



TAX REBATE FINANCING POLICY

Policy Number 2003-01

Adopted January 6, 2003

I. POLICY PURPOSE

For the purposes of this document the term "City" shall include the Anoka City Council, Economic Development Commission, and Housing and Redevelopment Authority.

The purpose of this policy is to establish the City of Anoka's position relating to the use of Tax Rebate Financing (TRF), otherwise referred to as Tax Abatement, for private development above and beyond the requirements and limitations set forth by State Law. This policy shall be used as a guide in the processing and review of applications requesting tax rebate assistance. The fundamental purpose of tax rebate financing in Anoka is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TRF.

The City of Anoka is granted the power to utilize TRF by the Minnesota Tax Abatement Act, as amended. It is the intent of the City to provide the minimum amount of TRF, as well as other incentives, at the shortest term required for the project to proceed. The City reserves the right to approve or reject projects on a case by case basis, taking into consideration established policies, project criteria, and demand on city services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of TRF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

II. DIFFERENCE BETWEEN TRF & TIF

The primary difference between Tax Rebate Financing (TRF) and Tax Increment Financing (TIF) is the way in which the dollars are awarded to the project. When TIF is awarded to a project by the city, the other political subdivisions (the school district and the county) are required to contribute their portion of the increased taxes to the project. Conversely, when TRF is requested, each political subdivision has the option of granting its portion of the increased taxes to the project. Subsequently, the dollars generated for the project with TRF are generally less than the dollars generated with TIF. Tax Rebate Financing cannot be applied to parcels in an active tax increment district.

III. OBJECTIVES OF TAX REBATE FINANCING

As a matter of adopted policy, the city will consider using TRF to assist private development projects to achieve one or more of the following objectives:

- To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- To enhance and diversify the city of Anoka's economic base.

- To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
- To facilitate the development process and to achieve development on sites that would not be developed without TRF assistance.
- To promote historic preservation conservation and rehabilitation of commercial, residential, and public properties.
- To remove blight and/or encourage redevelopment of commercial and industrial areas in the city that result in high quality redevelopment and private reinvestment.
- To offset increased costs of redevelopment (i.e. contaminated site clean up) over and above the costs normally incurred in development.
- To create opportunities for affordable housing, housing rehabilitation and home ownership.
- To contribute to the implementation of other public policies, as adopted by the city from time to time, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.

IV. POLICIES FOR THE USE OF TRF

- a. TRF assistance will be provided to the developer upon receipt of taxes by the City, otherwise referred to as the pay-as-you-go method. Requests for up front financing will be considered on a case-by-case basis.
- b. Any developer receiving TRF assistance shall provide a minimum of twenty percent (20%) cash equity investment in the project. Projects utilizing the SBA504 program will be required to provide a minimum of ten percent (10%) cash equity investment.
- c. Developer shall be able to demonstrate a market demand for a proposed project.
- d. TRF shall not be used for projects that would place extraordinary demands on city services or for projects that would generate significant environmental impacts.
- e. The developer must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, personal guaranties, and etcetera.

- f. The developer shall adequately demonstrate, to the City's sole satisfaction, an ability to complete the proposed project based on past development experience, general reputation, and credit history, among other factors, including the size and scope of the proposed project.
- g. For the purposes of underwriting the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City or its consultants.
- h. TRF proposals shall not be used to support speculative office projects. Speculative projects are defined as those projects that have pre-leasing agreements or letters of intent for less than 50% of the available space.

In addition, leasable office projects must meet the following guidelines:

1. Evidence of the 50% occupancy must be reported to the Community Development Director six months following an issued certificate of occupancy.
 2. 50% of the jobs within the leasable office building space must be considered "new" jobs to the City of Anoka, meaning jobs not located in the City at any time prior to occupying space in the project.
 3. Business retention jobs will be considered on a one-for-one match to job creation only in cases where job loss is specific and demonstrable in accordance with the MN Business Subsidy Law. Evidence may include documentation that the company will have to close involuntarily, or the company has received an attractive offer to move to another state or community.
- i. All TRF proposals shall optimize the private development potential of a site.

