

1. Agenda Documents

Documents:

[091323 EDA - CITY COUNCIL WORKSHOP AGENDA.PDF](#)  
[CITY OF MONTICELLO TAX ABATEMENT POLICY.PDF](#)

2. Agenda Documents

Documents:

[CITY OF MONTICELLO TAX ABATEMENT POLICY.V3.PDF](#)

**AGENDA**  
**JOINT WORKSHOP ECONOMIC DEVELOPMENT AUTHORITY/CITY COUNCIL**  
**Wednesday, September 13, 2023 – 5:00 p.m.**  
**Monticello Community Center**

1. Call to Order
2. Roll Call
3. Tax Abatement Overview and Policies
4. Adjournment



## City Policy and Procedure

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**SECTION:** FINANCE

**NO:** FIN-

**REFERENCE:**

**Date:**

**Next Review Date:**

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**TITLE: TAX ABATEMENT POLICY**

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**1.0 Purpose**

Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the “Abatement Act”), provides the City of Monticello, Minnesota (the “City”) with the authority to grant tax abatements in certain instances. The City intends to provide tax abatement assistance (“Abatement”) to:

- Encourage desirable development or redevelopment in the City (each, a “Project”) that would not occur but for the Abatement.
  - Leverage Abatement and other public dollars to maximize private sector investment in the City.
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**2.0 Policy**

**Project Requirements**

To grant an Abatement for a Project, the City must find that (1) the benefits to the City of the Project will be equal to or greater than the cost of the Abatement; (2) the Project would not be feasible but-for the granting of the Abatement; (3) the Project is in conformity with the City’s Comprehensive Plan, Land Use Plan and Zoning Ordinances and the Abatement Act; and (4) the Project will serve the public interests of the City because it will:

- Retain or create jobs that offer stable employment or attractive wages and benefits,
- Enhance or diversify the City’s economy;
- Provide transportation or public infrastructure improvements;
- Remove blight and/or encourage high quality redevelopment of commercial and industrial areas through private investment;
- Provide affordable housing;
- Improve the quality of life of City residents by providing a desirable good or service.

**Ineligible Projects**

The City will not grant an Abatement for Projects where:

- The sole public benefit of the Project is the preservation or increase of the City’s tax base.
- The Project is purely speculative (the Developer must demonstrate a market demand for the Project).
- The Abatement would create an unfair and significant competitive financial advantage over other developments in the area.

- The Project would place extraordinary demands on City services or would generate significant negative environmental impacts.

### **Developer Requirements**

For the City to grant an Abatement for a Project, the developer of the Project (the “Developer”) must:

- Invest a reasonable amount of cash equity into the Project, as determined by the City.
- Provide financial guarantees to ensure completion of the Project to the satisfaction of the City, including, but not limited to, letters of credit, personal guarantees, etc., unless an exception is granted by the City.
- Demonstrate, to the City’s sole satisfaction, an ability to complete the Project based on, among other things, past development experience and credit history, among other factors including the size and scope of the proposed project.
- Demonstrate the benefits to the City.
- Provide any market, financial, environmental, or other data as the City or its consultants may reasonably request to analyze the Project and the need for the Abatement.
- The Developer shall comply in all respects with the City’s Business Subsidy Criteria and comply with all the Minnesota Statutes, Section 116J.993 through 116J.995 (the “Business Subsidy Act”), if applicable.
- The Developer shall be responsible for the payment of all costs of the City’s consultants relating to the abatement, including but not limited to the fees of the City’s municipal advisor and attorney.

### **Abatement Funds**

Amount: The length and amount of the Abatement will be based on the Abatement Act and a specific Project’s need as determined by the City.

Uses: When applicable, Abatement funds shall be used to finance public improvements and City-supported design elements associated with the Project. Abatement funds may also be used to finance:

- Legal, administrative, and engineering costs;
- Site preparation, site improvement, land purchase\*, demolition, and environmental remediation; and
- Capitalized interest and bonding costs, if applicable.

