

Worksession Materials

April 22, 2014

- Project Update from Ramsey County regarding Highway 96 Bridge
- CSI Project Update/Business Subsidy Policy Discussion




City of New Brighton
Community Development Department

MEMORANDUM

DATE: April 18, 2014

TO: Dean Lotter, City Manager

FROM: Grant Fernelius, Community Development Director 

SUBJECT: Update on CSI Project and Business Subsidy Policy

Introduction

At Tuesday night's work session, staff would like to provide an update to the City Council on the status of the CSI project and one of the business items that is on the regular agenda. We are still working very diligently on the project, but none of the parties involved (Ryan, CSI or the City) is prepared to present the entire development package for Council consideration at this time. Our plan right now is to present for consideration those issues that are ready on April 22nd and then the balance of the approvals on May 13th (or 27th if necessary). It may be necessary to schedule a special meeting, but we should know more in the next week or so.

Background

Attached is a site plan and renderings of the buildings that Ryan and CSI are proposing to build. The building would be 125,000 SF in size and sit on a 10 acre site. Roughly 84% of the 2-story building (106,200 SF) would be used for office and research and development purposes (classified as office under the agreement) with additional warehouse space of 18,800 SF. CSI has placed the building in such a way that future expansion (up to 50,000 SF) could be accommodated. Additional expansion of 75,000 SF or more would trigger the need for additional parking, which could be accommodated on Block E. This is also tied to an option that CSI is requesting, although the specific terms are still under discussion.

Economic Impact

The CSI project is anticipated to have an overall cost of \$30.9 million. Of this amount, about \$18.250 million will spent on construction and \$6.5 million on equipment and machinery. The balance of costs relate to land acquisition, environmental remediation, site/public improvements. The company is investing a substantial amount of money into the project (about \$28.15 million), with the State of Minnesota (\$2.5 million) and the City is contributing toward the project in the form of a land write down to assist with environmental remediation and public improvements. Ehlers updated the New Brighton Exchange dashboard to show how the CSI deal fits into the

larger financial picture. As you can see from the attached analysis, the first phase of the development generates about \$6.0 million of tax increment financing (TIF), while the expansion project (assuming 50,000 SF) produces another \$2.1 million. When combined with the proposed API and Pulte projects, the value of new development creates about \$18.5 million of TIF over the life of district. In short, these projects help close the gap for additional development value and taxes on the remaining blocks. Approximately \$10.8 million of additional value on Blocks B, E and D is needed to meet the minimum development threshold and cover future NBE debt service. Two comments worth mentioning on the financial analyses: 1) the dashboard does not reflect any land sales proceeds - it only looks at anticipated tax increment receipts; and 2) there is very modest inflation built in to the CSI model, but only for the first 7 years and then the values are held flat. In this context, the projections are still somewhat conservative in nature. We can have a discussion about whether the anticipated land sale proceeds from the Pulte (\$1.3 million) and APi (\$700,000) projects should be factored into the analysis.

In terms of employment, CSI currently employs 191 people in Minnesota. Most of these workers are on New Brighton, although the company also leases a small amount of office space in Roseville. Upon completion of the facility, the company plans to increase employment by another 140 positions for a total of 330 employees. The building is being designed to accommodate up to 500 employees with associated parking. The average annual salary for the company is currently \$75,000.

Overview of Negotiations

Up two weeks ago, the land acquisition and development negotiations were between the City and Ryan; with Ryan and CSI involved in separate lease discussions. Last week the City and Ryan learned that CSI intends to own the building rather than lease. Furthermore, CSI intends to self-finance the project with cash and hire Ryan as the developer/builder. As a result, Ryan is insisting that it makes no sense for them to finance the project in the interim and then sell the completed building to CSI a few months later. Because of the changing relationships, the parties have had to re-work the redevelopment agreement and bifurcate responsibilities between CSI and Ryan. Suffice it to say, the agreement is complicated and CSI just received the new 3-party agreement this week. For the most part, the basic economic issues have been agreed to, although there are several issues that need to be finalized. The key business terms are discussed below.

