

***CITY OF CHANHASSEN  
BUSINESS SUBSIDY CRITERIA***

***Approved October 11, 1999  
Amended April 28, 2003***

**CITY OF CHANHASSEN  
BUSINESS SUBSIDY CRITERIA****Policy and Criteria for Business Subsidy****GENERAL POLICY**

The City Council of the City of Chanhassen has the power, should it deem necessary, to grant business subsidies. The fundamental purpose of Business Subsidy Criteria in Chanhassen is to encourage desirable and affordable housing, senior housing, and assisted living that would not otherwise occur "but for" the assistance provided by the City of Chanhassen Business Subsidy Criteria. This Business Subsidy Criteria shall be used as a guide in processing and reviewing applications requesting business subsidy.

**PROJECT SELECTION CRITERIA**

Business Subsidies can benefit the community by providing a broad range of housing opportunities such as affordable housing, senior housing and assisted living. The Council reserves the right to approve or reject business subsidies on an individual basis.

**Highest Priority Shall Be Given to Projects Which Include:**

1. Compatibility of the proposed project with the City's overall development plans and objectives.
2. Broad range of housing opportunities such as affordable housing, senior housing and assisted living.
3. Minimal impact on City service needs.
4. High quality of the facility to be built.
5. Increase in Tax Base: While an increase in the tax base cannot be the sole grounds for granting a subsidy, the EDA believes it is a necessary condition for any subsidy.
6. Jobs and Wages: It is the EDA's intent that the grantee create the maximum number of livable wage jobs at the site. **The wage floor for wages to be paid for the jobs created shall be 105% of the state minimum wage.** This may include jobs to be retained but only if job retention is imminent and demonstrable.
7. Economic Development: Projects should promote one or more of the following:
  - a. Encourage economic and commercial diversity within the community;
  - b. Contribute to the establishment of a critical mass of commercial development within an area;
  - c. Provide basic goods and services, increase the range of goods and services available, or encourage fast-growing businesses;
  - d. Promote redevelopment objectives and removal of blight, including pollution cleanup;
  - e. Promote the retention or adaptive reuse of buildings of historical or architectural significance;
  - f. Promote additional or spin-off development within the community;
  - g. Encourage full utilization of existing or planned infrastructure improvements.

**PROJECT REQUIREMENTS**

1. Applicant at all times should retain and be assisted by qualified financial consultants and/or underwriters, and legal counsel.
2. Construction of the project shall not be commenced until the City has given preliminary approval to the application for financing.
3. The City reserves the right to deny any application for financing at any stage of the proceedings prior to adoption of the final approval authorizing issuance of the bonds.
4. The City reserves the right to select a third party administrator to assist in the management of the process.
5. The City will only consider a "pay as you go" plan for high quality industrial developments in existing TIF districts (National Weather, 2-2; Hennepin County, 3-1; Gateway, 6-1; and Entertainment District, 4).
6. Development must be of the highest quality with high quality building materials and landscaping as agreed between the City and the Developer.

7. Developer must pay all costs of establishing the district unless the City agrees to allow costs to come out of the district.
8. Local requirements may be more stringent than State statute as applies to TIF.
9. Project meets "but for" analysis and statutory qualifications (Exhibit A).
10. All projects must be consistent with Chanhassen's Comprehensive Plan and any other similar plan or guide for development of the community.

#### **ACTIVITIES TO BE CONSIDERED FOR FINANCING**

1. Any subsidy granted by the city will be subject to the requirement of a public hearing, if necessary, and must be approved by the Chanhassen City Council.
2. It will be necessary for both the grantee and the EDA (City of Chanhassen) to comply with the reporting and monitoring requirements of the Act.
3. Land write down
4. Costs of streets and utilities
5. Demolition and relocation costs
6. City costs such as trunk utility costs, street costs, and MSA reimbursement
7. Extraordinary landscaping and lighting
8. Soil corrections

#### **APPLICATION PROCESS**

1. The application process must be completed in accordance with TIF application procedures (Exhibit B).
2. Applicant shall make an application for TIF usage on forms available from the City.
3. The application will include (if appropriate):
  - A. Statement of Public Purposes
  - B. Description of Project
  - C. Plans and Drawings of Project
  - D. Description of Company
  - E. Legal Opinions
  - F. Investment Bank Letter of Feasibility
  - G. Market Analysis
  - H. Pro Forma Analysis
  - I. Financial Statements
  - J. Zoning and Planning Analysis
  - K. Application Fee
  - L. Demonstration of past successful general development capability as well as specific capability in the type and size of development proposed.
  - M. Other Documentation Requested by the City
3. The City's Business Subsidy program will be administered by the City of Chanhassen's Economic Development Authority (EDA). The applicant shall submit a completed application and a \$2,000 non-refundable application fee. The application fee shall be paid to the City of Chanhassen at the time a final Business Subsidy application is submitted.

