

## II. CITY OF NORTH MANKATO TAX ABATEMENT AND TAX INCREMENT FINANCING POLICY

1. The purpose of this section is to establish the City of North Mankato and the Port Authority's position relating to the use of Tax Abatement and Tax Increment Financing (TIF) hereafter referred to as *incentives* for private development. Terms used in this policy refer to the authority given for Tax Abatement and TIF incentives in Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the TIF Act) and Minnesota Statutes, Sections 469.1812 through 469.1816, as amended (the Abatement Act). This policy shall be used as a guide in the processing and review of applications requesting tax abatement and tax increment assistance. The purpose of *incentives* in the City of North Mankato is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through TIF or Tax Abatement.
2. Consideration for Tax Abatement and TIF will be given to projects providing public benefits in one or more of the categories listed in subsection 3, items a-n, and subsections 4-5 of the City of North Mankato and North Mankato Port Authority Business Subsidy Policy.
3. The City of North Mankato is granted the power to utilize incentives by the TIF Act and the Abatement Act. The Port Authority Commission, in addition to economic development powers also has the powers of a housing and redevelopment agency, which can grant incentives under the TIF Act.
4. It is the intent of the City and the Port Authority to provide the minimum amount of incentives at the shortest term required for the project to proceed.
5. The City and the Port Authority reserve the right to approve or reject projects on a case by case basis, taking into consideration established policies, economic development policy criteria, and demand on city services in relation to the potential benefits from the project.
6. Meeting economic development policy criteria does not guarantee the award of business assistance to the project.
7. Approval or denial of one project is not intended to set precedent for approval or denial of another project.
8. The City Council or the Port Authority Commission may deviate from this policy for projects that supersede the objectives identified herein.
9. When possible, incentives shall be used to finance public improvements associated with the project in the following priority:
  - a. Public improvements, legal, administrative, and engineering costs.
  - b. Site preparation, site improvement, land purchase, demolition, and environmental remediation.
  - c. Capitalized interest, bonding costs.
10. Incentive assistance shall typically be provided to the developer upon receipt of the increment by the City or the Port Authority, otherwise referred to as the *pay-as-you-go* method. Requests for up

front financing will be considered on a case by case basis and consideration will be given to the project's alignment with the public benefits listed in section one of this policy.

11. Any developer receiving incentives shall provide equity in the amount normally needed to invest in a project financed without public assistance.
12. Tax abatement assistance will be considered for up to a maximum of 20 years using an agreed-upon formula. It is the preference of the City and the Port Authority to not extend tax abatements over 10 years using a phased approach.
13. Tax Increment Financing assistance will be considered for a range of nine (9) to twenty six (26) years depending on the type of district requested (economic development, redevelopment, housing, renewal and renovation). Only projects which significantly enhance the objectives identified herein will be provided TIF assistance in excess of 15 years.
14. Assistance shall not be provided for reimbursement of land and/or property price that 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. At the discretion of the City or the Port Authority, the assessed value of the land determined by the County Assessor may also be accepted as fair market value.
15. Developer shall be able to demonstrate a market demand for a proposed project. Assistance shall not be granted to support purely speculative projects.
16. The developer must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, a letter of commitment, personal guaranties, etc.
17. The developer shall adequately demonstrate, to the City and Port Authority's satisfaction, an ability to complete the proposed project based on past development experience, general reputation, credit history, or letter of commitment from a bank, among other factors.
18. For the purposes of underwriting the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City, the Port Authority or their consultants.
19. The developer shall demonstrate that the project is not financially feasible *but-for* the use of the requested business incentives.
20. The project shall be consistent with the City's Comprehensive Plan or another identifiable goal of the City Council.
21. If Tax Abatement is requested by the developer, the developer must comply with all of the provisions of the Abatement Act.
22. If TIF is requested by the developer, the developer must comply with all of the provisions of the TIF Act.