

City of Waseca

**TAX INCREMENT FINANCING POLICY
REQUEST DECISION TREE**

¹Would the development qualify as a TIF District under State Law?
(check the appropriate district below)

- Redevelopment Dist. (SS. 469.174, Subd. 10)
- Renewal & Renovation Dist. (SS. 469.174, Subd. 10a)
- Housing Dist. (SS. 469.174, Subd. 11)

- Qualified Housing Dist.(SS. 273.1399, Subd. 1c)
- Economic Development Dist.(SS. 469.174, Subd. 12)
- Soils Conditions Dist. (SS. 469.174, Subd. 19)

YES

NO

Proceed

Decline Project

²When does LGA reduction occur?
(check appropriate blank)

Exempt from LGA Reduction

Year 7

Year 1

Proceed

Proceed

Decline

¹ Please see District qualifications on reverse side.

² Minnesota cities incur a penalty of Local Government Aid (LGA) reduction if it engages in certain tax increment financing projects. The City's policy is that it will not participate in those tax increment financing activities that will cause an LGA reduction. If a particular TIF district will cause LGA reduction after a term of years, then the City will design the tax increment district to close before the penalty year.

TIF DISTRICT REQUIREMENTS

Redevelopment District [Minn. State Statutes 469.174, Subd. 10; 469.176, Subd. 4j]

- Buildings, streets, other improvements occupy 70% of the area, and, more than 50% of the main buildings are substandard (substantial renovation or clearance justified; cost of attaining State building code exceeds 15% of the cost of a new structure).
- At least 90% of the tax increment revenues must be used to correct the conditions that allow redevelopment district designation. Such costs include: land acquisition, demolition, land clearance, utility installation, roads, sidewalks, and parking facilities.
- **Maximum term 25 years.**

Renewal & Renovation District [Minn. State Statutes 469.174, Subd. 10a; 469.176, Subd. 4j]

- Buildings, street, other improvements occupy 70% of area; and at least 20% of the buildings are substandard (*as defined under Redevelopment District*); and, 30% of the other buildings require substantial renovation or clearance to remove conditions such as inadequate street layout, incompatible uses, overcrowding, obsolete buildings, or other identified hazards to community health, safety, and general welfare. These conditions must be reasonably distributed throughout the geographic area of the district.
- At least 90% of the tax increment revenues must be used to finance the cost of correcting the conditions (i.e. land acquisition, demolition, land clearance, utility installation, roads, sidewalks, and parking facilities).
- **Maximum term 15 years.**

Housing District [Minn. State Statutes 469.174, Subd. 11, 469.176, Subd. 4d, 469.1761]

- A project for low & moderate income housing occupancy. A project does not qualify if more than 20% of the fair market value of improvements are for commercial or other non-housing uses.
- Tax increment revenue must solely finance housing project costs, which may include public infrastructure.
- For owner-occupied housing, 95% of the units must be initially purchased and occupied by individuals qualifying as low and moderate income under current Federal schedules. For rental housing, 50% of the units must be occupied by persons whose income is 80% or less of area median gross income.
- **Maximum term 25 years.**

Qualified Housing District [Minn. State Statutes 469.174, Subd. 11, 469.176, Subd. 4d, 273.1399, Subd. 1.a.(4)(c)]

- At least 20% of the units are occupied by persons whose income is 50% or less than the area median income, and, at least 40% of the units are occupied by persons at 60% or less of the area median income, and, rent in the income-restricted uses does not exceed 30% of an imputed maximum income (which depends on the size of the unit).
- Tax increment revenue must solely finance housing project costs, which may include public infrastructure.
- **Maximum term 25 years.**

Economic Development District [Minn. State Statutes 469.174, Subd. 12, 469.176, Subd. 4c]

