



Something is happening here....

Tax Abatement Application

Please read through the attached Tax Abatement Policy, if you have any questions, please contact the Wadena Economic Development Director at 218-631-7710.

Applicants must meet the Tax Abatement Policy criteria to be eligible for tax abatement.

Owner's Name: _____

Owner's Address: _____

Owner's Phone Number: _____

Owner's Email Address: _____

Parcel Tax ID number: _____

Please attach a copy of your current Wadena County property tax statement.

Abatement Type Requested: Abatement for Economic Development Purposes
 Newly Purchased, Existing Commercial and Industrial Building Redevelopment*

*In order to qualify for the abatement, the purchaser must provide proof of an investment of a minimum of 30 percent of the purchase price to improve the appearance of the building within the first year of ownership.

List purchase price: \$ _____

30% improvement amount: \$ _____

Please describe your project:

Please attach a \$750 application fee. If the project does not meet the requirements, \$500 will be refunded to you.

Applicant Statement

I have read the Tax Abatement Policy and have asked questions as needed.

I understand:

- A Subsidy Agreement is required.
- An Economic Impact Evaluation may be required.
- I must file all required reports in a timely manner.
- If I fail to comply with the policy provisions, I will be subject to fines, repayment requirements, and be deemed ineligible by the State of Minnesota to receive any loans or grant from public entities for a period of five years.
- Underperforming projects shall result in reduced assistance on a pro rata basis.

Applicant's Signature: _____

Applicant's Printed Name: _____

Date: _____



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**Tax Abatement Policy
Amended by Resolution No. 2019-27
July 9, 2019**

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Tax Abatement Policy

Section 1. Purpose.

Policy Purpose

The purpose of this policy is to:

- A. Establish the use of tax abatement for private development above and beyond the requirements and limitations established by State Statute.
- B. Encourage desirable development or redevelopment that would not otherwise occur but for tax abatement.
- C. Minimize the risk and amount of business assistance to a project and to leverage its public dollars to maximize private sector funding.

Policy Use

This policy shall be used as a guide in processing and reviewing application requesting tax abatement assistance.

Power Granted

The City of Wadena is granted the power to utilize tax abatement by Minnesota Statutes Chapter 469.1812 through 468.1815, as amended.

City's Rights

- A. 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.
- B. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

City Council Deviation

The City Council may deviate from this policy for projects that supersede the objectives listed in this policy.

Section 2. Tax Abatement Objectives and Public Purpose.

Objectives

The City will consider using tax abatement to assist private development projects that will achieve one or more of the following objectives:

- Retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- Encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
- Facilitate the development process and to achieve development on sites which would not otherwise be developed without tax abatement.
- Remove blight and/or encourage redevelopment of commercial and industrial areas that result in high quality redevelopment and private investment.

- Offset increased costs of redevelopment over and above the costs normally incurred in development.
- Create opportunities for affordable housing.
- Contribute to the implementation of other public policies, as adopted by the city from time to time, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.

Public Purpose

The project shall serve at least two of the following public purposes:

- Creation of jobs with livable wages and benefits, per the City's Business Subsidy Policy.
- Increases the tax base.
- Enhancement or diversification that will spur additional private investment in the area.
- Contributes to the fulfillment of the City's development or redevelopment objectives.
- Removal of blight or the rehabilitation of a high profile or priority downtown site.
- Compliments City services and maximizes use of existing City infrastructure.

Section 3. Abatement Types.

Abatement for Economic Development Purposes

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. Abatement types can be a:

- A. Rebate of property taxes to the property owner;
- B. Reallocation of taxes to pay for public infrastructure costs; or
- C. Deferral of property taxes with an abatement of interest and penalty, to promote the sale of a tax delinquent parcel.

Newly Purchased, Existing Commercial and Industrial Buildings Redevelopment

In addition to the listed abatement types and in an effort to assist redevelopment of newly purchased, existing commercial and industrial buildings, the City offers the following tax abatement:

- A. Tax abatement.
 1. Purchasers of existing buildings may apply for tax abatement for up to five years.
 2. Abatement shall be calculated on the "Property Tax and Credits – City or Town" listed on the Wadena County Tax Statement for the current calendar year.
 3. Each year during the five year period, the purchaser will receive a tax statement listing the new "Property Tax and Credits – City or Town". The abated amount is the increase. For example: at the time of application the amount listed under "Property Tax and Credits – City or Town" is \$1,000. Each year during the five year period, the amount will increase. However, the amount due will remain \$1,000 until the sixth year.
- B. Qualification. In order to qualify for the abatement, the purchaser must include in their application proof of an investment of a minimum of 30 percent of the purchase price to improve the appearance of the building within the first year of ownership, in addition to the other requested information.

Section 4. Abatement Conditions.