\*Abatement shall not be provided to reimburse land purchases in excess of a property’s fair market value. An appraisal by a third party, agreed upon by the City and Developer, will determine the fair market value of a property.

Payments: Approved Abatements shall be provided to the Developer upon receipt of the Abatement 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.

### **Abatement Approval Process:**

1. Developer submits the completed application along with a nonrefundable initial application fee of \$850. City staff reviews the application and complete the Application Review Worksheet (the “Worksheet”).

2. The Worksheet is submitted to City’s Economic Development Authority (the “EDA”) who reviews the Project and provides a recommendation on whether or not to grant the Abatement.
3. The Worksheet and the EDA’s recommendation are submitted to the City Council for review. If preliminary approval of the Abatement is granted, the applicant submits the final application fee of \$4,000.
4. If preliminary approval is granted, city staff will work with its consultants to prepare the documents necessary to approve the Abatement, including but not limited to a tax abatement assistance agreement between the City and the Developer including a business subsidy agreement, if required by the Business Subsidy Act (the “Development Agreement”).
5. Public hearing notice(s) are published.
6. Public hearing(s) on the Abatement and, if necessary, the granting of a business subsidy as required by the Business Subsidy Act, are held. Please note that the City will not hold a public hearing on the Abatement until the Development Agreement is in final form and has been signed by the Developer.
7. The City Council grants final approval or denial of the Abatement and the Development Agreement, including a business subsidy agreement, if applicable.

The City reserves the right to approve or reject Projects on a case-by-case basis, regardless of the EDA’s recommendation, taking into consideration established policies, Project criteria, and potential demand on City services weighed against the potential Project benefits. Meeting the Project and Developer requirements detailed in this Tax Abatement Policy does not guarantee that a Project will be granted an Abatement. Approval or denial of one Project is not intended to set precedent for approval or denial of another Project. Further, the City Council may deviate from this Tax Abatement Policy for Projects that supersede the objectives identified herein.

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### **3.0 Scope**

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This policy applies to all projects that apply for and may receive tax abatement assistance pursuant to the Abatement Act.

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### **4.0**

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<b>HISTORY</b>			
<b>Approval Date:</b>		<b>Approved by:</b>	City Council
<b>Amendment Date:</b>		<b>Approved by:</b>	
<b>Amendment Date:</b>		<b>Approved by:</b>	



## City Policy and Procedure

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**1.0 Purpose**

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- Encourage desirable development or redevelopment in the City (each, a “Project”) that would not occur but for the Abatement.
  - Leverage Abatement and other public dollars to maximize private sector investment in the City.
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**2.0 Policy**

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**Project Requirements**

To grant an Abatement for a Project, the City must find that (1) the benefits of the Project to the City will be equal to or greater than the cost of the Abatement; (2) the Project would not be feasible but-for the granting of the Abatement; (3) the Project is in conformity with the City’s Comprehensive Plan, Land Use Plan and Zoning Ordinances and the Abatement Act; and (4) the Project will serve the public interests of the City because it will:

- Retain or create jobs that offer stable employment or living wages and benefits,
- Enhance or diversify the City’s economy based on a demonstrated need;
- Provide transportation or public infrastructure improvements;
- Remove blight and/or encourage high quality redevelopment of commercial and industrial areas through private investment;
- Provide affordable housing;
- Improve the quality of life of City residents by providing a desirable good or service.

**Ineligible Projects**

The City will not grant an Abatement for Projects where:

- The sole public benefit of the Project is the preservation or increase of the City’s tax base.
- The Project is purely speculative (the Developer must demonstrate a market demand for the Project).
- The Abatement would create an unfair and significant competitive financial advantage over other developments in the area.

- The Project would place extraordinary demands on City services or would generate significant negative environmental impacts.

