



Tax Increment Financing Policy

City Council Adopted: May 20, 2024

Renewal Date: December 31, 2027

Each application submitted for assistance will be evaluated by the City on a case-by-case basis to analyze the viability of a proposed project. Depending on the nature and complexity of a project, the timeframe from application to adoption of a TIF District is at least three (3) months.

A. Purpose

The term “City” as used in the policy shall include both the City of Rochester and the Rochester Economic Development Authority (EDA) of the City of Rochester, which administers various economic development programs and activities within the City of Rochester.

The purpose of this policy is to establish guidelines and procedures for the provision of development incentives to private entities. The fundamental purpose of providing development incentives is to encourage development that advances the City’s interest and would not otherwise occur “but for” the assistance provided.

- The City will consider Tax Increment Financing (TIF) for projects that serve to accomplish one or more of the City’s development objectives for economic development, housing and redevelopment, or development that will help make the City more equitable, inclusive, sustainable, or economically resilient.
- The City reserves the sole right to accept or reject proposals for development assistance, taking into account the degree to which proposals adhere to the intent of this policy and any other factors the City Council may wish to consider.

B. Statutory Limitations

The City is granted the power to utilize Tax Increment Financing (TIF) by Minnesota statutes. TIF requests must comply with Minnesota Statutes 469.174-469.1799, the Minnesota Tax Increment Financing Act. Requests shall comply with Minnesota Statutes 116J.993 and 116J.994, the Business Subsidies Act. The statutes authorizing TIF are frequently amended. The City’s policy is subject to change to conform to amendments to such statutes and may be more limited in use than allowed by Minnesota Statute.

C. Public Benefit Objectives

The City of Rochester will consider using TIF to assist private developments only in those circumstances in which the proposed private projects achieve multiple benefits to the community, including but not limited to:

- Development or redevelopment consistent with the City of Rochester Comprehensive Plan, Small Area Plans, Sustainability Initiatives, and other plans or guidelines that achieve the goals and objectives of the City of Rochester.
- Redevelopment of developed areas through the removal of blight and blighting conditions (defined by MN Statute).
- Providing a balanced and sustainable housing stock and to promote neighborhood stabilization and revitalization.
- Promoting high quality housing for households with a variety of income levels, ages, and sizes.

- Meeting the City's goal of preserving and promoting economically diverse housing options in the community.
- Contributing to the City's transportation goals with a range of mobility options.
- Increasing the City's tax base.
- Encouraging additional unsubsidized private development, either directly, or through secondary "spin-off" development.
- Public realm improvements that enhance community placemaking through green space, landscaping, public amenities, and public art.
- Preservation of buildings that are historically or culturally significant to the community.
- Remediation of environmental contamination and site clean-up.
- Retaining local jobs and increasing the number and diversity of jobs that offer stable employment with livable wages and benefits.
- Hospitality uses in the downtown core that provide significant room blocks for the Mayo Civic Center to leverage the investment into Mayo Civic Center and generate additional parking revenues and hotel taxes.
- Owner-occupied single-family housing opportunities.

D. Evaluation Criteria for Development Assistance

Public Benefit: The level of public assistance provided to a project shall be commensurate with the extent to which the project addresses specific redevelopment, DMC Plan, economic development, or housing goals and objectives. Assistance shall be limited to the minimum amount necessary for the successful construction of the project, and to address an identified funding gap.

Financial Gap: The payback period for bonds and loans shall be the shortest term possible. Assistance will only be considered to fill a financial gap that is unable to be satisfied by availability of other equity and debt sources.

1. Pay as You Go TIF Notes: Any assistance shall be structured in such a manner as to minimize financial risk to the City. Upfront bonding will primarily be directed to City owned public infrastructure. All other assistance will typically be done on a "PAYGO" reimbursement basis.
2. Site Acquisition Costs: TIF will not be used in a project that involves an excessive land and/or property price that exceeds current market value, based on market analysis utilizing comparable property sales.

