The East Grand Forks Tax Increment Financing and Tax Abatement program and policies intentionally restricts use of TIF and abatements to ensure that incentives are **non-typical tools**, not routine development subsidies; private development remains the default market condition; public dollars are used only where clear, measurable return exists; and the city avoids long-term fiscal exposure to underperforming projects. These are used to achieve strategic city goals. Their sole purpose is to address documented market failure where development:

- Would not occur without public participation (but-for test), and
- Is financially infeasible without gap assistance (feasibility test)

Business subsidy support is seeking city partnership for a contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business over $150,000 per MN statutes sections 116J.993, Subd.3. through 116J.995 (the "Subsidy Act")

- Subsidies may require public hearing, notice to competitors, a city resolution, construction agreement, security agreement, developers agreement, subsidy agreement, and TIF/tax abatement agreement
- Subsidies require annual city & state reporting.
- The benefit date for purchase, lease, or donation of physical equipment begins the date of use.
- All projects seeking TIF or abatement that constitute a business subsidy under the Subsidy Act shall comply with the City or EDA's business subsidy policy as applicable.

All the following criteria must be met in order to be considered for one of these economic development instruments to be approved. However, the council may invoke one or all of the disclosures described on page 7 if deemed necessary.

## Process

1. Contact the EDA and city Administrator to review development intentions & goals.
2. Fill out the TIF or tax abatement application. The applicant will work with city staff to assure all appropriate information is supplied.
3. Project is scored using the rubric as it aligns with city & council goals, land use, and needs.
4. The city's municipal advisor does an initial screening of the proposed project.
5. EDA loan committee preliminary review of the proposed project and the potential use of these discretionary incentives for the project.
6. Council work session review of the proposed project and the potential use of incentives for the project.
7. Preliminary Planning & Zoning plan review to ensure project is permittable and will follow codes.
8. If applicable, consult and coordinate with other taxing entities for abatement projects.
9. Optional public input session.
10. Municipal advisor detailed financial and plan review.
11. EDA final board review and approval.

12. Public hearing is scheduled two weeks prior to council regular session
    a. TIF requests: the Tax Increment Financing Plan, along with all necessary notices are prepared by consultant(s) and sent to the county and the school board and published in the city's official newspaper in accordance with applicable statutory requirements
    b. Tax abatement requests: all necessary notices are prepared by consultant(s) and published in the city's official newspaper in accordance with applicable statutory requirements
13. Council regular session approval and public hearing on tax increment financing plan or tax abatement for the project.
14. Council approval of the terms of an agreement for the tax abatement or tax increment assistance.
15. Request for certification.
16. County Auditor certification.
17. After execution of agreement and conclusion of all city zoning, planning, permitting and ordinance requirements, construction of the project may start.
18. Project updates to Council at various milestones
    a. TIF district annual evaluation report is presented to council
19. Project completion.
20. Council resolution for decertification/expiration.

## Core Policy Principles

All projects must demonstrate:

- Long-term tax base expansion is expected to be permanent, not temporary
- No incentive shall be used to compete with adjacent private development absent documented need
- Public risk must be minimized and obligated to private parties
- The city will not invest more equity into the project than the developer

## Clawbacks Provision and Enforcement

All agreements must include legally binding clawbacks triggered by:

- If applicable, failure to meet job creation targets within 24 months per the Subsidies Act
- Material misrepresentation in financial pro-forma

Clawbacks may include:

- Full or partial repayment of incentives
- Suspension or termination of remaining tax increment or abatement payments to the developer

## Transparency and Accountability

- All applications materials and models are subject to the Minnesota Data Practices Act (Minnesota Statutes, Chapter 13).
- Independent financial review required for all projects seeking assistance.

- City municipal advisor review is required for all projects. The city will prepare an annual report summarizing:
  - Performance vs projections
  - Jobs created
  - Tax base growth
  - Increment or tax abatement collected vs forecast

## Land, Infrastructure, and Future Considerations

- Projects should be aligned with the city's existing land use plan, socioeconomic study, transportation study, and other pertinent studies.
- Priority will be given towards deteriorating, blighted, contaminated properties.
- The city may require the project have elements that benefit the public such as landscaping, trails, open spaces, playgrounds, or other beneficial additions.
- Developments that encourage future self-sustained growth and/or expansion of jobs, housing, or industry.
- East Grand Forks prides itself on being a place for experiential enjoyment. Projects ideally include attributes that support quality of life, recreation, and wellbeing.
- Housing developments ideally create units for seniors and low to moderate income earners.

