



MAYOR & COUNCIL COMMUNICATION

DATE: July 19, 2016
CONSENT
ITEM # 7

AGENDA ITEM: Approval for Tax Abatement Payment for Valley Cartage

SUBMITTED BY: Cathy Bendel, Finance Director

THROUGH: Cathy Bendel, Finance Director

REVIEWED BY: Kristina Handt, City Administrator

SUGGESTED ORDER OF BUSINESS:

- Questions from Council to Staff..... Mayor Facilitates
- Report/Presentations.....City Staff,
- Smith Schafer
- Questions from Council to Staff.....Mayor Facilitates
- Public Input, if Appropriate.....Mayor Facilitates
- Call for Motion Mayor & City Council
- Discussion..... Mayor & City Council
- Action on Motion..... Mayor Facilitates

POLICY RECOMMENDER: Finance

FISCAL IMPACT: \$3,376.34

On April 26, 2013, the City Council approved a limited property tax abatement for the 8665 Hudson Boulevard (Parcel ID #33.029.21.44.0037) for the tax years 2014, 2015, 2016 and 2017.

SUMMARY AND ACTION REQUESTED:

On an annual basis, by July 30th each year, the tax abatement for 8665 Hudson Boulevard needs to be remitted to the owner. Staff is seeking City Council approval to refund the City of Lake Elmo portion which needs to be refunded for 2015 which is \$3,376.34.

STAFF REPORT:

In the winter of 2012 the City of Lake Elmo was approached by a company from Wisconsin with interest in purchasing a corporate office building at 8665 Hudson Boulevard for the purpose of establishing a headquarters and creating 50 new jobs. They requested a limited tax abatement for the years of 2014-2017.

This location was not in a TIF district so those incentives were not available. The City staff took the lead on a project to put together an economic development package that consisted of tax abatement, a sizable forgivable loan (\$500k), job training funds, and energy credits to bring new good paying jobs to the region. The results of this public-private partnership resulted in the building being purchased and all of the stipulations of the partnership and state funding having been exceeded.

The following were the benefits as a result of this transaction:

- Valley Cartage moved their Corporate Headquarters to Lake Elmo and created in excess of 50 new jobs.
- Improvements were made to the building at 8665 Hudson Boulevard increasing the taxable market value by over \$1 million.
- Retention of a large tenant a key commercial building on the I-94 corridor where the City planned for key growth.
- Participation by Washington County in the abatement process for their share of the tax increment for 2014-2017.

RECOMMENDATION:

It is recommended that the City Council approve a payment to Norman James in the amount of \$3,376.34 which represents the City share of tax abatement due for 2016.

ATTACHMENTS:

1. Washington County worksheet on Lake Elmo component of 2016 tax abatement

City of Lake Elmo - Valley Cartage Economic Development Tax Abatement
 City Resol 2013-27

PID: 33.029.21.44.0037 TAG 3701

Duration: 4 years Pay 2014-Pay 2017 (Pay 2018 will be considered if requested by owner)

Terms: Market Value in year of abatement must be greater than Pay 2012 Market Value of 2,125,000

Total tax in year of abatement must be greater than Pay 2012 total tax of \$70,256.

Maximum of \$10,000 per year/\$40,000 total

No payment will be made if the first half taxes for the year are unpaid or if delinquent taxes exist for prior years.

Payment to be made on or before July 30 of each year.

Tax Year	Item	Total Tax	Taxable Market Value	Class Rate	Total Tax Capacity	FD%	FD Tax Capacity	Local Tax Capacity	Current City Rate	City NTC Tax	Change in City Tax	Amount of Abatement (\$10000 max)	Tax Payment Status Y / N (not part of city agreement)
Pay 2014:	Base Year		150,000	1.50%	2,250								<input checked="" type="checkbox"/> First half 2014 taxes paid?
		\$70,256	1,975,000	2.00%	39,500	40.1589%	16,766	24,984	27.761%	\$6,935.74			<input type="checkbox"/> No delinquent taxes?
	Current Year		150,000	1.50%	2,250								
		\$77,675	1,975,000	2.00%	39,500	40.1589%	16,766	24,984	27.761%	\$6,935.74	\$0.00	\$0.00	
No Value Increase over 2012													
Pay 2015:	Base Year		150,000	1.50%	2,250								<input checked="" type="checkbox"/> First half 2015 taxes paid?
		\$70,256	1,975,000	2.00%	39,500	34.3461%	14,339	27,411	23.798%	\$6,523.19			<input type="checkbox"/> No delinquent taxes?
	Current Year		150,000	1.50%	2,250								
		\$113,299	3,136,300	2.00%	62,726	34.3461%	22,317	42,659	23.798%	\$10,151.87	\$3,628.68	\$3,628.68 payable July 30, 2015	
Pay 2016:	Base Year		150,000	1.50%	2,250								<input checked="" type="checkbox"/> First half 2016 taxes paid?
		\$70,256	1,975,000	2.00%	39,500	37.1277%	15,501	26,249	23.121%	\$6,069.00			<input type="checkbox"/> No delinquent taxes?
	Current Year		150,000	1.50%	2,250								
		\$110,005	3,286,300	2.00%	62,726	37.1277%	24,124	40,852	23.121%	\$9,445.34	\$3,376.34	\$3,376.34 payable July 30, 2016	