


REQUEST FOR COUNCIL ACTION

Date: September 26, 2016
Item No.: 15.a

Department Approval

City Manager Approval



Item Description: Review and Consider Adopting a City of Roseville and Economic Development Authority Public Financing Policy/Business Subsidy Policy

BACKGROUND

On August 29 the City Council, meeting as the Economic Development Authority (EDA), received a presentation on public financing policy criteria from public finance/economic development consultants Stacie Kvilvang and Jason Aarsvold of Ehlers, Inc. (Attachment A). The meeting allowed the consultants to drill down on the remaining portion of the policy that articulated local criteria. The objective of the discussion was to identify consensus on wage floor, job goals, and any other specificities that may impact project consideration.

Ehlers, Inc. has crafted a draft policy that incorporates the input received on August 29 for review and consideration (Attachment B). Community Development Staff is currently working with Ehlers, Inc. to put together a public assistance application that targets the criteria identified in the policy.

POLICY OBJECTIVE

The Economic Development Authority identified Policy Development as a priority for 2016.

BUDGET IMPLICATIONS

No budget implications at this time.

STAFF RECOMMENDATION

Staff recommends that the City Council review and consider adoption of a City of Roseville and Economic Development Authority Public Financing Policy/Business Subsidy Policy.

REQUESTED COUNCIL ACTION

Motion to adopt a City of Roseville and Economic Development Authority Public Financing Policy/Business Subsidy Policy.

Prepared by: Kari Collins, Interim Community Development Director
Attachment A: August 29 EDA minutes
Attachment B: Draft Public Financing Policy/Business Subsidy Policy

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Specific to the \$15,000 allocated for market research in that recommendation, and at the request of Member McGehee, Ms. Kelsey advised the nature of the market research would be in conjunction with and to assist with the comprehensive plan update.

Mayor Roe noted another purpose of the market study was to inform economic development strategies, based on his recollection of past discussions, and confirmed by Ms. Kelsey

Referencing the April 5, 2016 memorandum from Finance Director Chris Miller to Community Development staff (Attachment A), Member Etten asked staff to expound on remaining funds of \$600,000 in Tax Increment Financing District No. 12 (Arona site), in addition to an additional \$160,000 collectable in 2016, with the District scheduled for decertification at the end of 2016 and potential uses the REDA could capitalize on before that occurred.

Ms. Kelsey advised that the REDA may want to use some of the funds for the Dale Street project, as the funds were eligible for acquisition purposes. If further consideration was desired by the REDA, Ms. Kelsey advised that the REDA would need to amend the district as other uses were not available at this time.

McGehee moved, Willmus seconded, authorizing the formal transfer of \$81,500 from Housing Replacement/Single Family Construction Program Fund (Account 720) to the EDA General Operating Fund (Account 723) to fund 2016 Proactive Economic Development Priorities.

Ayes: McGehee, Willmus, Roe, Laliberte, and Etten

Nays: None.

Motion carried.

b. Economic Development Financing Policy Discussion

Interim Community Development Director Kari Collins introduced Economic Development Consultant Stacie Kvilvang and Jason Aarsvold of Ehlers, Inc. addressing feedback provided by the REDA for development of a Public Financing Policy and solicit additional input where more refinement was needed. As part of their presentation, two bench handouts were added to the staff report, including nine questions or policy discussion points and a spreadsheet compiling and summarizing all responses from individual REDA members.

As part of her presentation, Ms. Kvilvang reviewed the spreadsheet and draft ranking criteria, and noted areas of consensus and those nine areas still needing clearer direction. Ms. Kvilvang reviewed EDA statutory requirements as part of those REDA priorities. Ms. Kvilvang reviewed areas of agreement, noting quality of jobs was a priority while job retention had not been a huge priority,

suggesting quality was more important; and the consensus was that those jobs not be related to retail but with caveats that those jobs involve permanent employees with regular hours, high salaries and benefits.

Discussion Points for Consensus

Minimum Number of Jobs

With confirmation by Ms. Kvilvang, President Roe noted statutory requirements for the REDA to have a minimum number of jobs defined was part of the reason for this discussion.

Member McGehee suggested the minimum number was not only a policy point, but provided a screening aid for staff and potential developers.