Key Business Terms

- *Land Price:* CSI has offered to pay \$500,000 for the 10 acre site or the equivalent of \$1.15 per square foot.
- *Option Land:* CSI has requested an option to buy up to 4 acres of land on Block E. The City has countered with a slightly smaller option area, since only 2 acres of additional land would be needed in the event CSI expanded to 75,000 SF. ***This issue is still in discussion.***

- *Closing:* On or before June 15, 2014 or 30 days after the preliminary plat is approved, but not later than August 31, 2014.
- *Minimum Improvements:* 125,000 SF building (75% office)
- *Expansion Project:* 75,000 (75% office). Note, CSI is not obligated to build the expansion space. However, in order for the company to purchase the option property the expansion must meet or exceed this threshold. ***This issue is also in discussion.***
- *Environmental & Public Improvements:*

CSI has requested that the City pay for any environmental and public improvement costs. Staff is working with Ryan on a detailed list of these costs. The City has agreed to structure this deal very similar to the Transoma/DSI project. Under the terms of the draft agreement, the City would escrow the full amount of the land sales proceeds and those funds would be applied toward environmental and public improvement costs. ***This issue is still in discussion, since the parties have not figured out what happens if costs exceed \$500,000.***

State Assistance

As part of the site selection effort, CSI did look at offers from other communities out-of-state. It is our understanding that at least four different cities were evaluated including available incentives. The offers from other states were quite attractive and the State of Minnesota made a pitch to keep the company in our state. The City was brought into the state incentive discussion only in the last couple of weeks, so we are still trying to gather information on what will be offered. In addition, we need to understand the City's role, since some of the funding will flow through our community. In summary, the State is offering approximately \$2.5 million of assistance as follows:

Minnesota Investment Fund:

This program provides financing to help add new workers and (\$500,000) retain high-quality jobs. The money is awarded to local governments only, which in turn loan the money out. At least 50 percent of the project costs must be privately financed. Loan terms are 20 years for real estate and 10 years on equipment. It appears that CSI will use the MIF financing for new equipment. In order to access these dollars it is important for the City to meet the "but for" test and adopt a business subsidy policy. This topic is discussed below. The City will also need to enter into future agreements with both the state and CSI in order to access the funds.

Job Creation Fund:

This program also provides direct financial incentives to new and (\$2.0 million) expanding

businesses that meet certain job creation and capital investment targets. Companies deemed eligible may receive up to \$2.0 million for creating or retaining high-paying jobs. Aside from a resolution of the support, the City is not directly involved in the JCF financing to CSI.

Business Subsidy Policy

As mentioned above, the City will need to adopt a business subsidy policy in order to help facilitate the CSI project. At a minimum, this policy is needed for CSI to access the MIF funds. A copy of the draft policy is attached. We are still evaluating whether the real estate side of this transaction constitutes a subsidy and if so what that means.

Under Minnesota Law (116J.993) any public support that results in form of a business subsidy, requires the subsidizing agency to adopt a policy with a set of criteria for the assistance. There are a number of exemptions under the law, including assistance to clean-up contaminated property. Over the years, most of what New Brighton has done in The Exchange has fallen under this exception. Because of the amount of assistance involved and that this project is highly visible, the City wants to make sure that we are in compliance with these statutes. The City's redevelopment counsel (George Hoff) is evaluating this issue at the present time.

The attached policy was created by Ehlers and is meant as a starting point for discussion purposes. If adopted, the City would have criteria in place for evaluating projects like CSI and then establish related wage and job goals.

This is a relatively new concept for the City and it would have been helpful to have more time for a robust debate on the merits and content of such a policy. Unfortunately, in this case we are responding to a situation that requires a policy be put in place quickly. The sample policy includes an application form and some additional documentation that could be required on this project, although the time frame is rather tight for some of this information.

EDC Feedback

On Wednesday, the EDC previewed the CSI project following the outline in this memo. The EDC raised many good questions/comments including:

- Although, the high-density, mixed-use plan might not be realized on the same scale as previously envisioned, the City should continue to promote as many of the plan elements as possible (i.e. pedestrian access, trails/sidewalks, neighborhood retail, good building design, etc.).
- Some commissioners expressed concern about removal of Northwest Parkway access to Old Highway 8 and that it might affect the marketability of price of Block B.
- Other commissioners raised the importance of developing reasonable (but ambitious) job and wage goals to justify the level of public investment in the project.

- At least a few commissioners, wanted to make sure that the City understood the environmental and public improvement costs.

Overall, the EDC voted unanimously to support the CSI deal as presented. It was a very good discussion and the group was pleased with the project.

