

CITY OF FARIBAULT

Tax Abatement Business Assistance Policy

1. PURPOSE

- 1.01 The purpose of this policy is to establish the City of Faribault's position as it relates to the use of Tax Abatement. This policy shall be used as a guide in processing and reviewing applications requesting business assistance.
- 1.02 The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. *Minnesota Statutes 116J.994, Subd. 2*, allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the department.

2. STATUTORY LIMITATIONS

- 2.01 In accordance with the City of Faribault's Business Assistance Policy, assistance requests must comply with applicable State Statutes.

3. ELIGIBLE USES FOR THE RECEIPT OF BUSINESS ASSISTANCE

- 3.01 As a matter of adopted policy, the City of Faribault will consider using a tax abatement assistance tool to assist private developments only in those circumstances in which the proposed private projects meet one or more of the following uses:
 - A. To redevelop blighted or under-utilized areas of the community.
 - B. To meet the following housing-related uses:
 - 1. To provide a diversity of housing not currently provided by the private market.
 - 2. To provide a variety of housing ownership alternatives and housing choices.
 - 3. To promote affordable housing for low or moderate-income individuals.
 - 4. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.
 - C. To remove blight and encourage 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.
 - D. To increase the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents while lessening the reliance on residential property tax.
 - E. To retain local jobs, increase the local job base, and provide diversity in that job base.
 - F. To increase the local business and industrial market potential of the City of Faribault.

- G. To encourage additional unsubsidized private development in the area, either directly, or through secondary "spin-off" development.
- H. To offset increased costs of redevelopment, over and above those cost that a developer would incur in normal development.
- I. To accelerate the development process and to achieve development on sites which would not be developed without this assistance.

4. BUSINESS ASSISTANCE PROJECT APPROVAL CRITERIA

- 4.01 All new projects approved by the City of Faribault should meet the following mandatory minimum approval criteria. However, it should not be presumed that a project meeting these criteria would automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.
- A. The assistance shall be provided within applicable state legislative restrictions, State Auditor interpretation, debt limit guidelines, and other appropriate financial requirements and policies.
 - B. The project should meet one or more of the uses identified in Section 3, Eligible Uses for the Receipt of Business Assistance.
 - C. The project must be in accord with the Comprehensive Land Use Plan and Zoning Ordinances, or required changes to the Comprehensive Land Use Plan and Zoning Ordinances must be under active consideration by the City at the time of approval.
 - D. The assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. Assistance will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business assistance request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.
 - E. Prior to approval of business assistance, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with an independent underwriting.
 - F. Any developer requesting business assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
 - G. The developer must 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 business assistance.
 - H. The level of business assistance funding should be reduced to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and then using other funding sources or income producing vehicles that can be structured into the project financing, prior to using additional business assistance funding.

5. BUSINESS ASSISTANCE PROJECT EVALUATION CRITERIA

- 5.01 All projects will be evaluated by the Faribault Economic Development Authority and City Council on the following criteria for comparison with other proposed business assistance projects reviewed by the City, and for comparison with other subsidy standards (where appropriate). It is realized that changes in local markets, costs of construction, and interest rates may cause changes in the amounts of business assistance subsidies that a given project may require at any given time.
- 5.02 Some criteria, by their very nature, must remain subjective. However, wherever possible "benchmark" criteria have been established for review purposes. The fact that a given proposal meets one or more "benchmark" criteria does not mean that it is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business assistance proposals, using uniform standards whenever possible.
- 5.03 Following are the evaluation criteria that will be used by the City of Faribault:
- A. All proposals should, in the opinion of the Economic Development Authority and City Council, optimize the private development potential of a site.
 - B. All proposals should, in the opinion of the Economic Development Authority and City Council, create the highest feasible number of jobs on the site or otherwise satisfy economic development goals and priorities of the City at the time of application. All proposals shall meet the Business Subsidy Criteria established by the City.
 - C. Business assistance will not be provided when the relocating or new business requesting assistance would be in competition with an established business in the community unless it is clearly demonstrated that the business provides a service or use under served and/or in high demand in the city.
 - D. All proposals should, in the opinion of the Economic Development Authority and City Council, create the highest possible ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the City, this ratio will vary widely.
 - E. Proposals should usually not be used to support speculative industrial, commercial, and office projects.
 - F. Assistance will usually not be used in a project that involves an excessive land and/or property price.
 - G. All business assistance projects will need to meet the "but for" test. Assistance will not be used unless the need for the City's economic participation is sufficient that, without such assistance the project could not proceed in the manner as proposed.
 - H. Business assistance will not be used when the developer's credentials, in the judgment of the City, are inadequate due to past track record relating to: timeliness and quality level of completed projects, general reputation, bankruptcy, credit worthiness or other relevant considerations by the City.
 - I. Business assistance will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments.