Ms. Kvilvang advised that staff would have that dialogue with developers, with those developers clearly hearing the intent and preference of the REDA as to that priority.

In accordance with statutory language, Member Etten suggested leaving the minimum number at one to leave room for flexibility for REDA support or no support, noting his desire not to be handcuffed to simply jobs as a priority when considering a development. Member Etten noted there may be other purposes besides creation of new jobs that were just as important for redevelopment.

Member Willmus, as a member of the REDA, stated he was aware of a number of past projects that would fall into the exempt area for job creation. However, Member Willmus opined that he wasn't too interested in seeking those exemptions and applying subsidies if no solid job creation was involved. Member Willmus recalled he put 3-4 jobs as a minimum on his survey, and advised he would likely hold to something in that range.

Member Laliberte stated she had put ten on her survey, as she seriously took the decision of subsidizing any development with public tax dollar funds as having job creation as a goal to justify that subsidy. Member Laliberte stated she was flexible, but had wanted to start high to protect the value of those dollars collected from taxpayers and their subsequent use.

President Roe stated he put one job as a minimum, and now based on tonight's presentation, if the REDA wanted a minimum of 3-4 jobs created, opined he could be open to that preference as well.

REDA Attorney Ingram provided an observation based on her experience with other EDA's and as pointed out by Ms. Kvilvang, state statute minimum indicated a minimum job creation number of one. Ms. Ingram opined that the REDA would be far more likely to need to deviate from their policy if they set the threshold high versus setting it at one. From a practical standpoint, Ms.

Ingram noted each developer would bring forward a specific situation hoping for negotiation; but if the REDA stated their minimum requirement was for creation of ten new jobs even before the developer came before the REDA, the city may lose developers with quality projects.

Member McGehee stated she had put a 3-4 job range, but agreed to move to the creation of one job based on tonight's discussion. However, Member McGehee stated she wanted to ensure jobs were permanent or long-term and that this message came across clearly to staff and developers.

President Roe agreed that, while the statutory language set a minimum number for job creation, the REDA had other criteria in their policy that defined the types of jobs it was interested in creating.

Ms. Kvilvang noted, under this category, the REDA could define a time period for the developer to keep jobs in place (typically five years) or they would be required to repay a portion of the subsidy provided by the city that would be returned to the REDA.

Member Laliberte stated she didn't feel rigid about the creation of ten jobs; and for discussion purposes, expressed appreciation for the comments of her colleagues in not needing to make a number of exceptions to the policy.

Ms. Kvilvang reminded the REDA that they were creating a policy, not a law or ordinance, and therefore could deviate from that policy. While the statute allowed for the REDA as a governing board to state their preference, Ms. Kvilvang noted the REDA could deviate or change that policy at their discretion based on specific projects.

Member Willmus put forward a suggestion to tie the REDA policy to creation of a minimum of three jobs; with agreement from the Board without objection.

Value of Subsidy Per Job Created

Ms. Kvilvang stated Ehler's proposal was that the REDA not limit subsidies to a per-job amount.

Member Etten agreed with the advice of Ehler's based on their expertise, opining it was better not to tie jobs specifically to subsidies, with other criteria available beyond jobs. Member Etten noted limiting subsidies to job creation could hold back some preferred developments.

Member McGehee stated she thought the REDA should seek some good paying jobs, but agreed to yield to the experience of Ehlers.

Member Laliberte advised she didn't comment on this in the survey, as she was seeking more discussion as tonight, and found it helpful.

Member Willmus agreed with the recommendation of Ehlers.

President Roe agreed with the recommendation of Ehlers. President Roe stated his hesitancy to limit subsidies not knowing what development or what financial resources may be out there. If limiting subsidies in the policy, President Roe noted there may be multiple exceptions with the policy for each development coming forward.

Without objection, President Roe concluded there was no desire by the REDA to limit on the amount of subsidy per job created.

Minimum Wage Threshold

Ms. Kvilvang noted the REDA survey ranges fell within the categories of 2, 2.5, or 3 times the MN State minimum wage. Ms. Kvilvang compared that range with the Ramsey County poverty wage and annual inflators, noting that the REDA survey created a higher threshold than the County poverty wage. For an easier to understand threshold, Ms. Kvilvang suggested the REDA tie into the State minimum wage, opining that 3 times may be high.