Schedule

As mentioned at the beginning of this memo, the parties are not quite ready to present the entire development package for Council consideration. Because there are many items to review at once, we thought it might be better to split up the business items as follows:

April 22nd

- Public hearing to consider and adopt a Business Subsidy Policy.
- Public hearing regarding easement vacations for new development parcel. These can be done subject to plat approval. Because the public hearing was already published, it made sense to keep this on the agenda.
- Authorization to sell state-bond financed property. There is a segment of sanitary sewer that the City needs to abandon and vacate. The improvement was paid for with state bond funds and there is requirement that the state be repaid for their investment.

May 13th

- Resolutions supporting a Minnesota Investment Fund (MIF) loan application on behalf of CSI for \$500,000 and for up to \$2.0M from the Job Creation Fund (JCF).
- Resolution authorizing a Contract for Private Redevelopment between the City, CSI and Ryan. This is a 3-party agreement that deals with the real estate piece of the deal.
- Consideration of the land use approvals (Site Plan, PUD, Preliminary and Final Plat).
- We may also have an amended grant agreement to present related to the sanitary sewer project.



APRIL 9, 2014

SITE PLAN

CARDIOVASCULAR SYSTEMS, INC.

CARDIOVASCULAR SYSTEMS INC.
NEW BRIGHTON, MN



SALES/NOTES/17TH GUEST DRIVELR

RYAN

CARDIOVASCULAR SYSTEMS INC.
NEW BRIGHTON, MN



BUILDING LASTING RELATIONSHIPS

RYAN

**City of New Brighton
New Brighton Exchange Summary
Minimum Development Scenario**

Development	Block	SF / Units	Year Built	Finished Market Value	Estimated Total TIF	Comments
Completed:						
DSI (Transoma)	Block C	118,988	2008	\$ 9,127,900	\$ 4,933,788	
The View at Long Lake	Block H	124	2011	13,000,000	3,516,539	
APi Group Headquarters	Block J	-		224,800	16,694	Parking Lot
	Block K	52,372	2008	5,722,200	2,354,429	
				\$ 28,074,900	\$ 10,821,450	
Pending:						
APi Group Headquarters	Block G	75,000	2014 - 2017	\$ 8,625,000	\$ 2,815,110	50% built in 1st year.
Pulte Homes	Block I	121	2014 - 2016	34,444,565	6,581,780	
CSI	Block A	125,000	2014	15,625,000	6,002,968	50% built in 1st year
CSI	Block F	50,000	2017	6,250,000	2,146,205	
				\$ 64,944,565	\$ 17,546,064	
TOTAL COMPLETED AND PENDING DEVELOPMENT				\$ 93,019,465	\$ 28,367,514	
Additional Minimum Development Needed:						Est. Fund 460 Cash Balance
Surface Parking	Block B	-		-	-	
East Side	Block D	50,400	2017	6,300,000	2,191,785	
East Side	Block E	36,000	2017	4,500,000	1,561,811	
		<u>86,400</u>		\$ 10,800,000	\$ 3,753,597	
TOTAL NEW BRIGHTON EXCHANGE				\$ 103,819,465	\$ 32,121,111	\$ 6,670,176

4/11/2014



PAGE 1
125,000 SF



Scenario 3A: 5 - 10 Years - No Inflation
City of New Brighton
Northwest Quadrant Development

