

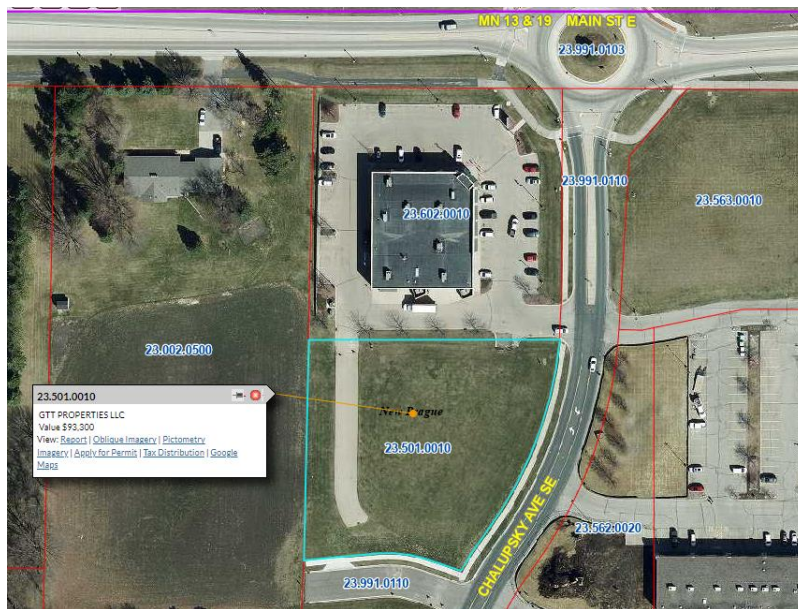


118 Central Avenue North, New Prague, MN 56071
phone: 952-758-4401 fax: 952-758-1149

MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
CC: JOSHUA M. TETZLAFF, CITY ADMINISTRATOR
FROM: KENNETH ONDICH, PLANNING / COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: TAX ABATEMENT FOR 54 UNIT MARKET RATE APARTMENT BUILDING
DATE: SEPTEMBER 12, 2024

Since this spring, the City staff has been working with Ebert Construction on the possibility of constructing a 54-unit market rate apartment building on PID 23.501.0010 (Lot 1, Block 1, Deutschland First Addition) which is the vacant lot immediately south of Walgreens.



The developer asked the City about any incentives that might be available to make the project financially feasible and it was discussed that the state has the Workforce Housing Development Program that assists eligible recipients (the City is an eligible recipient as a city in “Greater Minnesota”) to finance qualified expenditures to develop market rate residential rental properties to address the lack of workforce housing in Greater Minnesota. Funds are awarded as deferred forgivable loans to eligible recipients that use the

funds to make loans or grants to developers to create new market rate residential rental properties. As an applicant, the city would be required to secure funds that match one dollar for every two dollars in funding offered through this program.

As a match to the Workforce Housing Development Program, the City Council provided consensus agreement for tax abatement of up to 15 years of 100% abatement of the City's taxes, but it was noted by the developer that their financial gap actually exceeds what the City can provide, particularly if Workforce Housing Development Program funds (up to \$499,999) are not awarded (expected to hear by September 26th).

In order to spread the tax abatement burden, the City has approached LeSueur County and the School District about participating as all three taxing entities will share in the benefits of the new apartment building which would not otherwise occur without the tax abatement. The School District has a public hearing scheduled for September 23rd to consider the tax abatement request.