Mr. Aarsvold agreed, noting if the REDA set a minimum of three jobs, the policy would address those three jobs, recognizing that other jobs may not reach that threshold.

President Roe noted his idea was to tie the wages to poverty wages, since it was based on the cost of living, because the State minimum wage was dependent on legislative review. President Roe noted he had somewhat arbitrarily chosen 2 times the poverty wage as a threshold, noting his concern was in tying the threshold to the State minimum wage when that may not always be tied to actual cost of living calculations.

Member McGehee noted her threshold was on the high end, and stated she intended to stick with that and would not support linking the threshold to the poverty wage. Member McGehee opined that most people were aware of minimum wage rates, and further opined that the REDA could change their policy as needed. Member McGehee stated she looked at it from the standpoint of what it would reasonably cost a person to live in Roseville, and opined the 3 times threshold seemed in that range. Member McGehee stated the REDA's goal was to have people able to live and function successfully in the community; and clarified that this involved only a small number of jobs. Member McGehee stated she'd be willing to go as low as 2.5 times, but not below that.

Member Willmus stated he had also put forward 3 times minimum wage, as he was originally looking at the Bureau of Labor Statistics and their information about salaries and wages for different job classifications, noting that the wages

for many of the types of jobs he was focused on were higher than that. However, based on tonight's discussion, Member Willmus agreed to move to 2.5 times, seeking a minimum of \$50,000, but opined he was still inclined toward the 3 times rate.

Member Laliberte stated she had also stated 3 times for many of the same reasons already mentioned by her colleagues. Member Laliberte agreed to move down to 2.5 times, but no lower than that.

At this point, Member Etten stated he was at the 2 times threshold; opining a \$40,000 per year job was solid, noting starting teachers didn't make that amount in the Roseville or Mounds View School Districts. Member Etten cautioned making the standards so lofty that a company or development was lost. However, if the majority of the REDA agreed with 2.5 times, he was amenable, but noted that may exclude other quality jobs.

President Roe noted related survey questions on the average salary across all jobs elsewhere in the survey.

Ms. Kvilvang opined, based on tonight's discussion and consensus so far, other jobs would be negotiated at less than the threshold, but she didn't think that would preclude the REDA from too much. Ms. Kvilvang noted this could be the upper management of a firm, but clarified the difference may be if the REDA didn't ever want to apply the exception with housing. However, while that discussion would be coming up, Ms. Kvilvang noted the REDA didn't appear to consider funding of housing as a big priority at this point.

Member Laliberte agreed with Member Etten on the types of jobs and earnings. However, Member Laliberte advised that for her the consideration was how a project may be subsidized, hoping the leadership for those jobs or a project would be of a higher level.

Member McGehee stated she preferred to hold fast at the 3 times minimum wage threshold, noting the many lower paying jobs already in the community, and this only affecting three jobs.

Member Etten agreed with the 3 times minimum threshold.

Without objection, President Roe concluded that the REDA had settled that the wage threshold in the policy would be based on 3 times minimum wage.

Building Valuations / Minimum Assessment Agreements

Based on her twenty-five years of experience in the field, Ms. Kvilvang advised that values didn't change that much for industrial properties; while retail/commercial markets had changed based on square footage especially for retail. Ms. Kvilvang advised that medical offices were valued higher than

typical office uses; and large buildings providing less value per square foot and smaller buildings greater value per square foot, but often variable based on amenities they provided. While Ehlers didn't recommend a minimum threshold, opining the market was what it is, Ms. Kvilvang sought a consensus of the REDA. Ms. Kvilvang advised that most cities routinely had minimum assessment agreements as part of their developer agreements, with discussions held with the county assessor regarding minimum market value and setting that level at the time of project completion. Ms. Kvilvang advised that typically those properties maintained their value over time, but by having that minimum assessment in place, a property owner could not petition the county assessor to go below that amount.

