



**City of Arden Hills**  
**Business Subsidy Criteria and City Public Financing Guidelines**  
**July 27, 2015**

**1. PURPOSE AND AUTHORITY**

- A. The purpose of this document is to establish the criteria for the City of Arden Hills for granting of business subsidies and for City public financing for private development within the City. These criteria shall be used as a guide in processing and reviewing applications requesting business subsidies and/or City public financing.
- B. The City's ability to grant business subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995 (Statutes). The City may choose to apply its Business Subsidy Criteria to other development activities not covered under this statute. City public financing may or may not be considered a business subsidy as defined by the Statutes.
- C. Unless specifically excluded by the Statutes, business subsidies include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment financing (TIF), abatement of property taxes, loans from the City's Revolving Loan Fund, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.
- D. These criteria are to be used in conjunction with other relevant policies of the City. Compliance with the Business Subsidy Criteria and City Public Financing Guidelines shall not automatically mean compliance with such separate policies.
- E. The City may deviate from these criteria by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Department of Employment and Economic Development with the next annual report.
- F. The City may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes.

**2. BUSINESS SUBSIDY PUBLIC PURPOSE REQUIREMENT**

- A. All business subsidies must meet a public purpose with measurable benefit to the City as a whole. Public purpose may include, but not be limited to, creating needed services or facilities not currently available, providing a variety of housing ownership alternatives and housing choices, redeveloping and removing blight

and encouraging redevelopment in the commercial and industrial areas of the City in order to encourage high levels of property maintenance and private reinvestment in those areas, retaining local jobs, increasing the job base, and providing diversity in that job base, enhancing existing jobs through increased wages, encouraging additional unsubsidized private development in the area, either directly, or through secondary “spin off” development, offsetting increased costs of redevelopment over and above those costs that a developer would incur in normal urban and suburban development, and meeting other uses of public policy, as adopted by the Council from time to time including the promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.

- B. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The City shall document the information used to determine the nature of the job loss.
- C. The creation of tax base shall not be the sole public purpose of a subsidy.
- D. Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Statutes, the creation of jobs is a public purpose for granting a subsidy. Creation of at least one Full Time Equivalent (FTE) job is a minimum requirement for consideration of assistance.
- E. The wage floor for wages to be paid for the jobs created shall be not less than 150% of the State minimum wage in effect at the time the subsidy is granted. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.

### **3. SUBSIDY AGREEMENT**

- A. In granting a business subsidy, the City shall enter into a subsidy agreement with the recipient that provides the following information: wage and job goals (if applicable), commitments to provide necessary reporting data, and recourse for failure to meet goals required by the Statutes.
- B. The subsidy agreement may be incorporated into a broader development agreement for a project.
- C. The subsidy agreement will commit the recipient to providing the reporting information required by the Statutes.

### **4. CITY’S OBJECTIVE FOR THE USE OF PUBLIC FINANCING**

- A. As a matter of adopted policy, the City may consider using public financing which may include tax increment financing (TIF), tax abatement, bonds, waiver of City fees (excluding building permit fees), and other forms of public financing

as appropriate, to assist private development projects when such assistance complies with all applicable statutory requirements to:

1. Remove blight and/or encourage redevelopment in designated redevelopment/development area(s) per the goals and visions established by the City Council
2. To achieve the following housing-related goals:
  - a. To provide a balanced and sustainable housing stock to meet diverse needs both today and in the future
  - b. To ensure all housing is safe and well-maintained
  - c. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock.
3. To retain local jobs and/or increase the number and diversity of quality jobs
4. To encourage additional unsubsidized private development in the area, either directly or through secondary “spin-off” development.
5. To offset increased costs for redevelopment over and above the costs that a developer would incur in normal urban and suburban development (determined as part of the But-For analysis).
6. To facilitate the development process and to achieve development on sites which could not be developed without this assistance.
7. To meet other uses of public policy, as adopted by the City Council from time to time, including but not limited to promotion of quality urban design, quality architectural design, energy conservation, sustainable building practices, and decreasing the capital and operating costs of local government.

## **5. PUBLIC FINANCING PRINCIPLES**

**A.** The guidelines and principles set forth in this document pertain to all applications for City public financing regardless of whether they are considered a business subsidy as defined by the Statutes. The following general assumptions of redevelopment shall serve as a guide for City public financing:

1. All viable requests for City public financing assistance shall be reviewed by a third party financial advisor who will inform the City of its findings and recommendations.
2. The City shall establish mechanisms within the development agreement to ensure that adequate checks and balances are incorporated in the distribution of financial assistance where feasible and appropriate, including but not limited to:
  - a. Third party review of the “but for” analysis

