

PIPESTONE ECONOMIC DEVELOPMENT TAX ABATEMENT POLICY

Authority

The City of Pipestone (the “City”) is authorized by Minnesota Statutes 469.1812 to 469.1815 (the “Abatement Act”) to grant abatement of all or a portion of the City property tax amount on specified tax parcels to achieve development objectives of the City.

Objectives for Use of Tax Abatements The City will consider using tax abatement financing to assist private development projects and public improvements to achieve one or more of the following objectives:

- To enhance and diversify the City’s economic base.
- To encourage additional unsubsidized private development in the area.
- To facilitate the development process and to achieve development on sites which would not be developed without assistance or would not be developed at a level of quality acceptable to the City Council and the community
- To encourage redevelopment of commercial and industrial areas in the City that result in high quality redevelopment and private reinvestment
- To encourage the removal of blight or the rehabilitation of a high profile or priority site.
- To offset increased costs of redevelopment (i.e. contaminated site clean-up, demolition expenses, etc.) over and above the costs normally incurred in development.
- To increase the tax base.
- To create affordable housing opportunities.
- To retain local jobs or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- To finance the costs associated with public infrastructure and public facilities.

To contribute to the implementation of other public policies as adopted by the City, such as the promotion of quality architectural design, enhanced recreational opportunities, and decreasing capital and/or operating costs of local government.

Tax Abatement Available

The amount of tax abatement available in any given year may not exceed (i) ten (10) percent of the net tax capacity of the City for the taxes payable year to which the abatement applies; or (ii) \$200,000, whichever is greater.

Consistent with the Abatement Act, the City Council may further limit the amount of abatement by:

- a. A specific dollar amount per year or in total;
- b. The increase in property taxes resulting from improvement of the property;
- c. The increase in the property taxes resulting from increases in the market value or tax capacity of the property;
- d. The interest and penalty that would otherwise be due on taxes that are deferred;
- e. In any other manner the Council determines if appropriate.

Criteria

In determining whether the Council should grant tax abatement for a specific project, the following criteria will be evaluated:

- a. The benefits to the City of the proposed abatement agreement are expected to at least equal the costs to the City of the proposed abatement agreement or the City intends the abatement to phase in a property tax increase; and the City finds that doing so is in the public interest because it will:
 - i. Increase or preserve tax base;
 - ii. Provide employment opportunities in the City;

- iii. Provide or help acquire or construct public facilities;
 - iv. Help develop or renew blighted areas;
 - v. Help provide access to services for City residents;
 - vi. Finance or provide public infrastructure;
 - vii. Phase in property tax increases on a parcel that results from an increase of fifty (50) percent or more in one year of the estimated market value of the parcel, other than increase attributable to improvement of the parcel;
 - viii. Stabilize the tax base through equalization of 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 Rules, Chapter [8100](#);
 - ix. Provide for the development of affordable housing to households at or below 80 percent of area median income as estimated by the United States Department of Housing and Urban Development for the political subdivision in which the project is located; or
 - x. Allow the property to be held by a land bank organization for future development.
- b. Meeting policy criteria does not guarantee the award of tax abatement to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

Application and Review Process

An application for tax abatement shall be completed and submitted to the City Administrator for processing. The application is attached as Exhibit A to this policy. The following information shall be submitted:

- a. Complete City Application
- b. Map or site plan, prepared by an architect or engineer, showing the boundaries of the proposed development, the size and location of the building(s) and parking areas.
- c. Written narrative describing the project, the size and type of building(s), business type and use, traffic information (parking capacity, vehicle counts, traffic flow, and pedestrian facilities), project timing, and estimated market value.
- d. A statement identifying the public benefits of the proposal, including estimated increase in property valuation and other community benefits.
- e. Information on new jobs to be created with estimated wage levels, including medical insurance benefits to be provided and proposal of when jobs will be added
- f. Statement showing the private investment and any public investment dollars for the project
- g. A written prospectus of the applicant's company, corporation, principles, history, and past projects. A sole proprietor applicant shall also provide credit history information.
- h. Financial information including past performance and pro forma future projections for the project.
- i. Fee as set by City Council. See current fee schedule.

Review Process

Within sixty (60) days of receipt, the application packet shall be reviewed by a Committee comprised of the City Administrator, Community Development Director, and Building Administrator.

The Committee shall review the staff report, the project, the financial analysis, meet with the applicant, if applicable, and make a recommendation to the City Council regarding the tax abatement request.

Approval

A public hearing shall be conducted on the request of the tax abatement. Notification for the public hearing shall be made as required by the Abatement Act. The City Council will determine if tax abatement should be granted based on the staff analysis and recommendations from the Committee. Approval for tax abatement shall be made by resolution which specifies the following:

- a. The terms of the abatement,
- b. The nature and extent of the public benefit resulting from the abatement, and
- c. The duration of the abatement period.

Once tax abatement financing has been provided, the file shall be reviewed annually to determine consistency with the original approval. The applicant and City shall execute a Tax Abatement Agreement outlining the terms and conditions of approval and payment of tax abatement financing.

Tax abatement shall be provided only once per project unless a substantial expansion is proposed. “Substantial expansion” is defined as an expansion that is equal to or greater than fifty (50) percent of the original project.

Payment

The abatement will be paid only after the taxes have been paid in full for the year on the property and the applicant has submitted a completed Department of Employment and Economic Development Minnesota Business Assistance Form to the City. Deadlines for submittal of the report will be determined by the City Administrator. Failure to comply with the reporting requirement will be cause for default of the abatement.

The applicant will be required to submit proof of employment levels, wages and insurance benefits; such proof may be in the form of payroll reports or other reports as agreed by the City. The City will pay the abatement to the property owner, lessee, or a representative of the bondholders as provided by the abatement resolution or separate agreement, if applicable.