Ms. Kvilvang advised that developers frequently don't understand how property taxes work, and this helped them understand how assistance would be generated. Ms. Kvilvang noted lenders also liked that information documented, ensuring a minimum valuation was retained and not reduced. If TIF was involved, Ms. Kvilvang noted, whether a 9 or 24 year district, developers often petitioned that their values be reduced; and outlined the options available for the REDA and developer in various scenarios. Ms. Kvilvang advised that Ehlers recommended minimum assessment agreements be included in the REDA policy for future developer agreements.

Mr. Aarsvold stated he was on the fence with including this provision, but agreed it had validity if issuing General Obligation bonds to ensure the TIF stream was on track. While many people didn't think along the lines outlined by Ms. Kvilvang, Mr. Aarsvold agreed ten years down the road it could prove helpful to have such an agreement in place creating less hassle. Mr. Aarsvold noted there were a few instances where values had fallen under minimum assessment values, with the property owner paying more in property taxes than they were getting out of TIF; noting that could create a sustainability issue.

At the request of Member Willmus, Ms. Kvilvang clarified that the assessed value was determined, through forecasting calculations with the assessor, on today's value levels for new development versus when it came on line possibly in two years. Based on her experience, Ms. Kvilvang stated those valuations typically came in at market rate values; and were based on comparable sales reviewed by the assessor in the market.

President Roe noted three members supported a minimum value per square foot threshold, and with Ehler's recommendation not to include it, sought consensus.

Member McGehee stated she had considered the minimum based on square footage; but agreed to drop that in lieu of a floor that would be maintained under agreement with the assessor at the beginning. Member McGehee stated

her reason in seeking a minimum threshold was to protect the value and tax base for a project receiving a subsidy, but agreed this would hold it better.

Member Etten stated he was not in favor of the minimum value per square foot threshold as it could vary with development. However, Member Etten spoke in support of the minimum assessment agreement for long-term protection of the taxpayer investment.

Member Laliberte spoke in support of the minimum assessment agreement to protect value of the development.

President Roe stated he had trouble setting a minimum value per square foot, for many of the same reasons noted by Member Etten. In reviewing current values, President Roe noted retail values were high; and he didn't want to have a policy in place to help retail. Therefore, President Roe stated he would support a minimum assessment agreement as an excellent way to protect those values.

Member Etten stated his agreement with the majority.

Without objection, President Roe concluded the REDA had determined that the policy would provide for no minimum value square foot, but would pursue a minimum assessment agreement.

Ratio of Public versus Private Investment and Leveraging Resources

Ms. Kvilvang noted most cities didn't put this in their policy, but staff included the information in their staff reports to the REDA when any request came forward.

Member McGehee stated her preference if subsidizing buildings, that they included an improvement over current stock, whether for housing or any other development coming forward.

Member Laliberte agreed, referencing past projects that sought too much public assistance, with outside investigations concurring with the city's assessment.

Commercial Targeted Sectors (above black line on displayed slide) Included in Policy

Ms. Kvilvang noted those preferred areas for commercial development (e.g. corporate campus; office; small, non-retail business; non start ups but under fifty employees; multi-tenant buildings; high-tech or major manufacture; research and development; medical offices or facilities) that received priority status from the REDA.

Ms. Kvilvang identified those items not a priority included sit-down restaurants, warehouse/distribution uses, small specialty retail, and “other” identified as something new that would complete the community.

Member Willmus stated he was not supportive in general of retail unless it fell within the local, family-owned category.

President Roe agreed; but clarified a small sit-down restaurant may be considered if it fell within the small business category.

Member Laliberte agreed that she could support a private endeavor if it fell into the small business category, but noted the number of chains and retail franchises already in the community.

Member Etten asked how to define “small business,” whether that meant the total in the community under fifty employees, or their national number elsewhere.

Ms. Kvilvang noted satellite offices were not typically counted as small businesses, but part of their parent company. Therefore, Ms. Kvilvang noted small businesses would be defined as newer, non-franchised establishments.

Ms. Collins agreed and provided an example of how a small business may deviate from the REDA policy, but still fall under the retail category.

President Roe recalled that recent new warehouse type facilities in Roseville seemed to provide good wage levels, and suggested further review of warehouse uses.

REDA Executive Director Trudgeon noted they may be good paying jobs, but not of great quantity. In his review of the REDA survey, Mr. Trudgeon noted the interest appears to be the number of employees, and like data centers as well as warehouses, and with not a lot of employees on site that may have driven that category down more than actual wages.

