

# CITY OF NEWPORT BUSINESS ASSISTANCE POLICY

## 1. PURPOSE

**Subd. 1.01.** The purpose of this policy is to establish the City of Newport's position as it relates to the use of Tax Increment Financing, Tax Abatement and other business assistance programs for private development. This policy shall be used as a guide in processing and reviewing applications requesting business assistance.

**Subd. 1.02.** The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. *Minnesota Statutes 116J.994, Subd. 2*, allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the department.

## 2. STATUTORY LIMITATIONS

**Subd. 2.01.** In accordance with the City of Newport's Business Assistance Policy, assistance requests must comply with applicable State Statutes.

## 3. ELIGIBLE USES FOR THE RECEIPT OF BUSINESS ASSISTANCE

**Subd. 3.01.** As a matter of adopted policy, the City of Newport will consider using a business assistance tool to assist private developments only in those circumstances in which the proposed private projects meet one or more of the following uses:

- A. To meet the following housing related uses:
  - 1. To provide a diversity of housing not currently provided by the private market.
  - 2. To provide a variety of housing ownership alternatives and housing choices.
  - 3. To promote affordable housing for low or moderate income individuals.
  - 4. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.
- B. 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.
- C. To increase the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents while lessening the reliance on residential property tax.
- D. To retain local jobs, increase the local job base, and provide diversity in that job base.
- E. To increase the local business and industrial market potential of the City of Newport.
- F. To encourage additional unsubsidized private development in the area, either directly, or through secondary "spinoff" development.

- G. To offset increased costs of redevelopment, over and above the costs that a developer would incur in normal development.
- H. To accelerate the development process and to achieve development on sites which would not be developed without this assistance.
- I. To attract a level of specialty goods and services that is not currently being offered in the City of Newport.

#### **4. BUSINESS ASSISTANCE PROJECT APPROVAL CRITERIA**

**Subd. 4 .01.** All new projects approved by the City of Newport should meet the following mandatory minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.

- A. The assistance shall be provided within applicable state legislative restrictions, State Auditor interpretation, debt limit guidelines, and other appropriate financial requirements and policies.
- B. The project should meet one or more of the uses identified in Section 3, Eligible Uses for the Receipt of Business Assistance.
- C. The project must be in accord with the Comprehensive Plan and Zoning Ordinances, or required changes to the Comprehensive Plan and Zoning Ordinances which would accommodate the project must be under active consideration by the City at the time of approval.
- D. The assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. Assistance will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business assistance request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is consistent as set forth in Appendix A.
- E. Prior to approval of business assistance, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with an independent underwriting.
- F. Any developer requesting business assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
- G. It is desirable if the developer retains ownership of the project at least long enough to complete construction, to stabilize its occupancy, to establish the project management, and to initiate repayment of the business assistance.
- H. The level of business assistance funding should be reduced to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and then using other funding sources or income producing vehicles that can be structured into the project financing, prior to using additional business assistance funding.

## **5. BUSINESS ASSISTANCE PROJECT EVALUATION CRITERIA**

**Subd. 5.01.** All projects will be evaluated by the Newport City Council on the following criteria (as set forth in Section 5.03) for comparison with other proposed business assistance projects reviewed by the City and for comparison with other subsidy standards (where appropriate). It is realized that changes in local markets, costs of construction, and interest rates may cause changes in the amounts of business assistance subsidies that a given project may require at any given time.

**Subd. 5.02.** Some criteria, by their very nature, must remain subjective. However, wherever possible "benchmark" criteria have been established for review purposes. The fact that a given proposal meets one or more "benchmark" criteria does not mean that it is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business assistance proposals, using uniform standards whenever possible.

**Subd. 5.03.** Following are the evaluation criteria that will be used by the City of Newport:

- A. Proposals should, in the opinion of the City Council, optimize the private development potential of a site.
- B. Proposals should, in the opinion of the City Council, create a high number of jobs on the site. Proposals should meet the Business Subsidy Criteria established by the City.
- C. When considering business assistance for a relocating or new business request, the Council should weigh the impact on existing competition / businesses which are already established in the community.
- D. Proposals should, in the opinion of the City Council, create a high ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the City, this ratio will vary widely.
- E. Proposals should usually not be used to support speculative industrial, commercial, and office projects.
- F. Assistance will usually not be used in a project that involves an excessive land and/or property price.
- G. Business assistance projects should need to meet the "but for" test. Assistance will not be used unless the need for the City's economic participation is sufficient that, without that assistance the project could not proceed in the manner as proposed.
- H. Business assistance will not be used when the developer's credentials, in the sole judgment of the City, are inadequate due to past track record relating to: completion of projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City.
- I. Business assistance will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments.

- J. Business assistance funding should not be provided to those projects that fail to meet good public policy criteria as determined by the Council, including: poor project quality; projects that are not in accord with the comprehensive plan, zoning, redevelopment plans, and city policies; projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the City in the opinion of Mayor and Council; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use for the property.
- K. The following supplemental policies are attached hereto and made part of the Business Assistance Policy:
- Tax Increment Financing Policy
  - Tax Abatement Policy