



City of Wyoming, Minnesota

Tax Increment Financing Policy & Application

Adopted: June 18, 2019

Revised:

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I. POLICY PURPOSE

For the purposes of this document, the term “City” shall include the Wyoming City Council and Economic Development Authority.

“Economic development is the process that influences growth and restructuring of an economy to enhance the creation of jobs and wealth, improvement of quality of life and the economic well-being of a community.”

The purpose of this policy is to establish the City of Wyoming’s position relating to the use of Tax Increment Financing (TIF) 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 increment assistance. The fundamental purpose of tax increment financing in Wyoming is to encourage desirable development or redevelopment that would not otherwise occur *but for* the assistance provided through TIF.

The City of Wyoming is granted the power to utilize TIF by the Minnesota Tax Increment Financing Act, as amended. It is the intent of the City to provide the minimum amount of TIF 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 TIF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

The City Council and Economic Development Authority can deviate from this policy for projects that supersede the objectives identified herein.

II. OBJECTIVES OF TAX INCREMENT FINANCING

As a matter of adopted policy, the City of Wyoming will consider using TIF 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 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 which would not otherwise be developed but/for the use of TIF.
- 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.
- 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.

III. POLICIES FOR THE USE OF TIF

a. When possible, TIF shall be used to finance public improvements associated with the project. The priority for the use of TIF funds is:

1. Public improvements, legal, administrative, and engineering costs.
2. Site preparation, site improvement, land purchase, demolition, and environmental remediation.
3. Capitalized interest, bonding costs.

b. The following types of TIF districts may be established:

1. Economic Development Districts
2. Redevelopment Districts
3. Housing Districts
4. Renewal and Renovation Districts

Other types of TIF districts, along with specific criteria, may be considered on a case by case basis.

c. TIF assistance will be provided to the developer upon receipt of the increment 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.

d. A maximum of ten percent (10%) of any tax increment received from the district shall be retained by the City to reimburse administrative costs.

e. Only for projects which supersede the objectives identified herein, will the term of the TIF assistance exceed 15 years. TIF assistance for costs deemed as public costs may not exceed 25 years.

f. Any developer receiving TIF assistance shall provide a minimum of twenty percent (20%) cash equity investment in the project. TIF shall not be used to supplant cash equity.

- g. TIF will not be used in circumstances where land and/or property price is in-excess of fair market value. An appraisal by a third party, agreed upon by the City and Developer, will determine the fair market value of the land.
- h. Developer shall be able to demonstrate a market demand for a proposed project. TIF shall not be used to support purely speculative projects.
- i. TIF will not be utilized in cases where it would create an unfair and significant competitive financial advantage over other projects in the area.
- j. TIF shall not be used for projects that would place extraordinary demands on city services or for projects that would generate significant environmental impacts.
- k. 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, etc.
- l. 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.
- m. 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.

IV. PROJECT QUALIFICATIONS

All TIF projects considered by the City of Wyoming must meet *all* of the following requirements:

- a. To be eligible for TIF, a project for the following TIF Districts shall result in:
 - i. For Economic Development TIF Districts, new construction of a minimum of 10,000 square feet;
 - ii. For Economic Development TIF Districts, the minimum creation of one new or retained full time job per \$100,000 of TIF provided;
 - iii. For Redevelopment TIF Districts, a minimum value increase of 3 times the current year assessed value; and,

- b. The project shall meet at least **one** of the objectives set forth in Section II and satisfy all the provisions set forth in Section III of this document.
- c. The developer shall demonstrate that the project is not financially feasible *but-for* the use of TIF.
- d. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- e. The project shall serve at least **two** of the following public purposes:
 - Creation of jobs with livable wages and benefits.
 - Increase of tax base.
 - Enhancement or diversification of the city's economic base.
 - Industrial development that will spur additional private investment in the area.
 - The project contributes to the fulfillment of the City's development or redevelopment objectives.
 - Removal of blight or the rehabilitation of a high profile or priority downtown site.

V. SUBSIDY AGREEMENT & REPORTING REQUIREMENTS

All developers/businesses receiving tax increment financing assistance from the City of Wyoming shall be subject to the provisions and requirements set forth by state statute 116J.993 and summarized below.

All developers/businesses receiving TIF assistance shall enter into a *subsidy agreement* with the City of Wyoming that identifies: the reason for the subsidy, the public purpose served by the subsidy, and the goals for the subsidy, as well as other 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 performance 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 Wyoming 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 TIF 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 applicant shall meet the qualifications set forth in Section IV of this document.

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

VI. APPLICATION PROCESS

1. Applicant submits the completed application along with all application fees.
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, the Tax Increment Financing Plan, along with all necessary notices, resolutions and certificates are prepared by City staff and/or consultants.
5. Notices are published and sent to the county and school board.
6. Public hearing(s) on the proposed project are held.
7. The EDA recommends approval or denial of the project to the City Council.
8. The City Council grants final approval or denial of the proposal.