Member McGehee stated she didn’t consider “distribution” due to the number of those uses already in Roseville, and the traffic they generated, amount of space they took up, and considerable amount of impervious surface (parking lots) they took up, including truck traffic generated. Given those characteristics, Member McGehee opined she wasn’t that interested in more.

President Roe suggested there may be special situations where they could be given consideration.

As defined in the displayed slide, without objection, President Roe concluded that the REDA had determined that the list was appropriate, with the inclusion of retail only if it fell within the small, family-owned category.

Multi-Family Housing Priority/REDA Subsidy Consideration

Ms. Kvilvang reviewed various housing stock preferences expressed by individual members in the survey, and those already available or still needed, displayed on the slide. Ms. Kvilvang concluded that housing didn't seem to be a priority of the REDA with a disconnect for bonus criteria, and housing driving most redevelopment projects.

President Roe clarified that he didn't have a sense housing was not important to the REDA, just that there had been some challenging projects coming before the city recently.

Member Etten stated his support for ways to find workforce housing, noting a number of Roseville residents needing that established need as indicated on the previous survey done by the Roseville Housing & Redevelopment Authority (RHRA). With the majority of the RHRA serving as professionals in the housing market, Member Etten, noted one of the body's high goals was to seek quality housing to support that category. In consideration of previous wage discussions tonight falling within some of those workforce housing categories, Member Etten stated he would support that component, but only as bonus points, but still given consideration.

Member McGehee stated she wasn't opposed to it, noting the city's long-standing workforce and affordable housing priorities. However, Member McGehee stated her preference that that housing include the same green space and amenities as market rate housing and in the same building as market rate versus segregating those units. Member McGehee stated she would not consider anything without those amenities. Member McGehee stated she would like to see some novel and new ideas provided in that range, whether a smaller community of attached homes with a very small common space, or something other than a high-rise category for workforce and affordable housing.

Member Willmus stated his current struggle with high density residential (HDR) housing already in Roseville, and the number monthly or leased rentals. Member Willmus stated he'd like to see exploration of workforce or affordable housing components tied to ownership of those units, such as detached townhomes. Member Willmus noted he'd scored medium density residential (MDR) low, noting those density situations typically fell into areas many in the community were leery of. Member Willmus opined that, specific to Twin Lakes, he was not looking to develop it with apartment style housing. However, specific to SE Roseville, Member Willmus noted he would consider more HDR in that area to supplement that existing housing stock. However, if

looking for affordable, workforce housing stock, Member Willmus reiterated his preference for ownership components.

Member Etten noted previous discussions of the RHRA about land trusts as an example that could provide affordable ownership for families. However, Member Etten questioned whether a developer would bring such an idea to the REDA, or if the city would need to seek that option on its own.

As far as priority ranking, Member Laliberte noted she had ranked it fairly low. Member Laliberte noted that ranking was based on many comments made to her in the past concerning density factors when projects come forward as high-rise or multi-family housing. Member Laliberte agreed with Member Willmus that there was not need for more of those; and noted that single-family homes provided sufficient turnover to create starter homes in some wage brackets. However, Member Laliberte opined there was a need to make sure that level retained its value and proved inviting for those moving into the community, whether or not it required prioritization.

In terms of providing assistance, President Roe suggested the REDA focus on housing areas in their market study that identified a particular need in the community. While opining luxury housing and subsidies didn't go well together, President Roe spoke in support of workforce housing. While supporting ownership possibilities, President Roe noted the need to be cognizant of the marketplace that continued to trend toward rentals, therefore he didn't want to exclude rentals. In SE Roseville where there was already fairly dense housing, President Roe stated his preference would move toward rehabilitation of existing buildings, since no new project had come forward in that area in years. While some existing buildings provide affordable housing, President Roe noted some barely got by condition-wise, and suggested if the REDA wanted to provide high-quality workforce housing, it support those rehabilitations. President Roe agreed creative ideas were good, but opined he didn't want to not consider multi-family either at market rate versus luxury. President Roe also spoke in support of affordable senior housing.

Member Willmus agreed with President Roe when looking at established areas, suggesting the policy be crafted around providing assistance to restore, rehabilitate or replace, but move away from new HDR.