## Mandatory Criteria

A project must meet ALL of the following before consideration:

A. **But-For Requirement** Developer must demonstrate through third-party financial analysis that:
   a. Project is financially infeasible without assistance
   b. Required return is below industry-standard risk-adjusted thresholds without subsidy
   c. Financing gap cannot be resolved through private equity, conventional lending, or design modification

B. **Feasibility Gap Cap**
   a. Public participation shall not exceed 25% of total project development cost
   b. TIF increment cannot exceed the minimum amount necessary to close the verified financing gap

C. **Wage Policy**
   a. If applicable, jobs created and defined as a job which pays wages and benefits must total at least 110% of the current federal poverty rate for a family of four or such greater amount as the city may require for a specific project
   b. This wage requirement is part of the Subsidy Act

D. **Compliance**
   a. The business subsidy from the city must satisfy all requirements of the East Grand Forks's business subsidies policy and
   b. Tax increment financing statutes or tax abatement statutes

E. **Economic Viability**
   a. Must demonstrate to the satisfaction of the city that it has adequate financing for the project and that the project will be completed in a timely fashion.

b. This includes, but is not limited to, demonstrating loans, grants, or equity funds to complete the project.

## Project Quality Standards & Job Creation

**A. Permanent Tax Base Requirement**

Project must:

- Add net new taxable value, not simply relocate or repackage existing value
- Demonstrate minimum assessed value increase of 150% over pre-development land value
- Be expected to maintain stabilized valuation

**B. Job Creation Requirement (If applicable to use type)**

For commercial, industrial, or mixed-use projects:

- Minimum 1 net new permanent job per $100,000 of public assistance
- Jobs must be:
    - Full-time (30+ hours/week)
    - Located within the jurisdiction
    - Sustained for at least 3 years post-certification
- Minimum average wage requirement: 110% of federal minimum wage, unless otherwise justified

For housing-only projects:

- Must demonstrate measurable fiscal benefit through assessed value growth and infrastructure efficiency gains
    - Such as: energy efficiency, improved safety & mobility, encouragement of economic & community growth, and environmental considerations

# Minnesota Statutory Compliance & Financing Restrictions

## Increment Capture & Duration Limits

**A. TIF Term Limits (MN Statute 469.176, Subd 1(1) and 1b)**

The city may opt to shorten the maximum duration of the TIF district than what the statute specifies.

*Increment Restriction*

- Only new incremental tax value attributable to the project may be captured

**B. Tax Abatement Limits (MN Statute 469.1813, Subd 6 (a)(b) & Subd 8)**

- Up to 15 years however, should the county or school district decline to participate in the abatement the duration may extend up to 20 years
- Abatement lengths determined on financial analysis and shortest possible duration

## Financing Structure: Pay-As-You-Go Requirement

To limit long-term fiscal exposure, the city adopts a Pay-As-You-Go (PAYGO) financing preference for all Tax Increment Financing (TIF) supported projects.

- The city shall not issue general obligation bonds backed by tax increment revenues unless explicitly approved by supermajority vote of the governing body and supported by a separate finding of extraordinary public necessity.
- All TIF assistance shall default to:
  - Pay-as-you-go notes (PAYGO notes), or
  - Reimbursement-based development agreements funded strictly from actual increment received

This policy is intended to ensure that no general fund or taxpayer-backed obligation is exposed to development risk.

## Tax Abatement: Statutory Compliance & Taxing Entity Coordination (Minnesota Statutes § 469.1812 through § 469.1815)

All tax abatement actions shall comply with Minnesota Statutes § 469.1812 through § 469.1815 and shall be treated as a high-threshold, limited-use economic development tool.

**A. Required Findings**

Before approval, the city must make the findings required by Minnesota law including:

1. It expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the city of the proposed agreement or intends the abatement to phase in a property tax increase, as provided in clause (2)(vii); and
2. It finds that doing so is in the public interest because it will:
   i. Increase or preserve tax base;
   ii. Provide employment opportunities in East Grand Forks;
   iii. Provide or help acquire or construct public facilities;
   iv. Help redevelop or renew blighted areas;
   v. Help provide access to services for residents of East Grand Forks;
   vi. Finance or provide public infrastructure;
   vii. Phase in a property tax increase on the parcel resulting from an increase of 50% or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or
   viii. Stabilize the tax base by fairly adjusting assessed property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Administrative Rules, Chapter 8100 Ad Valorem Taxes, Utilities.