### **Developer Requirements**

For the City to grant an Abatement for a Project, the developer of the Project (the “Developer”) must:

- Invest a reasonable amount of cash equity into the Project, as determined by the City.
- Provide financial guarantees to ensure completion of the Project to the satisfaction of the City, including, but not limited to, letters of credit, personal guarantees, etc., unless an exception is granted by the City.
- Demonstrate, to the City’s sole satisfaction, an ability to complete the Project based on, among other things, past development experience and credit history, among other factors including the size and scope of the proposed project.
- Demonstrate the benefits to the City, specifically how the Project meets the Project Requirements of this policy.
- Provide any market, financial, environmental, or other data as the City or its consultants may reasonably request to analyze the Project and the need for the Abatement.
- The Developer shall comply in all respects with the City’s Business Subsidy Criteria and comply with all the Minnesota Statutes, Section 116J.993 through 116J.995 (the “Business Subsidy Act”), if applicable.
- The Developer shall be responsible for the payment of all costs of the City’s consultants relating to the abatement, including but not limited to the fees of the City’s municipal advisor and attorney.

### **Abatement Funds**

Amount: The length and amount of the Abatement will be based on the Abatement Act and a specific Project’s need as determined by the City.

Source: The Abatement shall be garnered from City property taxes collected from the added tax base of the Project. Property taxes collected from the base value of the land or any current structures on the property will not be abated as part of any assistance granted under this Policy.

Uses: When applicable, Abatement funds shall be prioritized in use to finance public improvements and City-supported design elements associated with the Project. Abatement funds may also be used to finance:

- Legal, administrative, and engineering costs;
- Site preparation, site improvement, land purchase\*, demolition, and environmental remediation; and
- Capitalized interest and bonding costs, if applicable.

\*Abatement shall not be provided to reimburse land purchases in excess of a property’s fair market value. An appraisal by a third party, agreed upon by the City and Developer and paid for with Developer’s escrow, will determine the fair market value of a property.

Payments: Approved Abatements shall be provided to the Developer upon receipt of the Abatement by the City, otherwise referred to as the pay-as-you-go method.

**Abatement Approval Process:**

1. Developer submits the completed application along with a nonrefundable initial application fee and escrow as established in the City’s adopted ordinance for fee schedule. City staff reviews the application and completes the Application Review Worksheet (the “Worksheet”).
2. The Worksheet is submitted to City’s Economic Development Authority (the “EDA”) who reviews the Project and provides a recommendation on whether or not to grant the Abatement.
3. The Worksheet and the EDA’s recommendation are submitted to the City Council for review. If preliminary approval of the Abatement is granted, the applicant submits the final application fee and escrow as established in the City’s adopted ordinance for fee schedule.
4. If preliminary approval is granted, City staff works with its consultants to prepare the documents necessary to approve the Abatement, including but not limited to a tax abatement assistance agreement between the City and the Developer including a business subsidy agreement, if required by the Business Subsidy Act (the “Development Agreement”).
5. Public hearing notice(s) are published.
6. Public hearing(s) on the Abatement and, if necessary, the granting of a business subsidy as required by the Business Subsidy Act, are held. Please note that the City will not hold a public hearing on the Abatement until the Development Agreement is in final form and has been signed by the Developer.
7. The City Council grants final approval or denial of the Abatement and the Development Agreement, including a business subsidy agreement, if applicable.

The City reserves the right to approve or reject Projects on a case-by-case basis, regardless of the EDA’s recommendation, taking into consideration established policies, Project criteria, and potential demand on City services weighed against the potential Project benefits. Meeting the Project and Developer requirements detailed in this Tax Abatement Policy does not guarantee that a Project will be granted an Abatement. Approval or denial of one Project is not intended to set precedent for approval or denial of another Project. Further, the City Council may deviate from this Tax Abatement Policy for Projects that supersede the objectives identified herein, for which the public benefit shall be enumerated within the official findings for the Abatement.

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**3.0 Scope**

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This policy applies to all projects that apply for and may receive tax abatement assistance pursuant to the Abatement Act.

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**4.0**

HISTORY			
<b>Approval Date:</b>		<b>Approved by:</b>	City Council
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