V. PROJECT QUALIFICATIONS

All TRF projects considered by the City of Anoka must meet *each* of the following requirements:

- a. The project shall meet at least one of the objectives set forth in Section III of this document.
- b. The use of TRF will be limited to:
 - Industrial development, expansion, redevelopment, or rehabilitation; or
 - Commercial redevelopment or rehabilitation; or

- Research and development facilities that satisfy Anoka Enterprise Park zoning requirements; or
 - Office facilities with a minimum new construction of 25,000 square feet and minimum market value of \$1,000,000 upon project completion; or
 - Residential development, redevelopment, or rehabilitation upon recommendation of the HRA.
 - Historic properties preservation, conservation, or rehabilitation.
- c. The developer shall demonstrate that the project is not financially feasible but for the use of TRF. Evaluation of the project's financial feasibility without TRF shall be provided by the City's financial advisor on requests of over \$25,000 total.
- d. The project shall comply with all provisions set forth in the state's Tax Abatement Law, statues 469.1812 to 469.1815, as amended.
- e. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- f. The project shall serve at least two of the following public purposes:
- Job creation or job retention.
 - Increase of tax base.
 - Enhancement or diversification of the city's economic base.
 - Development or redevelopment that will spur additional private investment in the area.
 - Fulfillment of defined city objectives, such as those identified in the Economic Development Plan or the City's Comprehensive Plan, among others.
 - Removal of blight or the rehabilitation of a high profile or priority site.

VI. SUBSIDY AGREEMENT & REPORTING REQUIRMENTS.

All developers/businesses receiving Tax Rebate Financing assistance from the City of Anoka shall be subject to the provisions and requirements set forth by the City's Business Subsidy Criteria as adopted, and State Statute 116J.993 as summarized below.

All developers/businesses receiving TRF assistance shall enter into a Subsidy Agreement with the City of Anoka that identifies: the reason for the subsidy, the public purpose served by the subsidy, and the goals for the subsidy, as well as other subsidy agreement criteria set forth by Statute 116J.993.

The developer/business shall file a report annually for two years after the date the benefit is received or until all goals set forth in the application and Subsidy Agreement have been met, whichever is later. Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City of Anoka no later than March 1 of each year for the previous calendar year. Businesses fulfilling job creation requirements must file a report to that effect with the city within 30 days of meeting the requirements.

The developer/business owner shall maintain and operate its facility at the site where TRF assistance is used for a period of five years after the benefit is received.

In addition to attaining or exceeding the jobs and wages goals set forth in the Subsidy Agreement, the borrower shall achieve at least one of the objectives set forth in Section III of this document.

Developers / Businesses failing to comply with the above provisions will be subject to fines, repayment requirements, termination of the assistance, and be deemed ineligible by the State to receive any loans or grants from public entities for a period of five years.

VII. APPLICATION PROCESS FOR TRF

- a. City of Anoka.
 1. Applicant submits the completed application along with a \$5,000 application fee. The application fee will be used toward the cost of services provided in the evaluation of financial feasibility and preparation of legal documents. The balance of the application fee will be returned to the applicant.
 2. City staff reviews the application and completes the Application Review Worksheet.
 3. Results of the Worksheet are submitted to the appropriate governing authorities for preliminary approval of the proposal.
 4. If preliminary approval is granted, all necessary notices, resolutions and agreements are prepared by City staff and/or consultants.
 5. Public hearing(s) on the proposed project are held.
 6. The EDC or HRA recommends approval or denial of the proposal to the City Council.
 7. The City Council grants final approval or denial of the proposal.

b. Applications to other political subdivision.

It is recommended that applicants intending to seek TRF from Anoka County and/or School District 11 make their applications to those bodies concurrent with their application to the City of Anoka. For more information on applying for TRF through Anoka County and/or School District 11, contact:

Mr. Jay McLinden, County Administrator
Anoka County Government Center
2100 Third Avenue
Anoka, MN 55303
Phone: 763-323-5693

Dr. Roger Giroux, Superintendent
Anoka-Hennepin School District No. 11
Educational Service Center
11299 Hanson Blvd.
Coon Rapids, MN 55433
763-506-1000

VIII. APPLICATION FOR TAX REBATE FINANCING

A. APPLICANT INFORMATION

Name of Corporation/Partnership_____

Address_____

Primary Contact_____

Address_____

Phone_____ Fax _____

E-mail_____

On a separate sheet, please provide the following:

- Brief description of the corporation/partnership's business, including history, principal product or service, etc...Attach as Exhibit A .
- Brief description of the proposed project. Attach as Exhibit B.

List names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership. Attach as Exhibit C.

