing applications requesting TIF assistance. The fundamental purpose of tax increment financing in St. Louis Park is to encourage desirable development that advances city interests and would not otherwise occur "but for" the assistance provided through TIF.

The St. Louis Park Economic Development Authority shall consider TIF for projects that serve to accomplish the city's goals for economic development, housing, and redevelopment as they may change over time. Generally, this means developments that help make the city more equitable, inclusive, sustainable, and economically resilient. Specifically, it means facilitating projects that result in the attraction, retention, and/or expansion of businesses, creation or retention of quality jobs (e.g., stable employment and/or attractive wages and benefits), remediation of contaminated properties, or development and renovation of market rate and affordable housing options in the city.

At the time of any application for a Comprehensive Guide Plan amendment, rezoning or site plan approval for a project, whichever occurs first, applicants must disclose that TIF will be requested.

#### **II. EDA's Objectives for the use of TIF**

As a matter of adopted policy, the St. Louis Park Economic Development Authority will consider using TIF to assist private development projects to achieve the following purposes:

- Foster racial equity and economic inclusion.
- Encourage development incorporating green building components and processes that help achieve the city's Climate Action Plan goals.

- Remove blight, substandard buildings, contamination, poor structural soils, and other undesirable property elements so as to encourage high quality development and revitalization in the city.
- Enhance the overall livability, growth, and economic vitality of the community.
- Retain and expand the city's businesses as well as attract new, complementary, investment and employment.
- Retain local jobs and/or increase the number and diversity of quality jobs (e.g., stable employment and/or living wages and benefits).
- Achieve any of the following housing-related goals:
  - to promote high quality housing for households with a variety of income levels, ages, and sizes in order to meet the city's goal of preserving and promoting economically diverse housing options in the community.
  - to provide a balanced, broad range of both market rate and affordable housing stock to maintain a diverse population and to provide quality housing for those who live or work in the city.
  - to promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock.
  - to ensure all housing is safe and well maintained.
- Provide public amenities, improvements and/or placemaking features which benefit a larger area than the subject development site.
- Facilitate desired development or redevelopment on sites that otherwise would not be developed or redeveloped without TIF assistance.
- Meet other uses of public policy, as adopted by the council from time to time, including promotion of human-scaled urban design, quality architecture, environmental stewardship, energy conservation, enhanced connectivity, or decreasing the capital and operating costs of local government, etc.
- Encourage the application of Livable Communities, New Urbanism and Transit Oriented Development principles to a development project so as to create compact, efficient mixed-use development, quality amenities (e.g., public art), and attractive, pedestrian and transit friendly development.
- Spur additional unsubsidized private development in the area, either directly, or through secondary "spin-off" development.

### **III. Costs that qualify for tax increment financing assistance**

The EDA will consider the following development costs eligible for reimbursement through tax increment financing:

- Land acquisition
- Demolition
- Site work including permits for site work, earthwork/excavation, soil correction, shoring, additional structural support systems such as pilings and related architectural and engineering fees
- Design and construction of utilities, stormwater systems, streets and roads, street/parking lot paving, curb and gutter, sidewalks, lighting, and landscaping
- Soil tests
- Environmental studies and remediation
- Replacement or clean-up of contaminated soils which would otherwise preclude redevelopment
- Parking structures
- Construction of affordable housing
- Rehabilitation of commercial and industrial buildings and multi-family housing facilities
- Relocation assistance
- Other costs allowable by Statute

### **IV. Projects that may qualify for tax increment financing assistance**

All proposed projects requesting TIF assistance must meet more than half of the applicable Objectives for the use of TIF listed in Section II as well as all applicable Minimum Qualifications and the majority of the Desired Qualifications for assistance. However, it should not be presumed that a project meeting these requirements will automatically be approved to receive tax increment financing. Meeting the requirements creates no contractual rights on the part of any potential developer to have its application approved. The EDA reserves the right to accept or reject any application for TIF assistance as deemed in the city's best interests.