Member McGehee concurred with Member Willmus, also supporting rehabilitation components. However, if the REDA supports more rentals, Member McGehee reminded the REDA that most all the condominiums in the community started out as apartments, and were not well-built, now creating huge issues with that construction and buildings now serving not as they were originally intended.

President Roe suggested the REDA may choose to be more supportive of assisting with the demolition of older buildings if their construction didn't meet today's standards that would serve to facilitate new construction.

Member Laliberte concurred, noting offsetting some of those costs to make an existing site better would be more desirable to her than simply adding more units.

President Roe noted that didn't mean those projects not needing assistance if zoned for that type of project.

Member McGehee opined if the REDA tore those existing buildings down to upgrade them, they needed to accommodate those tenants at the same rate.

President Roe agreed such a policy required equity provisions.

Ms. Kvilvang suggested policy language that provided if renovating an existing rental or condominium (e.g. HIA) that would be a priority for the REDA. However, Ms. Kvilvang sought further clarification if that included the potential for redevelopment or only renovation.

Without objection, President Roe concluded the REDA supported renovation OR replacement.

Also without objection, with Member Willmus highlighting it, consensus was that the REDA did not support HIA as an option.

At the request of Member Etten, President Roe clarified the replacement included meeting workforce needs as a target, and also providing missing housing stock options in the community, while focusing on rehabilitation, redevelopment or replacement, but also including workforce or market study identified needs.

Number and Type of Housing

Ms. Kvilvang compared responses in the survey and support or lack of support for higher and lower density, affordable and luxury housing, as well as parameters for the mix of affordable units, and novel housing solutions that are sustainable. Ms. Kvilvang suggested either leaving the policy open-ended or remaining silent on this issue.

President Roe noted that with Federal tax credit funding often used for workforce housing, the workforce units had to be in a single building versus spread across multiple buildings, so would not support a policy requiring units to be spread across multiple buildings, but was supportive of consistent amenities and quality among workforce and market rate units in a single project.

Member McGehee agreed, but reiterated her interest in parity in a building for affordable and market rates, with the same building quality and amenities.

President Roe stated his support of that as well, but based on reality, opined there was a need to consider projects with multiple buildings to ensure they offered the same amenities and not two different levels of housing.

Member Etten concurred with President Roe.

Targeted Sectors (per displayed slide)

Ms. Kvilvang outlined areas to include in the policy based on survey information: clean-up of polluted areas, clean-up of blighted areas; special purpose projects (e.g. SE Roseville); retaining a major employer; demonstration of extraordinary efficiency practices; significant rehabilitation of existing properties; provided housing options not currently available; and preservation or stabilization of malls and/or major commercial nodes.

Without objection, President Roe noted these areas articulated the goals of the REDA as laid out by Ehlers.

President Roe clarified that he didn't want bonus factors or categories outweighing the general policy; duly noted by Ms. Kvilvang.

Open Comment – Areas the City DOESN'T want to Provide Assistance

Ms. Kvilvang reviewed the displayed list of those areas, including: retail establishments unless smaller stores (e.g. not strip malls); most multi-family housing, LDR, projects that pollute with noise or contaminate the air, ground, or water; any project from staff or the City Council not vetted in the charrette process within the community; anything not providing good jobs and benefits; no big box stores; no adult entertainment, no pawn shops, and no trucking terminals.

Member Willmus suggested additional discussion on the charrette process and noting the expense of such a process, questioned if it would be required if the REDA was looking to financially assist a corporate headquarters use, for example, in an area properly zoned as such and not directly adjacent to less intense uses.

President Roe opined it sounded like the intent was for any city-initiated projects to ensure sufficient public participation.

REDA Executive Director Trudgeon stated it was addressing if staff came forward with a multi-million dollar project without public input versus a developer using a vetting process with the public.

Without objection, President Roe noted that, the REDA agreed with the list, excluding the charrette process in circumstances as clarified and noting other city standards related to the process..

Open Comment – Areas the City DOES want to Provide Assistance

Ms. Kvilvang reviewed the preferences outlined in the survey, noting they were typical in most communities (e.g. underground or ramp parking to address reduced surface parking; green enhancements, etc.). Ms. Kvilvang noted others included public infrastructure; affordable housing at 20% of luxury product; pedestrian or transit amenities; and increased green space.

