

8.07 TAX ABATEMENT HOUSING ASSISTANCE POLICY

PURPOSE: The purpose of this policy is to establish the City of Albert Lea’s policy as it relates to the use of Tax Abatement for Housing Initiatives and incentives to encourage the construction and rehabilitation of housing units within the City of Albert Lea. This policy shall be used as a guide in processing and reviewing applications requesting tax abatement as a form of housing assistance. Certain policies pertain only to those abatements provided to a business entity and not to individuals.

POLICY STATEMENT: When the applicant for tax abatement is a business, this policy shall be the City of Albert Lea’s criteria for reviewing and awarding tax abatement as a form of business assistance, pursuant to *Minnesota Statute 116J.994, subd. 2*. The City has the option under the statute to deviate from or waive sections of the policy when determined necessary or appropriate. In order to exercise this option, the City must document in writing the reason(s) for the deviation and attach a copy of the document to its next annual report to the Department of Employment and Economic Development (“DEED”).

LIMIT ON TOTAL ABATEMENTS: In any given year, the total amount of all taxes abated by a municipality shall not exceed 10% of the net tax capacity (NTC) of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater. *Minnesota Statutes, Section 469.1813, Subdivision. 8.*

PROGRAM PURPOSE: The City is targeting its tax abatement program to meet specific community concerns about increasing housing density in addition to the prior stated general concerns about adding to the City’s long-term housing stock. Housing density creates a long-term public benefit through a larger tax base and more efficient infrastructure. Focusing on energy production, conservation, and diversion from greenhouse gas emissions is a public benefit and part of the City’s Climate Action Plan. Building within “in-fill” lots can be more complicated; however, the City has a vested interest in developing these lots to increase its tax base, disperse existing infrastructure costs, and reduce environmental disruption. Concerns about Low to Moderate income housing and improving conditions in the Qualified Census Tract areas are repeatedly demonstrated as a public purpose and need.

All abatements made pursuant to this program must still be supported by findings of the City Council stating that (1) the benefits to the political subdivision of the proposed abatement agreement are expected to at least equal the costs to the political subdivision of the proposed abatement or that the proposed abatement is intended to phase in a property tax increase; AND (2) the abatement is in the public interest for

one of the following reasons: (i) it will increase or preserve tax base; (ii) it will provide employment opportunities in the political subdivision; (iii) it will provide or help acquire or construct public facilities; (iv) it will help redevelop or renew blighted areas; (v) it will help provide access to services for residents of the political subdivision; (vi) it will finance or provide public infrastructure; (vii) it will phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or (viii) it will stabilize the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, Chapter 8100.

Minnesota Statutes, Section 469.1813, Subdivision 1.

PROGRAM OVERVIEW AND ELIGIBILITY: Any person or business who constructs or rehabilitates a single family home, duplex, or multi-family complex, files application, and obtains formal approval from the City and/or appropriate local jurisdictions between January 1, 2022 and December 31, 2026, shall be eligible to receive up to 100% tax abatement of the City's share of the increased real estate taxes resulting from the newly constructed or renovated housing unit (the "increment value"). All abatements approved by the City of Albert Lea must meet the following mandatory minimum approval criteria or be supported by a deviation report. However, it should not be presumed that a project meeting these criteria would automatically be approved. Meeting these criteria creates no contractual rights or entitlement to assistance on the part of any potential applicant.

Due to the limited total value of abatements approved by the City in any year, if the applicant has received other local, state, or federal financial assistance, the applicant may be denied the abatement absent a showing of significant need or added public benefit as determined by the City, in the City's discretion. There is a twenty-five year waiting period between applications for eligibility property requesting abatements under this program and policy.

1. The assistance shall comply with all federal and state laws, State Auditor opinions, debt limit guidelines, and other appropriate financial requirements and policies.
2. The project must be in accordance with the City's Comprehensive Land Use Plan and Zoning Ordinances, or the required changes to the Comprehensive Land Use Plan and Zoning Ordinances must be under active consideration by the City at the time of approval.
3. Property is located within the corporate limits of the City of Albert Lea and zoned properly for the proposed development.
4. The property shall not be located within a TIF district.
5. Construction shall start no later than 6 months from date of approval, which includes

- obtaining the necessary building permit(s).
6. All property taxes and applicable special assessments installments on real property owned by the applicant in the City are paid on time and in full.
 7. Requests must be submitted prior to the start of construction of the housing unit(s).
 8. The project shall meet the requirements of one of the targeted abatement criteria listed below or be the subject of a deviation report filed with DEED.