3. Sustainability Goals: Projects seeking City assistance will be reviewed to determine feasibility or requirements for meeting Sustainable Building Certification Standards and/or District Energy participation.
4. Project Analysis: Submit project and financial data in sufficient detail to document the need for assistance. Such information may include, but not be limited to, financial statements, project pro-formas, source and use of funds statements, market and feasibility studies, and similar documents.
5. Site Plan Approvals: Projects must be consistent with the City's comprehensive plan, zoning ordinances, and other land use policies. Projects not consistent with such plans, ordinances, and policies must obtain land use approvals prior to the provision of any financial assistance. Projects proposing market-rate multi-family units should be located in either the downtown or along the Primary Transit Network that is identified in the Comprehensive Plan and included as Attachment B.
6. Financial Guarantees: If incentives are to be provided, proposers must submit evidence of private financing satisfactory to the City or secure the City's costs before the City makes any significant financial commitment to a project.
7. Projection of Increment: Prior to the execution of any assistance agreements, the proposer must complete project plans and provide project financial data in sufficient detail to allow the Olmsted County Assessor to estimate the market value of the project upon completion, and provide evidence satisfactory to the City that private financing is secured.
8. Conditional Agreements: The City may require collateralized guarantees, assessment agreements, claw-back provisions, and other forms of security to protect the public's investment in the project. The amount of security required will be based on the City's assessment of the risk of the project.
9. Financial Review: In evaluating a project, the City may utilize outside legal, financial, real estate, marketing, design, and other consultants.
10. Cost Reporting: Proposers must agree to provide documentation of actual allowable costs no less than quarterly during project construction. These costs must be categorized as required by the State of Minnesota "Tax Increment Financing Authority Report".
11. Prevailing Wages: The City will require that projects receiving City funding assistance shall be subject to prevailing wage requirements during project construction for the construction project laborers. In addition, the City's Targeted Business and Workforce Participation Plan will also be applicable, as well as the requirement that American-made steel products be used to the extent practicable. The construction of owner-occupied single-family dwellings are exempt from this criteria.

12. City Services and Infrastructure: Development incentives will not be used to support projects that place extraordinary demands on City services and infrastructure, or where capacity is limited, unless such demand is mitigated as part of the project.
13. Relocation Requirements: Prior to the execution of a Development Assistance Agreement for City TIF assistance (in which a TIF Plan may be approved), it is the developer's obligation to ensure that appropriate relocation benefits are provided to displaced rental unit tenants whose incomes are at or below the 60% area median income (AMI) and who are otherwise entitled to such benefits under applicable law that have been displaced within the 6 months prior to an application submittal. (Attachment C)

E. Application Process

- Prior to submission of a formal application requesting development incentives and land use/zoning approval, the proposer shall meet with the appropriate City team to discuss the nature of the proposal and its relationship to the City's and or DMC's Plan development goals, objectives, and priorities. Procedures and submission requirements will also be reviewed.
- For projects located within the DMC Development Plan boundary area and that are seeking DMC funding, the City/DMC EDA joint staff application submittal and review process will be followed.
- The proposer shall submit information about the proposal that is sufficient for the City to make a preliminary recommendation.
- In order for City staff to be able to get an estimate of the potential assistance required for the project, the following information shall be submitted:
 - a. Pro forma, including number and types of units, proposed rents, estimated expenses, and proposed capitalization rate used in analysis.
 - b. Uses defined.
 - c. Estimated construction costs.
 - d. Architectural drawings.
 - e. A completed application form (Attachment A).
 - A \$5,000 application fee must be attached to the application. This fee is designed to cover a portion of the City's costs associated with evaluating the proposal.
 - If the project is determined to be a DMC Plan project, an additional \$5,000 shall apply to the application filing fee to cover the DMC EDA review and administrative fees.