Member Etten spoke in support of the highlighted items, but questioned the need to highlight them specifically; with consensus by the REDA.

President Roe noted underground parking was addressed in the last comprehensive plan update; and suggested the other items could be included a part of staff's review. President Roe stated his willingness to look at city assistance for additional amenities in line with city preferences and goals, and in lieu of other amenities or items that may be lacking as staff reviewed a particular project.

Without objection, President Roe noted the REDA agreed to make the top two items part of the policy, with other items falling under staff consideration.

What City Fees Would the City or REDA be willing to Waive

Ms. Kvilvang noted this included building permits, park dedication fees, water access or sewer access charges (WAC) or (SAC). Ms. Kvilvang advised that most communities were not willing to waive building permit fees, since they considered it part of doing business, but seemed more willing to consider waiving park dedication fees, often for senior assisted products since they weren't deemed a burden on parks, while some say the park system has to be covered in any situation.

Members Willmus, McGehee and Laliberte stated they were not in favor of waiving any fees.

President Roe reminded members of the possibility that always exists to focus more on land in lieu of cash for park dedications.

Member Etten concurred. However, he noted sometimes there were SAC credits available from the Metropolitan Council, not just the city, that he would not be opposed to using.

Member consensus was that they would not be opposed to using those SAC credits.

REDA Executive Director Trudgeon reviewed previous and current SAC charges and the process and credits retained by the city for use throughout the city. Mr. Trudgeon noted that current credit balance in Roseville was close to \$1 million.

President Roe provided additional information on the purpose of SAC to pay for development over time for the larger metropolitan sewer system and assistance for new developments in meeting other criteria.

Ms. Kvilvang advised that her firm would work with city staff to fill in the policy and return to the REDA with an updated draft policy incorporating tonight's discussion.

Public Comment

Lisa McCormick, Wheeler Street

At the request of Ms. McCormick, President Roe advised that additional public input would be heard prior to finalizing this policy.

Ms. McCormick opined there was a big concern among the community that the Twin Lakes discussion be incorporated into this citywide policy, particularly those items addressed from community feedback in the former Community Development Director Bilotta survey. Ms. McCormick sought confirmation that would be taken into account.

Ms. McCormick expressed appreciation for Member McGehee's comments on income levels and tying job levels to income to encourage quality businesses in the area. With the median income in Roseville at \$60,000, Ms. McCormick stated her appreciation for keeping the minimum threshold at 3 times the State minimum wage.

Specific to small businesses, and whether the REDA wanted to support them, Ms. McCormick asked that the REDA consider standards to gauge the quality of those small businesses from a community member standpoint and whether or not the business was willing to be a good corporate neighbor to their residential neighbors. When reviewing increased green space and parking, Ms. McCormick asked that the policy also include increased screening and buffering between adjacent commercial and residential properties.

President Roe thanked Ms. Kvilvang and Mr. Aarsvold for their insight with this discussion.

c. Adopt 2017 REDA Budget

Interim Community Development Director Kari Collins summarized the options for staffing and programming related to the 2017 budget for the REDA and broader Community Development Department. Ms. Collins reviewed the 2017 Preliminary Budget provided as a bench handout (Attachment A), and monthly and annual levy impacts for each of those options. An additional



**City of Roseville and
Roseville Economic Development Authority
DRAFT - Public Financing Criteria and Business Subsidy Policy
September 2016**

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. Subdivision 3 of the Statutes specifies forms of financial assistance that 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 Roseville and the Roseville Economic Development Authority (“EDA”) for granting of business subsidies and public financing for private development within the City. As used in this Policy, the term “City” shall be understood to include the EDA. 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 the job and wage goals criteria outlined in Section 5 D and E below 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. 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, 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 and EDA.
 - 2. Expand and diversify the local economy and tax base.
 - 3. Encourage additional unsubsidized private development in the area, either directly or through secondary "spin-off" development.
 - 4. 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. Facilitate the development process and promote development on sites that could not be developed without this assistance.
 - 6. Retain local jobs and/or increase the number and diversity of quality jobs
 - 7. 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.

