

ALEXANDRIA ECONOMIC DEVELOPMENT AUTHORITY TAX INCREMENT FINANCING POLICY STATEMENT

A. Introduction

The City of Alexandria (the “City”) and the Alexandria Economic Development Authority (the “EDA”) have received numerous informal inquiries regarding the availability of tax increment financing as set forth in Minnesota Statutes Section 469.174 to 469.179 inclusive. The City and the EDA will consider each request on a case by case basis. In order to evaluate proposals, conserve the time of staff, advisors, developers, the EDA and the City Council, as well as answer preliminary questions, this Policy Statement will set forth basic information for all persons involved. For the benefit of interested parties, this Policy Statement also outlines the general procedures, which need to be followed in creating a tax increment financing district. It is the intent of this Policy Statement to serve as both a procedural and informational guide for all interested persons. Tax Increment financing is not a right, it is a privilege granted by the City.

B. Statutory Intent

The purpose of the Minnesota Tax Increment Financing Act is to provide a uniform set of standards and procedures for cities and authorities to follow when utilizing tax increment financing in conjunction with Minnesota Statutes 469.001 to 469.047, 469.090 to 469.108 and 469.124 to 469.134.

Tax Increment Financing statute requires applicant to meet the “But-for” Test. Before an authority may create a TIF district, the City must make “but-for” findings that (1) the development would not occur without the TIF assistance and (2) that the market value of the TIF development will be higher (after subtracting the value of the TIF assistance) than what would occur on the site, if TIF were not used.

C. What is Tax Increment Financing

Generally, tax increment financing is a technique which allows cities and authorities in cooperation with private developers to redevelop blighted and deteriorated urban areas, to construct low and moderate income housing, and/or to stimulate local economic growth.

A number of Tax Increment Financing (TIF) districts have been created in the City of Alexandria. Basically, TIF is a program, which allows the increase in property taxes generated by a development to pay for the development costs. Tax Increment is not an additional tax. Tax Increment does not affect the calculation of the tax amount; rather, it affects the distribution of the tax. The tax due is calculated the same as for a property that is not in a TIF district, but money that would normally go to the county, city, school, and other special taxing districts is instead diverted to the TIF district.

According to the statute, School District 206 and Douglas County are required to be notified of all potential TIF districts and each entity have the right to formally comment on each district to the City.

D. EDA Policy

In cases where interested parties are not able to accomplish the desired development or redevelopment without the assistance of tax increment financing the City and EDA may make tax increment financing available. The EDA will review applications for tax increment financing for the following types of districts and with the indicated guidelines:

1. Redevelopment District – removal of substandard structures.
 - a. Parcels consisting of 70% of the area of the district are occupied by buildings or improvements and more than 50% of the buildings are structurally substandard requiring substantial renovation or removal.
 - b. 15% of the area of a parcel must contain improvements to be considered improved.
 - c. An interior inspection, if possible, must be conducted before determining the improvements are substandard.
 - d. Increments can be used for land acquisition, demolition, clearing land, installation of utilities, pollution abatement, rehabilitation and parking and administrative costs.
 - e. Unless there are extensive environmental remediation costs or unless low/moderate income housing is to be constructed, it is the City’s policy to limit the developer to 13 tax increment years for redevelopment projects.
2. Renovation or Removal District – renovation of existing structures.
 - a. Parcels consisting of 70% of the area of the district are occupied by buildings or improvements and 20% of the buildings (excluding out buildings) and 30% of the other buildings are structurally substandard requiring substantial renovation or removal to correct inadequate street layout, incompatible uses, overcrowding of buildings, excessive dwelling unit density, obsolete buildings not suitable for improvements and other hazards to health, safety and general well-being of the community.
 - b. Increments can be used for land acquisition, demolition, clearing land, installation of utilities, pollution abatement, rehabilitation and parking and administrative costs.
3. Soils Correction District – assist in the removal or correction of hazardous substances, pollution, or contaminants.
 - a. The estimated cost of removal exceeds the fair market value of the land before completion of the preparation.