Attachment A

Tax Increment Financing Application

A. APPLICATION INFORMATION

Name of Corporation/Partnership _____

Address _____

Primary Contact _____

Address _____

Phone _____ Email _____

Attorney Name _____

Address _____

Phone _____ Email _____

Accountant Name _____

Address _____

Phone _____ Email _____

Contractor Name _____

Address _____

Phone _____ Email _____

Engineer Name _____

Address _____

Phone _____ Email _____

Architect Name _____

Address _____

Phone _____ Email _____

Brief description of the corporations/partnership's business, including history, principal product or service:

Brief description of the proposed project:

B. PROJECT INFORMATION

1. The project will be: ___Redevelopment ___Housing ___Economic

2. The project will be: ___Owner Occupied ___Leased Space ___Housing ___Other

3. Project Address_____

Legal description & parcel identification number(s)_____

4. Site Plan and Preliminary Construction Plans Attached: ___Yes ___No

5. Amount of Tax Increment Requested for:

Land Purchase \$ _____

Public Improvements \$ _____

Site Improvements \$ _____

Soil Contamination \$ _____

Housing Costs \$ _____

Rehabilitation \$ _____

6. Current Real Estate Taxes on Project Site \$ _____

Estimated Real Estate Taxes upon Completion:

Phase I \$ _____

Phase II \$ _____

7. Construction Start Date: _____ Construction Completion Date: _____

If Phased Project: _____ Year _____ % Completed

_____ Year _____ % Completed

_____ Year _____ % Completed

C. PUBLIC PURPOSE

It is the policy of the City of Rochester that the use of Tax Increment 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 development, which will result in additional private investment in the area.

___ Enhancement or diversification of the City's economic base.

___ The project contributes to the fulfillment of the City's Comprehensive Plan.

___ Removal of blight or the rehabilitation of a high profile or priority site.

___ Significantly increase the City's tax base.

___ Provides affordable housing.

___ Other: _____

D. SOURCES & USES

<u>SOURCES</u>	<u>NAME</u>	<u>AMOUNT</u>
Bank Loan	_____	\$ _____
Other Private Funds	_____	\$ _____
Owner Cash Equity	_____	\$ _____
Fed Grant/Loan	_____	\$ _____
State Grant/Loan	_____	\$ _____

Tax Increment	_____	\$ _____
Bonds	_____	\$ _____
TOTAL		\$ _____

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

The undersigned certifies all information provided in this application is true and correct to the best of the undersigned’s knowledge. The undersigned authorizes the City of Rochester to check credit references and verify financial and other information. The undersigned also agrees to provide any additional information as may be requested by the City after the filing of this application.