#### **Minimum Qualifications**

Proposed projects, at a minimum, shall:

- A. Be consistent with the city's Strategic Priorities, Comprehensive Plan, Zoning and Building Readiness Ordinances effective at the time of final TIF application submittal. The project shall also be consistent with any changes to the plan and ordinances under active consideration by the City at the time of final TIF application submittal and adopted during the period of negotiation of TIF assistance.

- B. Meet requirements of the city's Green Building, Inclusionary Housing, and Diversity, Equity, and Inclusion Policies (if applicable).
- C. Remove contamination, blight, poor soils, 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.
- D. Facilitate the development process and achieve desired development on sites which would not be developed without this assistance.
- E. Demonstrate to the satisfaction of the EDA's financial and legal consultants that the project is not financially feasible "but-for" the use of tax increment financing.
- F. Prior to approval of a TIF financing plan, the developer shall provide any requested market and financial feasibility studies, appraisals, soil boring, private lender commitment, and/or other information the City or its financial consultants may require in order to proceed with an independent underwriting of the proposal.
- G. The developer must provide adequate financial guarantees to ensure the repayment of the TIF loan and completion of the project. These may include, but are not limited to: assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contract, etc.
- H. Any developer requesting TIF assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. TIF 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 projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the city.
- I. All developers receiving TIF assistance will be required to agree to comply with all federal, state, and local labor laws in connection with the development, and to enforce compliance with such laws by all contractors and subcontractors retained for the project.
- J. The developer should retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate repayment of the TIF loan.

## Desired Qualifications

Preference shall be provided to developments that meet a majority of the following:

- A. Create a higher ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the city, this ratio will vary widely. A 1:2 ratio of property taxes paid before and after redevelopment is desired.
- B. Do not involve speculative industrial, commercial, or office development; however, any such speculative projects will be considered on a case-by-case basis. In general, the developer should be able to provide market data, tenant letters of commitment or finance statements which support the market potential/demand for the proposed development.
- C. Request TIF assistance not exceeding 10% of a project's Total Development Cost and not exceeding 15 years' worth of tax increment generated by the project unless there are mitigating circumstances in accordance with this policy which require these parameters to be exceeded.
- D. The proposed amount of TIF assistance or term of the TIF Note should be within range of similar developments which previously received TIF assistance.
- E. Do not involve an excessive land and/or property price i.e., where the acquisition price exceeds the property's market value by more than 20% as determined by an independent appraisal of the property.
- F. Have a ratio of total private development costs to city investment (TIF and grants) that is more than \$5 to \$1.
- G. Would not give a significant competitive financial advantage over similar projects in the area due to the use of tax increment subsidies. Developers should provide information to support that TIF assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
- H. Would not likely generate significant environmental problems in the opinion of the local, state, or federal governments. Priority will be given to projects that aim to clean-up existing contaminated sites and facilitate the location of business or industry that has an environmentally sound track record.
- I. Meet good public policy criteria as determined by the EDA and city council, including:
  - High project quality (e.g., sound architectural design, quality construction and materials).

- Projects that complement and provide significant improvement to surrounding land uses, the neighborhood, and/or the city.
- Projects that provide a significant increase in tax base.
- Projects that provide new, or retained, employment (if applicable).
- Provides units for families (i.e., 3 & 4 bedrooms if applicable).
- Projects that meet financial feasibility criteria established by the City.
- Projects that provide optimal use for the property.
- Projects consistent with Livable Communities, New Urbanism, Transit Oriented Development, and Sustainable Design principles.
- Projects that complement and/or add value to neighborhood by providing public elements (if applicable).
- Projects that stimulate further investment in surrounding neighborhood.
- Projects that will generally have a positive community impact.

J. Would not likely place extraordinary demands on city services.

**V. Form of assistance**

Tax increment financing will generally be provided on a “pay-as-you-go” basis wherein the EDA reimburses the applicant for eligible project costs for a stated number of years, up to a predetermined maximum amount. The EDA will have the option to issue a TIF Note with or without interest, where the principal amount of the TIF Note is equal to the amount of eligible project costs incurred and proven by the developer. In all cases, semi-annual TIF payments will be based on available increment generated from the project. TIF payments will be made after collection of property taxes.

