

**CITY OF PRIOR LAKE  
ECONOMIC DEVELOPMENT AUTHORITY  
TAX INCREMENT FINANCING POLICY**

ADOPTED BY THE CITY COUNCIL APRIL 16, 2001  
**AMENDED BY THE COUNCIL ON OCTOBER 18, 2004**

**PURPOSE**

This policy is established to outline the City's position on the use of tax increment financing (TIF) policy for private development. This policy will be used as a guide in processing and reviewing applications for tax increment financing assistance. In accordance with the TIF policy, TIF requests must comply with applicable state statutes. The City of Prior Lake is governed by the limitations established in Minnesota Statutes Chapter 469.174, the Minnesota Tax Increment Financing Act, for all districts created after August 1, 1979.

**PROGRAM GOALS**

This program exists to achieve the following goals:

1. To promote commercial, industrial and residential development under special circumstances that would otherwise not occur.
2. To increase and diversify the long-term tax base of the City in order to ensure the ability of the City to provide adequate services for its residents while lessening reliance on the residential property tax.
3. To improve the City's economic vitality through the creation and expansion of employment opportunities.
4. To remove blight and encourage 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.
5. To assure that projects are constructed and maintained at a level of quality consistent with the goals of the City of Prior Lake.
6. To retain local jobs, increase the local job base and provide economic diversity in that job base.
7. To assist in achieving other goals contained in adopted public policies as may be adopted by the City Council from time to time, including without limitation, quality design and construction, energy conservation and reductions in the capital and operating costs of government.
8. **To provide high density housing as part of a mixed use development which includes retail and office uses, in select areas in the C-3 zoning district and other areas as may be deemed appropriate by the City Council.**

9. **To provide TIF assistance, consistent with the TIF Policy, Business Subsidy Policy, Comprehensive Plan and Zoning Ordinance of the City, to eligible companies planning to build TIF eligible businesses in the Deerfield Industrial Park and other areas zoned Industrial.**

#### **PROGRAM ELIGIBILITY CRITERIA**

Qualified projects should meet or exceed the following criteria to be eligible for TIF assistance. Meeting the threshold of eligibility does not guarantee approval of the project by the City. Conversely, failure to meet the criteria will not automatically exclude a proposal from further consideration. Final approval of any project will be made by the City Council.

The project must be consistent with the City's Comprehensive Plan, zoning ordinance and other applicable City ordinances as well as applicable state statutes

1. The project shall meet at least one of the Program Goals listed above.
2. The applicant must be willing to enter into a development or redevelopment agreement satisfactory to the City.
3. It must be demonstrated that the project would not be financially feasible but for the public assistance to be provided. The level of TIF financing shall be reduced to the lowest possible level.
4. The project must comply with all applicable environmental regulations.
5. The applicant must submit all of the materials required in the application.
6. The applicant must agree to provide surety to the City to cover all costs paid by the increment, unless the project is a "pay as you go" agreement. These may include assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contracts and minimum payment agreements.
7. The applicant/developer must provide a minimum of 10% equity in the project.
8. The City Council will favor owner-occupied projects over projects that will be leased.
9. For projects in an Economic Development District, a maximum of **\$50,000** of public money will be invested for each full-time equivalent position created or retained.
10. For projects in Redevelopment Districts, those that remove or prevent blight will be favored.
11. For projects in Redevelopment Districts, a ratio of taxes paid before and after redevelopment of 1:2 is desired.
12. TIF will not be used in projects that would give a significant competitive financial advantage over similar projects in the area, **unless there are special circumstances that warrant the investment of TIF dollars for the project, such as a substantial increase in high quality jobs, a competitive business may be known to be exiting the area, a local competitive business may have announced it is quitting business, the other competitive business provides evidence that it is amenable to the competitor, etc. Developers will provide information to the City to demonstrate that this criterion is met.** The developer should be able to provide market data, letters of intent or financial statements that illustrate the market potential or demand for the project.
13. **In order to be eligible to receive TIF benefits exceeding \$25,000, the applicant must sign a Business Subsidy Agreement with the City/EDA.**

- 14. For an applicant to receive TIF assistance from the City, it must demonstrate that it will create a majority of jobs (at least 60% of new employees) to be classified as those that pay at least \$9.00 per hour or higher exclusive of benefits.**

The applicant for assistance must complete an Application for TIF Assistance pursuant to the procedures outlined in the Application.

**PROJECT COSTS ELIGIBLE FOR TIF ASSISTANCE**

Project costs that qualify for TIF assistance include the following:

- Property acquisition
- Land clearance
- Relocation and demolition of structures
- Site preparation
- Soils correction
- Removal of hazardous wastes or remediation of site contamination
- Installation of utilities
- Construction of public or private improvements
- Administrative costs directly related to the identified parcels.
- Design fees
- Surveys
- Environmental studies
- Relocation of building occupants
- Rehabilitation of structures
- Special assessments
- Other costs allowed by Minnesota Statutes