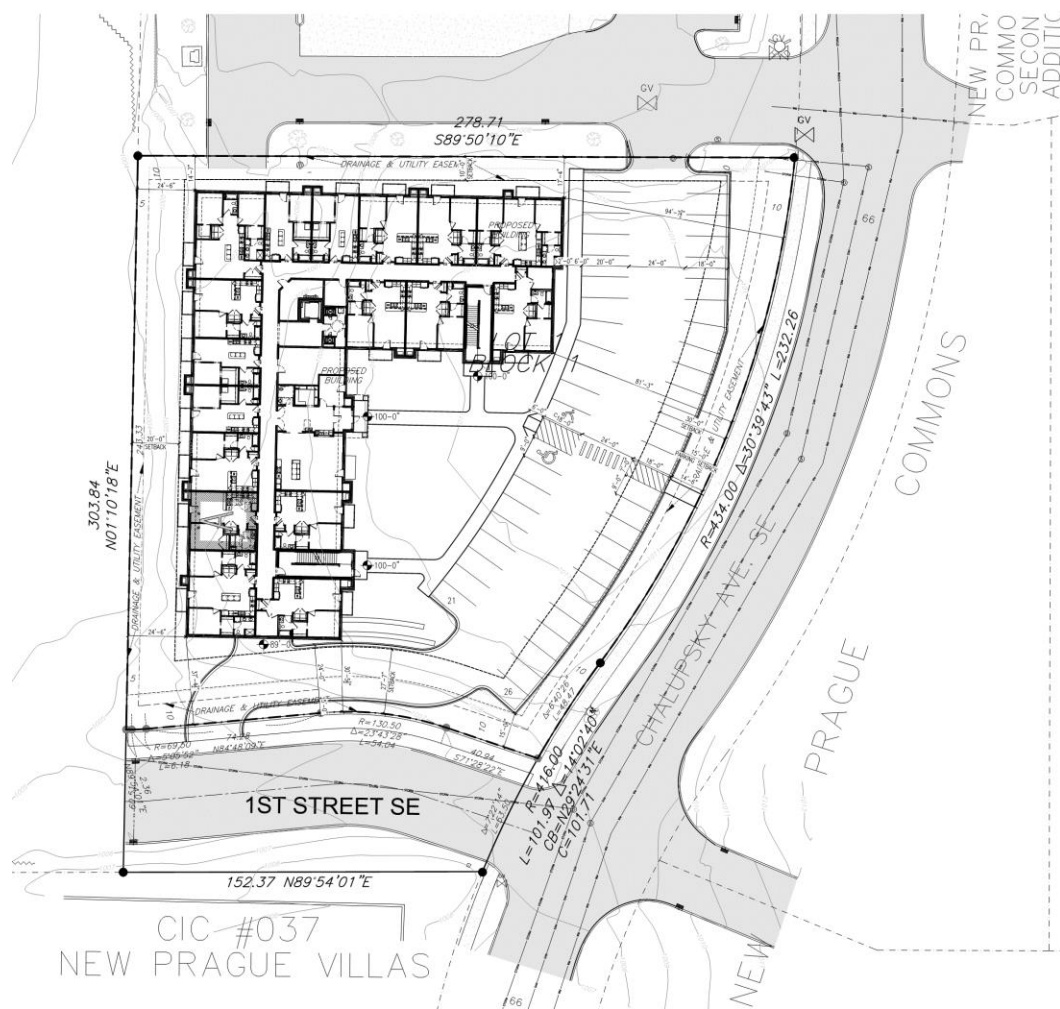
Mikaela Huot with Baker Tilly (the City's consultant) has provided the attached memo showing what the shared tax abatement among all three entities would be over a 15-year time period under a few different scenarios.

Additional information provided with this memo includes the anticipated unit mix, picture of the site, site plan, example building elevation for reference purposes.

The current proposed mix of units is as follows which would be attractive as a housing option for the city in general as well as for school district employees and likely a few families as well:

- Alcove (Studio) – 12
- 1 Bedroom – 29
- 1 Bedroom + Den – 2
- 2 Bedroom – 11

In terms of school age children that would live in the apartments, the general estimate from the Developer is that they would expect anywhere from 3-8 kids (age K-12) per 100 units. So with 54 units, we could estimate approximately 1.62 – 4.32 kids in this building. This is a general rule for estimates but can vary depending on many factors. Another national average estimate shows that for apartments with over 20 units, each unit would net .14 students per unit which would be about 7.56 kids in the building.