NOTICE TO APPLICANT: Data Practices Act

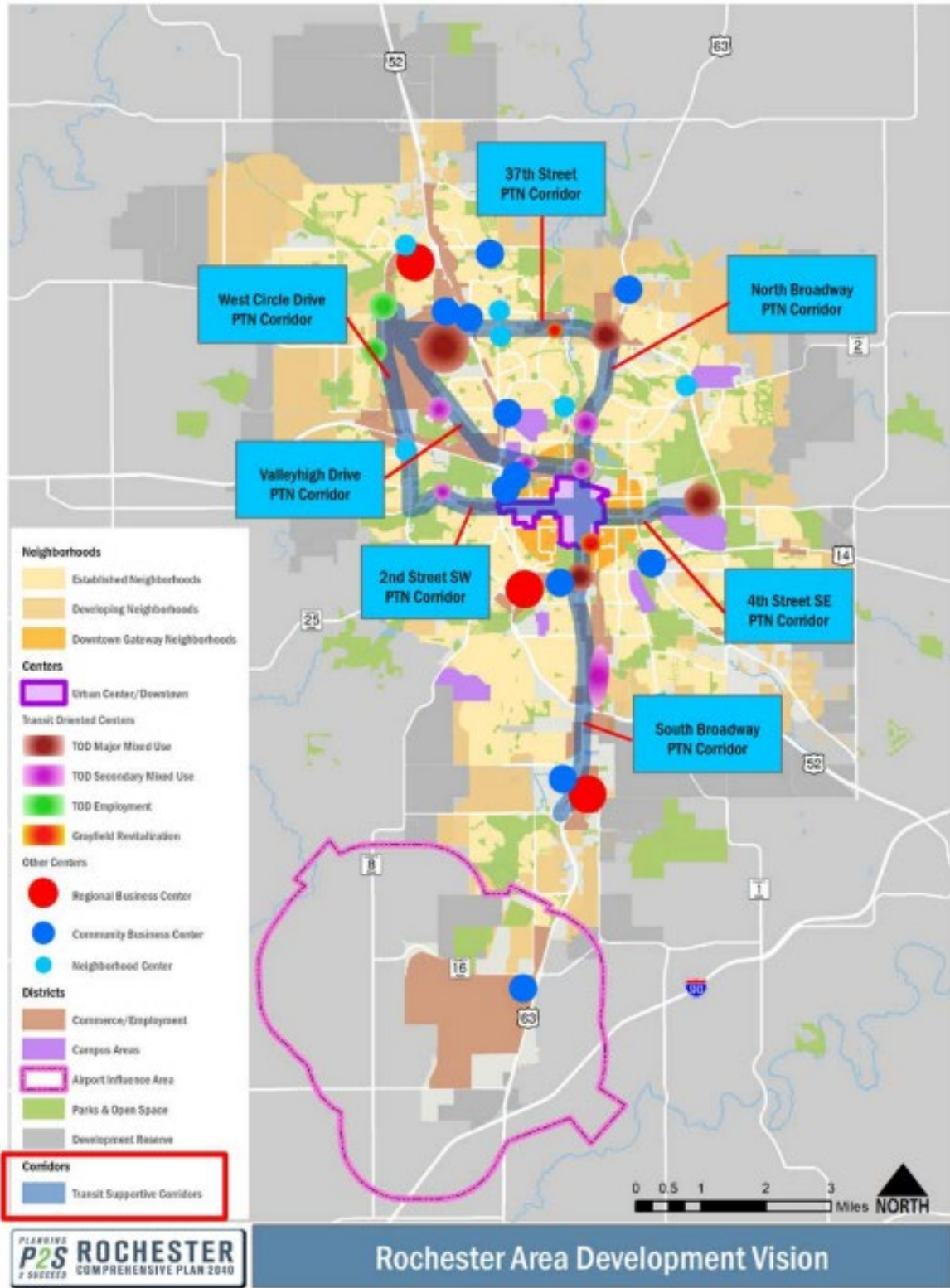
The information that you supply in your application to the City will be used to assess your eligibility for financial assistance. The City will not be able to process your application without this information. Minnesota Statutes, Chapter 13 (Minnesota Government Data Practices Act) governs whether the information that you are providing to the City is public or private. If financial assistance is provided for the project, the information submitted in connection with your application will become public, except for those items treated as private data under the Minnesota Government Data Practices Act.

I have read the above statement and I agree to supply the information to the City with full knowledge of the matters contained in this notice. I certify that the information submitted in connection with the application is true and accurate.

Applicant Name _____ Date _____

Applicant Name _____ Date _____

Attachment B Primary Transit Network



Attachment C

Relocation Assistance Appendix

1. In order to qualify for the relocation assistance, a tenant must have resided in the unit for a period of 90 days prior to the displacement.
2. For those displaced tenants who do not utilize Housing Choice Vouchers, the relocation assistance amount shall be based upon the monthly difference between the tenant's current monthly rent amount and the maximum monthly gross rents identified by HUD for income levels at or below 50% AMI and number of bedrooms, for a period of 42 months.
3. For those displaced tenants that do utilize Housing Choice vouchers for part of the monthly rent payment, the amount of relocation assistance provided to the tenant shall be the difference between the tenant's portion of the current monthly rent payment and any increase in monthly rent that would be the tenant's responsibility, for a period of 42 months.
4. In cases of displaced tenants with special needs, the developer will be obligated to provide additional relocation assistance in an amount to cover the costs of renovating a comparable dwelling unit to accommodate the tenant's needs, with a maximum cap of \$20,000 for renovation costs and no more than \$25,000 in aggregate, including rental assistance and moving related costs.
5. The developer will be obligated to pay a fixed cost fee per displaced tenant based upon the schedule listed below, which is the MnDOT standard.

Residential Moving Expense and Dislocation Allowance Payment Schedule

The occupant owns furniture:

Rooms	1	2	3	4	5	6	7	8	Each Add'l Room
Amount	\$575	\$725	\$925	\$1125	\$1325	\$1525	\$1725	\$1925	\$275

The occupant does not own furniture:

Rooms	1	Each Add'l Room
Amount	\$450	\$100