At the time a final Business Subsidy application is submitted, the applicant shall also deliver to the City a deposit in the amount of \$10,000. The purpose of this deposit is to reimburse the City for costs and expenses incurred in connection with preparation of the development agreement and the carrying out of all actions necessary in the fulfillment of the City's obligations. Any part of the deposit not needed for those purposes shall be promptly returned to the Redeveloper not later than the date of issuance of the Certificate of Completion, or within 15 days following the termination of the Development Agreement for failure to close. It is understood the deposit is not a limitation on the

Redeveloper's obligation to reimburse the City for such costs; and the Redeveloper shall pay the City for any such costs in excess of the deposit within 30 days following a written request to do so.

4. City staff will review the data and make preliminary recommendations to the City Council as to compliance of the application and proposed project with City objectives and criteria/Strategic Plan.
5. Formal evaluation of the application will include, in addition to items subject to preliminary review, review of applicable credit analysis, credit enhancement and legal compliance. Formal recommendation will then be made to the City Council.
6. After evaluation of the formal recommendation, the City Council will consider final approval of the establishment of the Business Subsidy and hold the appropriate hearings.
7. All applications and supporting materials and documents shall become the property of the City.

**CITY OF CHANHASSEN  
APPLICATION FOR BUSINESS SUBSIDY**

Business Name: \_\_\_\_\_

Address: \_\_\_\_\_

Location of Proposed Development: \_\_\_\_\_

\_\_\_\_\_

Type (Partnership, etc.): \_\_\_\_\_

Telephone: \_\_\_\_\_

Nature of Business: \_\_\_\_\_

**Project Cost Breakdown:**

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

Total: \$ \_\_\_\_\_

Date: \_\_\_\_\_

**HISTORY OF APPLICANT**

1. Have you ever filed bankruptcy? Yes \_\_\_ No \_\_\_  
If yes, provide details on separate sheet.
2. Have you ever defaulted on any loan commitment? Yes \_\_\_ No \_\_\_  
If yes, provide details on separate sheet.
3. Have you ever applied for conventional financing for the project? Yes \_\_\_ No \_\_\_  
If yes, provide details on separate sheet. If no, why not?
4. List financial references: Name/Address/Contact
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
5. Other information pertinent to your application: \_\_\_\_\_  
\_\_\_\_\_
6. Name of Counsel: \_\_\_\_\_

**INFORMATION CONCERNING APPLICANT'S PROPOSED PROJECT FOR EXISTING INDUSTRIAL DEVELOPMENT LOCATED IN TIF DISTRICTS(National Weather, 2-2; Hennepin County, 3-1; Gateway, 6-1; Entertainment District, 4); AND Eden Trace, 4-1.**

1. Is the proposed project a new facility or rehabilitation and/or expansion of existing facility?

\_\_\_\_\_

2. Industrial/Commercial:\_\_\_\_\_

3. What is the present employment of your firm? \_\_\_\_\_

4. What will the employment be at completion of project?\_\_\_\_\_

5. Estimated Project Cost?\_\_\_\_\_

6. What is the principal business or product of the company?\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

7. Potential other use of proposed development?\_\_\_\_\_

\_\_\_\_\_

8. Will this development attract other related industries? Yes\_\_\_\_ No\_\_\_\_

How?\_\_\_\_\_

\_\_\_\_\_

9. What are the proposed financing arrangements?\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**INFORMATION CONCERNING APPLICANT'S PROPOSED HOUSING PROJECT**

1. Is the proposed housing project a new facility or rehabilitation and/or expansion of existing facility?

\_\_\_\_\_

2. Housing Type(single family, multi-family, apartments, condominiums, etc.):\_\_\_\_\_

\_\_\_\_\_

3. Number of units:\_\_\_\_\_

4. Number of bedrooms in each unit:\_\_\_\_\_

5. Sale price of the units:\_\_\_\_\_

or

6. Rental price of the units:\_\_\_\_\_

7. Estimated total project cost and breakdown of overall development costs?\_\_\_\_\_

\_\_\_\_\_

8. Who are you principally marketing your product to?\_\_\_\_\_

\_\_\_\_\_

9. How long do you think it will take to sell or rent your product?\_\_\_\_\_

\_\_\_\_\_

11. Do you have linkages/contacts with Chanhassen businesses? Please explain(Reason: To see if you are meeting the local business needs.)\_\_\_\_\_

\_\_\_\_\_

12. What are the proposed financing arrangements?\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

13. How are you proposing to meet alternate transportation needs?\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT A****SAMPLE "BUT-FOR" ANALYSIS**