- b. Establishment of “look back provisions”
  - c. Establishment of minimum assessment agreements
3. TIF and abatement will be provided on a pay-as-you-go-basis. Any request for upfront assistance will be evaluated on its own merits and may require security to cover any risks assumed by the City.
  4. The City will elect the fiscal disparities to come from inside applicable TIF district(s) to eliminate any impact to the existing tax payers of the community.
  5. The City will target up to the maximum allowed by State Statute of tax increment for administrative purposes only.
  6. The developer shall proactively attempt to minimize the amount of public assistance needed through the pursuit of grants, innovative solutions in structuring the deal, and other funding mechanisms.
  7. Proposals should not be used to support speculative industrial, commercial, office or housing projects. 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 project.
  8. Public financing will not 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 market value as determined by an independent appraisal of the property (exclusive of relocation benefits). The City shall commission an appraisal and the cost will be paid from Developer’s escrow.
  9. Public financing will not be used in projects that would give a significant competitive financial advantage over similar projects in the area due to the use of public subsidies. Developers should provide information to support that assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
  10. TIF and Abatement will not be utilized for the construction of new rental housing units. The City will consider waivers of various City fees for new rental housing developments (building permit fees excluded).
  11. Public financing will not 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 aim to clean-up existing contaminated sites and would facilitate the location of an industry or business that has an environmentally-sound track record, or that meets a housing need in the City.
  12. The City will not approve new TIF districts that would cause the percentage of the City’s total tax capacity captured within TIF districts to rise above six percent.

## **6. PROJECTS WHICH MAY QUALIFY FOR PUBLIC FINANCING ASSISTANCE**

- A. All new applications for assistance considered by the City must meet each of 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 the qualifications will automatically be approved for assistance. Meeting the qualifications does not imply or create contractual rights on the part of any potential developer to have its project approved for assistance.

### **6.1 Minimum Qualifications:**

- A. In addition to meeting the applicable requirements of State law, the project shall meet one or more of the Public financing objectives outlined in Section 4; and shall either:
1. Remove blight and/or encourage redevelopment in the City in order to encourage high quality development or redevelopment and private reinvestment in those areas; OR
  2. Facilitate the development process and to achieve development on sites which would not be developed without this assistance.
- B. The developer must demonstrate to the satisfaction of the City that the project is not financially feasible “but for” the use of tax increment or other public financing.
- C. The project must be consistent with the City’s Comprehensive Plan and Zoning Ordinances, Design Guidelines or any other applicable land use document.
- D. Prior to approval of a 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 evaluation of the proposal.
- E. The developer must provide adequate financial guarantees to ensure the repayment of any public financing 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.
- F. Any developer requesting assistance must be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. Public financing will not be used when the developer’s credentials, in the sole judgment of the City, are inadequate due to past history relating to completion of projects, general reputation, and/or bankruptcy, or other problems or issues considered relevant to the City.

- G. The developer, or its contractual assigns, shall retain ownership of any portion of the project long enough to complete it, to stabilize its occupancy, to establish project management and/or needed mechanisms to ensure successful operation.

**6.2 Desired Qualifications:**

- A. Projects providing higher than a 3 to 1 ratio of private investment to City public investment will receive priority consideration. Private investment includes developer cash, government and bank loans, conduit bonds, tax credit equity, and land if already owned by the developer.
- B. Projects meeting the following minimum building valuation will receive priority consideration:

Use	Minimum Value Per Sq/Ft or Unit
Industrial	\$ 60
Commercial/Retail	\$ 125
Office	\$ 100
Rental Housing	\$ 100,000

- C. Proposals that significantly increase the amount of property taxes paid after redevelopment will receive priority consideration.
- D. Proposals that encourage the following will receive priority consideration:
  1. Provides significant improvement to surrounding land uses, the neighborhood, and/or the City
  2. Provides opportunities for development of restaurants
  3. Attracts or retains a significant employer within the City
  4. Provides opportunity for hi-tech, med-tech and R & D facilities/office
  5. Provides significant rehabilitation of an existing apartment complex or significant rehabilitation and/or expansion of existing office, commercial or industrial facility
  6. Provides opportunities for high end and/or specialty retail that is not currently available to City residents
  7. Redevelops a blighted and/or challenged site

8. Provides opportunities for small businesses
- E. Preference will be given to projects that meet good public policy criteria as determined by the City Council, including:
1. High project quality (e.g. sound architectural design, quality construction and materials, sustainable building practices)
  2. Projects that meet financial feasibility criteria established by the City
  3. Projects that provide the highest and best desired use for the property

7. **PUBLIC FINANCING PROJECT EVALUATION PROCESS**

- A. The following five methods of analysis for all public financing proposals will be used:
1. Consideration of project meeting minimum qualifications
  2. Consideration of project meeting desired qualifications
  3. Project meets “but-for” analysis and/or statutory qualifications
  4. Project is deemed consistent with City’s Goals and Objectives
  5. Score of a “B” or higher on the TIF report card

*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 should one area outweigh another in terms of importance to determining the level of assistance.*

Adopted by Arden Hills City Council July 27, 2015