

Tax Abatement Policy

1. PURPOSE

Subd. 1.01. The purpose of this policy is to establish the City of Newport's position as it relates to the use of Tax Abatement for private development. This policy shall be used as a guide in processing and reviewing applications requesting business assistance, and in conjunction with the City's Business Assistance Policy. The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. STATUTORY LIMITATIONS

Subd. 2.01. In accordance with the City of Newport's Tax Abatement Policy, assistance requests must comply with applicable State Statutes. MN Statutes, Sections 469.1812 through 469.1815, authorizes a political subdivision to utilize property tax abatement on certain parcels of land within its boundaries.

3. POLICY BACKGROUND

Subd. 3.01. The City recognizes that local government plays a critical role in enhancing the vitality of our community. This is particularly true as the city reaches full development.

Subd. 3.02. All reasonable means shall be utilized to leverage private business development and redevelopment in the city consistent with this and other policies. Tax abatement is an important and useful tool in attracting and retaining businesses.

Subd. 3.03. The tax abatement tool provides the ability to capture and use all or a portion of the property tax revenues within a defined geographic area. In practice, it is a tax "rebate" rather than an exemption from paying property taxes. Tax abatement is an important economic development tool that when used appropriately can be useful to accomplish the city's development and redevelopment goals and objectives. Requests for tax abatement must serve to accomplish the city's targeted goals for development and redevelopment. These goals include, but are not limited to projects that will result in the creation or retention of a significant number of jobs that pay wages adequate to support households, projects that will assist with the retention and expansion of businesses, and projects that will expand the city's tax base. Projects must meet the requirements established by the Business Assistance Policy of the City, to the extent it is applicable, in order to receive abatement.

4. PROJECT ELIGIBILITY

Subd. 4.01. The City shall consider tax abatement financing in cases that serve to accomplish targeted city goals for development and redevelopment as outlined in the Business Assistance Policy.

5. OBJECTIVES

Subd. 5.01. A property tax abatement must meet at least one of the following public purposes:

- Increase or preserve the tax base

- Provide employment opportunities in the City
- Provide or help acquire or construct public facilities
- Help redevelop or renew blighted areas
- Help provide access to services for City residents
- Finance or provide public infrastructure

Subd. 5.02. The developer/landowner shall be able to demonstrate a market demand for a proposed project.

Subd. 5.03. Tax abatement shall not be used for projects that would place extraordinary demands on City services or for projects that would generate significant environmental impacts.

Subd. 5.04. Because it is not possible to anticipate every type of project, which may in its context and time present desirable community building, development, or redevelopment goals and objectives, the City retains the right in its discretion to approve projects and tax abatements that may vary from the principles and criteria of this policy.

6. DETERMINATION OF AMOUNT OF ASSISTANCE

Subd. 6.01. Tax abatement assistance available shall generally be limited to the incremental taxes generated on the improvements to the property. The City may consider a greater level of financial assistance, up to the maximum allowed under Minnesota Statutes, in limited circumstances. The level of assistance will be evaluated on a case-by-case basis and may reflect an increase or decrease in requested financial assistance from the applicant.

Subd. 6.02. The amount of tax abatement assistance provided to an applicant shall be based on a review of the following:

- Request for Financial Assistance Form (Exhibit A)
- Review of Applicant Pro Forma
- Amount of Increment Generated by the Project

Subd. 6.03. In any year, the total amount of property taxes abated (citywide) may not exceed (1) ten percent of the current levy, or (2) \$200,000, whichever is greater. The limit does not apply to an uncollected abatement from a prior year that is added to the abatement levy.

Subd. 6.04. The developer/landowner must adequately demonstrate, to the City's sole satisfaction, an ability to complete the proposed project based on past development experience, general reputation, and credit history, among other factors, including the size and scope of the proposed project. The developer/landowner must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements and letters of credit.

7. FORMS OF ASSISTANCE

Subd. 7.01. Tax abatement shall generally be provided on a "pay-as-you-go" basis wherein the City compensates the applicant for a predetermined amount for stated number of years. In all cases, semi-annual abatement payments are based on available (as approved by agreement) tax

revenue from the property and issued to the applicant after payment of property taxes by the applicant.