BLOCK A

TAX INCREMENT CASH FLOW																
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date	Annual Gross TIF - OSA Fee	Market Value per Sq. Ft.
0%	-	-	-	-	111.508%	-	-	-	-	-	-	-	-	02/01/10	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	-	-	02/01/11	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	-	-	02/01/12	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	-	-	02/01/13	-	-
0%	87,125	-	-	87,125	111.508%	97,151	48,576	(175)	(4,840)	43,561	33,014	0.5	2013	08/01/13	-	-
0%	199,250	-	-	199,250	111.508%	222,180	48,576	(175)	(4,840)	43,561	65,380	1	2013	02/01/14	96,802	\$70
0%	223,160	-	-	223,160	111.508%	248,841	111,090	(400)	(11,069)	99,621	137,948	4.5	2014	08/01/14	221,380	\$80
0%	249,939	-	-	249,939	111.508%	278,702	124,421	(448)	(12,397)	111,575	209,094	5	2017	02/01/18	-	-
0%	279,932	-	-	279,932	111.508%	312,146	156,073	(562)	(15,551)	139,960	287,214	5.5	2018	08/01/18	247,945	\$90
0%	286,750	-	-	286,750	111.508%	319,749	159,875	(576)	(15,930)	143,369	363,803	6	2018	02/01/19	277,699	\$100
0%	312,558	-	-	312,558	111.508%	348,527	174,263	(627)	(17,364)	156,272	530,349	7	2019	08/01/19	311,023	\$110
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	620,881	7.5	2020	02/01/20	318,598	\$115
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	798,773	8.5	2021	08/01/21	347,272	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	886,161	9	2021	02/01/22	347,272	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	979,546	9.5	2022	08/01/22	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,071,100	10	2022	02/01/23	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,160,627	10.5	2023	08/01/23	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,248,399	11	2023	02/01/24	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,334,449	11.5	2024	08/01/24	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,418,813	12	2024	02/01/25	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,501,522	12.5	2025	08/01/25	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,582,609	13	2025	02/01/26	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,662,107	13.5	2026	08/01/26	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,740,045	14	2026	02/01/27	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,816,456	14.5	2027	08/01/27	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,891,368	15	2027	02/01/28	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	1,964,811	15.5	2028	08/01/28	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,036,814	16	2028	02/01/29	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,107,406	16.5	2029	08/01/29	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,176,613	17	2029	02/01/30	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,244,463	17.5	2030	08/01/30	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,310,983	18	2030	02/01/31	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,376,199	18.5	2031	08/01/31	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,440,135	19	2031	02/01/32	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,502,819	19.5	2032	08/01/32	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,564,273	20	2032	02/01/33	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,624,522	20.5	2033	08/01/33	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,683,590	21	2033	02/01/34	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,741,499	21.5	2034	08/01/34	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,798,273	22	2034	02/01/35	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,853,934	22.5	2035	08/01/35	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,908,503	23	2035	02/01/36	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	2,962,003	23.5	2035	08/01/36	346,375	\$125
0%	311,750	-	-	311,750	111.508%	347,626	173,813	(626)	(17,319)	155,869	3,014,453	24	2035	02/01/37	346,375	\$125
Total		Present Value From 08/01/2009				Present Value Rate	4.00%	6,669,963 (24,099) (12,101)				6,669,965 3,404,100				

PHASE 2
50,000 SF



Scenario 3A: 5 - 10 Years - No Inflation
City of New Brighton
Northwest Quadrant Development

BLOCK F

TAX INCREMENT CASH FLOW																
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date	Annual Gross TIF - OSA Fee	Market Value per Sq. Ft.
0%	-	-	-	-	111.508%	-	-	-	-	-	-	0.5	2013	08/01/10	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	1	2013	02/01/11	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	1.5	2014	08/01/11	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	2	2014	02/01/12	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	2.5	2015	08/01/12	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	3	2015	02/01/13	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	3.5	2016	08/01/13	-	-
0%	-	-	-	-	111.508%	-	-	-	-	-	-	4	2016	02/01/14	-	\$70
0%	-	-	-	-	111.508%	-	-	-	-	-	-	4.5	2017	08/01/14	-	\$80
0%	-	-	-	-	111.508%	-	-	-	-	-	-	5	2017	02/01/15	-	\$90
0%	79,250	-	-	79,250	111.508%	88,370	44,185	(159)	(4,403)	39,623	26,665	6	2018	08/01/15	88,052	\$100
0%	88,760	-	-	88,760	111.508%	98,975	44,185	(159)	(4,403)	39,623	52,808	7	2019	02/01/16	98,618	\$110
0%	114,250	-	-	114,250	111.508%	127,398	49,487	(178)	(4,931)	44,378	81,513	7.5	2020	08/01/17	126,939	\$115
0%	124,533	-	-	124,533	111.508%	138,864	63,699	(229)	(6,347)	57,123	109,656	8	2020	02/01/21	138,364	\$125
0%	124,250	-	-	124,250	111.508%	138,549	63,699	(229)	(6,347)	57,123	179,989	9	2021	08/01/22	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,432	(250)	(6,918)	62,264	217,196	9.5	2022	02/01/22	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,432	(250)	(6,918)	62,264	253,674	10	2022	08/01/22	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	289,356	10.5	2023	02/01/23	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	324,338	11	2024	08/01/23	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	358,634	11.5	2024	02/01/24	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	392,257	12	2024	08/01/24	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	425,221	12.5	2025	02/01/25	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	457,539	13	2025	08/01/25	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	489,223	13.5	2026	02/01/26	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	520,286	14	2026	08/01/26	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	550,740	14.5	2027	02/01/27	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	580,597	15	2027	08/01/27	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	609,868	15.5	2028	02/01/28	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	638,566	16	2028	08/01/28	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	666,700	16.5	2029	02/01/29	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	694,283	17	2029	08/01/29	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	721,325	17.5	2030	02/01/30	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	747,837	18	2030	08/01/30	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	773,829	18.5	2031	02/01/31	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	799,312	19	2031	08/01/31	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	824,295	19.5	2032	02/01/32	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	848,788	20	2032	08/01/32	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	872,800	20.5	2033	02/01/33	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	896,342	21	2033	08/01/33	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	919,422	21.5	2034	02/01/34	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	942,050	22	2034	08/01/34	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	964,234	22.5	2035	02/01/35	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	985,983	23	2035	08/01/35	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	1,007,306	15.5	2036	02/01/36	138,050	\$125
0%	124,250	-	-	124,250	111.508%	138,549	69,274	(249)	(6,902)	62,122	1,028,210	16	2036	08/01/36	138,050	\$125
Total		Present Value From 08/01/2009		Present Value Rate	4.00%	2,393,288	2,146,205	(8,616)	(239,467)	2,146,205	2,384,672					
						1,146,583	1,028,210	(4,128)	(114,246)	1,028,210	1,161,709					