Any request for upfront assistance will be evaluated on its own merit in accordance with the city's general financing policies. Projects requesting pay-as-you-go financing will receive priority consideration.

**VI. Evaluation process for all tax increment financing applications**

The following four methods of analysis, as reflected in the TIF Policy Compliance Table attached as Exhibit B, will be used for all TIF applications:

1. Is the project consistent with the city’s Strategic Priorities, plans, ordinances, and policies?
2. Does the proposed project meet more than half of the applicable Objectives for the use of TIF?
3. Does the proposed project meet all applicable Minimum Qualifications and a majority of the Desired Qualifications?
4. Does the proposed project meet statutory qualifications and "but-for" analysis?

***Please note that the evaluation methodology is intended to provide a balanced review. Each area will be evaluated individually and collectively and in no case shall one area outweigh another in terms of importance to determining the level of TIF assistance.***

**VII. Application for TIF assistance for all TIF districts**

The tax increment financing program will be administered by the EDA. The EDA will require a non-refundable application fee for its processing of the application. The amount of the application fee will be determined from time to time by the EDA or city council. The application fee shall be paid to the EDA at the time a final TIF application is submitted.

At the time a final TIF application is submitted, the applicant shall also make an initial deposit with the EDA (depending on project size and complexity) to cover its legal, financial, and other necessary consultant costs incurred as part of establishing or amending a TIF district, drafting and negotiating a development agreement, and conducting any fiscal analysis that may be required to meet the requirements of utilizing TIF. If additional expenses are incurred beyond the initial deposit during the term of the development agreement, the EDA shall notify the applicant in writing and the applicant will be required to deposit additional funds upon notice.

If the project is approved and the applicant proceeds with the project, the EDA shall reimburse the applicant any unused portion of the deposit after issuance of the TIF Note. If the applicant does not proceed with the project, the EDA shall reimburse the applicant for the unused portion of the deposit as of the date that the EDA is notified in writing that the applicant desires to withdraw its application.

**VIII. Application process and procedures**

The application process is a two-step process and must be completed in accordance with the TIF application procedures outlined in Exhibit A. The purpose of this approach is to give an applicant the opportunity to present a development proposal without expending a great deal of money and time in pursuing a development that may conflict with the city's goals and objectives.

**IX. Other policy issues**

**Fiscal disparities**

It is the EDA's general policy to have tax increment financing districts contribute to fiscal disparities in accordance with applicable State law. Tax revenues for fiscal disparities generated by the project will be the responsibility of properties inside the TIF district. In the event a project cannot be completed as a result of this election, the city may re-evaluate the impact of this policy on the project within the framework of State statutes.



**Public use of tax increment**

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

## **ADDENDUM**

The TIF Policy shall be implemented and administered in accordance with the requirements set forth in adopted EDA and city policies including the following:

- Green Building Policy adopted February 16, 2010, as updated September 16, 2014, and July 14, 2020, and as subsequently amended.
- Inclusionary Housing Policy adopted June 1, 2015, as amended May 15, 2017, September 6, 2018, September 2019, and July 2021 and as subsequently amended.
- Diversity, Equity, and Inclusion Policy (adoption pending) as finally adopted and as subsequently amended.

