CITY OF LONSDALE

TAX ABATEMENT POLICY

1. PURPOSE:

The purpose of this policy is to establish the City of Lonsdale's position as it relates to the use of Tax Abatement. This policy shall be used as a guide in processing and reviewing applications requesting Tax Abatement assistance. The fundamental purpose of Tax Abatement in the City of Lonsdale is to stimulate the local economy through attraction of desirable development and/or redevelopment or jobs that would not otherwise occur or be created **"but for"** the assistance provided by Tax Abatement. Tax Abatement is one technique to encourage private development projects by allowing the rebate of property taxes or reallocating the taxes to pay for public infrastructure costs.

It is the intent of the City to provide the minimum amount of Tax Abatement, as well as other incentives, at the shortest term required for the project to proceed. The City reserves the right to amend or waive sections of this policy when determined necessary and appropriate. Minnesota Statutes §116J.994, Subd. 2, allows the City to deviate from its criteria by documenting in writing the reason for deviation and attaching a copy of the documentation to its next annual report to the department.

The City also reserves the right to approve and reject projects on a case-by-case basis, taking into consideration established policies, project criteria and demand on City services in relation to the potential benefits of the project. Meeting policy criteria does not guarantee the award of Tax Abatement. Approval or denial of one project is not intended to set precedent for approval or denial of another project. All applications for Tax Abatement must also meet all City Business Subsidy guidelines and requirements.

2. STATUTORY LIMITATIONS:

In accordance with the City of Lonsdale's Business Subsidy Policy, assistance must comply with applicable State Statutes.

3. MINIMUM BENEFITS FOR THE USE OF TAX ABATEMENT:

As a matter of policy, the City of Lonsdale will consider using Tax Abatement to assist private development only in circumstances in which the proposed private project meets one or more of the following:

- increases the business tax base in order to lessening the reliance on single family residential dwelling property taxes;
- retains jobs, increases the job base and/or provides diversity in the job base in the City;
- increases the business and industrial market potential in the City;
- offsets increased costs of redevelopment, over and above those costs that a developer would incur in normal development;
- accelerates the development process to achieve development on sites which would not be developed without this assistance;

- helps redevelop or renew blighted areas;
- provides a diversity in housing not currently provided; and
- promotes neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas;

4. APPROVAL CRITERIA:

All projects approved by the City of Lonsdale should meet the following mandatory minimum criteria. As stated previously in this Policy, meeting the minimum requirements does not guarantee award of Tax Abatement.

A. Assistance shall be provided within applicable state legislative restrictions, the State Auditor's interpretation(s), debt limit guidelines and other applicable financial requirements and policies.

B. The project shall meet one or more of the benefits stated in Section 3, Minimum Benefits for the Use of Tax Abatement.

C. The project must be in accordance with the Comprehensive Land Use Plan and/or Zoning Ordinance or the required changes to the Comprehensive Land Use Plan and/or Zoning Ordinance must be under active consideration at the time of approval.

D. The assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of assistance. Assistance will not be provided solely to broaden a developer's profit margin. Prior to consideration of the request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.

E. Prior to approval, the developer shall provide any required market and feasibility studies, appraisals, soil borings, information provided to private lenders for the project and other information or data that the City or its financial consultants may require in order to proceed with an independent underwriting.

F. Any developer requesting Tax Abatement should be able to demonstrate past successful general development capability as well as specific capacity in the type and size of development proposed.

G. The developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management and it initiate repayment of the Tax Abatement.

H. The level of Tax Abatement shall be reduced to the lowest level possible and least amount of time by maximizing the use of private debt and equity financing first.

I. Tax Abatement will be provided to the developer upon receipt of taxes as a "pay-as-you-go" method. All taxes on the parcel shall be paid current before a rebate payment will be made.

J. No Tax Abatement agreement shall be allowed that provides for abatement of taxes on a parcel if the Tax Abatement will occur while the parcel is located in a Tax Increment Financing (TIF) District.

K. The Tax Abatement request must be approved prior to any new construction or improvements being made to the proposed property.

