

City of Madelia  
Tax Increment Financing (“TIF”)

## **Policies and Procedures**

### **I. Purpose**

The purpose of this policy is to establish the City of Madelia’s (“City”) and the Economic Development Authority (“EDA”)'s position as it relates to the use of tax increment financing for private and public development. This policy shall be used as a guide in processing and reviewing applications requesting TIF assistance.

The fundamental purpose of TIF in Madelia is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided. The City shall have the option of amending or waiving sections of this policy when appropriate.

### **II. Statutory Limitations**

In accordance with the tax increment policy, tax increment financing requests must comply with applicable state statutes. The City is governed by the limitations established in the Minnesota Tax Increment Financing Act (M.S. § 4.69.174 -469.1791, as amended) for all districts created after August 1, 1979.

### **III. TIF Objectives**

Tax increment financing is provided to businesses in order to encourage the following:

- A. *Create or retain jobs*
- B. *Increase low and moderate income housing*
- C. *Increase tax base*
- D. *Elimination of slum or blight*
- E. *Diversification of the overall industry base*
- F. *Exportation of products and/or services outside the state*
- G. *Increase health care service*

### **IV. Types of Tax Increment Financing Districts**

The following types of TIF districts may be established:

- A. *Economic Development Districts*
  - 1. Use: Encourage manufacturing and other footloose industries
  - 2. Maximum Duration: 9 years
- B. *Redevelopment Districts*
  - 1. Use: Redevelop blighted areas
  - 2. Maximum Duration: 26 years

This tax increment financing policy was adopted on November 13, 2023.

*C. Housing Districts*

1. Use: Assist low- and moderate-income housing
2. Maximum Duration: 26 years

*D. Renewal and Renovation Districts*

1. Use: Redevelop areas with obsolete uses, not meeting blight test
2. Maximum Duration: 16 years

*E. Other types of TIF districts, along with specific criteria, may be considered on a case-by-case basis*

## **V. Criteria**

*1. “But-for” Test*

The applicant must demonstrate that the project or development would not happen without business assistance.

*B. Meets one or more TIF objectives in section III.*

## **VI. Financing**

Tax increment assistance will be provided upon receipt of taxes by the City, otherwise referred to as the pay-as-you-go method whenever possible. Requests for up front financing will be discouraged.

## **VII. Application Process**

The following outlines the general process of a TIF request. The project may not start prior to final city council approval. Costs incurred prior to city council approval might not be eligible for TIF. Additional steps and/or city commission reviews may be necessary in some cases.

*A. Meeting with EDA Staff and Public Finance Advisor*

The City and EDA recommend that any business or person interested in applying for tax increment financing meet with the EDA director/staff prior to submitting an application. The initial meeting(s) will cover the following topics:

- Help the prospective applicant evaluate whether the proposed project is eligible for tax increment financing.
- Provide the prospective applicant with a copy of the City and EDA guidelines for TIF requests
- Provide an estimated timeline based on the type of TIF district the applicant is seeking.

*B. Application Submission*

An application is submitted to City Hall with all required supporting documents. The submission of an application does not guarantee an approval.

An escrow in the amount of \$15,000 will be required at the time of application submission to cover consultant fees and the development of an TIF agreement. If these costs are less than the fee, the difference will be returned to the applicant. In the event that a project costs more than the fee, the City will send the applicant an invoice at a later date. By submitting an application, an applicant is agreeing to reimburse the City for all costs incurred as a result of reviewing and setting up a TIF district regardless of approval.

*C. Initial Application Review*

City staff reviews the application for completion within 3 business days of its submission. If items are not submitted, the applicant is contacted with a request to provide the additional information.

*D. Application Eligibility Review*

EDA staff and the City's public finance advisor review the application to determine if the application meets eligibility criteria.

Following their application review, eligible applications are placed on the EDA board agenda for review. If an application review is not completed prior to the next scheduled EDA board meeting, applicants will be provided with written notification as the reason for the delay. Applicants who submit ineligible applications are provided written notification as to the reason for their application's ineligibility.

*E. EDA Review and Recommendation*

Eligible applications are submitted to the EDA to provide recommendation of approval or denial of the proposal. The EDA board may request additional information after reviewing the application and postpone a recommendation until the subsequent meeting. The EDA will forward a recommendation to the City Council. If a recommendation for approval is granted by the EDA, all necessary notices and resolutions will be prepared by City staff.

Applicants will be provided with written notice as to the EDA's recommendation.

*F. Public Hearings and Notices*

A public hearing on the proposed project is scheduled and other jurisdictions are provided notice as required. The public hearing will be scheduled prior to the next scheduled council meeting following the required jurisdictional review timeframes.

*G. Application Decisioning by City Council*

Following the public meeting, the City Council grants approval or denial of the proposal. The applicant will receive written notification of the City Council's decision.

All approved requests will need to sign a TIF agreement in order to receive the TIF benefit.

## **VIII. Servicing**

The recipient business shall comply with all reasonable information requests made by the Madelia Economic Development Authority and/or the City of Madelia to ensure compliance with complete TIF reporting. These must be provided to the City Administrator annually before January 31 of the previous calendar year for the duration of the requirements of the development agreement.

In order to receive TIF, dated invoices for those project elements must be submitted to EDA staff totaling or exceeding the TIF benefit granted by the City.

Minnesota business subsidy reporting requirements may apply.

## **IX. Default**

### *1. Event of Default*

The following shall be “Events of Default”:

1. Subject to unavoidable delays, failure by the Developer to cause the Project to be completed pursuant to the terms, conditions or limitation of the TIF Agreement.
2. Subject to unavoidable delays, failure of the Developer or its successors or assigns to observe or perform any other covenant, condition, obligation, or agreement on its part to be observed or performed under the TIF Agreement.

### *B. Remedies on Default*

In the Event of Default by the recipient business, the City may take any one or more of the following actions after the giving of thirty (30) days’ written notice to the Developer or its successors or assigns, but only if the Event of Default has not been cured within said thirty (30) days, or, if Event of Default cannot reasonably be cured within the time, the Developer or its successors or assigns fails to give assurances reasonably satisfactory to the City that the Event of Default will be cured within a period of time reasonably acceptable to the City, but in any event not to exceed 90 days:

1. The City may suspend its performance under the TIF Agreement until it receives assurances from the Developer deemed adequate by the City, that the Developer or its successors and assigns will cure the default and continue its performance under this agreement.
2. The City may cancel and terminate the TIF Agreement or pursue any legal or equitable remedy available to it.
3. The City may take any action which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under the TIF Agreement.
4. If a default occurs and the EDA or the City employs attorneys or incurs other expenses in taking any action, including legal or administrative action, which may appear necessary or desirable to enforce any of actions provided above, or any other obligation, agreement, or covenant provided in the TIF Agreement, the recipient

business agrees that it shall, on demand therefore, pay the reasonable fees of such attorneys and such other expenses so incurred by the Madelia Economic Development Authority or the City Council of Madelia.

## **X. Conflicts of Interest**

No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the business assistance request which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor on any obligations under the terms of a signed TIF agreement.