(Example Building Elevation – indicative of style and materials only – building may have peaked reroof as shown or flat roof. Different and more appealing colors would be utilized.)

Memo

To: Joshua Tetzlaff, City of New Prague
Ken Ondich, City of New Prague

From: Mikaela Huot, Director, BTMA

Date: September 10, 2024

Subject: Tax Abatement Revenue Projections for Proposed New 54-Unit Apartment Complex Project and Public Assistance

Executive Summary

The City of New Prague (the “City”) has been approached by Ebert Construction (the “developer”) regarding the proposed construction of a 54-unit multifamily apartment housing complex and request for financial assistance. The developer has estimated the total development cost to be approximately \$12.7 million and has requested the City apply for funding through the MHFA Workforce Housing Development Program (estimate of \$499,999 grant request) to assist with closing a financial gap that is anticipated to exist with development of the project site and construction of the new project. The developer has also requested the City provide assistance as a local funding match as required for the grant application. The developer has submitted additional information to the City indicating the financial gap is \$1,200,000.

The developer has requested that the City, County and School District consider the granting of a tax abatement that would provide additional gap financing. Any grant funding received by MHFA would reduce the requested total tax abatement assistance, to provide total assistance up to \$1,200,000. For purposes of providing a range of potential tax abatement assistance, we are providing 4 scenarios with varying percentages of tax abatement (0%, 50%, 80% and 100%). The County has provided an initial taxable value estimate of the project upon construction completion of \$6,100,000. A summary of the projected revenues is included in the table on the following page.

The purpose of this memo is to provide a summary of the preliminary projected tax abatement revenues generated by the City, County and School District. Any participation amounts would be subject to individual Council/Board approvals following the holding of a public hearing. Additional details related to the tax abatement financing will be provided at respective Council and Board meetings.

Tax Abatement Analysis

The following assumptions were used to estimate the amount of projected tax abatement revenues:

- Total project area
 - Parcel ID: 23.501.0010
- Total estimated base value of \$93,300
 - Assumed existing land value would be calculated as ‘base’
 - Non-abated net tax capacity of \$1,166
- Estimated total taxable value upon completion
 - \$6,100,000 (\$112,963 per unit)
 - \$76,250 total net tax capacity
 - Residential rental classification
- Maximum term of tax abatement
 - Up to 20 years with one or two participating taxing entities

- Up to 15 years with all three taxing entities
- Projected term of tax abatement based on MHFA application
 - Scenario 1: Estimated 15 years with 100% City share pledged
 - \$477,837
 - Scenario 2: Estimated 15 years with 50% City, County and School District shares pledged
 - \$610,510
 - Scenario 3: Estimated 15 years with 80% City, County and School District shares pledged
 - Estimated \$65,000 per year
 - \$976,816
 - Scenario 4: Estimated 15 years with 100% City, County and School District shares pledged
 - Estimated \$81,401 per year
 - \$1,221,019
- Construction commences in 2025 and completes in 2026
 - 100% assessed in January of 2027 for taxes payable in 2028
- Tax rates, class rates and future market values remain constant
 - Tax rates
 - City: 42.427%
 - County: 45.807%
 - School District: 20.180%
 - Class rate of 1.25% for residential rental
 - 0% annual market value inflator

Tax Abatement Revenue Estimates

Tax Abatement Revenue Estimates				
	Scenario 1: City Only Participation	Scenario 2: City, County and School District Participation	Scenario 3: City, County and School District Participation	Scenario 4: City, County and School District Participation
Total Estimated Taxable Value	\$6,100,000	\$6,100,000	\$6,100,000	\$6,100,000
Participation Level	100%	50%	80%	100%
Estimated # of Years	15 years	15 years	15 years	15 years
City annual abatement	\$31,856	\$15,928	\$25,485	\$31,856
County annual abatement	\$0	\$17,197	\$27,515	\$34,394
School District annual abatement	\$0	\$7,576	\$12,122	\$15,152
Total estimated annual abatement	\$31,856	\$40,701	\$65,121	\$81,401
Estimated total projected revenues	\$477,837	\$610,510	\$976,816	\$1,221,019