Subd. 7.02. Another form of assistance that shall be considered only in extraordinary circumstances is an “up-front payment” to the applicant. This may be in the form of a revenue or general obligation bond or an internal loan. (The City would consider revenue bond financing where the terms of the financing are satisfactory to the City.) The tax increment generated from the applicant’s project is a source of revenue for repayment of the bonds or loan. This form of assistance is not one the City will generally consider because under this form of assistance the taxpayers assume the risk that the tax increment will be sufficient for repayment of the bonds or the interfund loan.

8. DURATION AND RESTRICTIONS

Subd. 8.01. The City may grant an abatement for a period no longer than 15 years, except as provided under 8.02. The City may specify in the abatement resolution a shorter duration.

Subd. 8.02. The City, when proposing to abate taxes for a parcel, may make a written request to Washington County or a school district in which a parcel is located to grant an abatement of county or school taxes for the property. If one of the two political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel is increased to 20 years.

Subd. 8.03. The City may not enter into a property tax abatement agreement that provides for abatement of taxes on a parcel, if the abatement will occur while the parcel is located in a tax increment financing district.

9. APPLICATION

Subd. 9.01. The City will require a deposit in the amount of \$__ from the applicant to investigate the feasibility of providing assistance to the applicant. If the City incurs additional expense beyond the \$__ prior to execution of the Developer’s Agreement, the City shall notify the applicant in writing and the applicant must deposit additional funds for work on the application to continue. If the project is approved and the applicant proceeds with the project, the applicant’s deposit may be reimbursed as an eligible project cost to the extent permissible under MN Statutes.

Subd. 9.02. In addition to the \$__ deposit fee, the applicant must submit the following forms and documentation at time of application for the application to be complete and review of the application to begin:

- Request for Financial Assistance Form (Exhibit A)
- Project Pro Forma Documentation (Developed by Applicant)

EXHIBIT A
REQUEST FOR FINANCIAL ASSISTANCE FORM

1. Provide a brief project description and the following information:

- Building square footage:
- Size of property:
- Description of building:
- Materials and other additional relevant building information:

2. Provide a brief description of your business and the following information:

- Business Name:
- Address:
- Telephone:
- Contact Name:

3. Provide information on the present ownership of the site

- Name:
- Address:
- Phone Number:
- Contact Name:

4. Estimated Project Costs

- a. Land acquisition \$ _____
- b. Site development _____
- c. Building cost _____
- d. Equipment _____
- e. Architectural/engineering fee _____
- f. Legal fees _____
- g. Off-site development costs _____
- TOTAL ESTIMATED COSTS \$ _____

5. Estimated Project Funding

- a. Private financing institution \$ _____
- b. Tax increment/abatement funds _____
- c. Other public funds _____
- d. Developer equity _____
- TOTAL ESTIMATED SOURCES \$ _____
- (should equal Total Estimated Costs)

6. Describe amount and purpose for which TIF or Tax Abatement is required.

7. State specific reasons why TIF or Tax Abatement is necessary for the project (“but for” test).

8. List project costs that may be eligible for assistance.

9. Provide market value information.

Current market value (from County Assessor):\$ _____

Proposed market value at completion: \$ _____

10. Provide real estate property tax information.

Existing real estate taxes of property: \$ _____

Estimated real estate taxes of property upon completion: \$ _____

11. Provide name and address of architect, engineer, and general contractor for the project.

12. Provide project construction schedule.

Estimated construction start date: _____

Estimated construction completion date: _____

If phased project: _____ Year _____ % Complete

_____ Year _____ % Complete

13. Provides names of any other municipalities wherein the applicant, or other corporations the applicant has been involved with, has completed developments within the last five years

14. Provide the following required supplemental information:

- Project Pro Formas (one showing with assistance and one without assistance)
- Legal description of the property
- Application fee of \$10,000 payable to the City of Newport
- Site plan and building rendering

In addition to the required information from above (items 1-14), the following information is requested and will be considered as part of the application approval process:

- Provide number of years in business
- Provide number of years located in the City of Newport (if applicable)
- Describe potential for business growth or future development
- Explain whether the building will be owner-occupied (Yes/No)
- If rental space, provide the targeted retail rates
- Provide land costs per acre or square foot
- Provide the projected building cost per square foot
- Additional comments