- A project found to be in the public interest because:
 - (1) it will discourage a business from moving operations to another state or municipality; or,
 - (2) it will result in increased local employment; or,
 - (3) it will preserve and enhance the tax base.
- At least 85% of the facilities must be used for:
 - (1) manufacturing or production operations; or,
 - (2) warehousing, storage, and distribution, excluding retail sales; or,
 - (3) research & development related to activities listed above in items (1) or (2); or,
 - (4) telemarketing if it is the exclusive use of the property; or,
 - (5) tourism facilities; or,
 - (6) space necessary for and related to activities listed in items (1) through (5).
- Tax increment revenue can be used to pay for site preparation and public improvements if:
 - (1) bedrock soils conditions are present in 80% or more of the property; and,
 - (2) estimated cost of site preparation exceeds the fair market value of the land before completion of the preparation; and,
 - (3) tax increment revenues are spent only for additional costs incurred because of unstable soils and bedrock conditions, and may include reasonable administrative costs.
- **Maximum term 11 years from the approval of the plan or 9 years from the receipt of the first increment, whichever is less.**

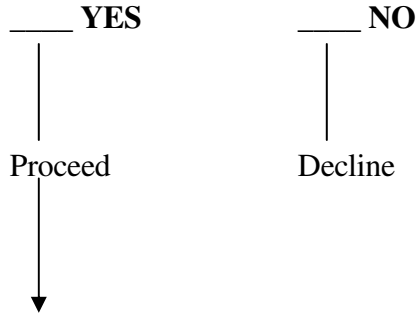
Soils Condition District [Minn. State Statutes 469.174, Subd. 19]

- A project where presence of hazardous substances, pollution, or contaminants requires removal or remedial action for use; and, the estimated cost of remediation exceeds the land's fair market value, or, exceeds \$2 per square foot.
- **Maximum term is 20 years.**

A. Eligible Uses

Is requested funding is for one (1) or two (2) of the following uses (*check appropriate blank*):

- Land acquisition.
- Public utilities involving extraordinary improvements, such as relocation of an existing utility line.
- Extraordinary site improvements, such as extensive site corrective work or removal of contaminated soils.
- Demolition of blighted or substandard structures on the site.
- Write-down of construction cost.



B. Extent of TIF

Points

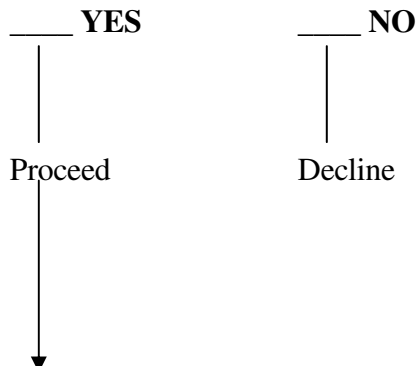
- _____ 1. Equity Injection Relative to Requested Amount (*check appropriate blank*)
 - Greater than Requested Amount (10 pts)
 - 100% of Request (8 pts)
 - 75-99% of Request (6 pts)
 - 50-74% of Request (4 pts)
 - Less than 50% of Request (0 pts)

- _____ 2. Equity Injection Relative to Total Project Cost (*check appropriate blank*)
 - 20% or more (10 pts)
 - 10-19% (8 pts)
 - 5-9% (6 pts)
 - Less than 5% (0 pts)

- _____ 3. The project qualifies as a Qualified Housing District or a Blighted property (Redevelopment District). (10 pts)

Total Points _____

At least 10 points total Parts B1+B2?



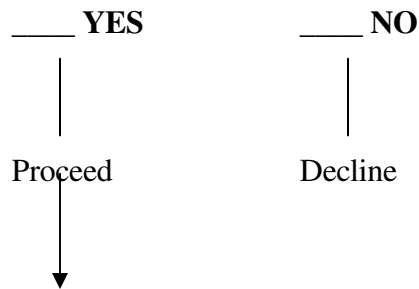
C. Community Need

Points

- _____ 1. The project will eliminate blighted or substandard conditions, or, eliminate particularly detrimental land uses or buildings. (10 pts)
- _____ 2. The project will fill unmet housing market needs in the community. (10 pts)
- _____ 3. The project qualifies as a Qualified Housing District or Redevelopment District. (10 pts)

Total Points _____

At least 10 points in Part C1+C2?