Project Financing

There are generally two ways in which assistance can be provided for most projects, either upfront or on a pay-as-you-go basis. With upfront financing, the City would finance a portion of the applicant's initial project costs through the issuance of bonds or as an internal loan. Future tax abatements would be levied for collection by the City and used to pay debt service on the bonds or repayment of the internal loan. With pay-as-you-go financing, the developer would finance all project costs upfront and would be reimbursed over time for a portion of those costs as revenues are available.

Pay-as-you-go-financing is generally more acceptable than upfront financing for the City because it shifts the risk for repayment to the developer. If revenues are less than originally projected, the developer receives less and therefore bears the risk of not being reimbursed the full amount of their financing. However, in some cases pay as you go financing may not be financially feasible. With bonds, the City would still need to make debt service payments and would have to use other sources to fill any shortfall of revenues. With internal financing, the City reimburses the loan with future revenue collections and may risk not repaying itself in full if revenues

are not sufficient. The City has historically financed projects as pay-as-you-go for reimbursement to the developer of eligible costs.

Definition of Tax Abatement

Any political subdivision, including statutory cities, home rule charter cities, towns, counties, and school districts, is authorized to abate property taxes on selected parcels or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

- The benefits gained equal or exceed the cost to the political subdivision or the abatement phases in a property tax increase, and
- The abatement is in the public interest because it will:
 - increases or preserves the tax base;
 - provides employment opportunities;
 - provides or helps acquire or construct public facilities;
 - helps redevelop or renew blighted areas;
 - helps provide access to services;
 - finances or provides for public infrastructure;
 - 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 an increase due to improvement of the parcel; or
 - stabilize the tax base through equalization of property tax revenues for a specified time period with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

Cities, counties, and school districts as combined jurisdictions may grant an abatement for no longer than 15 years (8 year maximum if no initial duration is specified), or for no longer than 20 years if two or fewer jurisdictions participate.

No back-to-back abatements. Eight years must pass before a new abatement can be applied on the same properties.

In any given year, the total amount of property taxes abated by a political subdivision for all parcels may not exceed the greater of (1) 10% of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000.

Property in a tax increment financing district is not eligible for abatement; however, a tax abatement can be established following a tax increment district.

Thank you for the opportunity to be of assistance to the City of New Prague. Please contact me at 651-223-3036 or mikaela.huot@bakertilly.com with any questions or to discuss.

Scenario 1: City only Participation (estimated 100% annual abatement)

Projected Tax Abatement Report

City of New Prague, Minnesota

Proposed Tax Abatement Assistance

54 Unit Apartment Complex

Draft Abatement Revenues: \$6.1M new taxable value

Annual Period Ending	Total Market Value ⁽¹⁾	Total Net Tax Capacity ⁽²⁾	Less:	Retained Captured Net Tax Capacity	Times: Tax Capacity Rate ⁽⁴⁾	Estimated Annual Property Taxes ⁽⁵⁾	Maximum		Maximum		Maximum	Estimated Project Abatement	Estimated Total Annual Taxes	
			Non- Abated Net Tax Capacity ⁽³⁾				Tax	Tax	Tax					
							Abatement City *	Abatement County *	Abatement School *					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	42.43%	45.81%		20.18%	(10)	(11)	(12)	
12/31/26	93,300	1,166	1,166	0	109.914%	0	0	0	0	0	0	0		
12/31/27	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/28	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/29	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/30	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/31	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/32	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/33	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/34	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/35	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/36	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/37	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/38	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/39	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/40	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
12/31/41	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	0%	0	0%	0	31,856	92,537
						\$1,320,448	\$477,837		\$0		\$0	\$477,837	\$1,388,060	