- b. Increments can be used for land acquisition, cost of removal or remedial action, and administrative expenses.
4. Housing District – provide housing for low and moderate income families. Rental housing will include rent restrictions as well as income restrictions.
- a. No more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses, as stated in MS 469.1761.
 - b. For rental housing the following income and rent restrictions apply:
 - (i) Income Restrictions: One of the following income tests must be met: at least 20% of the units must be occupied by tenants whose income is 50% or less of the area median income or 40% of the units are occupied by tenants with income of 60% or less of the area median income;
 - (ii) Rental Restrictions: For the income restricted units, the rental rates must minimally follow the maximum gross rents by family or bedroom size as established by Minnesota Housing Finance Agency for the Section 42 Tax Credit program. In addition, the City would like desirable amenities which include maintenance free exterior with some brick, one garage stall per unit, air conditioning, elevators, and park areas with playground equipment for non-elderly complexes, storm shelters, and sprinklers.
 - c. For owner occupied housing, 95% of the units must be initially purchased and occupied by persons whose income is equal to 115% or less of the area median family income. It must be demonstrated that the buyer receives the benefit of tax increment. The initial buyer must intend to occupy the property for a minimum number of years as provided for in specific City, EDA or HRA housing programs such as the City Housing Assistance Program to avoid repayment.
 - d. All housing district application may be available for review and comment by the Alexandria HRA in relation with the goals of the City of Alexandria Housing Study.
 - e. Increments can be used for land purchase, site preparation, installation of public improvements, and administrative expenses.
 - f. It is the City’s policy to limit the developer to the number of tax increment years that both rent and income restrictions are enforced but not to exceed 26 years.
 - a. On a case by case basis, the City and EDA have the right to extend the term of the original contract to encourage the preservation of quality units available for affordable housing.

- i. Any project that is required to enforce rent and income limitations on their property in participation with other programs is ineligible for an extension of the TIF District contract.
 - ii. No contract will be extended for over five (5) years, or be granted more than 50% of the original increment.
 - g. On a case by case basis, particularly those senior rental housing projects addressing a continuum of care or assisted living, the City and EDA have the right to modify restrictions based on the project and its merits.
- 5. Economic District – increase employment, preserve tax base or discourage businesses from moving to another state or municipality.
 - a. 85% of the building square footage must be used for manufacturing, warehousing, storage, distribution, tourism (if applicable), research and development.

To be eligible for a tourism tax increment financing district, a project must meet the following criteria:

- i. Be located in a County where the median income is no more than 85 percent of the state median income.
 - ii. Is located in a County in development region 2, 3, 4, or 5, as defined in section 462.385.
 - iii. The City’s population is less than 20,000.
 - iv. The project is to acquire, construct, or rehabilitated for use as a convention and meeting facility that is privately owned, marina, hotel, motel, lodging facility, or non-homestead dwelling unit that in each case is intended to serve primarily individuals from outside the county.
 - b. The developer will execute a Business Subsidy Agreement, specifying the wage and job goals of the project.
 - c. Increments can be used for public improvements, administrative costs, loans, subsidies, and grants.
 - d. In accordance with state statutes, the developer may be eligible for 9 tax increment years.

E. Development Objectives

The City welcomes and understands that as a community it receives a direct benefit from property designed residential, commercial and industrial development or redevelopment.

In reaching a decision with respect to whether or not to provide tax increment financing for a project, the City Council will consider the following factors:

1. Whether the project will add to the City's tax base and/or increase employment and wage opportunities.
2. Whether the project will acquire, remove, reconstruct or rehabilitate structurally substandard or blighted areas, which make potential development economically unfeasible.
3. Whether the project will acquire or develop vacant, under used or inappropriately used land which makes potential development economically unfeasible?
4. Whether the project will correct physical deterrents impeding development or provide adequate streets, utilities and other public improvements, which are deemed necessary to enhance the area for both existing and/or new development.
5. Whether the project will provide decent, safe and sanitary housing for low and moderate income persons.
6. Whether the project will assist in the removal and clean up of any polluted properties.

F. Application

Prior to any consideration by the EDA and the City Council, the applicant must deliver to the City the following:

1. Completed Application for Tax Increment Financing (attached);
2. Letter of Agreement substantially in the form attached; and
3. A processing fee in the amount of \$1,500.
4. Financial statements and feasibility studies as required by legal counsel of the City of Alexandria.

G. Preliminary Approval

The EDA will make a finding, based upon information presented, as to whether the proposed project is consistent with Minnesota Statutes Section 469.174 to 469.179 inclusive and is in the public interest as set forth in Section E of this Policy Statement. If deemed appropriate, the EDA may direct staff and advisors to prepare the tax increment financing plan, amend the development program, if necessary, and prepare supportive documents. After the above finding has been made and after the City has approved a resolution calling for a public hearing on a TIF District, but before work is started on the tax increment financing documents, a partial payment of an additional \$3,500 must be submitted to the City. The balance of the legal and consultant fees will be due when the

district is established. The purpose of the EDA Development Program is to provide a legal guide for the planning and implementation of the City and EDA's development and housing goals and for the creation, if desirable, of tax increment financing districts. The tax increment financing plan is designed to complement the Development Program by providing a framework for assisting the proposed development or redevelopment. As part of the approval process, a feasibility analysis of the project will be reviewed along with appropriate supporting financial analysis.