TARGETED ABATEMENT CRITERIA:

New Construction Tax Abatement Base Levels – the base level of tax abatement anticipated under this policy for new construction of different types of housing projects within the City are as follows:

- Single-family/Duplex: 100 percent of the increment value over three years with the ability to extend another three years under the criteria for abatement additions below.
- Multi-family (three or more units): 100 percent of the increment value over six years with the ability to extend another six years under the abatement additions below.

New Construction Tax Abatement Additions Criteria and Levels – if a project meets the listed criteria, in addition to the criteria for the base new construction tax abatement, the abatement may be extended in the matter described:

- Density (single family) –Property no greater than 80 linear feet of road frontage, 1,500 square feet of foundation space and 2 stories above grade. The Density abatement is 50 percent of the increment value for three additional years.
- Density (duplex) –Property no greater than 120 linear feet of road frontage, 3,000 square feet of foundation space and 2 stories above grade. The Density abatement is 50 percent of the increment value for three additional years.
- Energy-Efficiency: The abatement for energy efficient projects is 50 percent of the increment value for three additional years. The project must meet two or more of these standards:
 - Installs electric vehicle charging station(s) at the time of construction.
 - Installs solar or other non-fossil fuel generation at minimum estimate of 2.0KwH peak generation,
 - Demonstrates compliance above Minimum building code standards to meet City’s Climate Action Plan by means of constructing to full “Energy Star” Compliance Standards.

The Energy Efficiency abatement is 50 percent of the increment value for three additional years.

- Infill: The property must be built on an empty lot(s) where a building used to stand. The abatement for infill is 50 percent of the increment value for three additional years.
- LMI: The property must predominantly provide affordable housing for low to moderate income individuals or households, defined for purposes herein as housing available at 30 percent or less of the median income levels in Freeborn County. The abatement for LMI is 50 percent of the increment value for three additional years.
- Qualified Census Track: The property must be located within the 2020 Qualified Census Track. The abatement for projects within the Qualified Census Track is 50 percent for three additional years.

Rehabilitation Tax Abatement Base Criteria and Levels – Projects significantly involving structural improvements, mechanical improvements, blight remediation, hazard remediation, and improving overall conditions of existing structures that would increase the assessable tax value by 25 percent or more shall qualify for this rehabilitation tax abatement. The base level of tax abatement anticipated under this policy for different types of rehabilitation projects are as follows:

- Single-family/Duplex: 100 percent of the increment value over six years with the ability to extend an additional three years under the abatement additions below.
- Multi-family (three or more units): tax abatement on property shall be 100 percent of the increment value over 9 years with the ability to extend another three years under the abatement additions below.

Rehabilitation Tax Abatement Additions Criteria and Levels – if a project meets the listed criteria, in addition to the criteria for the base rehabilitation tax abatement, the abatement may be extended in the matter described:

- Energy-Efficiency: The abatement for energy efficient projects is 100 percent of the increment value for three additional years. The project must meet two or more of these standards:
 - Installs electric vehicle charging station(s) at the time of construction.
 - Installs solar or other non-fossil fuel generation at minimum estimate of 2.0KwH peak generation,

- Uses efficient sources for heat such as a heat pump or other non-gas heating source.
- Add R5 insulative continuous sheathing to attain or exceed R-18 total wall insulation before installing siding and increase attic insulation to minimum of R-49 excepting acceptable values in eave restricted spaces.
- Demonstrates compliance above minimum building code standards to meet City's Climate Action Plan. Must be two demonstrable and separate improvements approved by the City Manager to count as one standard under Energy Efficiency.

The Energy Efficiency abatement is 100 percent of the increment value for three additional years.

- LMI: The property must predominantly provide affordable housing for low to moderate income individuals or households as defined above in the new construction abatement section. The LMI abatement is 100 percent of the increment value for three additional years.
- Qualified Census Tract or Historic District: The property must be located in the 2020 Qualified Census Tract or in the Albert Lea Historic District. The abatement for such projects is 100 percent of the increment value for three additional years.