⁽¹⁾ Total estimated market value based on preliminary value estimate following review by County Assessor
very preliminary and subject to further review. Includes 0% annual market value inflator

⁽²⁾ Total net tax capacity based on rental class rate of 1.25%

⁽³⁾ Original net tax capacity based does include existing land value

⁽⁴⁾ Local tax capacity rate for the City of New Prague for taxes payable 2024

⁽⁵⁾ estimated property taxes for abatement calculations, not including School MvR rate

Scenario 2: City, County and School District Participation (estimated 50% annual abatement)

Projected Tax Abatement Report

City of New Prague, Minnesota

Proposed Tax Abatement Assistance

54 Unit Apartment Complex

Draft Abatement Revenues: \$6.1M new taxable value

Annual Period Ending	Total Market Value ⁽¹⁾	Total Net Tax Capacity ⁽²⁾	Less: Non- Abated Net Tax Capacity ⁽³⁾	Retained Captured Net Tax Capacity	Times: Tax Capacity Rate ⁽⁴⁾	Estimated Annual Property Taxes ⁽⁵⁾	Maximum Tax Abatement City *	Maximum Tax Abatement County *	Maximum Tax Abatement School *	Estimated Project Abatement	Estimated Total Annual Taxes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	42.427%	45.807%	20.180%	(11)	(12)
12/31/26	93,300	1,166	1,166	0	109.914%	0	0	0	0	0	
12/31/27	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/28	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/29	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/30	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/31	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/32	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/33	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/34	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/35	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/36	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/37	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/38	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/39	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/40	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
12/31/41	6,100,000	76,250	1,166	75,084	109.914%	82,528	50%	15,928	50%	17,197	92,537
						\$1,237,920	\$238,918	\$257,952	\$113,639	\$610,510	\$1,388,060

⁽¹⁾ Total estimated market value based on preliminary value estimate following review by County Assessor
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⁽²⁾ Total net tax capacity based on rental class rate of 1.25%

⁽³⁾ Original net tax capacity based does include existing land value

⁽⁴⁾ Local tax capacity rate for the City, County and School District for taxes payable 2024

⁽⁵⁾ estimated property taxes for abatement calculations, not including School MvR rate

Scenario 3: City, County and School District Participation (estimated 80% annual abatement)

Projected Tax Abatement Report

City of New Prague, Minnesota

Proposed Tax Abatement Assistance

54 Unit Apartment Complex

Draft Abatement Revenues: \$6.1M new taxable value

Annual Period Ending	Total Market Value ⁽¹⁾	Total Net Tax Capacity ⁽²⁾	Less: Non- Abated Net Tax Capacity ⁽³⁾	Retained Captured Net Tax Capacity	Times: Tax Capacity Rate ⁽⁴⁾	Estimated Annual Property Taxes ⁽⁵⁾	Maximum Tax Abatement City *	Maximum Tax Abatement County *	Maximum Tax Abatement School *	Estimated Project Abatement	Estimated Total Annual Taxes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) 42.427%	(9) 45.807%	(10) 20.180%	(11)	(12)
12/31/26	93,300	1,166	1,166	0	109.914%	0	0	0	0	0	
12/31/27	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/28	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/29	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/30	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/31	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/32	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/33	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/34	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/35	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/36	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/37	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/38	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/39	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/40	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
12/31/41	6,100,000	76,250	1,166	75,084	109.914%	82,528	80%	25,485	80%	12,122	92,537
						\$1,237,920	\$382,269	\$412,723	\$181,823	\$976,816	\$1,388,060

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⁽²⁾ Total net tax capacity based on rental class rate of 1.25%

⁽³⁾ Original net tax capacity based does include existing land value

⁽⁴⁾ Local tax capacity rate for the City, County and School District for taxes payable 2024

⁽⁵⁾ estimated property taxes for abatement calculations, not including School MvR rate

Scenario 4: City, County and School District Participation (estimated 100% annual abatement)