H. Redevelopment Contract

To receive tax increment assistance, the applicant will be required to enter into a Redevelopment Contract with EDA. The Redevelopment Contract shall specify the rights and responsibilities of each party with respect to the proposed development.

I. Final Approval

The development program, the tax increment financing plan, and the redevelopment contract requires approval by the EDA; the development program and tax increment financing plan requires approval by the City Council. A public hearing before the City Council must be held prior to final approval.

J. Use of Fees

1. Fees shall be used for the cost of securing appropriate consultants to assist the EDA in processing the inquiry or application. Representatives of appropriate consultants include, but are not limited to, EDA Attorney, Planning Consultant, Development and Financial Consultant, Bond Counsel, Traffic and other consulting engineers. The determination and use of TIF consultants is and remains the exclusive determination of the City of Alexandria.
2. Upon completion of any inquiry or decision on an application for assistance, the EDA shall render a total of all claims and charges paid. The EDA shall refund any outstanding balance. The developer shall be responsible for consultant charges in establishing the district and preparation of any agreements.
3. If the application is approved, the applicant shall be reimbursed in an amount not to exceed its statutorily authorized eligible expenses. Such reimbursement will generally be in the form of a limited tax increment revenue note known as a pay-as-you-go note.
4. The City shall retain a percentage of the increment generated as authorized by the Tax Increment Act for administrative and program expenses.

**ALEXANDRIA ECONOMIC DEVELOPMENT AUTHORITY
APPLICATION FOR TAX INCREMENT FINANCING**

Applicant Information:

Applicant Name/Representative: _____

Business Name: _____

Address: _____

Telephone #: _____ Fax # _____

Email: _____

Legal Business Structure: _____

If a partnership, state names of all partners. If a corporation, state name and address of agent in the State of Minnesota; specify state of incorporation, location of principal place of business; and list of name and addresses of major stockholders or principals.

Name and Contact Number of Legal Counsel: _____

Name and Contact of Accountant: _____

Name, Company, and Contact of Financial Reference:

Other Pertinent Information for Application: _____

Have you ever filed for Bankruptcy? Yes No
(If yes, provide details on separate sheet)

Have you ever defaulted on a loan? Yes No
(If yes, provide details on separate sheet)

Description of Project:

Project Name: _____

Location of Project: _____

Legal Description with Parcel Number and Physical Address: _____

Nature of Proposed Business: _____

Description of Proposed Project to include land area, square footage of building(s) or improvement(s), type of building(s) and proposed uses in building(s): _____

Description of potential occupant of building(s) proposed. If leased space, provide the target rent per square foot proposed. _____

What is the current zoning of the proposed site: _____

Will a conditional use permit, a variance or any other special use requirements be needed to complete this project? _____

Total Cost of Project: _____

Please provide the following costs:

Item	Cost
Land	\$ -
Demolition	\$ -
Site Development	\$ -
Contamination Clean-Up	\$ -
Equipment Acquisition & Installation	\$ -
Architectual and Engineering Fees	\$ -
Legal Fees	\$ -
Interest During Construction	\$ -
Initial Bond Reserve	\$ -
City Bond Consultant/attorney	\$ -
City Administrative Expenses	\$ -
Other:	\$ -
Other:	\$ -
Total	\$ -

Anticipated construction period for this project: Start _____ Finish _____

Employment and Wage Information:

What is the present employment of the applicant: _____ FTE _____ PTE

What is the projected employment of the proposed project for the following time periods:

One year after completion: _____ FTE _____ PTE

Two-years after completion: _____ FTE _____ PTE

Please list the potential employment positions and the corresponding starting wage for the potential project:

Position Title	Average Starting Wage or Wage Range

Tax Increment Request:

Describe the Amount and purpose of the requested Tax Increment Financing: _____

Provide a brief statement of the public purpose and need for tax increment financing for the project and benefits to the City of Alexandria citizens and community due to the proposed project:

Please provide a brief statement of how the proposed project will further the goals of the City of Alexandria Comprehensive Plan: _____

Please provide a brief statement of how this development will attract other related development and types of businesses? _____

Will the project acquire, remove, reconstruct, or rehabilitate structurally substandard or blighted areas which make potential development economically unfeasible? _____

Will the project provide decent, safe and sanitary housing for low to moderate income persons? _____

Will the project assist in the removal and clean up of any polluted or contaminated properties? _____

Application Acknowledgement:

The undersigned, a duly authorized representative of the Applicant, hereby certifies that the foregoing information is true, correct and complete as of the date hereof.

The Applicant acknowledges and agrees that the \$1,500 application fee associated with this request for public financing assistance is nonrefundable.

