

City of St. Joseph

Policy and Procedures

Tax Increment Financing and Tax Abatement

For the purpose of this policy, the “EDA” shall also mean the St. Joseph Economic Development Authority, which serves in conducting various economic development, housing and redevelopment programs and activities within the City of St. Joseph. Tax increment financing and tax abatement are generally interchangeable with respect to policy application.

I. GENERAL POLICY

The purpose of this policy is to establish the position of the City of St. Joseph and the Economic Development Authority with respect to the use of tax increment financing or tax abatement for private development within the City. This policy shall be used as a guide in the application for, review and consideration of any requests for tax increment or abatement assistance. The fundamental purpose of tax increment financing or tax abatement in St. Joseph is to encourage desirable development and/or redevelopment that would not otherwise occur “but for “the assistance provided through TIF or tax abatement.

The City of St. Joseph and EDA shall consider tax increment financing or tax abatement for projects that serve to accomplish the City’s goals for housing and economic development as they may change over time. The goals include facilitating projects that would result in the creation of quality jobs (i.e. stable employment and/or attractive wages and benefits) and the attraction, retention, and expansion of business and housing options in the City.

II. CITY/EDA OBJECTIVES FOR THE USE OF TIF or TAX ABATEMENT

As a matter of adopted policy, the City of St. Joseph and EDA will consider using tax increment financing (TIF) or tax abatement to assist private development projects to achieve one or more of the following purposes:

- Remove blight and/or encourage redevelopment in the commercial and industrial areas of the City in order to encourage high quality development or redevelopment and private reinvestment in those areas.
- To provide for a balanced and sustainable housing stock to meet diverse needs both today and in the future.
- To retain local jobs and/or increase the number and diversity of quality jobs (i.e. stable employment and/or attractive wages and benefits).
- To encourage additional unsubsidized private development in the area, either directly, or through secondary “spin-off” development.
- To offset increased costs of redevelopment (i.e. contaminated site clean-up), over and above those costs that a developer would incur in normal urban and suburban development.
- To facilitate the development process and to achieve development on sites which would not be developed without this assistance.

- To meet other uses of public policy, as adopted by the Council from time to time, including promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.

III. COSTS WHICH QUALIFY FOR TIF OR ABATEMENT ASSISTANCE

- Project design fees including: utilities, landscape, architectural and engineering design.
- Site related work including: permits for site work, earthwork/excavation, soil correction, landscaping, utilities, streets and roads, street/parking lot paving, street/parking lot lighting, curb and gutter, sidewalks
- Land acquisition
- Special assessments
- Legal fees (acquisition, finance, closing)
- Soil tests
- Environmental studies
- Surveys
- Park and open space dedication fees
- Interest rate write downs
- Relocation assistance
- Replacement or clean-up of contaminated soils which would otherwise preclude redevelopment
- Rehabilitation
- Any other costs allowable by Statute

IV. PROJECTS WHICH MAY QUALIFY FOR TIF OR ABATEMENT ASSISTANCE

All new TIF or tax abatement projects considered by the City of St. Joseph and EDA must meet each of the following minimum qualifications and will also be evaluated based on their ability to meet the desired qualifications for assistance. However, it should not be presumed that a project meeting any of the qualifications will automatically be approved. Meeting the qualifications creates no contractual rights on the part of any potential developer to have its project approved.

A. MINIMUM QUALIFICATIONS

1. The project should meet one or more of the tax increment or tax abatement Objectives outlined in Section II of this policy, but at a minimum shall:
 - Remove blight and/or encourage redevelopment in the commercial and industrial areas of the City in order to encourage high quality development and redevelopment and private investment in those areas.
 - To facilitate the development process and to achieve development on sites which would not be developed without this assistance.
2. The developer must demonstrate that the project is not financially feasible “but for” the use of TIF or abatement assistance.
3. The project must be consistent with the City’s Comprehensive Plan, zoning ordinance, and building code or require changes to the plan and ordinances must be under active consideration by the City at the time of final TIF or abatement application submittal.

4. Prior to approval of a TIF or abatement financing plan, the developer shall provide any requested market and financial feasibility studies, appraisals, soil borings, private lender commitment, and/or other information the City, EDA or its financial consultants may require in order to proceed with an independent underwriting of the proposal.
5. The developer must provide adequate financial guarantees to ensure the completion of the project. These may include, but not limited to: assessment agreements, letter of credit, personal deficiency guarantees, maximum cost contract, etc.
6. Any developer requesting TIF or tax abatement assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. TIF or abatement will not be used when the developer's credentials, in the sole judgement of the City, are inadequate due to past track record relating to: completion of the projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City and EDA.
7. The developer shall retain ownership of the project at least long enough to complete it, to stabilize its occupancy, and to establish the project management and initiate repayment via the TIF or abatement assistance.