Projected Tax Abatement Report

City of New Prague, Minnesota

Proposed Tax Abatement Assistance

54 Unit Apartment Complex

Draft Abatement Revenues: \$6.1M new taxable value

Annual Period Ending	Total Market Value ⁽¹⁾	Total Net Tax Capacity ⁽²⁾	Less: Non- Abated Net Tax Capacity ⁽³⁾	Retained Captured Net Tax Capacity	Times: Tax Capacity Rate ⁽⁴⁾	Estimated Annual Property Taxes ⁽⁵⁾	Maximum Tax Abatement City *	Maximum Tax Abatement County *	Maximum Tax Abatement School *	Estimated Project Abatement	Estimated Total Annual Taxes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	42.427%	45.807%	20.180%	(11)	(12)
12/31/26	93,300	1,166	1,166	0	109.914%	0	0	0	0	0	
12/31/27	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/28	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/29	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/30	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/31	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/32	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/33	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/34	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/35	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/36	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/37	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/38	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/39	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/40	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
12/31/41	6,100,000	76,250	1,166	75,084	109.914%	82,528	100%	31,856	100%	15,152	81,401
						\$1,237,920	\$477,837	\$515,904	\$227,279	\$1,221,019	\$1,388,060

⁽¹⁾ Total estimated market value based on preliminary value estimate following review by County Assessor
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⁽²⁾ Total net tax capacity based on rental class rate of 1.25%

⁽³⁾ Original net tax capacity based does include existing land value

⁽⁴⁾ Local tax capacity rate for the City, County and School District for taxes payable 2024

⁽⁵⁾ estimated property taxes for abatement calculations, not including School MvR rate



City of New Prague LeSueur County New Prague Area Schools

Summary of Tax Abatement Financing and Consideration
of Joint Tax Abatement Participation
Between:

City of New Prague,
LeSueur County
New Prague Area Schools

This information should not be construed as a recommendation or an offer of services. The commentaries provided are opinions of Baker Tilly Municipal Advisors, LLC and are for informational purposes only. While the information is deemed reliable, Baker Tilly Municipal Advisors, LLC cannot guarantee its accuracy, completeness, or suitability for any purpose and makes no warranties with regard to the results to be obtained from its use, or whether any expressed course of events will actually occur. Past performance does not guarantee future results.

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Economic Development Tax Abatement: New Housing Project

- Ebert Construction is proposing construction of 54-unit new workforce housing apartment project in the City of New Prague
 - 3 story building with one level parking
 - Mix of studio, 1, 2 and 3-bedroom units
- Total development cost of the project is approximately \$12,700,000
- Total estimated taxable value of the project upon completion is \$6,100,000
- Financial gap of \$1,200,000 driving request for assistance

Economic Development Tax Abatement: New Housing Project

- Developer applied for funding from MHFA for \$499,999
 - Waiting to hear on possible award amount
- Request for tax abatement assistance from City for remaining gap
 - City Council committed match assistance of \$249,999 (spring 2024) with expectation the total participation could be greater, subject to financial gap and other funding sources
 - Need for up to approximately \$700,000
 - Would require more than City share of taxes to fill gap
- Request for participation from both County and School District through
 - Abatement of share of new taxes generated by development

Economic Development Tax Abatement: New Housing Project

- Economic development tax abatement statutes authorizes cities (and counties and school districts) to utilize tax abatement
 - For assistance to private projects
 - To finance qualifying public projects
- Tax abatement financing can be used for the following:
 - Improvements to private property
 - Finance or provide public infrastructure
 - Acquire or construct public facilities

Economic Development Tax Abatement: New Housing Project

- Proposed project would be financed by Developer through private debt and equity
- Portion of taxes (subject to participation levels and commitments) may be remitted back to Developer
- Additional details on tax abatement are provided on the following slides.