Date: _____

Applicant Representative: _____

Signature: _____

**TAX INCREMENT FINANCING
APPLICATION CHECKLIST**

- Schematic Drawing of Property/Project
- \$1,500 Application Fee
- Letter of Agreement (Sample Enclosed)
- Project Pro-forma
- Project Feasibility Study (if applicable)

Date:

Honorable President and Member of the
Alexandria Economic Development Authority
City of Alexandria
704 Broadway
Alexandria, MN 56308

RE: Application for Tax Increment Financing Project

President and Members of the Alexandria EDA:

This Letter of Agreement (the "Agreement") is given by _____, as _____
(President/Owner) of _____, a _____ organized
under the laws of the State of Minnesota (the "Applicant") in connection with the review and
consideration of Tax Increment Financing for the project located at _____
(the "Project"). In consideration, the Applicant hereby covenants and agrees as follows:

1. Consulting Services. The City shall have the right to employ legal counsel, bond counsel, accounting, real estate, financial, engineering, architectural, and other consultants to review the proposed Project and all proposed financing therefore in accordance with the policy statement (the "Policy Statement") attached to this letter.
2. Other Costs and Expenses. The City shall also have the right to allocate and charge to the proposed Project costs and expenses for photocopies, publications, postage and other similar items rendered or incurred with respect thereto.
3. Payment of Costs. The Applicant shall pay all costs, expenses and consulting services incurred by the City with respect to the Project and the issuance of Tax Increment Obligations to finance all or part of the cost thereof, including but not limited to costs and expenses of the types enumerated in paragraphs 1 and 2, whether or not the Project is approved and constructed or the City issues Tax Increment Obligations therefore. The Applicant submits herewith a check in the amount of \$1,500, the proceeds of which may be deposited in a savings account by the City and used and disbursed by the City to pay such costs, expenses and consulting services when due. Upon completion of consideration of the Project or the issuance of Tax Increment Obligations therefore, the City shall pay all such costs, expenses and consulting services not otherwise paid from such deposit. The fees advanced by the Applicant and expended for costs, expenses and consulting services may be reimbursed in accordance with the Policy Statement.
4. Termination of Consideration. The EDA shall have the right at any time prior to the adoption of a resolution approving the documents pursuant to which Tax Increment Obligations are to be issued and their issuance, to terminate its consideration of Applicant's Project and the issuance of Tax Increment Obligations

to finance the cost thereof, without any liability of the City and EDA, their respective officers, employees and agents.

Applicant hereby releases the City, EDA and AAEDC, their officers, employees and agents, from any claims or causes of action which it may have against them or any of them for any costs, expenses, losses, damages or liabilities which it may incur in connection with the City's consideration of the Project; the failure of the City and EDA, in their discretion, to issue Tax Increment Obligations, the construction of the Project; or any other matter or thing of any type or nature whatsoever which may arise in connection with any of the foregoing.

5. Indemnification. Applicant agrees to indemnify and hold the City, EDA, and AAEDC, the officers, employees and agent harmless from and against any and all losses, claims, damages, expenses or liabilities, including attorney's fees incurred in their defense, to which the City, EDA and AAEDC, the officers, employees and agents or any of them may become subject in connection with the City and EDA's consideration, issuance or sale of the Tax Increment Obligations for Applicant's Project and the carrying out of the transactions contemplated by this agreement and any resolution adopted or Agreements executed by the City, EDA and AAEDC in connection with the issuance of Tax Increment Obligations for Applicant's Project.
6. Assignment. The applicant shall have no right to assign any claimed rights it may acquire by reason of any action taken with respect to the Applicant's Project and the issuance of Tax Increment Obligation therefore by the City and EDA or their officers, employees or agents.
7. Effective Date. The effective date of the Agreement is _____, 20____.

Sincerely,

Name
Title

WHAT ARE THE QUALIFYING PUBLIC IMPROVEMENTS?

Land Acquisition

Site Work

- Demolition/site clearance
- Grading/backfilling/compaction
- Erosion control/Site Pond (underground storage)
- Paving – cost of base construction up to laying of asphalt

Utility Hook Up

Traffic Control – Lights/Signs

Relocation Expense

Public Right-of-Way Costs

- Lighting
- Signage
- Curbs and Driveway Aprons
- Sidewalks
- Boulevards
- Berms
- Landscaping

Interest Cost during Construction Period of Eligible Expenses

Administrative Costs

- Supervision
- Contractors' fees
- Inspection fees
- Overhead

Environmental Costs

- Assessment
- Work Program
- Abatement/Clean up

Consultants' Fees

- Architectural/Design
- Engineering
- Financial Consulting
- Legal/Bond Counsel

City Assessments

- Sanitary Sewer
- Storm Sewer
- Streets
- Other assessable public improvement costs

Contingency