VII. APPLICATION FOR TAX INCREMENT FINANCING

A. APPLICANT INFORMATION

Name of Corporation/Partnership _____

Address _____

Primary Contact _____

Address _____

Phone _____ Fax _____ Email _____

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 *but-for* analysis. **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

The project will be:

<input type="checkbox"/> Industrial Greenfield:	<input type="checkbox"/> New Construction	<input type="checkbox"/> Expansion
<input type="checkbox"/> Commercial Redevelopment:	<input type="checkbox"/> New Construction	<input type="checkbox"/> Rehabilitation
<input type="checkbox"/> Industrial Redevelopment:	<input type="checkbox"/> New Construction	<input type="checkbox"/> Rehabilitation
<input type="checkbox"/> Housing Redevelopment:	<input type="checkbox"/> New Construction	<input type="checkbox"/> Rehabilitation
<input type="checkbox"/> Mixed Use Redevelopment:	<input type="checkbox"/> New Construction	<input type="checkbox"/> Rehabilitation
<input type="checkbox"/> Other _____		

Please explain the basic components of the project proposed, i.e., amount of new commercial square footage, numbers of housing units (rental or owner occupied), etc.

The project will be: Owner Occupied Leased Space

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

Project Address _____

Legal Description _____

Site Plan Attached: Yes No

Amount of Tax Increment Requested for:

Building Demolition	\$ _____
Environmental Remediation	\$ _____
Public Improvements	\$ _____
Site Improvements	\$ _____
Land Acquisition	\$ _____

(Land Acquisition shall not exceed 50% of total subsidy request)

Total Subsidy Requested \$ _____

Current Assessed Value on Project Site: \$ _____

Current Real Estate Taxes on Project Site:

City \$ _____

County \$ _____

School District \$ _____

Estimated Assessed Value upon Completion: Phase I \$ _____

Phase II \$ _____

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

Phase II \$ _____

Construction Start Date: _____
 Construction Completion Date: _____
 If Phased Project: _____ Year ____ % Construction Completed
 _____ Year ____ % Construction Completed

C. PUBLIC PURPOSE

It is the policy of the City of Wyoming 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: Number of existing jobs _____
 Number of jobs created by project _____
 Average hourly wage of jobs created _____
- ___ Increase in Tax Base
- ___ Enhancement or diversification of the city's economic base.
- ___ New industrial development which will result in additional private investment in the area.
- ___ The project contributes to the fulfillment of the City's development or redevelopment objectives.
- ___ Removal of blight or the rehabilitation of a high profile or priority downtown site.
- ___ Other: _____

D. SOURCES & USES

<u>SOURCES</u>	<u>NAME</u>	<u>AMOUNT</u>
Bank Loan	_____	\$ _____
Other Private Funds	_____	\$ _____
Equity	_____	\$ _____
Fed Grant/Loan	_____	\$ _____
State Grant/Loan	_____	\$ _____
Other Loans	_____	\$ _____
ID Bonds	_____	\$ _____
Tax Increment	_____	\$ _____ 0 **
TOTAL		\$ _____

****Note: Tax Increment is not an upfront funding source as it will be provided only on a pay-as-you-go basis. Developer needs to identify funding sources to cover ALL costs up front, absent Tax Increment.**

<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	\$ _____

E. ADDITIONAL DOCUMENTATION

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

- _____ D) Two Year Financial Projections

- _____ G) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration

- _____ H) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project

- _____ I) Non refundable application fee of \$2,500

- _____ J) Check for \$10,000 to be placed in escrow to be used by the City to complete analysis of the subsidy requested, and to pay costs associated with Attorney’s fees for the TIF Agreement (unused portion to be refunded)

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 Wyoming 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.

Applicant Name _____ Date _____

By _____

Its _____

TAX INCREMENT FINANCING PROPOSAL REVIEW WORKSHEET

Redevelopment Districts

1. The project meets the criteria set forth in Section III of the City's Tax Increment Financing policy.

- _____ a) Meets minimum thresholds for size, value, and tax capacity.
- _____ b) Meets at least one of the objectives in Section III and satisfies the provision set forth in Section IV.
- _____ c) Demonstrates need for TIF with the *but-for* analysis.
- _____ e) Consistent with all city plans and ordinances.
- _____ f) Serves at least two public purpose as defined in Section IV.

2. Ratio of Private to Public Investment in Project: Points: _____

\$ _____ Private investment	5:1	5
\$ _____ Public Investment	4:1	4
_____ Ratio Private to Public Financing	3:1	3
	2:1	2
	Less than 2:1	1

3. Structure of Financing: Points: _____

_____ < 10% of Subsidy Requested for Land Acq.	5
_____ 11% - 20% of Subsidy Requested for Land Acq.	4
_____ 21% - 30% of Subsidy Requested for Land Acq.	3
_____ 31% - 40% of Subsidy Requested for Land Acq.	2
_____ 41% - 50% of Subsidy Requested for Land Acq.	1