	<b>WITH NO BUSINESS SUBSIDY</b>	<b>WITH BUSINESS SUBSIDY</b>
	Sources and Uses	
	<b>SOURCES</b>	
Mortgage	9,600,000	8,667,000
Equity	2,400,000	2,400,000
Tax Increment	0	933,000
<b>TOTAL SOURCES</b>	<b>12,000,000</b>	<b>12,000,000</b>

	<b>USES</b>	<b>USES</b>
Land	1,500,000	1,500,000
Sitework	300,000	300,000
Soil Correction	468,000	468,000
Demolition	100,000	100,000
Relocation	65,000	65,000
Subtotal Land Costs	2,433,000	2,433,000
Construction	6,750,000	6,750,000
Finish Manufacturing	250,000	250,000
Subtotal Construction Costs	7,000,000	7,000,000
Soft Costs	350,000	350,000
Taxes	35,000	35,000
Finance Fees	850,000	850,000
Project Manager	542,000	542,000
Developer Fee	540,000	540,000
Contingency	250,000	250,000
Subtotal Soft Costs	2,567,000	2,567,000

<b>TOTAL USES</b>	<b>12,000,000</b>	<b>12,000,000</b>
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	Income Statement			Income Statement		
	Sq. Ft.	Per Sq. Ft.		Sq. Ft.	Per Sq. Ft.	
Rent-Space 1	100,000	\$8.00	800,000	100,000	\$8.00	800,000
Rent-Space 2	25,000	\$8.00	212,000	25,000	\$8.00	212,000
Rent-Space 3	25,000	\$9.00	225,000	25,000	\$9.00	225,000
Other	0	\$0.00	0	0	\$0.00	0
			1,237,500			1,237,500

Mortgage	20 Term 9.00% Interest 9,600,000	1,051,646	20 Term 9.00% 8,667,000	949,439
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Net Income	185,854	288,061
<b>Total Return on Equity</b>	<b>7.74%</b>	<b>12.00%</b>

**"BUT-FOR" ANALYSIS WORKSHEET**

	WITH NO BUSINESS SUBSIDY	WITH BUSINESS SUBSIDY
	Sources and Uses	Sources and Uses
	SOURCES	SOURCES
Mortgage		
Equity		
Tax Increment		
<b>TOTAL SOURCES</b>		

	USES	USES
Land		
Sitework		
Soil Correction		
Demolition		
Relocation		
Subtotal Land Costs		
Construction		
Finish Manufacturing		
Subtotal Construction Costs		
Soft Costs		
Taxes		
Finance Fees		
Project Manager		
Developer Fee		
Contingency		
Subtotal Soft Costs		

<b>TOTAL USES</b>		
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	Income Statement		Income Statement	
	Sq. Ft.	Per Sq. Ft.	Sq. Ft.	Per Sq. Ft.
Rent-Space 1				
Rent-Space 2				
Rent-Space 3				
Other				

Mortgage		
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Net Income		
Total Return on Equity		

I hereby certify the above financial information is true and accurate.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**EXHIBIT B**

**CITY OF CHANHASSEN  
APPLICATION PROCEDURES FOR BUSINESS SUBSIDY**

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1. Applicant shall meet with City staff to discuss the scope of the project, public assistance being requested, time schedule and other information as may be necessary.
2. Following an initial meeting, applicant shall complete a Business Subsidy application. The completed application shall be submitted to the Executive Director of the Economic Development Authority.
3. The application shall be reviewed by City staff on a preliminary basis as to the feasibility of the project. City staff shall prepare a report on the project.
4. The application shall be placed on an EDA agenda for concept review. The applicant may make a presentation of the project at that time. City staff will present its preliminary findings.
5. The following items must accompany the application:
  - a. \$2,000 application fee
  - b. Completed "but-for" worksheet
  - c. \$10,000 application deposit
  - d. Statement of Public Purpose
  - e. Description of Project
  - f. Plans and Drawing of Project
  - g. Company Background Material
  - h. Letter of Feasibility
  - i. Market Analysis
  - j. Pro Forma Analysis
  - k. Financial Statements
  - l. Zoning and Comprehensive Plan Analysis
  - m. Other Pertinent Information
6. Following the necessary analysis of the application by City staff, a report shall be prepared and presented to the EDA for formal action. If the application is approved, City staff will be directed to undertake the following steps:
  - a. Prepare a redevelopment agreement between the City of Chanhassen and the Developer;
  - b. Prepare or modify the redevelopment plan and TIF plan if required.
7. If zoning amendments or Planning Commission action is required as part of the project, the appropriate actions shall be taken prior to final consideration of the redevelopment agreement.
8. Applicant must follow all city development review processes (e.g. site plan, platting, rezoning, PUD, etc.) before final Business Subsidy application may be approved.

If you have any questions concerning the Business Subsidy application process, please contact:

City of Chanhassen  
EDA Executive Director  
690 City Center Drive  
PO Box 147  
Chanhassen, MN 55317  
(612)937-1900 ext. 119