Economic Development Tax Abatement: New Housing Project

- Defined in Minnesota Statutes 469.1812 to 469.1815 (as amended)
- NOT an actual abatement
- Property owner responsible for paying all taxes
- Redirect portion of property tax revenues for project expenses
 - Incremental and/or existing taxable values
 - Through levy of taxes
- Each taxing entity chooses to participate in abatement based on their share of property taxes

Economic Development Tax Abatement: New Housing Project

Prior to using tax abatement, the approving governing body:

- Expects benefits of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement and
- Finds that doing so is in the public interest because it will:
 - increase or preserve tax base
 - provide employment opportunities in the political subdivision
 - provide or help acquire or construct public facilities
 - help redevelop or renew blighted areas
 - help provide access to services for residents of the political subdivision
 - finance or provide public infrastructure

Economic Development Tax Abatement: New Housing Project

- Adopted by resolution at a noticed meeting
 - More than 10 and less than 30 days
 - Does not require property owner consent
- Abatement resolution indicates terms: amount, length, public benefit
- Not a statutorily required 'but-for' test
- Determination of cost/benefit and public benefit
- Business subsidy provisions may apply, subject to level and type of assistance/development
 - Housing development exempt from business subsidy law

Economic Development Tax Abatement: New Housing Project

- No back-to-back abatements
- Eight years must pass before a new abatement may begin on the same parcel
- Cannot be applied within TIF districts, but can be used after TIF decertification
- Maximum duration
 - 15 years if three participants (City, County & SD)
 - 20 years if two or fewer



Economic Development Tax Abatement: New Housing Project

Scenario 1: City Only Participation at 100%	
City share estimated (annual)	\$31,856
County share estimated (annual)	\$0
School district estimated share (annual)	\$0
Total estimated revenue (annual)	\$31,856
City share estimated (15 years)	\$477,837
County share estimated (15 years)	\$0
School district estimated share (15 years)	\$0
Total estimated revenue (15 years)	\$477,837

Economic Development Tax Abatement: New Housing Project

Scenario 2: City, County and School District Participation at 50%	
City share estimated (annual)	\$15,928
County share estimated (annual)	\$17,197
School district estimated share (annual)	\$7,576
Total estimated revenue (annual)	\$40,701
City share estimated (15 years)	\$238,918
County share estimated (15 years)	\$257,952
School district estimated share (15 years)	\$113,639
Total estimated revenue (15 years)	\$610,510

Economic Development Tax Abatement: New Housing Project

Scenario 3: City, County and School District Participation at 80%	
City share estimated (annual)	\$25,485
County share estimated (annual)	\$27,515
School district estimated share (annual)	\$12,122
Total estimated revenue (annual)	\$65,121
City share estimated (15 years)	\$382,269
County share estimated (15 years)	\$412,723
School district estimated share (15 years)	\$181,823
Total estimated revenue (15 years)	\$976,816

Economic Development Tax Abatement: New Housing Project

Scenario 4: City, County and School District Participation at 100%	
City share estimated (annual)	\$31,856
County share estimated (annual)	\$34,394
School district estimated share (annual)	\$15,152
Total estimated revenue (annual)	\$81,401
City share estimated (15 years)	\$477,837
County share estimated (15 years)	\$515,904
School district estimated share (15 years)	\$227,279
Total estimated revenue (15 years)	\$1,221,019

Economic Development Tax Abatement: New Housing Project

Anticipated Calendar of Events: Next Steps

Date	Event
September 9, 2024	School Board workshop to discuss tax abatement/authorize hearing
September 16, 2024	City Council workshop and authorizes calling for public hearing
September 23, 2024	School Board holds public hearing on tax abatement
September 24, 2024	County Board workshop to discuss tax abatement/authorize hearing
October 15, 2024	County Board holds public hearing on tax abatement
October 21, 2024	City Council holds public hearing on tax abatement



Questions?