D. Market Value and Tax Increase

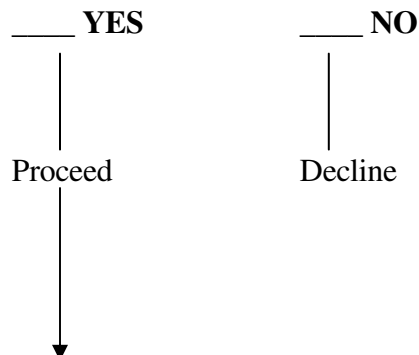
Points

- _____ 1. The project's increase in estimated market value will be at least \$500,000. (5 pts)
- _____ 2. The project's increase in estimated market value will be at least \$750,000. (7.5 pts)
- _____ 3. The project's increase in estimated market value will be at least \$1,000,000. (10 pts)

- _____ 4. The project will increase taxes by at least 25% of the requested TIF amount. (5 pts)
- _____ 5. The project will increase taxes by at least 50% of the requested TIF amount. (10 pts)
- _____ 6. The project qualifies as a Qualified Housing District or Redevelopment District. (10 pts)

Total points _____

At least 10 points in Parts D1-D5?



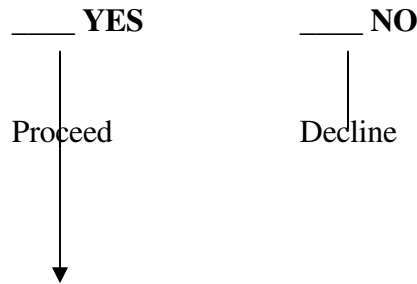
E. Payoff Term

Points

- _____ 1. Project debt will pay off within four (4) years of commencement of tax increment flow? (10 pts)
- _____ 2. Project debt will pay off within five (5) to seven (7) years of commencement of tax increment flow, and, no LGA reduction will occur? (5 pts)
- _____ 3. The project qualifies as a Qualified Housing District or Redevelopment District. (5 pts)

Total Points _____

At least 5 points in Part E?



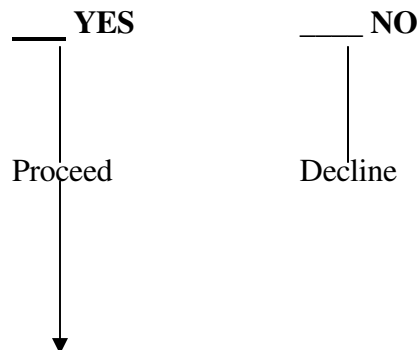
F. "But For" Documentation

Points

- _____ 1. Proformas comparing projected cash flow without TIF assistance shows Return on Investment (ROI) below ROI typical of similar projects. For housing projects, this includes evidence that fair market value rent levels would be exceeded without TIF, assuming a rate of return not greater than the average for the type of housing and for the area. (10 pts)
- _____ 2. Letter from lender documenting equity injection, maximum size of loan, interest rate, term, total financing required, and size of financing gap. (5 pts)
- _____ 3. The project qualifies as a Qualified Housing District or Redevelopment District. (15 pts)

Total Points _____

At least 15 points in Part F?



G. Job Creation and Market Feasibility

Points

- _____ 1. At least one (1) full time equivalent (FTE) job will be created for each \$10,000 of requested TIF. (10 pts)
- _____ 2. At least one (1) FTE job will be created for each \$20,000 of requested TIF. (5 pts)

- _____ 3. Market information or study indicating likely market for project. (10 pts)
- _____ 4. Letter from lender indicating that market feasibility has been examined and found to be adequate, including the basis for this finding. (5 pts)
- _____ 5. The project is a Qualified Housing District or a Redevelopment District. (10 pts)

Total Points _____

At least 10 points in part G?