- A butfor analysis and narrative. Attach as Exhibit D.

Attorney Name_____

Address_____

Phone_____ Fax_____ Email_____

Accountant Name_____

Address_____

Phone_____ Fax_____ Email_____

Contractor Name_____

Address_____

Phone_____ Fax_____ Email_____

Engineer Name_____

Address_____

Phone_____ Fax_____ Email_____

Architect Name_____

Address_____

Phone_____ Fax_____ Email_____

B. PROJECT INFORMATION

1. The project will be:

- Industrial: New Construction Expansion Redevelopment / Rehab.
- Office/research facility that conforms to business park standards
- Commercial Redevelopment/Rehabilitation
- Other _____

2. In addition to the City of Anoka, applicant is requesting TRF funds from:

- Anoka County School District 11

3. The project will be: Owner Occupied Leased Space

- If leased space, please attach a list names and addresses of future lessees and indicate the status of commitments or lease agreements. **Attach as Exhibit E.**

4. Project Address _____

- Include Legal Description and PID Number. **Attach as Exhibit F**

5. Site Plan Attached: Yes No

6. Total Amount of TRF Requested: \$ _____ over _____ years.

City Portion of TRF:	Annual \$ _____	Total \$ _____
County Portion of TRF:	Annual \$ _____	Total \$ _____
ISD 11 Portion of TRF:	Annual \$ _____	Total \$ _____

7. Current Real Estate Taxes on Project Site: \$ _____

Estimated Real Estate Taxes upon Completion: Phase I \$ _____
Phase II \$ _____

8. Construction Start Date: _____

Construction Completion Date: _____

If Phased Project: _____ Year _____ % Completed
_____ Year _____ % Completed

C. PUBLIC PURPOSE It is the policy of the City of Anoka that the use of Tax Rebate Financing should result in a benefit to the public. Please indicate how this project will serve a public purpose.

- Job Creation/Retention Number of existing jobs _____
Number of jobs created by project _____
Average hourly wage of jobs created/retained _____
- New industrial development which will result in additional private investment in the area.
- Enhancement and/or diversification of the city's economic base.
- The project contributes to the fulfillment of the City's Economic Development Plan.
- Removal of blight.
- Rehabilitation of a high profile or priority site.
- Other: _____

D. SOURCES & USES

	<u>NAME</u>	<u>AMOUNT</u>
<u>SOURCES</u>		\$ _____
Bank Loan		\$ _____
Other Private Funds		\$ _____
Equity		\$ _____
Fed Grant/Loan State Grant/Loan		\$ _____
Other Loan		\$ _____
Tax Rebate Financing		\$ _____
ID Bonds		\$ _____
TOTAL		

	<u>AMOUNT</u>
<u>USES</u>	
Land Acquisition	\$ _____
Site Development	\$ _____
Construction	\$ _____
Machinery & Equipment	\$ _____
Architectural & Engineering Fees	\$ _____
Legal Fees	\$ _____
Interest During Construction	\$ _____
Debt Service Reserve	\$ _____
Contingencies	
TOTAL	

E. ADDITIONAL DOCUMENTATION AND CHECKLIST

Applicants will also be required to provide the following documentation.

- A) Written business plan, including a description of the business, ownership/management, date established, products and services, and future plans
- B) Financial Statements for Past Two Years
Profit & Loss Statement Balance Sheet
- C) Current Financial Statements Profit & Loss Statement to Date Balance Sheet to Date
- D) Two Year Financial Projections
- E) Personal Financial Statements of all Major Shareholders Profit & Loss Current Tax Return
- F) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration
- G) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in the Project
- H) Application fee of \$5000
- I) Itemized Project Construction Statement
- J) Attach the following documentation as Exhibits
 - Exhibit A - Corporation/Partnership Description
 - Exhibit B - Description of Project
 - Exhibit C - List of Shareholders/Partners
 - Exhibit D - But-For Analysis
 - Exhibit E - List of Prospective Lessees
 - Exhibit F - Legal **Description**

Note: All Major shareholders will be required to sign personal guarantees if up front financing of the project is required.

The undersigned certifies that all information provided in this application is true and correct to the best of the undersigned's knowledge. The undersigned authorizes the City of Anoka to check credit references, verify financial and other information, and share this information with other political subdivisions as needed. The undersigned also agrees to provide any additional information as may be requested by the City after the filing of this application.

Applicant Name

Date