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CITY OF NEW PRAGUE
NOTICE OF PUBLIC HEARING
REGARDING PROPOSED PROPERTY TAX ABATEMENT
FOR A PROPOSED 54-UNIT WORKFORCE HOUSING PROJECT

NOTICE IS HEREBY GIVEN that the City Council of the City of New Prague, Minnesota (the “City”) will hold a public hearing on October 21, 2024 beginning at approximately 6:00 P.M. or as soon thereafter as the matter may be heard, at the City Hall, 118 Central Avenue North in New Prague, Minnesota on the proposal to abate certain property taxes levied by the City on the property listed below (the “Abatement Parcel”) under Minnesota Statutes, Sections 469.1812 through 469.1815.

Real Property PID
23.501.0010

At the public hearing, the City Council will consider an abatement resolution under which the City will pledge all or a portion of the City’s share of property taxes from the Abatement Parcel to the developer as related to financing of the construction of a 54-unit multifamily workforce housing project within the City. The total amount of abatement is estimated not to exceed \$477,837, representing the aggregate abatement dollars to be collected by the City over a maximum of 15 years.

The City Council will give all persons who appear at, or submit comments in writing prior to, the hearing an opportunity to express their views with respect to the proposal.

BY ORDER OF THE CITY COUNCIL OF THE
CITY OF NEW PRAGUE, MINNESOTA

City of New Prague, Minnesota
Le Sueur County
Independent School District #721

Timeline for 54 Unit Complex
Tax Abatement terms for 15 Years (City, County and School District)

Proposed Schedule of Events		
Date	Event	Responsible Party
Spring/Summer 2024	Discussion of use of Tax Abatement	City, Kennedy & Graven, Baker Tilly
Anticipated September 2024	Grant Award Received	
Monday, September 9 by 12 pm	Deadline for submission of public hearing notice (School District)	Baker Tilly
Monday, September 9 at 6:00 PM	School District Board holds work session to discuss use of abatement for 54-unit apartment complex.	City, Kennedy & Graven, Baker Tilly
Thursday, September 12 (deadline Sep. 9)	Publication of notice of public hearing for School District Tax Abatement in New Prague Times (11-30 days prior to public hearing)	Baker Tilly
Monday, September 16 at 6:00 pm	City Council authorizes/calls for public hearing for use of Tax Abatement terms by motion	City
Monday, September 16 at 6:00 PM	City Council holds work session to discuss use of abatement for 54-unit apartment complex	City, Kennedy & Graven, Baker Tilly
Monday, September 23 at 6:00 PM	School District Board holds public hearing, and considers resolution approving tax abatement (Tax abatement documents provided by Baker Tilly and Resolution provided by Kennedy & Graven)	City, Kennedy & Graven, Baker Tilly
Tuesday, September 24 at 9:00 AM	Board of County Commissioners holds work session to discuss abatement for 54-unit apartment complex	City, Kennedy & Graven, Baker Tilly
Monday, September 30 by 11 am	Deadline for submission of public hearing notice (County)	Baker Tilly
Thursday, October 3 (deadline Sep. 30)	Publication of notice of public hearing for County Tax Abatement in Le Sueur County News (11-30 days prior to public hearing)	City, Kennedy & Graven, Baker Tilly
Monday, October 7 by 12 pm	Deadline for submission of public hearing notice (City)	Baker Tilly

Thursday, October 10 (deadline Oct 7)	Publication of notice of public hearing for Tax Abatement in New Prague Times. <i>(11-30 days prior to public hearing)</i>	Baker Tilly
Tuesday, October 15 at 9:00 AM	Board of County Commissioners hold public hearing, and considers resolution approving tax abatement <i>(Tax abatement documents provided by Baker Tilly and Resolution provided by Kennedy & Graven)</i>	City, Kennedy & Graven, Baker Tilly
Monday, October 21 at 6:00 PM	City Council holds public hearing, and considers resolution approving tax abatement <i>(Tax abatement documents provided by Baker Tilly and Resolution provided by Kennedy & Graven)</i>	City, Kennedy & Graven, Baker Tilly