



**Request for City Council Committee Action
from the Department of Community Planning & Economic Development**

Date: July 11, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Amendment to City of Minneapolis Public Financial Assistance Fee Policy

Recommendation: Amend the City of Minneapolis Public Financial Assistance Fee Policy to increase the application fee to \$3,000.

Previous Directives: The City Council and the Minneapolis Community Development Agency (MCDA) Board of Commissioners approved the MCDA Public Financial Assistance Fee Policy on March 22, 2002. The Policy was revised, effective January 1, 2004, to reflect the establishment of the department of Community Planning and Economic Development.

Prepared by: Joan Mathieu, Development Process Specialist **Phone:** 612-673-5053

Approved by: Jack Kryst, Director, Development Finance _____
Chuck Lutz, Deputy CPED Director _____

Permanent Review Committee (PRC) Approval Not Applicable

Presenter in Committee: Jack Kryst, Director, Development Finance

Financial Impact (Check those that apply)

- ___ No financial impact (If checked, go directly to Background/Supporting Information).
- ___ Action requires an appropriation increase to the _ Capital Budget or _ Operating Budget.
- ___ Action provides increased revenue for appropriation increase.
- ___ Action requires use of contingency or reserves.
- X Business Plan: X Action is within the plan. ___ Action requires a change to plan.
- X Other financial impact (Explain): Increases fee revenue by estimated \$12,000 annually.
- ___ Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact

Neighborhood Notification: On September 16, 2005, neighborhood groups were notified of a proposed amendment to the Public Financial Assistance Fee Policy, including an increase in the application fee. No comments were received.

City Goals: The Public Financial Assistance Fee Policy contributes to the goals of maximizing economic development opportunities and fostering the development and preservation of a mix of quality housing types.

Comprehensive Plan: Not applicable.

Zoning Code: Not applicable.

Background/Supporting Information

The City's Public Financial Assistance Fee Policy was first approved by the Minneapolis Community Development Agency Board of Commissioners and the City Council on March 22, 2002. It was subsequently revised, effective January 1, 2004, to reflect the establishment of the department of Community Planning and Economic Development (CPED). The purpose of the policy is to recover public costs associated with review and analysis of requests for tax increment financing, tax abatement and Leveraged Investment Fund assistance. Other types of financial assistance may be subject to administrative fees pursuant to separate fee policies.

The policy provides that an application fee of \$1,000 must be paid by the applicant at the time that a formal Application for Public Financial Assistance is submitted to the City. This nonrefundable fee helps pay for City staff time necessary to review the application and provide a preliminary analysis as to the feasibility of the project and the appropriateness of the requested financial assistance.

A second fee, the project analysis fee, is paid by the developer once the City Council authorizes staff to continue analysis of the proposal. The project analysis fee varies according to the complexity of the project, and is based on staff's estimate of the public costs associated with the analysis.

The amount of the \$1,000 application fee was established over four years ago, in March 2002. The fee was set at a relatively low rate in part because collecting a tax increment financing application fee was a new practice for Minneapolis, and it was unknown how it would be regarded by developers. The practice is now well established, public costs have increased, and four years of experience enables the City to estimate the average cost to conduct a preliminary analysis. An increase in the application fee amount is therefore now warranted.

The cost to conduct a preliminary analysis of an application for tax increment financing, tax abatement or Leveraged Investment Fund assistance exceeds \$1,000 in virtually all cases. If it is assumed that the staff hours required for a typical preliminary analysis are as follows, the cost (including salaries, benefits and indirect costs) is approximately \$3,000:

Senior Project Coordinator	28 hours
Development Finance Analyst	12 hours
Development Process Specialist	6 hours
Assistant City Attorney	<u>2 hours</u>
Total	48 hours

It is therefore recommended that the City of Minneapolis Public Financial Assistance Fee Policy be amended to increase the application fee from \$1,000 to \$3,000. A second minor change to the policy, clarifying the circumstances under which an additional project analysis fee may be collected, is also recommended. Both changes appear in bold text in the attached copy of the Public Financial Assistance Fee Policy. August 1, 2006 is identified as the effective date of the revised policy.

City of Minneapolis
Public Financial Assistance Fee Policy

I. Purpose of Policy

The City of Minneapolis incurs costs in the review, analysis and evaluation of development proposals and other requests for public financial assistance. Such costs are incurred regardless of whether the requested assistance is approved. The City seeks to recover public costs associated with this review and analysis. Public costs may include staff time as well as out-of-pocket expenses such as appraisals, market studies, environmental assessments, consulting fees, condemnation costs, and others.

Applications for public financial assistance received on or after **August 1, 2006** are subject to this policy.

II. Applicability

Requests for the following forms of financial assistance are subject to public financial assistance fees pursuant to this policy:

- 1) tax increment financing;
- 2) tax abatement; and
- 3) Leveraged Investment Fund loans.

Other types of financial assistance may be subject to administrative fees pursuant to separate fee policies.

III. Types of Fees

1) Application Fee

An application fee of **\$3,000** must be paid by the applicant at the time that a formal *Application for Public Financial Assistance* is submitted to the City. This nonrefundable fee will help pay for City staff time necessary to review the application and provide a preliminary analysis as to the feasibility of the project and the appropriateness of the requested financial assistance.

A staff team will be assigned to review and analyze the application. The team will normally consist of a project coordinator, a development finance analyst and an attorney, but may include other staff as well.

2) Project Analysis Fee

If the staff team finds that (a) the application is complete, (b) a preliminary review and analysis indicates the project may be feasible, and (c) some level of public financial assistance may be justified, then the staff team will determine the amount of the project analysis fee and will recommend that the Director of Community Planning & Economic Development (CPED) seek Project Analysis Authorization (PAA) from the City Council. The report to the City Council requesting PAA will identify the amount of the project analysis fee.

The nonrefundable project analysis fee will be based on the estimated cost of staff time and other expenses up to the point in time when the request for public financial assistance is either approved or denied by the City Council. The estimated cost shall include, but not be limited to, staff activities in the areas of project coordination, financial analysis, legal review, document preparation, engineering, real estate and administration, and other expenses such as appraisals, market feasibility studies, environmental assessments, consulting fees, condemnation costs, and others.

If PAA is approved by the City Council, the applicant must immediately pay the project analysis fee in order for staff analysis of the proposal to continue.

If at any time **the City's** reasonable out-of-pocket expenses exceed the collected fees, the difference shall immediately be paid by the applicant as an additional project analysis fee.

Acceptance by the City of Minneapolis of the application or project analysis fee does not signify a commitment on the part of the City to undertake any specific actions or to grant approval of any requested public assistance.