In addition, the abatement must meet the following city requirements:

- The abatement is necessary to encourage substantial and long-term development or redevelopment
- the project would not occur in a timely manner without abatement
- The public benefit (tax base growth, jobs, or infrastructure investment) clearly outweighs the foregone tax revenue

**B. Intergovernmental Coordination Requirement**

If the developer seeks tax abatement assistance from the school district and county, the city will consult with the other taxing entities. Developer may be required to:

- Present project proposal at public meetings to the taxing entities; and/ or
- Participate in public hearings.

No abatement shall be approved without documented evidence that all affected taxing entities have been engaged in good faith consultation.

## Tax Increment Financing: Statutory Compliance (Minnesota §§ 469.174–469.1794)

All TIF districts and agreements shall comply with Minnesota Statutes § 469.174 through § 469.1794, including but not limited to:

**A. Statutory Purpose Alignment**

TIF shall only be used for projects that meet Minnesota's defined purposes of:

- Correcting blight, redevelopment need, or housing deficiency, or
- Supporting narrowly defined economic development where statutory criteria are met

The city affirms that TIF is not a general development subsidy tool and shall not be used to offset market-viable private investment.

**B. "But-For" and Economic Findings Reinforced**

In addition to statutory "but-for" findings, the city requires:

- Independent third-party financial review confirming gap necessity
- Documentation that the project is not feasible under standard private financing assumptions

**C. Increment Use Limitation**

- Only increment directly attributable to the improvement area may be captured
- No cross-subsidization between unrelated districts unless explicitly permitted under statute and separately approved

**D. Duration and Decertification Alignment**

- All TIF districts shall be structured to comply with statutory duration limits under Minnesota law
- Early decertification shall be pursued when:
  - Obligations are satisfied, or
  - Increment no longer serves a defined public purpose

**Summary-** The city adopts this framework to ensure full compliance with Minnesota law while reinforcing that:

- TIF under § 469.174–469.1794 and tax abatement under § 469.1812–469.1815 are exceptional tools, not routine financing mechanisms
- Public financing participation will be limited to projects demonstrating clear fiscal net gain, measurable job creation, if applicable, and durable tax base expansion
- Intergovernmental impacts will be fully disclosed and considered before any action is taken
- The city will prioritize financially self-sustaining development over subsidy-dependent growth

## Disclosures:

- The city or EDA shall have the option of amending or waiving sections of this policy and criteria when determined necessary or appropriate.
- Meeting all or most of the criteria, however, does not mean that the tax increment or tax abatement assistance will be awarded or denied by the city or EDA. The city or EDA maintains its ability to approve or reject a tax increment or tax abatement assistance at its discretion, based on the merits of the project and the overall benefit to the community, using the criteria as a means of measuring overall benefit.
- Awards of tax increment or tax abatement assistance may be made for reasons other than job creation, in which case the job and wage requirements would not apply to that project.
- For more details on East Grand Forks's subsidy requirements, please refer to 2024 City of East Grand Forks & Economic Development Authority's Business Subsidy Policy, available at https://egfeda.org/funding .

## Project Evaluation Rubric

### EXHIBIT A: Commercial/Industrial Grading Rubric

*To be completed by applicant and city staff*

**A.** The project meets which of the following objectives as set forth in earlier parts of the policy:
(Each worth 2 Points) Points_______

| | |
|---|---|
| ☐ | 1. To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits. |
| ☐ | 2. To enhance and/or diversify the city's economic base. |
| ☐ | 3. To encourage additional unsubsidized private (re)development. |
| ☐ | 4. To remove blight and/or encourage (re)development of commercial and industrial areas. |
| ☐ | 5. To create housing opportunities for senior and low to moderate income families. |
| ☐ | 6. To provide a diversity of housing adjacent to cultural, recreational, economic, natural, education, and transportation systems. |
| ☐ | 7. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock in residential areas. |
| ☐ | 8. To accomplish other public policies which may be adopted, in particular projects that are consistent with those community values and objectives described within the Land, Infrastructure, and Future Considerations section |

**B.** Ratio of Private to Public Investment in Project:

$________ Private Investment
$________ Public Assistance (not to exceed 25% project total)
________ Ratio Private : Public Financing

Points

| | |
|---|---|
| 5:1 | 5 |
| 4:1 | 4 |
| 3:1 | 3 |
| 2:1 | 2 |
| Less than 2:1 | 1 |

**C.** Job Creation:

________ Net *new* living wage jobs (total FTE) with a wage of at least 110% of the federal min. wage.

Points:

| | |
|---|---|
| 50+ | 5 |
| 40+ | 4 |
| 25+ | 3 |
| 15+ | 2 |
| Less than 15 | 1 |

