

# ALEXANDRIA ECONOMIC DEVELOPMENT AUTHORITY

## TAX ABATEMENT POLICY STATEMENT

### A. Introduction

Since the property tax reform of 2001, local governments were forced to develop new local financing tools for economic development. Tax abatement is one such financing tool set forth by the Minnesota State Statutes Sections 469.1812 to 469.1815. The City of Alexandria (the “City”) and the Alexandria Economic Development Authority (the “EDA”) will consider tax abatement requests on a case-by-case basis. This policy statement will set forth basic information for persons involved, regarding the eligible use, application process, and annual reporting process for anyone wanting to request abatement. For the benefit of interested parties, this policy statement will also outline the general procedure, which needs to be followed create tax abatement. It is the intent of the Policy Statement to serve as both procedural and informational guide for all interested persons.

### B. Intent

The purpose of the Tax Abatement Policy Statement is to provide a uniform set of standards and procedures for the City and EDA to follow when utilizing tax abatement in conjunction with Minnesota State Statutes Sections 469.1812 to 469.1815. Generally, tax abatement is a technique, which allows cities to rebate a property tax to the property owner, reallocates taxes to pay bondholders, reallocates the taxes to pay for public infrastructure costs, or defers the property taxes.

An abatement can be requested from any of the following “political subdivisions”:

1. A City
2. A County
3. A Town
4. A School District

### C. Conditions for Granting an Abatement

According to Minnesota State Statutes, abatement can be granted if:

1. The governing body (a) expects the benefits to the political subdivision of the proposed abatement to at least equal the cost of the abatement, **OR**, (b) intends the abatement to phase in a property tax increase as provided in (2)(g) below; **AND**
2. It finds that the abatement will be in the public interest because it will accomplish **at least one** of the following purposes:
  - A) Increase or preserve the tax base;
  - B) Provide employment opportunities within the political subdivision;

- C) Provide or help to acquire or construct public facilities;
- D) Help redevelop or renew blighted areas;
- E) Help to provide access for services for residents of the political subdivision;
- F) Finance or provide public infrastructure; **OR**
- G) Phase in a property tax increase for a parcel resulting from a one-year increase of 50% or more in the estimated market value of the parcel, other than the increase in estimated market value attributable to improvements made to the parcel.

3. Abatements may **not** be granted to property located within an active tax increment-financing District.

In general, the City and EDA have set forth some additional conditions the abatement must meet, unless it is a city initiated tax abatement to improve or construct city facilities, than conditions set forth in paragraph 3 will apply as follows:

- The project must increase the employment opportunities in the City of Alexandria for permanent positions.
  - The abatement will adhere to the Business Subsidy Policy the City of Alexandria has set forth regarding job and wage criteria.
  - On any abatement, the only abated portion of the property tax will consist of the increase in property tax based on the new construction, renovation, or redevelopment of the property.
  - Projects must have a \$150,000 minimum increase in estimated market value wholly attributable to improvements in order to request tax abatement.
  - The abatement must be approved prior to any new construction or improvements being made to the proposed property.
  - The duration of the tax abatement will be for 10 years, unless an extend duration abatement is granted (as allowed by the statutes).
  - The City or EDA will not issue bonds to provide advance payment of abatements.
4. In any year, the total amount of property taxes abated by the City may not exceed ten percent of the net tax capacity, or \$200,000, whichever is greater.
5. Property tax subject to abatement is the net tax capacity based tax of real property including land and buildings. Market value based taxes and special assessments are not eligible for abatement under this law.

## D. Types of Abatement

The City may “abate” all or a portion of its share of property tax on one or more parcels of real property for economic development purposes, subject to a duration limit and a limit on the amount of abatements. The “abatement” can be:

1. A rebate of property taxes to the property owner;
2. A reallocation of taxes to pay for public infrastructure and/or public facility costs; **OR**
3. A deferment of property taxes.

The abatement for a parcel may be any **one** of the above, but not a mixture of two or more of these types of abatements. The type of abatement for a parcel can be changed with a modification to the Abatement Resolution.

## E. Application

Prior to any consideration by the EDA and the City, the applicant must deliver to the City the following:

- Letter formally requesting an abatement from the City and EDA;
- Completed Application for Tax Abatement (attached); and
- A processing fee of \$500

## F. Approval Process

The EDA will make a finding, based upon information presented, as to whether the proposed project is consistent with Minnesota State Statutes Section 469.1812 to 469.1815 and the Conditions of Granting an Abatement, Section C of the policy statement, are met. If deemed appropriate, the EDA may direct staff and advisors to prepare the Abatement Resolution.

The City Council may grant abatement only by adopting an abatement resolution. The contents of the resolution should contain the following:

- Terms of the Abatement
- Only one type of tax abatement can be stated
- Amount of the abatement
- Method of Annual Determination
- Number of Years
- Effective starting date or the first taxes payable year for the abatement
- Nature and extent of public benefits

The City may approve an abatement resolution only after holding a public hearing on the proposed abatement. All public notification and public hearing laws apply to the abatement approval process.

The City Council will grant final approval of the abatement resolution.

The City will retain an annual maintenance fee of \$500.00 for each abatement.

### **G. Payment of Taxes**

With the exception of the deferment option, the taxes on a real estate parcel receiving the abatement must be paid when due and payable in the same manner as other real property taxes. After the taxes are paid, the City will expend the taxes in accordance with the abatement resolution.

### **H. Annual Reporting**

All projects granted tax abatement must report annually to the City EDA by January 31 the following information:

- Number of Jobs Created or Retained
- Annual wage per employee created with the abatement project
- Any information the EDA or City deem necessary to meet the requirement of the Business Subsidy Laws.

### **I. Recapture of Abatement**

Imposition of any recapture is at the sole discretion of the taxing authority and is reviewed/considered on a case-by-case basis. Reasons for the recapture of benefits may include the following:

- Sale or closure of the facility and departure of the company from the jurisdiction.
- Significant change in the use of the facility and/or the business activities of the company.
- Significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic conditions.
- Failure to achieve the minimum number of net new jobs and wage levels as specified in the application and the City Business Subsidy Policy.
- Failure to comply with the annual reporting requirements.