

2.14 TAX ABATEMENT HOUSING ASSISTANCE POLICY

PURPOSE: The purpose of this policy is to establish the City of Albert Lea's position as it relates to the use of Tax Abatement for Housing Initiatives and to provide incentives to encourage the construction of new owner occupied and rental residential housing units within the City of Albert Lea. This policy shall be used as a guide in processing and reviewing applications requesting business assistance.

POLICY STATEMENT: The City of Albert Lea shall have the option of amending or waiving sections of the policy when determined necessary or appropriate. *Minnesota Statute 116J.994, Subd. 2*, allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the department. *Minnesota Statute 469.1813 Subd. 8*, places limitations on tax abatement. In any given year, the total amount of 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. Per this statutory limit, the City also uses tax abatement for other economic development programs and will not exceed \$100,000 in total abatement per year for housing assistance for this program.

PROGRAM OVERVIEW AND ELIGIBILITY: Any person who constructs a single family home, duplex, or multi-family complex, files application, and obtains formal approval from the appropriate local jurisdictions between January 1, 2017 and December 31, 2021 shall be eligible to receive 100% tax abatement of the City's share of the increased real estate taxes resulting from the newly constructed housing unit for a period of 5 years. All new housing approved by the City of Albert Lea should meet the following mandatory minimum approval criteria. However, it should not be presumed that a project meeting these criteria would automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential applicant.

1. The assistance shall be provided within applicable state legislative restrictions, State Auditor interpretation, debt limit guidelines, and other appropriate financial requirements and policies.
2. The project must be in accord with the Comprehensive Land Use Plan and Zoning Ordinances, or 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 applicant shall not have received other local financial assistance (tax increment financing/TIF, Workforce Housing, SCDP).
5. Construction start date no later than 6 months from date of approval, which includes building permit(s) must be obtained.

6. Property taxes are paid on time and in full.
7. Approval must be obtained prior to the start of construction of the housing unit/home.

Additional Policy Information

Multi-family projects of a minimum of 4 rental units may seek approval for a longer tax abatement period not exceeding the maximum allowed by State Statute. Each multi-family request will be considered on an individual basis.

The real estate taxes to be abated shall be for the real estate taxes collected from added/new tax base annually. Real estate taxes collected for the value of the land is not eligible for tax abatement, and will not be abated as part of this program.

The abatement will transfer with the sale of the property for the balance of the five year abatement period.

Abatement will not include voter approved school referendums. It also does not apply to, or include, existing and/or new assessments to the property.

APPLICATION GUIDELINES

Minnesota Statute requires the City to approve each abatement application. 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) addressed to the City Manager.
2. Legal description of the subject property, including the property identification number.
3. A set of construction plans for the proposed development, including 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, the City will forward the application to the County and School District, for each entity to schedule a date on which to consider the application. Upon receipt of the application, each entity will establish a hearing date within 30 days. Such notification will be sent to the applicant. After consideration, the City Council will adopt a resolution outlining the details of the abatement program and authorize staff to enter into a tax abatement agreement with developer/builder/owner.

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 5 years.

APPROVAL PROCESS

The approval process will take approximately 60 days, including a required public hearing.

1. City staff reviews the application.
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

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 paid on time and in full.

City Council Approval: 12-27-2016