City of New Brighton

Business Subsidy Criteria and City Public Financing Guidelines

April 22, 2014

Introduction: This Policy is adopted for purposes of the business subsidies act, which is Minnesota Statutes, Sections 116J.993 through 116J.995 (the “Statutes”). Terms used in this Policy are intended to have the same meanings as used in Statutes, and this Policy shall apply only with respect to subsidies granted under the act if and to the extent required thereby. Subdivision 3 of the Statutes specifies forms of financial assistance are not considered a business subsidy. This list contains exceptions for several activities, including redevelopment, pollution clean-up, and housing, among others. By providing a business subsidy, the city commits to holding a public hearing, as applicable, and reporting annually to the Department of Employment and Economic Development on job and wage goal progress.

1. PURPOSE AND AUTHORITY

- A. The purpose of this document is to establish criteria for the City of New Brighton for granting of business subsidies and City public financing for private development within the City. These criteria shall be used as a guide in processing and reviewing applications requesting business subsidies and/or City public financing.
- B. The City's ability to grant business subsidies is governed by the limitations established in the Statutes. The City may choose to apply its Business Subsidy Criteria to other development activities not covered under this statute. City public financing may or may not be considered a business subsidy as defined by the Statutes.
- C. Unless specifically excluded by the Statutes, business subsidies include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment financing (TIF), abatement of property taxes, loans made from City funds, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.
- D. These criteria are to be used in conjunction with other relevant policies of the City. Compliance with the Business Subsidy Criteria and City Public Financing Guidelines shall not automatically mean compliance with such separate policies.
- E. The City may deviate from these criteria by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Department of Employment and Economic Development with the next annual report.
- F. The City may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes.

2. BUSINESS SUBSIDY PUBLIC PURPOSE REQUIREMENT

- A. All business subsidies must meet a public purpose with measurable benefit to the City as a whole. Public purpose may include, but not be limited to: creating needed services or facilities not currently available, redeveloping and removing blight and encouraging redevelopment in the commercial and industrial areas of the City in order to encourage high levels of property maintenance and private reinvestment in those areas, retaining local jobs, increasing the job base, and providing diversity in that job base, enhancing existing jobs through increased wages, encouraging additional unsubsidized private development in the area, either directly, or through secondary “spin off” development, offsetting increased costs of redevelopment over and above those costs that a developer would incur in normal urban and suburban development, and meeting other uses of public policy, as adopted by the Council from time to time including the promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.
- B. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The City shall document the information used to determine the nature of the job loss.
- C. The creation of tax base shall not be the sole public purpose of a subsidy.
- D. Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Statutes, the creation of jobs is a public purpose for granting a subsidy. Creation of at least one Full Time Equivalent (FTE) job is a minimum requirement for consideration of assistance.
- E. The wage floor for wages to be paid for the jobs created shall be not less than \$13.00 per hour. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.
- F. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.

3. SUBSIDY AGREEMENT

- A. In granting a business subsidy, the City shall enter into a subsidy agreement with the recipient that provides the following information: wage and job goals (if applicable), commitments to provide necessary reporting data, and recourse for failure to meet goals required by the Statutes.
- B. The subsidy agreement may be incorporated into a broader development agreement for a project.
- C. The subsidy agreement will commit the recipient to providing the reporting information required by the Statutes.

