

# FARMINGTON TAX ABATEMENT POLICY

**November 2016**

## 1.0 PURPOSE

- 1.01 For the purposes of this document, the term “City” shall include the Farmington City Council and Farmington Economic Development Authority (EDA).
- 1.02 The purpose of this policy is to establish the city of Farmington’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.
- 1.03 The City is granted the power to utilize Tax Abatement by the Minnesota Statutes 469.1812 through 469.1815, as amended. The fundamental purpose of Tax Abatement in the city of Farmington is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided through Tax Abatement.
- 1.04 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 can deviate from this policy for projects that supersede the objectives identified herein.
- 1.05 Though the EDA has expressed support for the use of Tax Abatement as needed, the EDA may reject any Tax Abatement application prior to consideration by the Farmington City Council.

## 2.0 OBJECTIVES OF TAX ABATEMENT

- 2.01 As a matter of adopted policy, the City will consider using Tax Abatement to assist private development projects that will achieve one or more of the following objectives:
- a. To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits. Preference will be given to higher paying jobs that also provide benefits such as health care coverage.
  - b. Projects that provide value in the forms of needed transportation and other utility infrastructure improvement that would be completed in conjunction with the project.
  - c. To encourage additional unsubsidized private development in the area, either directly or indirectly through “spin off” development.
  - d. To facilitate the development process and to achieve development on sites which would not otherwise be developed but-for the use of Tax Abatement.

- e. To remove blight and/or encourage redevelopment of commercial and industrial areas in the city of Farmington that result in high quality redevelopment and private reinvestment.
- f. To offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
- g. To create opportunities for affordable housing.
- h. Projects that improve the quality of life in the city of Farmington by providing a desirable good or service and address an unmet demand in the community.

### **3.0 POLICIES FOR THE USE OF TAX ABATEMENT**

- 3.01 At all times, procedures and policies related to the proposed or actual approval of Tax Abatement usage will comply with the state laws.
- 3.02 The project must be in accord with the city of Farmington's Comprehensive Plan and Zoning Ordinances to secure assistance.
- 3.03 The use of Tax Abatement may be a "business subsidy" as defined by state law. In these cases, the use will comply with the requirements of applicable statutes and the city of Farmington's Business Assistance Policy.
- 3.04 When possible, Tax Abatement shall be used to pay for the costs of public improvements associated with a project, including but not limited to streets, sewers, storm water control, water, public parking lots and structures, lights, fiber optic infrastructure, transit and transportation, energy technologies, and publicly owned infrastructure.
- 3.05 Business assistance shall not be utilized in cases where it would create an unfair and significant competitive financial advantage over projects in the area.
- 3.06 The applicant is required to retain and be assisted by qualified professionals, e.g. accountants, legal counsel, etc., separate and independent from the EDA.
- 3.07 Tax Abatement shall not be used for projects that would place extraordinary demands on city services or for projects that would generate significant environmental impacts.
- 3.08 Construction of an eligible project shall not commence until the City has given final approval to the application for financing.
- 3.09 The City reserves the right to deny any application for financing at any time prior to final execution of a business subsidy agreement or development agreement, whichever applies.
- 3.10 The EDA shall be reimbursed by the applicant for all its costs related to the request for Tax Abatement. At the time of application, the applicant will deposit with the EDA an amount as determined by the EDA as necessary to cover all costs incurred by the EDA in connection with the proposed project.

- a. The amount of the initial deposit shall be determined by the Executive Director of the EDA.
  - b. The fact that the applicant's deposit is accepted by the EDA is not to be construed as a guarantee that the EDA will authorize the project.
  - c. The EDA may request and the applicant shall be responsible to pay any additional amounts as determined from time to time by the EDA, should associated costs exceed the initial deposit.
- 3.11 All applications and supporting materials and documents shall become the property of the EDA, and, as such, are subject to the Minnesota Data Practice Act.
- 3.12 The EDA reserves the right to select a third party to assist in the management of the Tax Abatement process.
- 3.13 All Tax Abatement proposals must take into account the direct costs to the City and county and how those costs will be addressed. The applicant shall pay all permits and fees normally charged by the City as part of the subdivision or building permit approval.