3. 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 so designates, a third party financial advisor who will inform the City of its findings and recommendations. This process, known as the “But For” analysis is intended to establish the project would not be feasible but for the City assistance.
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 “but for” analysis
 - b. Establishment of “look back provisions”
 - c. Establishment of minimum assessment agreements
3. TIF and abatement will be provided 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 City will set up TIF districts in accordance with the maximum number of statutory years allowable. However, this does not mean that the developer will be granted assistance for the full term of the district.
5. The City will elect the fiscal disparities contribution to come from inside applicable TIF district(s) to eliminate any impact to the existing tax payers of the community.
6. Public financing will not be used to support speculative commercial, office or housing projects. In general the developer should be able to provide market data, tenant letters of commitment or finance statements which support the market potential/demand for the proposed project.
7. Public financing will generally not be used to support retail development. The City may consider projects that include a retail component provided they meet a Desired Qualification as identified in Section 4.2.C(8) of this policy.
8. Public financing will not be used in projects that would give a significant competitive financial advantage over similar projects in the area due to the use of public subsidies. Developers should provide information to support that assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
9. Public financing will not be used in a project that involves a land and/or property acquisition price in excess of fair market value.
10. The developer will pay all applicable application fees and pay for the City and EDA’s fiscal and legal advisor time as stated in the City’s Public Assistance Application.

11. The City will not consider waiving fees including, but not limited to, building permit fees, park dedication fees, SAC charges, and planning and zoning application fees. The City may consider using SAC credits, to the extent they are available, to off-set a project's SAC expenses.
12. 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.
13. All developments are subject to execution and recording of a Minimum Assessment Agreement.

4. 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.

4.1 MINIMUM QUALIFICATIONS/REQUIREMENTS:

- 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.
- 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 documents.
- 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.

4.2 DESIRED QUALIFICATIONS:

- A. Projects providing a high ratio of private investment to City public investment will receive priority consideration. Private investment includes developer cash, government and bank loans, conduit bonds, tax credit equity, and land if already owned by the developer.
- B. Proposals that significantly increase the amount of property taxes paid after redevelopment will receive priority consideration.
- C. Proposals that encourage the following will receive priority consideration:
 - 1. Implements the City’s vision and values for a City-identified redevelopment area
 - 2. Provides significant improvement to surrounding land uses, the neighborhood, and/or the City
 - 3. Attracts or retains a significant employer within the City
 - 4. Promotes multi-family housing investment that meets the following City goals:
 - a. Extensive rehabilitation of existing multi-family housing stock
 - b. Demonstration of need for the type of multi-family housing proposed through a market study or other reliable market data.
 - c. Multi-family workforce housing proposals that include amenities similar to those found in market rate housing
 - d. Workforce housing proposals that consider innovative and alternative forms of development and do not include high-rise buildings
 - 5. Provides significant rehabilitation or expansion and/or replacement of existing office or commercial facility
 - 6. Provides opportunities for corporate campus or medical office development
 - 7. Provides opportunity for hi-tech, med-tech, R & D facilities/office or major manufacturer
 - 8. Provides opportunities for small businesses (under 50 employees) that are non, start-up companies
 - 9. Provides opportunities for small businesses that may enhance the quality of life within neighborhoods
 - 10. Redevelops a blighted, contaminated and/or challenged site

11. Adds needed road, access and multi-modal improvements
12. Addition of specific project enhancements including, but not limited to, architectural upgrades, pedestrian and transit connections, green building practices and enhanced site planning features.

5. BUSINESS SUBSIDY PUBLIC PURPOSE, JOBS AND WAGE REQUIREMENT

- A. All business subsidies must meet a public purpose with measurable benefit to the City as a whole.
- 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 **3** Full Time, or Full Time Equivalent (FTE) jobs is a minimum requirement for consideration of assistance. For purposes of this Policy, FTE's must be permanent positions with set hours, and be eligible for benefits.
- E. The wage floor for wages to be paid for the jobs created shall be not less than 300% of the State of MN Minimum Wage. 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.

6. 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.

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. Consideration of project meeting desired qualifications
 3. Project meets “but-for” analysis and/or statutory qualifications
 4. 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.

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