4. CITY'S OBJECTIVE FOR THE USE OF PUBLIC FINANCING

- A. As a matter of adopted policy, the City may consider using public financing which may include tax increment financing (TIF), tax abatement, bonds, waiver of City fees (excluding building permit fees), and other forms of public financing as appropriate, to assist private development projects when such assistance complies with all applicable statutory requirements to:
1. Remove blight and/or encourage redevelopment in designated redevelopment/development area(s) per the goals and visions established by the City Council
 2. To retain local jobs and/or increase the number and diversity of quality jobs
 3. To encourage additional unsubsidized private development in the area, either directly or through secondary "spin-off" development.
 4. To offset increased costs for redevelopment over and above the costs that a developer would incur in normal urban and suburban development (determined as part of the But-For analysis).
 5. To facilitate the development process and promote development on sites that could not be developed without this assistance.
 6. To meet other uses of public policy, as adopted by the City Council from time to time, including but not limited to promotion of quality urban design, quality architectural design, energy conservation, sustainable building practices, and decreasing the capital and operating costs of local government.

5. PUBLIC FINANCING PRINCIPLES

- A. The guidelines and principles set forth in this document pertain to all applications for City public financing regardless of whether they are considered a business subsidy as defined by the Statutes. The following general assumptions of development/redevelopment shall serve as a guide for City public financing:
1. All viable requests for City public financing assistance shall be reviewed by staff, and, if staff designates so, a third party financial advisor who will inform the City of its findings and recommendations.
 2. The City shall establish mechanisms within the development agreement to ensure that adequate checks and balances are incorporated in the distribution of financial assistance where feasible and appropriate, including but not limited to:
 - a. Third party review of the "but for" analysis
 - b. Establishment of "look back provisions"

- c. Establishment of minimum assessment agreements
- 3. TIF and abatement will be provided on either an up-front basis through interfund loans from the City or general obligation bonds or on a pay-as-you-go-basis. Any request for upfront assistance will be evaluated on its own merits and may require security to cover any risks assumed by the City.
- 4. The developer shall proactively attempt to minimize the amount of public assistance needed through the pursuit of grants, innovative solutions in structuring the deal, and other funding mechanisms.

5. PROJECTS WHICH MAY QUALIFY FOR PUBLIC FINANCING ASSISTANCE

- A. All new applications for assistance considered by the City must meet each of the following minimum qualifications. However, it should **not** be presumed that a project meeting any of the qualifications will automatically be approved for assistance. Meeting the qualifications does not imply or create contractual rights on the part of any potential developer to have its project approved for assistance.

6.1 MINIMUM QUALIFICATIONS:

- A. In addition to meeting the applicable requirements of State law, the project shall meet one or more of the Public financing objectives outlined in Section 4; and shall either:
 - 1. Remove blight and/or encourage redevelopment in the City in order to encourage high quality development or redevelopment and private reinvestment in those areas; OR
 - 2. Facilitate the development process and to achieve development on sites which would not be developed without this assistance.
- B. The developer must demonstrate to the satisfaction of the City that the project is not financially feasible “but for” the use of tax increment or other public financing.
- C. The project must be consistent with the City’s Comprehensive Plan and Zoning Ordinances, Design Guidelines or any other applicable land use document.
- D. Prior to approval of a financing plan, the developer shall provide any requested market and financial feasibility studies, appraisals, soil boring, private lender commitment, and/or other information the City or its financial consultants may require in order to proceed with an independent evaluation of the proposal.

- E. The developer must provide adequate financial guarantees to ensure the repayment of any public financing and completion of the project. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contract, etc.
- F. Any developer requesting assistance must be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. Public financing will not be used when the developer's credentials, in the sole judgment of the City, are inadequate due to past history relating to completion of projects, general reputation, and/or bankruptcy, or other problems or issues considered relevant to the City.
- G. The developer, or its contractual assigns, shall retain ownership of any portion of the project long enough to complete it, to stabilize its occupancy, to establish project management and/or needed mechanisms to ensure successful operation.

7. **PUBLIC FINANCING PROJECT EVALUATION PROCESS**

- A. The following methods of analysis for all public financing proposals will be used:
 - 1. Consideration of project meeting minimum qualifications
 - 2. Project meets "but-for" analysis and/or statutory qualifications
 - 3. Project is deemed consistent with City's Goals and Objectives

Please note that the evaluation methodology is intended to provide a balanced review. Each area will be evaluated individually and collectively and in no case should one area outweigh another in terms of importance to determining the level of assistance.

Adopted by New Brighton City Council _____, 2014