#### **4.0 PROJECT QUALIFICATIONS**

- 4.01 All Tax Abatement projects considered by the City must meet the following requirements:
- a. For new construction or expansion projects, new construction of a minimum of 5,000 square feet.
  - b. The minimum creation of one new or retained full time job per \$25,000 of assistance provided.
  - c. The developer shall demonstrate that the project is not financially feasible but-for the use of Tax Abatement.
  - d. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- 4.02 The project shall serve at least two of the following public purposes:
- a. Creation of jobs with livable wages and benefits, per City's Business Subsidy Policy.
  - b. Increase of tax base.
  - c. Enhancement or diversification of the City's economic base.
  - d. Industrial development that will spur additional private investment in the area.
  - e. The project contributes to the fulfillment of the City's development or redevelopment objectives.
  - f. Removal of blight or the rehabilitation of a high profile or priority downtown site.

#### **5.0 SUBSIDY AGREEMENT AND REPORTING REQUIREMENTS**

- 5.01 All recipients of Tax Abatement assistance from the City shall be subject to the provisions and requirements set forth by state statute.

- 5.02 All recipients of Tax Abatement assistance shall enter into an assistance agreement with the City that identifies the reason for the assistance, the public purpose served by the assistance, the goals of the assistance, as well as other criteria set forth by state statute.
- 5.03 The Tax Abatement assistance agreement may be amended from time to time as the parties may agree. Any such amendment must be in writing and signed by both parties. The Tax Abatement assistance agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The Tax Abatement assistance agreement shall be recorded in the office of the Dakota County Recorder or Registrar of Titles.
- 5.04 All recipients of Tax Abatement assistance 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 the assistance agreement have been met. Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City 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 days of meeting the requirement.

CITY OF FARMINGTON  
Application for Business Assistance

GENERAL INFORMATION:

Business Name: \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_

Type (Partnership, etc.): \_\_\_\_\_

Authorized Representative: \_\_\_\_\_ Phone: \_\_\_\_\_

Description of Business: \_\_\_\_\_

Legal Counsel: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

FINANCIAL BACKGROUND:

1. Have you ever filed for bankruptcy? \_\_\_\_\_

2. Have you ever defaulted on any loan commitment? \_\_\_\_\_

3. Have you applied for conventional financing for the project? \_\_\_\_\_

4. List financial references:

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

5. Have you ever used any business subsidy before? \_\_\_\_\_

If yes, where and when? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**PROJECT INFORMATION:**

1. Location of Proposed Project: \_\_\_\_\_  
\_\_\_\_\_

2. Amount of Business Subsidy Assistance requested? \_\_\_\_\_

3. Why the need for Business Subsidy Assistance: \_\_\_\_\_

4. Present ownership of site: \_\_\_\_\_

5. Number of permanent full-time jobs created as a result of project. Please include projected wage levels/ranges. \_\_\_\_\_

6. Estimated annual sales: Present: \_\_\_\_\_ Future: \_\_\_\_\_

7. Market value of project following completion: \_\_\_\_\_

8. Name and address of architect: \_\_\_\_\_  
\_\_\_\_\_

9. Anticipated start date: \_\_\_\_\_ Completion Date: \_\_\_\_\_

FINANCIAL INFORMATION:

1. Estimated project related costs:

- a. land acquisition \$ \_\_\_\_\_
- b. site development \_\_\_\_\_
- c. building cost \_\_\_\_\_
- d. equipment \_\_\_\_\_
- e. architectural/engineering fee \_\_\_\_\_
- f. legal fees \_\_\_\_\_
- g. off-site development costs \_\_\_\_\_
- TOTAL ESTIMATED COSTS \_\_\_\_\_

2. Source of financing:

- a. private financing institution \$ \_\_\_\_\_
- b. tax increment/abatement funds \_\_\_\_\_
- c. other public funds \_\_\_\_\_
- d. developer equity \_\_\_\_\_
- TOTAL ESTIMATED SOURCES \_\_\_\_\_
- (Should equal Total Estimated Costs) \_\_\_\_\_

What type of business assistance requested?

Tax Increment Financing \_\_\_\_\_ Economic Development Tax Abatement \_\_\_\_\_

Other: \_\_\_\_\_