B. DESIRED QUALIFICATIONS

1. TIF and abatement proposals creating a higher ratio of property taxes paid before and after redevelopment will receive priority consideration. Given the different assessment circumstances in the City, this ratio will vary widely. A 1:2 ratio of taxes paid before and after redevelopment is desired.
2. TIF and abatement proposals should normally not be used to support speculative industrial, commercial, office or housing projects. In general, the developer should be able to provide market data, tenant letter of commitment or finance statements which support the market potential/demand for the proposed project.
3. TIF and abatement will normally not be used in a project that involves an excessive land and/or property price. This will normally be where the acquisition price is more than 20% in excess of the market value as determined by an independent appraisal of the property.
4. TIF and abatement 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 tax increment or abatement subsidies. Developers should provide information to support that the TIF or abatement assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
5. TIF and abatement will be provided on a pay-as-you-go basis. Any request for up front assistance will be evaluated on its own merit in accordance with this policy. Projects requesting pay-as-you-go financing will receive priority consideration.
6. Preference will be given to projects that do not place extraordinary demands on City services. If it is determined by the City's Public Works Director and City Engineer that an extraordinary increase in public service would result because of the project, TIF or abatement **will not** be considered.

7. TIF or tax abatement will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments. Priority will be given to project that aim to clean-up existing contaminated sites and would facilitate the location of an industry or business that has an environmentally sound track record, or meet a housing need in the City.
8. Preference will be given to projects that meet good public policy criteria as determined by the EDA and City Council, including:
 - Projects that are in accord with the Comprehensive Plan, Strategic Plan, Zoning Ordinances and other redevelopment plans of the City and EDA,
 - Projects that provide significant improvement to surrounding land uses, the neighborhood, and/or the City,
 - Projects that provide a significant increase in tax base,
 - Projects that provide significant new, or retained employment,
 - Projects that meet financial feasibility criteria established by the EDA, and
 - Projects that provide the highest and best desired use for the property.

V. TAX INCREMENT OR ABATEMENT PROJECT EVALUATION PROCESS

The following five methods of analysis for all TIF 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 statutory qualifications (Exhibit A).
4. Project Report Card (Exhibit B).
5. Project is deemed consistent with the EDA Strategic Plan and the City’s Comprehensive Plan.

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 shall one area outweigh another in terms of importance to determining the level of TIF assistance.

VI. APPLICATIONS

The City’s tax increment financing or tax abatement program will be administered by the St. Joseph Economic Development Authority (EDA). The St. Joseph EDA will require a non-refundable application fee for its processing of the application. The application fee shall be paid to the EDA at the time a final application is submitted.

At the time a final application is submitted, the applicant shall also deposit a review escrow as required in the fee schedule. If additional costs are incurred beyond required review escrow the Applicant shall be notified of such additional costs in writing. Said additional costs shall be paid prior to the execution of a development agreement, the EDA shall notify the applicant in writing and the applicant will be required to deposit additional funds upon notice.

If the project is approved and the applicant proceeds with the project, the EDA shall reimburse the applicant any unused portion of the deposit as of the date of execution of the development agreement. If the applicant does not proceed with the project, the EDA shall reimburse the applicant for the unused portion of the deposit as of the date that the EDA is notified in writing that the applicant desires to withdraw its application.

VII. APPLICATION PROCESS

The application process is a two-step process and must be completed in accordance with the TIF and abatement application procedures (Exhibit C). The purpose of this approach is to give an applicant the opportunity to present a development proposal without expending a great deal of money and time in pursuing a development that may conflict with the City's and EDA's goals and objectives.

VIII. OTHER POLICY ISSUES

FISCAL DISPARITIES

Does not impact the City of St. Joseph according to State Statute.

Loss of Government Aid

At any time, if the formation of a new TIF district or the use of an existing district to finance a project will subject the City to an LGA/HACA penalty or local contribution to a project, the transaction shall be structured so as to have the ultimate cost the City minimized to the greatest extent permitted by law, so as to have the project bear the cost of the penalty or contribution.

Public Use of Tax Increment or Abatement

The City and EDA shall follow applicable state laws in terms of potential public improvement financing with TIF or abatement. It shall be the general policy of the City and EDA to identify public improvements at the time of adoption or amendment of the TIF Plan or abatement agreement.

- Attachment A "But For" Worksheet**
- Attachment B In-house Grading and Report Card**
- Attachment C Application Procedures**