

City of Shakopee, Minnesota

TAX ABATEMENT POLICY

1) POLICY PURPOSE

For the purposes of this document the term “City” includes the Shakopee City Council, Staff, Advisory Boards and Commission, Financial consultants, and legal counsel.

The purpose of this policy is to establish the City of Shakopee’s position relating to the use of Tax Abatement for private development above and beyond the requirements and limitations set forth by State Law. This policy shall be used as a guide in the processing and review of applications requesting tax abatement assistance. It is the intent of the City to minimize the risk and amount of business assistance to a project and to leverage its public dollars to maximize private sector funding.

The City of Shakopee (City) is granted the power to utilize Tax Abatement by Minnesota Statutes 469.1812 through 469.1816, as amended. The fundamental purpose of Tax Abatement in Shakopee is to encourage desirable development or redevelopment that would not otherwise occur but-for the assistance provided through the tax abatement.

The City reserves the right to approve or 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 from the project. Meeting policy criteria does not guarantee the award of business assistance to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

The City Council can deviate from this policy for projects that supersede the objectives identified herein.

2) OBJECTIVES OF TAX ABATEMENT

As a matter of adopted policy, the City will consider using the use of Tax Abatement to assist private development projects that must, at a minimum, achieve one of the following objectives:

- To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- Projects that provide value in the forms of needed transportation and other utility infrastructure improvement that would be completed in conjunction with the project.
- To encourage additional unsubsidized private development in the area, either directly or indirectly through “spin off” development.
- To facilitate the development process and to achieve development on sites which would not otherwise be developed but-for the use of Tax Abatement.
- To remove blight and/or encourage redevelopment of commercial and industrial areas in the City that result in high quality redevelopment and private reinvestment.

- To offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
- To create opportunities for affordable housing.
- Projects that improve the quality of life in the City by providing a desirable good or service and address an unmet demand in the community.

3) TAX ABATEMENT PROJECT REQUIREMENTS

1. Tax Abatement assistance shall be provided to the developer upon receipt of the increment by the City otherwise referred to as the pay-as-you-go method. Requests for up front financing will be considered on a case by case basis.
2. Any developer receiving assistance shall provide a 20% cash equity investment in the project. The local government assistance shall not be used to supplant cash equity.
3. Minimum investment for new businesses is \$10,000,000 and for expansions \$5,000,000, unless an exception is granted by the City.
4. The length or term of any Tax Abatement assistance will be based on need for each project as determined by the City.
5. Assistance shall not be provided for reimbursement of land and/or property price that is in excess of fair market value. An appraisal by a third party, agreed upon by the City and Developer, will determine the fair market value of the land.
6. The Developer shall be able to demonstrate a market demand for a proposed project. Assistance shall not be granted to support purely speculative projects.
7. Business assistance shall not be utilized in cases where it would create an unfair and significant competitive financial advantage over other projects in the area.
8. Business assistance shall not be provided for projects that would place extraordinary demands on City services or for projects that would generate significant environmental impacts.
9. The developer must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, personal guarantees, etc. unless an exception is granted by the City.
10. The developer shall 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.
11. For the purposes of analyzing the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City or its consultants.
12. At least one full time job must be created or retained per \$15,000 of abatement provided.

4) SUBSIDY AGREEMENT & REPORTING REQUIREMENTS

- All developers/businesses receiving tax abatement assistance from the City of Shakopee shall be subject to the provisions and requirements set forth by State Statute 116J.993 and summarized below. Developers/businesses must also comply with the City's Business Subsidy Policy.

- 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 performance agreement have been met, whichever is later. Underperforming projects shall result in reduced assistance on a pro rata basis or potentially repayment of some or all of the assistance.
- Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City of Shakopee no later than April 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 days of meeting the requirements.
- The developer/business will be required to attain or exceed the jobs and wages goals set forth in the Subsidy Agreement.
- In addition to attaining or exceeding the jobs and wages goals set forth in the Subsidy Agreement, the applicant shall meet the qualifications set forth in Section 3, Project Requirements, of this document.
- Developers/businesses failing to comply with the above provisions will be subject to fines, repayment requirements, and be deemed ineligible by the State of Minnesota to receive any loans or grants from public entities for a period of five years.
- **APPLICATION PROCESS**
 - 1) Applicant submits the completed application
 - 2) City staff reviews the application and completes a project score sheet.
 - 3) Results of the score sheet are submitted to the appropriate governing authorities for preliminary approval of the proposal.
 - 4) If preliminary approval is granted, the applicant submits the application fee of \$12,000. The process for creating a Tax Abatement project area, including all necessary notices, resolutions and certificates prepared by City staff and/or consultants is begun. The application funds will be placed in a non-interest bearing account and any unused portion of the fee will be returned to the applicant.
 - 5) Public hearing notices are published.
 - 6) Public hearing(s) on the proposed project are held.
 - 7) The City Council grants final approval or denial of the proposal.

*This policy shall be reviewed on a biannual basis with the next review being set for April, 2016.