ADDITIONAL POLICY INFORMATION:

This policy applies to the City's share of ad valorem property taxes levied on the real property on which a project satisfying the criteria established herein is proposed; however, the City's intent is to request that Freeborn County ("County") and the Albert Lea Area School District ("School District") participate in any abatements granted by the City Council hereunder on terms consistent with this policy.

The real estate taxes to be abated shall only be the real estate taxes collected from the property and equal to the increase in value attributable to the project for which the abatement is proposed (i.e. the increment value). Real estate taxes collected for the value of the land are not eligible for tax abatement and will not be abated as part of this program.

Abatements granted hereunder will transfer with the sale of the property for the balance of abatement period.

This policy shall not apply to, and abatements granted hereunder will not include, voter-approved school referendums. This policy also shall not apply to, or include, existing and/or new special assessments against the property.

APPLICATION GUIDELINES: Minnesota Statutes limit the total amount of tax

abatement the City can grant in a year. Thus, all applications will be considered on a “first come - first served” basis. The acceptance of new applications will be contingent upon the availability of funds.

A complete application for Abatement shall consist of:

1. A letter requesting abatement for eligible housing project(s) and stating the ways in which the project meets the eligibility requirements contained herein, addressed to the City Manager.
2. Legal description and property identification number of the subject property.
3. A set of construction plans for the proposed (re)development, including a site plan.
4. Application fee as set forth in the City’s annual fee schedule.

Applications are to be submitted to City of Albert Lea, City Manager’s Office, 221 E. Clark St., Albert Lea MN 56007.

Upon submittal of a completed application, if City staff determine that the application satisfies the criteria for an abatement established herein, the City will schedule a public hearing for the City Council’s consideration of the proposed abatement and send notice thereof to the applicant. The City will additionally forward the application and the City’s proposed findings supporting a public purpose for the proposed abatement to the County and School District with a request that each entity schedule a date on which to consider the application and proposed abatement of each such jurisdictions’ share of the property taxes levied against the subject property on terms consistent with this policy. The City will request that each entity establish a hearing date within 30 days of receipt of the City’s request and send notification thereof to the applicant. If the proposed abatement is approved by the City Council after consideration at a public hearing, the City Council will adopt a resolution outlining the details of the abatement program and authorize the appropriate officials to execute a tax abatement agreement with the developer/builder/owner on the City’s behalf.

The abatement period will commence upon receipt of the Certificate of Occupancy from the City Building Inspection Office, or not more than one year following approval of the resolution, whichever is first, and shall continue for the term of the abatement.

APPLICANT RESPONSIBILITY

Every applicant is responsible to determine if they will meet the different guidelines of this program. The Freeborn County Assessor’s Office is responsible for determining final outcomes of improve assessable values through completed rehabilitation and new construction. The City will not guarantee improved values or estimate improved values for an

applicant.

There is an application fee due prior to reviewing the application to cover publication costs and administrative review. Fee is set by resolution. There are no refunds.

APPROVAL PROCESS:

1. City staff reviews the application and follow up with the applicant to gather any required or requested documentation.
2. Upon meeting eligibility requirements, City Staff will publish a public hearing for a City Council meeting as required by Statute.
3. The City Council will hold a public hearing. The City Council will act on a resolution either approving a Tax Abatement Agreement that identifies conditions upon which an application is approved; or, findings upon which an application is denied. The City Council will grant final approval or denial of the request.

TAX ABATEMENT IMPLEMENTATION PROCESS: If approved, tax abatement assistance shall be provided to the property owner upon receipt of payment to the City by the County, otherwise referred to as the “pay-as-you-go” method. The City shall provide the awarded abatement payment following property owner payment of due real estate taxes annually. The property owner shall provide to the City evidence of real estate taxes paid by November 15th annually. The City will reimburse the owner of record for real estate taxes paid in one single payment by December 30th for that calendar year.

RESCISSION OF BENEFITS: The recaptured benefits may be rescinded by the City under certain circumstances. These circumstances should be outlined in the Tax Abatement Agreement. They include, but are not limited to the following:

1. Failure to comply with the terms of the Tax Abatement Agreement.
2. Property taxes, including any assessments, are not paid on time and in full.