

Tax Increment Financing Policy

1. PURPOSE

Subd. 1.01. The purpose of this policy is to establish the City of Newport's position as it relates to the use of Tax Increment Financing for private development. This policy shall be used as a guide in processing and reviewing applications requesting business assistance, and in conjunction with the City's Business Assistance Policy. The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. STATUTORY LIMITATIONS

Subd. 2.01. In accordance with the City of Newport's Tax Increment Financing Policy, assistance requests must comply with applicable State Statutes. Minnesota Statutes, Section 469.174 through 469.179 (Tax Increment Finance Act), as amended authorizes local governments to utilize Tax Increment Financing to assist development and redevelopment of certain parcels within its boundaries.

3. POLICY BACKGROUND

Subd. 3.01. The City recognizes that local government plays a critical role in enhancing the vitality of our community. This is particularly true as the city reaches full development.

Subd. 3.02. All reasonable means shall be utilized to leverage private business development and redevelopment in the city consistent with this and other policies. Tax increment financing is an important and useful tool in attracting and retaining businesses.

Subd. 3.03. The fundamental principle that makes tax increment financing viable is that it is designed to encourage development that would not otherwise occur. The City shall be responsible to determine that (1) a project would not occur "but for" the assistance provided through tax increment financing; and (2) no other development would occur on the relevant site without tax increment assistance, that could create a larger market value increase than the increase expected from the proposed development (after adjusting for the value of the tax increment).

Subd. 3.04. The City shall consider tax increment financing in cases that serve to accomplish targeted city goals for development and redevelopment as outlined in the Business Assistance Policy.

5. ELIGIBLE COSTS

Subd. 5.01. The Authority shall consider the use of tax increment financing to cover project costs as allowed for under Minnesota Statutes. The types of project costs that are eligible for tax increment financing (under current state law) are as follows:

- TIF application deposit
- Architectural and engineering fees directly attributable to site work
- Earthwork/excavation

- Building demolition & clearance
- Landscaping
- Streets and roads
- Streetscape
- Street/parking lot lighting
- Sidewalks & Trails
- Special assessments
- Soils test and environmental studies
- Site related permits
- Soils correction
- Environmental remediation
- Utilities (sanitary sewer, storm sewer, and water)
- Street/parking lot paving
- Parking facilities
- Curb and gutter
- Land acquisition
- Legal (acquisition, financing, and closing fees)
- Surveys
- Title insurance

6. DETERMINATION OF AMOUNT OF ASSISTANCE

6.01 Whether in a new or existing TIF District, the amount of tax increment financing provided to an applicant shall be based on a review of the following:

- Request for Financial Assistance Form (Exhibit A)
- Review of Applicant Pro Forma
- Amount of Increment Generated by the Project

Subd. 6.02. The level of assistance shall be evaluated on a case-by-case basis and may reflect an increase or decrease in requested financial assistance. When considering a request for tax increment financing for a project, there shall be consideration of the level of financial assistance provided for other previously approved projects in the TIF District or Project Area.

7. FORMS OF ASSISTANCE

Subd. 7.01. Tax increment financing shall generally be provided on a “pay-as-you-go” basis wherein the City compensates the applicant for a predetermined amount for a stated number of years. The City shall 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 shall be based on available increment generated from the project. TIF payments shall be made after collection of property taxes.

Subd. 7.02. Another form of assistance that shall be considered only in extraordinary circumstances is an “up-front payment” to the applicant. This may be in the form of a revenue or general obligation bond or an internal loan. The tax increment generated from the applicant’s project is a source of revenue for repayment of the bonds or loan. This form of assistance is not

one the City or City will generally consider because under this form of assistance the City assumes the risk that the tax increment will be sufficient for repayment of the bonds or interfund loan.

8. APPLICATION

Subd. 8.01. The City will require a deposit in the amount of \$10,000 from the applicant to investigate the feasibility of providing assistance to the applicant. If the City incurs additional expense beyond the \$10,000 prior to execution of the Developer's Agreement, the City shall notify the applicant in writing and the applicant must deposit additional funds for work on the application to continue. If the project is approved and the applicant proceeds with the project, the applicant's deposit may be reimbursed as an eligible project cost to the extent permissible under MN Statutes. Any funds not used during the feasibility study will be returned to the applicant.

Subd. 8.02. In addition to the \$10,000 deposit fee, the applicant must submit the following forms and documentation at time of application for the application to be complete and review of the application to begin:

- Request for Financial Assistance Form (Exhibit A)
- Project Pro Forma Documentation (Developed by Applicant)