**D.** Job Creation:

________ Net living wage retained jobs (total FTE) with a wage of at least 110% of the federal min. wage.

Points:

| | |
|---|---|
| 50+ | 4 |
| 25+ | 3 |
| 10+ | 2 |
| Less than 10 | 1 |

**E.** Project Investment:

________ Value of Capital Investment (future taxable value)

Points:

| | |
|---|---|
| Over $2 million | 5 |
| $1- $2 million | 4 |
| $0.5- $1million | 3 |
| $0.1 – $0.5 million | 2 |
| Less than $0.1 million | 1 |
| | |

**F.** Wage Level of Jobs Created:

Average hourly wage (including non-mandated benefits) of *new* living wage jobs __________

Points:

| | |
|---|---|
| Over $22/hour | 5 |
| $20-22/hour | 4 |
| $16-19/hour | 3 |
| $13-15/hour | 2 |
| Under $13/hour | 1 |

**G.** Ratio of Business Assistance To New Jobs Created:

$____________ Business assistance requested

_____________ Number of net *new* jobs created

$____________ **of business assist. per net *new* job created**

Points:

| | |
|---|---|
| $10,000 or less | 5 |
| $10,000 or less | 4 |
| $15,000 or less | 3 |
| $25,000 or less | 2 |
| Over $50,000 | 1 |

**H.** Project size:

The project will result in the construction of _____________ square feet

Points:

| | |
|---|---|
| 50,000+ | 5 |
| 30,000+ | 4 |
| 15,000+ | 3 |
| 5,000+ | 2 |
| 5,000 or less | 1 |

**I.** Business Growth Potential: Points: _____

___________ High (5 points)
___________ Moderate (3 points)
___________ Low (1 point)

**J.** Likelihood that the project will result in unsubsidized, spin-off development: Points: _____

___________ High (5 points)
___________ Moderate (3 points)
___________ Low (1 point)

**K.** Impact on tax rate? All things being equal, how much would the city's tax rate hypothetically increase if the project were to proceed with the requested business assistance? Points: _____

☐ .01%-.02% (5 points)
☐ .03%-.04% (4 points)
☐ .05%-.06% (3 points)
☐ .07%-.09% (2 points)
☐ .10%-.12% (1 point)

Sub-Total Points _____ of a possible 65 points.

________

*Bonus Points:* _______

Project & business demonstrate a clear and ongoing commitment to the city of East Grand Forks community by providing living wage jobs to their employees and strong understanding of the community's goals (5 points possible) _______

Total Points: _______________

| | | |
|---|---|---|
| Overall project analysis: | High | 51- 70 points |
| | Moderate | 31- 50 points |
| | Low | 21- 30 points |
| | Not Eligible | 0- 20 points |

# EXHIBIT B: Housing Grading Rubric

*To be completed by applicant and city staff*

**A.** The project meets which of the following objectives as set forth in earlier parts of the policy:
(Each worth 2 Points) **Points:** _____

| | |
|---|---|
| ☐ | 1. To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits |
| ☐ | 2. To enhance and/or diversify the city's economic base. |
| ☐ | 3. To encourage additional unsubsidized private (re)development. |
| ☐ | 4. To remove blight and/or encourage (re)development of commercial and industrial areas. |
| ☐ | 5. To create housing opportunities for senior and low to moderate income families. |
| ☐ | 6. To provide a diversity of housing types adjacent to cultural, recreational, economic, natural, education and transportation systems |
| ☐ | 7. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock in residential areas. |
| ☐ | 8. To accomplish other public policies which may be adopted, in particular projects that are consistent with those community values and objectives described within the Land, Infrastructure, and Future Considerations section |

**B. Ratio of Private to Public Investment in Project:** **Points:**

$ ____________ Private Investment

$ ____________ Public Assistance (not to exceed 25% project total)

____________ **Ratio Private : Public Financing**

| | |
|---|---|
| 5:1 | 5 |
| 4:1 | 4 |
| 3:1 | 3 |
| 2:1 | 2 |
| Less than 2:1 | 1 |

**C. Project provides housing for low/mod income individuals and/or seniors (max 3 points):** **Points:** ________

**D. Project provides that at least 30% of the total units are three-bedroom or more (max 3 points):** **Points:** ________

**E. Project proposes rehabilitation of existing housing, housing stock, and maximizes utilization of existing infrastructure (max 5 points):** **Points:** ________

**F. Project proposes a location near existing jobs, transportation, recreation, retail services, social services, and schools (max 5 points):** **Points:** ________

**G. Development size:** **Points:** ________

The project will result in the construction of a total of ______________________ square feet

| | |
|---|---|
| 50,000+ | 5 |
| 30,000+ | 4 |
| 15,000+ | 3 |
| 5,000+ | 2 |
| 5,000 or less | 1 |

