

## **Principles for Public Investment in Support of Commercial Revitalization/Redevelopment**

1. The site or area must be located within a Tax Increment District or an E-TID and an area of the City that is of strategic importance to achieving the City's revitalization goals.
2. The use of public funds shall be directed toward projects that result in area-wide benefits. Projects will have a catalytic effect on the revitalization of an area; projects on more than one site that collectively result in such benefits; or, area-wide public improvements (such as replacement of utilities) that have broad area benefits.
3. Projects for which public funds are used shall be consistent with the City's Comprehensive Plan and Zoning Ordinance.
4. The public purpose and the financial and other benefits from all publicly funded improvements shall be clearly defined and, based upon the nature of the benefit, measurable.
5. There shall be no negative impact on the City's bond rating.
6. There shall be sufficient debt capacity available for the portion of the public investment that is identified as the City's/CDA responsibility. The CDA, City Staff and Bond Counsel will also be responsible for determining the best way to allocate remaining increment.
7. The project must pose no direct or indirect liability to the City/CDA. The developer shall provide the type and level of surety that is acceptable to the City/CDA to protect the City/CDA from actions or inactions of the developer or development entity.
8. Each proposal for public funding shall include detailed information on the financial feasibility of the development project with which the public funding request is associated and an analysis of the contribution of the development to the City's goals as set forth in the Comprehensive Plan.
10. Any project that is established shall be structured to assume the risk of any deficiency in TIF revenues if they prove to be insufficient to pay debt service.
11. The maximum period of repayment for TIF debt service should not exceed 15 years or 23 years for an E-TIF.
12. The City shall strive to achieve a reasonable return on investment from any of its assets that may be utilized, such as CDA owned land or use of its lower cost of borrowing. Such return may be financial and/or achievement of City goals that further revitalization, redevelopment and/or investment.
13. The City expects to achieve tangible and intangible benefits to include such things as achievement of the goals and objectives of the Comprehensive Plan. In

exchange for its financial participation, the CDA expects to establish performance measures for the project on such things as the specific character and intensity of development in addition to any other recommendations in the Comprehensive Plan necessary to achieve the public objectives.

14. Developers will be required to grant full access to all accounting records, project pro formas and any other required financial information for any project involving a financial commitment with the CDA.

## **Process for the Evaluation of Requests for Public Investment in Support of Commercial Revitalization/Redevelopment**

All proposals shall be submitted to the Department of Economic Development (DED) and shall be reviewed by the City Staff and its Consultants. The following steps will be taken during the assessment:

1. In order to determine whether a project may qualify for public financial participation, all proposals shall be accompanied by a set of documents for review and evaluation by the City and its consultants. The submission shall contain:
  - Application that includes an authorization to check public records
  - Commerce Department website print out showing legal name and statement showing no disillusionment has been filed and all annual reports up-to-date and a copy of the articles of incorporation.
  - Map of the site, district and properties served, as applicable;
  - Description of the project, including types of uses, square feet per use, ownership structure, phasing;
  - General development plan of district, or, if a single development, a specific development plan;
  - Project pro-forma;
  - Proposed public infrastructure including probable cost, preliminary feasibility analysis and preliminary phasing of infrastructure to development;
  - Discussion of proposed financing structure and mechanism for repayment of debt service, proposed special assessments within the district, if any;
  - Discussion of why the development would not take place within an acceptable timeframe without financial assistance from the CDA (e.g. "but for" the public assistance, the development would not be possible); and,
  - Discussion of how the project furthers the recommendations of the Comprehensive Plan for the site, as well as the revitalization goals for the area.
2. Staff will make a recommendation as to whether the project qualifies for further consideration.
3. General attributes of proposal will be reviewed by the Community Development Authority (CDA) as to whether project should be considered as a candidate.

If the CDA endorses the project for further consideration:

1. Developer shall submit a complete financial pro forma as well as any other documents deemed necessary by the CDA to undertake the evaluation. In addition, developers may required to submit an additional fees sufficient to cover some or all of the City's cost (including staff time) above the original application fee for engaging outside consultants for review and analysis of the project, identification

of all corporate partners, including associations and the responsibilities of any parent organizations.

2. Due diligence shall be performed by the CDA to confirm information regarding the developers, property owners, and underwriting team, and the adequacy of developer's or property owner's financial projections and resources to sustain the project's proposed financing. Depending upon the scope of the proposal, use of financial, development and legal expert consultants will be employed as the level of analysis and negotiation for redevelopment projects are typically highly complex endeavors that require specialized skills.

3. These consultants will conduct financial and fiscal analysis, including:

The economic benefit to the local economy, the fiscal impacts to the City and any overlapping tax entities;

The risk to the general government operations if projected revenue growth does not meet expectations. While the incremental tax revenues may be sufficient to repay debt service, they may not ultimately be sufficient to cover all governmental costs associated with the development, since, for example, future tax revenue is not only dependent on an increase in value, it is also dependent upon the application of the tax rate, which rate cannot be predicted with certainty.

The use of pay down capital financing as an alternative to debt; and,

The timing of payment or performance as matched against clear and measurable milestones and objectives. For example, if the project is phased, funding may be tied to a certain phase or portion of the project.

4. Staff and the consultant will work with the developer on the proposal. Items to be analyzed/addressed/negotiated include:

Assistance by the CDA in the form of facilitating a public financing such as a Tax Increment Financing (TIF), E-TIF Service or Sanitary District, by providing funding, through the issuance of general obligation bonds and/or by other traditional methods of financing.

The ability of any proposed project to survive the initial developer for at least three years as the bond is outstanding and protections to the City for approval of successors and assigns in order to ensure the ability of the project to fund the repayment;

The value to the project of the City's credit strength and/or lower cost of public funds if such are contributed to the project;

How much if any of the new incremental taxes (after payment of the TIF debt service) are projected to be contributed to the General Fund and whether this amount is sufficient to cover appropriately the increase in City operating costs associated with the new development;

The amount of the City's investment as a percentage of the total development value of the project (generally should not exceed 50% of the new increment);

The ability to verify at a specified later point in time the accuracy of the developer's initial assumptions that formed the basis for the City's level of participation, and to incorporate into any agreement provisions that would allow early closure of the TID or a proffer toward a municipal improvement;

A development agreement that clearly states the obligations and responsibilities of the developer and the City, the risk sharing between the City and the private developer(s), and the protections for the City against loss of investment and the risk of continued liability;

Extension of liabilities beyond temporary limited liability partnerships established just for the project;

The public share, the private share, and the joint share the public improvements; and,

The extent to which the project furthers the Comprehensive Plan.

5. Staff/consultant determines if proposal is supportable.

6. Proposal presented to and discussed at the Community Development Authority.

7. Proposal forwarded to the Common Council for decision. Notice of proposal provided to the public.