Tax Increment Financing (TIF) Policy

Adopted August 18, 1997
CITY OF ST. LOUIS PARK

Tax Increment Financing Policy

For the purpose of this policy, the "City" shall also 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 for private development. This policy shall be used as a guide in processing and reviewing applications requesting Tax Increment assistance. The fundamental purpose of tax increment financing in St. Louis Park is to encourage desirable development and/or redevelopment that would not otherwise occur “but for” the assistance provided through TIF.

The City of St. Louis Park shall consider Tax Increment Financing 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 (e.g. stable employment and/or attractive wages and benefits) and the attraction, retention, and expansion of business and housing options in the City.

II. CITY'S OBJECTIVE FOR THE USE OF TIF:

As a matter of adopted policy, the City of St. Louis Park will consider using Tax Increment Financing (TIF) to assist private development projects to achieve one or more of the following purposes:

- 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.

- To achieve any of the following housing-related goals:
  - to ensure all housing is safe and well maintained
  - to provide a balanced and sustainable housing stock to meet diverse needs both today and in the future
  - to promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock.

- To retain local jobs and/or increase the number and diversity of quality jobs (e.g. stable employment and/or living wages and benefits).
• To encourage additional unsubsidized private development in the area, either directly, or through secondary "spin-off" development.

• To offset increased costs of redevelopment (e.g. contaminated site clean-up), over and above those costs that a developer would incur in normal urban and suburban development.

• To facilitate the development process and to achieve development on sites which would not be developed without this assistance.

• 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.

• To encourage the application of Livable Communities 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.

III. COSTS WHICH QUALIFY FOR TAX INCREMENT FINANCING ASSISTANCE:

• Project Design fees including: utilities, landscape, architectural and engineering design.
• 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, sidewalks
• Land acquisition
• Special assessments
• Legal fees (acquisition, finance, closing)
• Soil tests
• Environmental studies
• Surveys
• Park and open space dedication fees
• Interest rate write downs
• Relocation assistance
• Replacement or clean-up of contaminated soils which would otherwise preclude redevelopment
• Rehabilitation
• Any other costs allowable by Statute
IV. PROJECTS WHICH MAY QUALIFY FOR TAX INCREMENT FINANCING ASSISTANCE

All new TIF projects considered by the City of St. Louis Park 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. Meeting the qualifications creates no contractual rights on the part of any potential developer to have its project approved.

MINIMUM QUALIFICATIONS

A. The project should meet one or more of the Tax Increment Financing Objectives outlined in Section 2. But at a minimum shall:

- 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.

- To facilitate the development process and to achieve development on sites which would not be developed without this assistance.

A. The developer must demonstrate that the project is not financially feasible "but-for" the use of tax increment financing.

B. The project must be consistent with the City's Comprehensive Plan and Zoning Ordinances, or required changes to the plan and ordinances must be under active consideration by the City at the time of final TIF application submittal.

C. 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.

D. 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.

E. 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.
F. 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

A. TIF proposals creating a higher ratio of property taxes paid before and after redevelopment will receive priority consideration. Given the different assessment circumstances in the City, this ratio will vary widely. A 1:2 ratio of taxes paid before and after redevelopment is desired.

B. TIF proposals should normally 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.

C. TIF will normally 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.

D. TIF 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 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.

E. TIF will be provided on a pay-as-you-go-basis. 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.

F. TIF will not be used to support projects that place extraordinary demands on City services. Preference will be given to projects that do not place extraordinary demands on City services.

G. TIF 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 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 meet a housing need in the City.

H. Preference will be given to projects that meet good public policy criteria as determined by the City Council, including:
• High project quality (e.g. sound architectural design, quality construction and materials)
• Projects that are in accord with the Comprehensive Plan, Zoning Ordinance, Strategic Plan, and other redevelopment plans of the City
• Projects that 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 significant new, or retained, employment
• Projects that meet financial feasibility criteria established by the City; and
• Projects that provide the highest and best desired use for the property
• Project is consistent with Livable Communities principles

V. TAX INCREMENT PROJECT EVALUATION PROCESS

The following five methods of analysis for all TIF 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 statutory qualifications (Exhibit A).
4. Project Report Card (Exhibit B)
5. Project is deemed consistent with Vision St. Louis Park and City Strategic Plan

*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.*

VI. APPLICATION FOR TIF ASSISTANCE FOR ALL TIF DISTRICTS AND PROJECT AREAS

The City's tax increment financing program will be administered by the St. Louis Park EDA. The St. Louis Park EDA will require a non-refundable application fee in the amount of $3,000 for its processing of the application. 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 deposit $20,000 with the EDA to cover its attorney’s and consultants costs incurred as part of amending or establishing 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 $20,000, prior to the execution of a 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 as of the date of execution of the development agreement. 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.

VII. APPLICATION PROCESS:

The application process is a two-step process and must be completed in accordance with the TIF application procedures (Exhibit C). 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.

VIII. OTHER POLICY ISSUES

Fiscal Disparities

It is the City’s general policy to have tax increment financing districts contribute to fiscal disparities in accordance with applicable State law. 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 statute.

Loss of Government Aid

At any time, if the formation of a new TIF district or the use of an existing district to finance a project will subject the City to an LGA/HACA penalty or local contribution to a project, the transaction shall be structured so as to have the ultimate cost to the City minimized to the greatest extent permitted by law, so as to have the project bear the cost of the penalty or contribution.
Public Use of Tax Increment

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

PASSED AND DULY ADOPTED this 18th day of August, 1997 by the City of St. Louis Park/St. Louis Park EDA

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Mayor

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EDA President

ATTEST:

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City Manager/EDA Executive Director

ADDENDUM

The above Policy has been modified to include the following:

Green Building Policy adopted 2-16-10
Inclusionary Housing Policy adopted 6-1-15 and amended May 15, 2017