



MAYOR & COUNCIL COMMUNICATION

DATE: 2/19/2013
REGULAR \$\$
ITEM #: 13
MOTION

AGENDA ITEM: Adopting Resolution Authorizing Limited Property Tax Abatement for 8665 Hudson Boulevard 2014, 2015, 2016, 2017

SUBMITTED BY: Dean Zuleger, City Administrator

THROUGH: Mayor Mike Pearson

REVIEWED BY: Dean Zuleger, City Administrator

PUBLIC POLICY OBJECTIVE: To Use Limited Property Tax Abatement as an Economic Stimulus Tool in the Creation of Family-Sustaining Jobs.

SUMMARY AND ACTION REQUESTED: The Lake Elmo City Council will be asked to consider a narrow-scoped property tax abatement for a commercial property located in the I-94 Corridor Planning Area (8665 Hudson Boulevard) that will free up liquidity that will be used to create (50) new jobs at an average salary of \$52,000 (\$35,000-\$90,000 range) that will have an estimated \$30,000,000 impact on the local economy.

BACKGROUND INFORMATION: Minnesota State Statutes allow for the use of tax abatement as an economic development tool to attract new business and create jobs – especially in areas where other tools like tax incremental financing and other incentivized programs cannot be used. In the winter of 2012, a company from Wisconsin, via a local representative, approached the City of Lake Elmo with interest in purchasing a corporate office building at 8665 Hudson Boulevard for the purpose of establishing a headquarters and creating 50 new jobs. 8665 Hudson Boulevard is currently assessed at \$2,125,200 at an 80% completion rate. The total annual taxes are \$70,256 (all taxing authorities).

The expected purchase price of the building will be approximately \$3.1 million but will include non-real property assets and business considerations that will not solely reflect the actual value of the property. MN State Statutes, reflective of an onerous property tax policy toward business, mandates that assessors consider market value data that will artificially inflate taxes on the building that will reduce the working capital available to the company to create the jobs.

In addition, 8665 Hudson Boulevard is not in a TIF District thus denying the City of Lake Elmo the ability to use incentives created by the increased increment value to aid the company in job creation and create the positive economic impact to the local economy via the relocation of operations.

STAFF REPORT: After thorough review, tax abatement seems to be the only economic development tool the City of Lake Elmo has at its disposal to aid in the relocation of this company and the creation of 50 new jobs in Minnesota. Efforts to work within the current assessment and taxing system to obtain a property value based assessment sans the other business considerations proved to be unachievable based on State Statutes. However, it seems reasonable to provide a limited tax abatement based on the difference between the real property assessment (currently at \$2,125,200) and any increase assessed that is for business considerations not tied to the real property value – with of course the policy consideration being the local government service costs to the property. Therefore, the City of Lake Elmo has worked with Washington County to determine a total abatement figure of \$40,000 over a period of 4 years to offset the artificiality of the assessment policy and free up liquidity for the creation of jobs.

The City staff has taken lead and worked closely with the business owner, Governor Dayton, MNDEED, Washington County, Greater MSP, Xcel and the our legislative representatives to put together an economic development package that consists of tax abatement, a sizeable forgivable loan, job training funds, and energy credits to bring new good paying jobs to the region. The results of this public-private partnership has caused the business to execute the purchase agreement to acquire the property as a step of good faith that the economic development package will be delivered. Lake Elmo's tax abatement is one of two final steps in that delivery expectation. Washington County will be considering a similar abatement in early March. The City continues to work with the business on site modifications to make the property suitable for their operations.

RECOMMENDATION: Based on the preceding information, the staff recommends the following:

M/S/P: **To approve Resolution 2013-11 authorizing limited property tax abatement for 8665 Hudson Boulevard for the years 2014 – 2017 for the purpose of creating (50) new, good paying jobs that have a \$30,000,000 impact on the local economy.**

SUGGESTED ORDER OF BUSINESS:

- Introduction of Item City Administrator
- Report/Presentation.....City Administrator
- 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