**H.** **Likelihood that the project will result in unsubsidized, spin-off development:** **Points:** _______

___________ High (3 points)
___________ Moderate (2 points)
___________ Low (1 point)

**I.** **Impact on tax rate? All things being equal, how much would the city's tax rate hypothetically increase if the project were to proceed with the requested business assistance?** **Points:** _______

- ☐ .01%-.02% (5 points)
- ☐ .03%-.04% (4 points)
- ☐ .05%-.06% (3 points)
- ☐ .07%-.09% (2 points)
- ☐ .10%-.12% (1 point)

**Sub-Total Points** _________ **of a possible 50 points.**

***Bonus Points:*** _______

This project is leveraging MN Housing funds (4 points possible) _______

This project aligns with high priority development zones per our council's directive and land use plan (3 points possible) _______

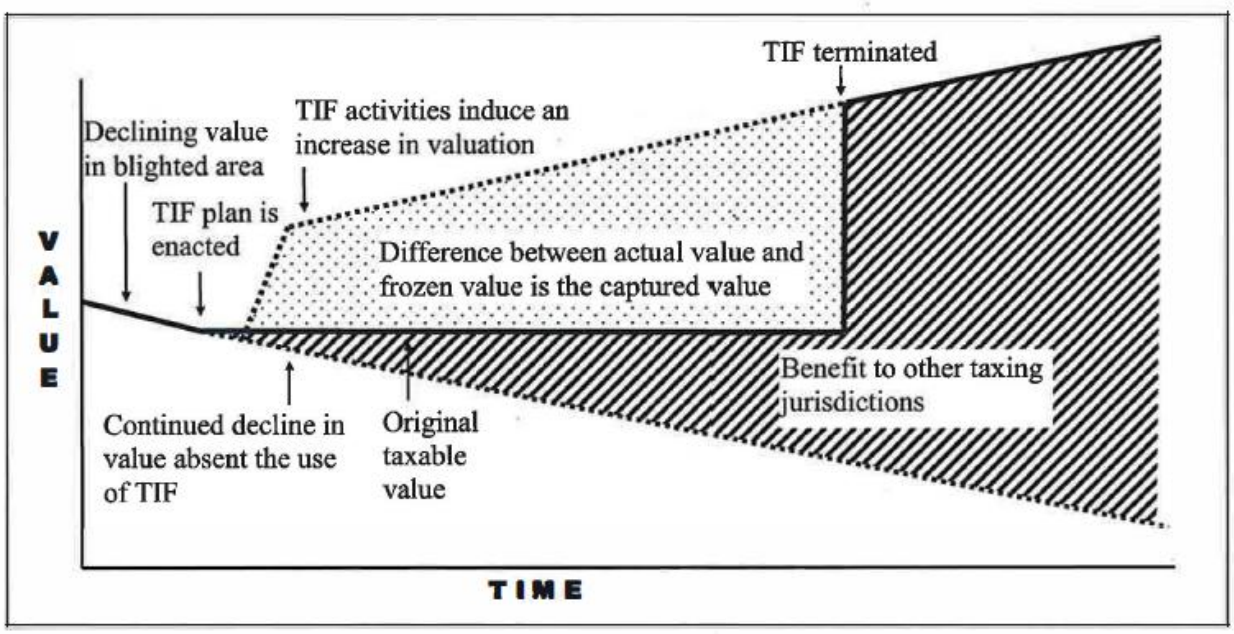
This project considers different needs, abilities, and lifestyles (3 points possible) _______

**Total Points:** ________________

| Overall project analysis: | High | 55-60 points |
|---|---|---|
| | Moderate | 40-54 points |
| | Low | 15-39 points |
| | Not Eligible | 0-14 points |

## Supplement A: Example Graphics

Classic example of how tax increment financing works. Figure from Minnesota Department of Revenue, Auditor/ Treasurer Manual Property Tax Administration Chapter 12: Economic Development and Special Programs Figure http://www.revenue.state.mn.us/local_gov/prop_tax_admin/at_manual/atmanual.pdf | https://perma.cc/F2FX-ZRXU




Sample table of how tax abatement at 50% works for a property development of $6,500,000 for a to be defined term.

| Pre-development Property Value | Pre-development Taxable Value | Post-Development Property Value | Post-development Taxable Value | City Abated | Developer Pays School & County |
|---|---|---|---|---|---|
| $27,000 | $549 | $5,200,000 | $80,000 | $40,000 | $40,000 |