- J. Business assistance funding should not be provided to those projects that fail to meet good public policy criteria as determined by the EDA and Council, including: poor project quality; projects that are not in accord with the comprehensive plan, zoning, redevelopment plans, and city policies; projects that provide no benefit or improvement to surrounding land uses, the neighborhood, and/or the City; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use for the property.
- K. All projects receiving business assistance must create a minimum of 1 new full-time equivalent jobs per \$100,000.00 worth of assistance in the community with a minimum wage of \$12.00 per hour plus benefits.

CITY OF FARIBAULT
PRE-APPLICATION
BUSINESS ASSISTANCE FINANCING

Legal name of applicant:

Address:

Telephone number:

Name of contact person:

REQUESTED INFORMATION

Addendum shall be attached hereto addressing in detail the following:

1. A map showing the exact boundaries of proposed development.
2. Give a general description of the project including size and location of building(s); business type or use; traffic information including parking, projected vehicle counts and traffic flow; timing of the project; estimated market value following completion.
3. The existing Comprehensive Land Use Plan designation and zoning of the property. Include a statement as to how the proposed development will conform to the land use designation and how the property will be zoned.
4. A statement identifying how the increment assistance will be used and why it is necessary to undertake the project.
5. A statement identifying the public benefits of the proposal including estimated increase in property valuation, new jobs to be created, hourly wages and other community assets.
6. A written description of the developer's business, principals, history and past projects

I understand that the application fee of \$5,000.00 will be used for City staff and consultant costs and may be partially refundable if the request for assistance is withdrawn. Refunds will be made at the discretion of the Economic Development Authority and be based on the costs incurred by the City prior to the withdrawal of the request for assistance. If the initial application fee is insufficient, I will be responsible for additional deposits.

SIGNATURE

Applicant's signature:

Date:

CITY OF FARIBAULT

Application for Business Assistance Financing

GENERAL INFORMATION:

Business Name: _____ Date: _____

Address: _____

Type (Partnership, etc.): _____

Authorized Representative: _____ Phone: _____

Description of Business: _____

Legal Counsel: _____

Address: _____ Phone: _____

FINANCIAL BACKGROUND:

1. Have you ever filed for bankruptcy? _____

2. Have you ever defaulted on any loan commitment? _____

3. Have you applied for conventional financing for the project? _____

4. List financial references:
a. _____
b. _____
c. _____

5. Have you ever-used Business Assistance Financing before? _____

If yes, what, where and when? _____

PROJECT INFORMATION:

1. Location of Proposed Project: _____

2. Amount of Business Assistance requested? _____

3. Need for Business Assistance: _____

4. Present ownership of site: _____

5. Number of permanent jobs created as a result of project? _____

6. Estimated annual sales:

Present: _____

Future: _____

7. Market value of project following completion: _____

8. Anticipated start date: _____

Completion Date: _____

FINANCIAL INFORMATION:

1. Estimated project related costs:

- a. land acquisition \$ _____
- b. site development _____
- c. building cost _____
- d. equipment _____
- e. architectural/engineering fee _____
- f. legal fees _____
- g. off-site development costs _____

2. Source of financing:

- a. private financing institution \$ _____
- b. tax abatement funds _____
- c. other public funds _____
- d. developer equity _____

PLEASE INCLUDE:

- 1. Preliminary financial commitment from bank.
- 2. Plans and drawing of project.
- 3. Background material of company.
- 4. Pro Forma analysis.
- 5. Financial statements.
- 6. Statement of property ownership or control.
- 7. Payment of application fee of \$5,000.