5. EVALUATION CRITERIA:

All projects will be evaluated by the Lonsdale Economic Development Authority and City Council on the following criteriaIt is realized that changes in local markets, costs of construction and interest rates may cause changes in the amounts of Tax Abatement that a given project may require at any given time.

The following are the evaluation criteria that will be used:

A. All proposals should, in the opinion of the Economic Development Authority and City Council, optimize the private development potential of a site.

B. All proposals should, in the opinion of the Economic Development Authority and City Council, create the highest feasible number of jobs on the site or otherwise satisfy economic development goals and priorities of the City at the time of application. All proposals shall meet the Business Subsidy Criteria established by the City.

C. All proposals should, in the opinion of the Economic Development Authority and City Council, create the highest possible ratio of property taxes paid before and after redevelopment.

D. Proposals should usually not be used to support speculative industrial, commercial and office project.

E. Proposals should usually not be used in a project that involves an excessive land and/or property price.

F. All Tax Abatement projects will need to meet the **"but for"** test. Tax Abatement will not be used unless the need for the City's financial participation is sufficient that, without such assistance the project could not proceed in the manner as proposed.

G. Tax Abatement will not be used when the developer's credentials, in the judgement of the City, are inadequate due to past track record relating to: timeliness and quality level of completed projects, general reputation, bankruptcy, credit worthiness or other relevant considerations by the City.

H. Tax Abatement will not normally be used for projects that would generate significant environmental problems in the opinion of local, state or federal agencies.

I. Tax Abatement should not be provided to those projects that fail to meet good public policy criteria as determined by the Economic Development Authority and City Council, including: poor project quality, projects that are not in accordance with the Comprehensive Plan, zoning, redevelopment plans and city policies; projects that do not increase the City's tax base or provide no benefit or improvement to surrounding land uses, the neighborhood and/or City; projects that do not have significant new or retained employment; projects that do not meet financial feasibility criteria established by the City and projects that do not provide the highest and best desired use for the property.

J. All projects receiving business assistance must create a minimum of 1 new full time equivalent job per $25,000.00 worth of assistance in the City with a minimum hourly wage as stated in the City Business Assistance Policy.

6. APPLICATION

The applicant shall complete an application available from Economic Development Authority staff. Applications shall include:

A. a letter formally requesting Tax Abatement from the City of Lonsdale;

B. completed application for Tax Abatement (with all supporting materials attached);

C. an application fee of $500.00 and escrow fee of $5,000.00 (the applicant is required to pay for all attorney and financial consultant fees)

D. completed applications shall be submitted, along with required fees, to the Economic Development staff.

7. APPROVAL PROCESS

A. the Applicant shall attend all meetings where the Tax Abatement request is being considered.

B. the Lonsdale Economic Development Authority will review the Tax Abatement application and make a finding, as to whether or not the proposed project is consistent with MN State §469.1812 to 469.1815 and the requirements and objectives of this policy.

C. a public hearing shall be scheduled before the Lonsdale City Council.

D. a Tax Abatement resolution shall be submitted for consideration by the Lonsdale City Council, who are the final authority on granting approval of Tax Abatement requests.

8. DEVELOPMENT AGREEMENT AND ANNUAL REPORTING REQUIREMENTS

All projects granted Tax Abatement shall be required to enter into a Development Agreement. The Development Agreement shall be recorded against the property and will clearly define the responsibilities of the property owner(s) receiving the Tax Abatement and will require annual reporting, which shall comply with Business Subsidy Reporting Requirements as established in MN Statute §116J.993-116J.995.

9. RECAPTURE OF TAX ABATEMENT

Imposition of any recapture of Tax Abatement is at the sole discretion of the Lonsdale City Council and shall be considered on a case-by-case basis. Recapture considerations may include but are not limited to the:

A. sale or closure of the facility and relocation of the company from Lonsdale.

B. significant change in the use of the facility and/or business activities of the company.

C. significant employment reductions not reflective of the company's normal business cycle and/or local and national economic condition.

D. failure to achieve the minimum number of net new jobs and wage level as specified in the Tax Abatement Policy, application and/or City Business Subsidy Policy.

E. failure to comply with annual reporting requirements.

10. APPROVAL

This policy was approved on April 27, 2017.