

CITY OF DULUTH POLICY ON DEVELOPMENT INCENTIVES FOR TAX INCREMENT FINANCING

I. GENERAL POLICY

This Tax Increment Financing (“TIF”) Policy has been approved by the Duluth City Council for the following purposes:

- To guide staff in forming recommendations regarding the use of TIF and negotiating contract terms with developers;
- To provide a framework within which the City Council and Administration can evaluate and compare proposed uses of TIF; and
- To inform the public of the City’s position on the use of TIF and the process through which decisions regarding the use of the tool are made.

TIF may be provided when the City believes that a desired development would not occur without municipal involvement and that the development will meet important City goals regarding economic development, infrastructure, or public amenities. Projects should leverage the maximum private investment possible. The City reserves the sole right to accept or reject proposals for development assistance, taking into account the degree to which they adhere to the intent of this policy and any other factors the City Council or City Administration may wish to consider.

This policy provides guidance to developers, property owners, staff, and the community at large regarding Duluth’s use of TIF as a public finance tool to attract and support high quality development that contributes to a strong property tax base and to the high quality of life in Duluth.

For the purpose of this policy, the “City” shall also mean the Duluth Economic Development Authority which assists in a variety of redevelopment and economic development activities for the City of Duluth. For policies and information related to housing districts, proposers may also reach out to the Duluth Housing and Redevelopment Authority.

II. AUTHORITY

The City is granted the power to utilize TIF by Minnesota statutes. Requests must comply with Minnesota Statutes 469.174-469.1791, the Minnesota Tax Increment Financing Act. All requests must comply with Minnesota Statutes 116J.993 and 116J.994, the Business Subsidies Act. This policy is subject to change to conform to amendments to such statutes.

III. PRIORITIES FOR USE

The City will consider TIF for projects that achieve one or more of the following:

- a) Significantly increases the City's tax base.
- b) Demonstrates responsiveness to the demand for housing in the community.
- c) Development or redevelopment projects that are located in the downtown district.
- d) Removes blight.
- e) Encourages redevelopment of commercial and industrial areas resulting in high quality redevelopment with private reinvestment.
- f) Retains jobs and/or increase the number and diversity of quality jobs.
- g) Demonstrates the ability to encourage unsubsidized private development, either directly, or through secondary "spin-off" development.
- h) Public improvements including placemaking elements such as green space, an landscaping, streetscaping and public art.
- i) Aligns with other City priorities.

IV. POLICY STATEMENTS

- a) The level of public assistance provided to a project shall be commensurate with the extent to which the project addresses specific redevelopment, current comprehensive plan objectives, economic development objectives, and the Priorities for Use.
- b) The proposer must provide full disclosure of project information so that the City can assess the need for incentives. 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.
- c) Developers receiving TIF assistance shall provide a minimum of ten percent (10%) equity for the project. TIF will not be used to supplant cash equity.
- d) TIF assistance will be done on a "PAYGO" reimbursement basis. The City reserves the right to consider other options when financially prudent.
- e) Payback periods shall be kept at the shortest possible term.

- f) The City may require collateralized guarantees, assessment agreements, performance bonds, 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.
- g) 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 St. Louis County Assessor to estimate the market value of the project upon completion and provide evidence satisfactory to the City that private financing is secured.
- h) In evaluating a project, the City may utilize outside legal, financial, real estate, marketing, design and other consultants. Unless waived by the City Council, proposers will be required to pay the costs of such consultants, pursuant to City escrow policy, if any.
- i) The City may provide financial incentives to cover any cost permitted by regulation or statute. While the city will consider any eligible cost, it reserves the right to participate in only those costs it deems appropriate.
- j) 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".
- k) Projects must be consistent with the City's comprehensive plan, zoning ordinance and other land use policies. Projects not consistent with such plans, ordinances and policies must obtain land use approvals prior to provision of any financial assistance.
- l) All typical City processes and licensing applies and must be adhered to throughout the course of the project.
- m) The City will require that all projects receiving TIF assistance shall be subject to prevailing wage requirements during project construction for the construction project laborers.
- n) Projects resulting in job creation shall engage with Workforce Development to establish a workforce hiring and training plan.
- o) Projects receiving TIF assistance must comply with the City's Project Labor Agreement and Community Benefits Program requirements pursuant to Section 2-29 (b) of the Duluth City Code, 1959, as amended.
- p) TIF shall not be used to fund the creation of vacation rentals, which for the purposes of this policy shall mean rentals available for less than 30 days. Projects receiving TIF may include vacation rentals as an alternative use within the building, however

costs incurred while creating the vacation rental units will not be included in the eligible expenses.

V. APPLICATION PROCESS

- a) The proposer submits an inquiry via the Project Intake Form.
- b) Staff provides proposer the TIF application form. The proposer shall provide all necessary information listed in the City application. Not all information will be needed for every proposal. The proposer will work with staff to ensure all appropriate information is provided.
- c) A non-refundable \$5,000 application fee must be attached to the application. This fee is designed to cover a portion of the staff time associated with evaluating the proposal. Proposer will maintain an escrow account with the Finance Department pursuant to City escrow policy, if any – which the City may draw against for consultant costs associated with establishing the district.
- d) City staff reviews the application for completeness and submits the application to the designated financial consultant for review and preparation of a financial analysis.
- e) Once financial analysis is completed, the application and analysis are routed for review and recommendation. The following staff will review the request:
 - i. Assigned Planning and Economic Development staff;
 - ii. DEDA Executive Director;
 - iii. Planning and Economic Development Director;
 - iv. Finance Director and City Auditor; and
 - v. City Administrator.Staff will recommend, recommend with modifications, or deny the application.
- f) If denied, staff notifies the proposer in a timely manner.
- g) If recommended, or recommended with modifications, staff work with the City's financial consultant to draft a TIF Plan. Additional funding within the escrow account will be required at this time.
- h) Once the TIF Plan is finalized, staff will provide the necessary notifications and seeking the proper approvals as indicated below:
 - i. Submit notification to county and school district;
 - ii. Planning Commission votes to confirm or deny conformance to comprehensive plan;
 - iii. Following a public hearing, DEDA Board votes to confirm or deny establishment of TIF District and approve a development agreement;

- iv. Following a public hearing, City Council will be asked to confirm or deny establishment of TIF District and approve a development agreement.