City Benefit

- A. A tax abatement may only be granted if the benefits to the City and the proposed abatement equal the cost of the abatement.
- B. For abatement projects projected to be more than \$20,000, an Economic Impact Evaluation is required to demonstrate the benefit to the City.

Public Improvements Associated with Project

When possible, tax abatement shall be used to finance public improvements associated with the project. The priorities for the use of tax abatements are:

- A. Public improvements, legal, administrative, and engineering costs.
- B. Site preparation, site improvement, land purchase, demolition, and environmental remediation.
- C. Capitalized interest, bonding costs.

Developer Tax Abatement Assistance

- A. Tax abatement reimbursement. Abatement reimbursement shall be provided to a developer upon receipt of the increment by the City, otherwise referred to as the pay-as-you-go method.
- B. Cash equity required.
 - 1. A developer receiving abatement shall provide a minimum of twenty-percent (20%) cash equity investment in a project.
 - 2. The abatement shall not be used to supplant cash equity.
- C. Length of tax abatement.
 - 1. Tax abatement will be considered for up to a maximum of 10 years using an agreed-upon formula.
 - 2. Full or partial abatement, may be phased in or out over 10 years based on need and each situation.
- D. Reimbursement for land and/or property purchase prohibited.
 - 1. Abatement shall not be provided for reimbursement of land and/or property purchase that is in excess of fair market value.
 - 2. An appraisal by a third party, agreed upon by the City and Developer, will determine the fair market value of the land.
- E. Market demand demonstration required.
 - 1. The developer must demonstrate a market demand for a proposed project.
 - 2. Assistance shall not be granted to support purely speculative projects.
- F. Abatement prohibited when.
 - 1. Abatement shall not be utilized in cases where it would create an unfair and significant competitive financial advantage over other projects in the area.
 - 2. Abatement shall not be provided for projects that would place extraordinary demands on city services or for projects that would generate significant environmental impacts.
- G. Financial guarantees required. A 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.
- H. Demonstration of ability to complete project required. A 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.

- I. Additional documents required. 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.

Section 5. Project Requirements.

Project Requirement

All projects considered by the City of Wadena must meet all of the following requirements:

- A. The project shall meet at least one of the objectives listed in section 2 and satisfy all of the provisions listed in section 4 of this policy.
- B. The tax abatement applicant must demonstrate that the project is not financially feasible but-for the use of tax abate.
- C. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Code.
- D. The project must comply with all provisions in Minnesota Statutes Chapter 469.1812 through 469.1815, as amended.

Section 6. Subsidy Agreement & Reporting Requirements.

Subsidy Agreement Required

All property owners receiving tax abatement assistance shall enter into a Subsidy Agreement with the City that identifies:

- A. The reason for the subsidy;
- B. The public purpose served by the subsidy;
- C. The goals for the subsidy; and
- D. Other criteria set forth by MN Statute 116J.993, as may be amended from time to time.

Required Reports

- A. The property owner 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.
- B. Reports shall be completed using the form provided by the City and shall be filed with the City of Wadena no later than March 1 of each year for the previous calendar year.
- C. Businesses fulfilling job creation requirements must file a report to that effect with the City within 30 days of meeting the requirements.

Ownership and Maintenance of Facility

- A. The property owner shall maintain the tax abated property during the tax abatement period.
- B. In the event a parcel is sold prior to maturity of the tax abatement, the tax abatement shall end.

Failure to Comply

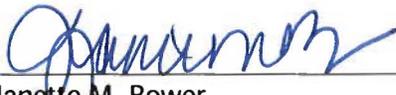
- A. Property owners failing to comply with the provisions of this policy shall be subject to fines, repayment requirements, and be deemed ineligible by the State of Minnesota to receive any loans or grants from public entities for a period of five years.
- B. Underperforming projects shall result in reduced assistance on a pro rata basis.

Section 7. Application Process

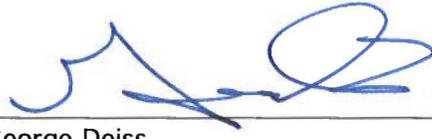
Application Process

- A. Application fee.
 - 1. Applicant submits the completed application along with a \$750 application fee. If the project does not meet the requirements, \$500 will be refunded to the applicant.
 - 2. City staff reviews the application and completes the Application Review Worksheet.
- B. Results of the worksheet are submitted to the City Council for preliminary approval of the proposal.
- C. If preliminary approval is granted, the following occurs:
 - 1. If applicable, the Economic Impact Evaluation shall be completed and submitted to the City.
 - 2. Public hearing notices are published.
 - 3. Public hearing(s) on the proposed project are held.
 - 4. The City Council grants final approval or denial of the proposal.

Amended this ninth day of July, 2019.



Janette M. Bower
City Administrator



George Deiss
Mayor