4. Type of Project: Points: _____

_____ 100% Owner Occupied	5
_____ Mix Owner Occupied & Investment	4
_____ Investment Property	3

5. Use: Points: _____

_____ Retail	4
_____ Office/Commercial	5
_____ Mixed-use	5
_____ Housing	3
_____ Industrial	5

6. Type of Development: Points: _____

_____ Redevelopment of Substandard Structures	5
_____ Development of Vacant Land	3

7. Job Creation/Wage Level Points: _____

_____ 15+ Full Time Equivalent (FTE) Jobs, \$15-\$20 per hour	5
_____ 10-14 FTE's, \$10-\$14 per hour	4

_____ 1-9 FTE's, \$10 -\$12 – Perhaps utilize a percentage based on Business Subsidy Agreement 3

8. Assessed Value:	Points: _____
_____ 7+ times current	5
_____ 6 times current	4
_____ 5 times current	3
_____ 4 times current	2
_____ 3 times current	1

9. The project will pay annual property taxes in the first fully assessed year of \$_____	Points: _____
	50,000+ 5
	35,000+ 4
	20,000+ 3
	10,000+ 2
	Under 10,000 1

10. Likelihood that the project will result in unsubsidized, spin-off development.	Points: _____
_____ High	5
_____ Moderate	3
_____ Low	1

Sub - Total Points: _____ of a possible 45 points.

8. Bonus Points	Bonus Points: _____
_____ The project will be 100% <i>Pay-as-you-go</i> TIF.	3 points
_____ The project meets the goals of downtown redevelopment	2 points

Total Points: _____											
Overall Project Analysis:	<table border="0" style="margin-left: 20px;"> <tr> <td>40-48 Points</td> <td>Max Remaining Term</td> </tr> <tr> <td>35-39 Points</td> <td>65-75% of Remaining Term</td> </tr> <tr> <td>25-34 Points</td> <td>40-50% of Remaining Term</td> </tr> <tr> <td>15-24 Points</td> <td>25-30% of Remaining Term</td> </tr> <tr> <td>0-14 Points</td> <td>Not Eligible</td> </tr> </table>	40-48 Points	Max Remaining Term	35-39 Points	65-75% of Remaining Term	25-34 Points	40-50% of Remaining Term	15-24 Points	25-30% of Remaining Term	0-14 Points	Not Eligible
40-48 Points	Max Remaining Term										
35-39 Points	65-75% of Remaining Term										
25-34 Points	40-50% of Remaining Term										
15-24 Points	25-30% of Remaining Term										
0-14 Points	Not Eligible										

EXHIBIT A

Description of the corporation or partnership

EXHIBIT B

Description of the proposed project

EXHIBIT C

Names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership.

EXHIBIT D

But-for analysis

EXHIBIT E

Prospective Lessees

SAMPLE *BUT-FOR* ANALYSIS

	WITH NO TAX INCREMENT			WITH TAX INCREMENT		
	SOURCES AND USES			SOURCES AND USES		
	SOURCES			SOURCES		
Mortgage		9,600,000		8,667,000		8,667,000
Equity		2,400,000		2,400,000		2,400,000
Tax Increment Financing		0		933,000		933,000
TOTAL SOURCES		12,000,000		12,000,000		12,000,000
USES			USES			
Land		1,500,000		1,500,000		1,500,000
Site Work		300,000		300,000		300,000
Soil Correction		468,000		468,000		468,000
Demolition		100,000		100,000		100,000
Relocation		65,000		65,000		65,000
Subtotal Land Costs		2,433,000		2,433,000		2,433,000
Construction		6,750,000		6,750,000		6,750,000
Finish Manufacturing		250,000		250,000		250,000
Subtotal Construction Costs		7,000,000		7,000,000		7,000,000
Soft Costs		350,000		350,000		350,000
Taxes		35,000		35,000		35,000
Finance Fees		850,000		850,000		850,000
Project Manager		542,000		542,000		542,000
Developer Fee		540,000		540,000		540,000
Contingency		250,000		250,000		250,000
Subtotal Soft Costs		2,567,000		2,567,000		2,567,000
TOTAL USES		12,000,000		12,000,000		12,000,000
Income Statement			Income Statement			
	Sq. Ft.	Per Sq. Ft.		Sq. Ft.	Per Sq. Ft.	
Rent-Space 1	100,000	\$8.00	800,000	100,000	\$8.00	800,000
Rent-Space 2	25,000	\$8.50	212,500	25,000	\$8.50	212,500
Rent-Space 3	25,000	\$9.00	225,000	25,000	\$9.00	225,000
Other	0	\$0.00	0	0	\$0.00	0
			1,237,500			1,237,500
Mortgage			1,051,646			949,439
	20 Term			20 Term		
	9.00% Interest			9.00% Interest		
	9,600,000 Principal			8,667,000 Principal		
Net Income			185,854			288,061
Total Return on Equity			7.74%			12.00%

EXHIBIT A
Description of the corporation or partnership

EXHIBIT B
Description of the proposed project

EXHIBIT C

Names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership.

EXHIBIT D
But-for analysis

EXHIBIT E
Prospective Lessees