## Exhibit A

### Application procedures for tax increment financing assistance

1. Meet with city economic development and planning staff to discuss the scope of the project, financial assistance being requested, time schedule, city policy requirements and other information as may be necessary before applying for tax increment assistance.
2. If the applicant plans to apply for tax increment assistance, the applicant must divulge that TIF will be requested at the time of any application for a Comprehensive Guide Plan amendment, rezoning or site plan approval for a project, whichever occurs first.
3. Preliminary project plans, requested planning applications, and indication of need for TIF assistance shall be submitted/presented in a staff report at a city council/EDA study session for initial concept review and feedback. The applicant may make a formal presentation of the project if necessary or requested. If the council/EDA's preliminary concept review is generally positive, and the EDA indicates that it is willing to consider a formal request for tax increment assistance then the applicant may file a formal application for TIF assistance. At the time of such application, the applicant is to submit the required application fee and initial escrow deposit to be placed in a segregated account to cover the EDA's financial and legal consulting fees associated with the application.
4. The application shall be reviewed by city staff and the EDA's financial consultant in a timely manner. Once an appropriate amount of assistance is determined, staff shall prepare a report with its findings of compliance with applicable city policies along with its recommendation for TIF assistance.
5. The staff report shall be submitted/presented at a city council/EDA study session. If the council/EDA wishes to proceed and formally consider providing assistance to the proposed project, staff will be directed to undertake the following steps:
  - schedule a public hearing for the establishment of the appropriate TIF district type.
  - have a tax increment financing plan prepared.
  - prepare business terms for the provision of the agreed upon amount of tax increment.
6. The proposed business terms shall be submitted/presented in a staff report at a city council/EDA study session. If the terms are found to be generally acceptable and the EDA wishes to formally consider them, staff shall be directed to incorporate the terms into a redevelopment contract.

7. A public hearing for the establishment of the proposed TIF district shall then be held in conjunction with formal consideration of the proposed TIF district and redevelopment contract.

**Exhibit B**

**TIF Policy Compliance Table\***

<b>Factor</b>	<b>Requirement/Guideline</b>	<b>Proposed Project</b>	<b>Met?</b>
<b>Applicable TIF District</b>	Redevelopment/Renewal & Renovation/ Housing/Economic Development		
<b>Statutory TIF district requirements</b>	<b>Redevelopment District (example)</b> 70% site coverage, More than 50% of bldgs structurally substandard & are reasonably distributed		
<b>Use of TIF</b>	Proposed costs are statutorily eligible for reimbursement through proposed TIF district.		
<b>TIF Objectives</b>	TIF Policy requires projects to meet over half of applicable objectives for use of TIF.		
<b>Minimum qualifications</b>	Applicable Strategic Priorities		
	Meets Green Building Policy requirements.		
	Meets Inclusionary Housing Policy requirements (if applicable).		
	Meets Diversity, Equity, and Inclusion Policy.		
	Consistent with city's Comprehensive Plan and Zoning Ordinance, or approvals pending.		
	Removes contamination, blight and/or will not generate significant environmental problems.		
	Helps facilitate desired development that would not occur without assistance.		
	Developer provided necessary documentation to evaluate TIF need and proposed project.		
	Determined not financially feasible "but-for" the use of tax increment financing.		
	Developer has experience and capability to construct proposed project.		
	Developer plans to retain ownership of project long enough to stabilize occupancy (if applicable).		
	Meets all Minimum qualifications.		
<b>Desired qualifications</b>	Incorporates Livable Communities, New Urbanism, TOD, Sustainable Design principles (i.e., mixed-use, urban design, human scale, walkable, public spaces, and sustainable design features).		
	High quality development (sound architectural design, quality construction and materials).		
	Provides rents at deeper affordability levels such as 30% or 50% AMI (if applicable).		

	Provides units for larger families (i.e., 3- & 4-bedroom units (if applicable)).		
	Complements and/or adds value to neighborhood by providing public elements or placemaking features (if applicable).		
	Proposed development will likely stimulate further investment in surrounding area/neighborhood.		
	Provides new, or retained, employment (if applicable).		
	The increase in market value of the property after redevelopment is more than 8 times the original market value.		
	Will have a positive community impact.		
	Will not place extraordinary demands on city services.		
	Will not likely generate significant environmental problems and/or cleans-up existing contamination.		
	Land price for project site is within market range.		
	Ratio of private to city investment (TIF and grants) is more than \$5 to \$1.		
	The proposed amount of TIF assistance or term of the TIF Note is within range of similar developments which received TIF assistance.		
	Proposed TIF assistance will be provided on a pay-as-you-go-basis.		
	Meets the majority of Desired qualifications.		

\*This table may be revised from time to time to reflect changes to city policy and to provide additional clarity to applicants.