

2013

Tax Abatement Finance Policy



City of Northfield

Adopted: _____

I. POLICY PURPOSE

The purpose of this policy is to establish the City of Northfield's, hereafter referred to as the City, guide for the processing and review of applications requesting tax abatement. The fundamental purpose of tax abatement in Northfield is to encourage desirable development, redevelopment, or public improvements which clearly demonstrate a need for assistance and a public benefit. The City is granted the power to utilize tax abatement financing by the Minnesota Tax Abatement Act (*Minnesota Statutes, Section 469.1812 to 469.1815, as amended*). Tax abatement in this context is a rebate of taxes, rather than an exemption from paying property taxes. It is the intent of the City to provide the minimum tax abatement, as well as other incentives, at the shortest term required for the project on a case by case basis, taking into consideration established policies, project criteria, and demand on city services in relation to the potential benefits from the project. 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.

II. OBJECTIVES FOR USE OF TAX ABATEMENTS

As a matter of adopted policy, 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:

1. To enhance and diversify the City of Northfield's economic base.
2. To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
3. 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 Council and the Community.
4. To encourage redevelopment of commercial and industrial areas in the city that result in high quality redevelopment and private reinvestment.
5. To encourage the removal of blight or the rehabilitation of a high profile or priority site.
6. To offset increased costs of redevelopment (i.e. contaminated site clean-up, demolition expenses etc.) over and above the costs normally incurred in development.
7. To increase the tax base.
8. To create affordable housing opportunities.
9. To retain local jobs or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
10. To finance the costs associated with public infrastructure and public facilities.

11. 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.

III. EVALUATION CRITERIA

The project shall comply with all provisions set forth in Minnesota's Tax Abatement Law, (Minnesota Statutes 469.1812 to 469.1815) as amended. The term of any tax abatement may not exceed 15 years if all three taxing jurisdictions participate or 20 years if one or two jurisdictions participate. Priority will be given to tax abatement proposals that secure another taxing jurisdiction's participation. The applicant is responsible for requesting tax abatement from either the County or the School District.

When abatement is being utilized to finance public facility and infrastructure projects, as opposed to those benefitting private business and development objectives, the EDA and/or HRA will recommend the preliminary use of tax abatement financing for a particular facility/infrastructure project. A formal application, deposit agreement, and application worksheet will not be required. The decision to use tax abatement for a project will be based on the following criteria:

- A. The project shall meet at least one objective set forth to further the public interest, as defined in Section II of this document.
- B. The use of tax abatement will be limited to:
 - Industrial development, expansion, redevelopment, or rehabilitation;
 - Commercial redevelopment or rehabilitation;
 - Office or research facilities;
 - Housing and infrastructure; or
 - Public infrastructure
- C. The demonstration, to be provided by the developer, of the project's benefits and that the project is not financially feasible without the tax abatement financing provided.
- D. The project must be consistent with the City's Comprehensive Plan and Zoning Ordinances.
- E. Tax abatement assistance will be provided to private developers upon receipt of taxes by the City, otherwise referred to as the *pay-as-you-go* method. Requests for up front financing will be considered but are generally discouraged.
- F. The demonstration of market demand for the proposed project, to be provided by the developer.
- G. The adequacy of the developer's financial guarantees to ensure completion of the project including, but not limited to: assessment agreements, letters of credit, personal guaranties, or additional documentation as necessary.

- H. The Demonstration, to the City's sole satisfaction, of the developer's ability to complete the proposed project based on past development experience, general reputation, and credit history, among other factors, including experience with the size and scope of the proposed project.
- I. In an effort to support local business, extra consideration will be given to existing businesses seeking to expand and grow within the City.
- J. Priority will be given to services not already provided in the City.
- K. Additional consideration will be given based upon the level of private financial investment into the project.
- L. In any given calendar year, the total amount of property taxes abated by the City may not exceed ten percent of the net tax capacity of the City or other applicable limitations existing in current law.
- M. Tax abatement cannot be granted for any period while the property is located in a tax increment financing district.

IV. APPLICATION

A written application from a private business or developer, available from the Economic Development Authority (the "EDA") or the Housing and Redevelopment Authority (the "HRA") of the City, shall be submitted for all projects seeking tax abatement from the City.

Applications must include:

- A. A letter formally requesting tax abatement from the City.
- B. A completed application for tax abatement with all supporting material attached.
- C. A non-refundable application fee of \$250
- D. A refundable processing fee of 1.0 percent of the requested amount of abatement. Refunding will be prorated to corresponding staff time if the application is denied by the City or removed by the applicant. The actual cost of searches, credit reports, filing fees, and legal fees will be paid directly by the applicant. Fees will be waived if the City serves as developer.
- E. Financial projections. An independent financial analysis may be requested.

For the purposes of underwriting the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City or its consultants.

V. APPROVAL PROCESS

The approval process for a private or public proposal may take anywhere from three weeks to three months, including any required public hearings.

- A. City staff reviews the application.
- B. Proposals are submitted to the EDA or the HRA, as applicable, for preliminary approval or denial.
- C. The EDA/HRA must determine that the proposed use of funds meets the appropriate test(s) for eligibility
- D. The EDA/HRA will determine if the financing gap exists between project funding sources and uses.
- E. The EDA/HRA will recommend a specific amount of abatement, if any, to the City Council.
- F. The City Council will hold a public hearing. The City Council will act on a resolution that identifies conditions upon which an application is approved or findings upon which an application is denied. The City Council will grant final approval or denial of the project.

VI. SUBSIDY AGREEMENT & ANNUAL REPORTING REQUIREMENTS

All projects granted tax abatement that meet the requirements of Minnesota Statutes, Section 116J (Business Subsidy Statute) will be required to enter into a subsidy agreement and be subject to annual reporting requirements.

- A. The subsidy agreement with the City shall clearly identify: the reason for the subsidy, the public purpose served by the subsidy, and the goals for the subsidy, as well as other criteria set forth by the Business Subsidy Statute.
- B. The developer/business shall file a report annually for two years after the date the benefit is received or until all goals set forth in the application and business subsidy agreement have been met, whichever is later. Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City of Northfield no later than March 1 of each year for the previous calendar year. Businesses fulfilling job creation requirements must file a report to that effect with the city within 30 calendar days of meeting the requirements.
- C. The developer/business owner shall maintain and operate its facility at the site where the tax abatement and/or other assistance is used for a period of five years after the benefit is received.
- D. In addition to attaining or exceeding the jobs and wages goals set forth in the subsidy agreement, the borrower shall achieve at least one of the objectives furthering the public interest as set forth in Section II of this document.
- E. Developers/Businesses failing to comply with the above provisions will be subject to fines and

repayment requirements, as well as deemed ineligible by the State to receive any loans or grants from public entities for a period of five years. See the City's Business Subsidy Policy for additional information.

VII. RECAPTURE OF ABATEMENT

Imposition of any recapture is at the sole discretion of the City and shall be considered on a case-by-case basis.

Recapture considerations may include but are not limited to the:

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