



**CITY OF CLOQUET
&
CLOQUET ECONOMIC DEVELOPMENT AUTHORITY**

TAX ABATEMENT FINANCING POLICY

Adopted 03/15/11

Purpose

The purpose of this Policy is to ensure that the use of Tax Abatement shall be consistent with the long-term economic development program of the City. The fundamental purpose of tax abatement in Cloquet is for the City to utilize this tool for the following:

- New property acquisition. Property currently owned cannot be reimbursed through abatement.
- Site preparation, which includes only the following: removal of buildings and other improvements from a parcel, grading including fill, environmental testing and soil correction.
- Streets and utilities including water, sanitary sewer, and storm sewer.
- Landscaping.
- Trails.

The City of Cloquet is granted the power to utilize Tax Abatement by State Statutes 469.1812 – 469.1815. It is the intent of the City to provide the minimum amount of Tax Abatement for the shortest term required that results in the most desirable development. The City Council and EDA can deviate from this policy for projects that supersede the objectives identified therein.

Policy Consideration

The City of Cloquet will consider providing Tax Abatement for public improvement projects that achieve the following:

1. Demonstrate long-term benefits to the community.
2. To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits through:
 - Diversification of the local economy.
 - Providing a high number of full-time permanent jobs at good wages.
 - Providing jobs to persons who are currently unemployed and underemployed.
3. Significantly adds to the City's commercial and industrial tax base by providing a high quality development.

City of Cloquet & Cloquet EDA

Tax Abatement Financing Policy

Adopted 03/15/11

4. To encourage additional unsubsidized private development in the area, either directly or indirectly through “spin-off” development.
5. To facilitate the development process and to achieve development on sites which would not otherwise be developed but/for the use of Tax Abatement.
6. To remove blight and/or encourage redevelopment of commercial and industrial areas in the city that result in high quality redevelopment and private reinvestment.
7. To offset increased costs of redevelopment related to public improvements over and above the costs normally incurred.
8. To contribute to the implementation of other public policies, as adopted by the city from time to time, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.
9. To aid in implementing the EDA’s strategic plan for economic development.

Policy Statements

1. The City may use Tax Abatement to repay debt issued for installing public improvements without assessing the cost to benefiting property owners, which results in making sites more desirable for development.
2. The use of Tax Abatement shall be in accordance with State law. Because changes are frequently made to the State law regarding the use of Tax Abatement, conflicts in the regulations may occur from time to time. If a conflict arises between this policy and the State law, the more restrictive language will apply.
3. Tax Abatement projects must be consistent with the City’s Comprehensive Plan, as determined by the Planning Commission.
4. Tax Abatement must be consistent with the EDA’s Strategic Plan for Economic Development, as determined by the EDA.
5. Tax Abatement projects that promote the completion of major improvement projects within the City of Cloquet such as the installation of trunk sewer and water lines, and major transportation projects, are preferred.
6. The City reserves the right to utilize Tax Abatement in the most fiscally responsible manner including the issuance of Tax Abatement bonds or on a pay-as-you-go method. The use of Tax Abatement bonds will be considered on a case-by-case basis for public improvements or projects that are determined to meet/exceed the City’s development goals.

City of Cloquet & Cloquet EDA

Tax Abatement Financing Policy

Adopted 03/15/11

7. The maximum term of abatement shall be fifteen (15) years.
8. The City may limit the amount of the abatement, based upon the requirements of M.S. 469.1812-1815, to the following:
 - A specific dollar amount per year or in total.
 - The increase in property taxes resulting from improvement of the property.
 - The increase in property taxes resulting from increases in the market value or tax capacity of the property.
 - In any other manner the City determines is appropriate.
 - The total annual abatement authorized, for all projects, in the City may not exceed ten percent (10%) of the net tax capacity of the City or \$200,000, whichever is greater in one year.
 - The City may not abate tax attributable to the value of the land.
9. The City/EDA does not support tax abatements for proposals that are not economically feasible. The applicant must demonstrate that the project is not financially feasible “but for” the tax abatement subsidy requested. The project should maximize the amount of private development investment in a site.
10. The extent to which the project represents “new” dollars into the City. The City/EDA will not consider a tax abatement application that abates existing tax dollars.
11. Equal consideration will be given to both existing business expansion and new businesses locating in the City.
12. Retail and service businesses will not be considered for tax abatements unless the project creates substantial quality employment, creates substantial tax base, provides a necessary service not already provided in the community, or redevelops blighted areas.

Procedure

The procedure to receive tax abatement is:

- Applicant meets with the Community Development Director, discusses the project and receives an application.
- Applicant submits the completed application, financial deposit of \$2,500, plans and specifications, financial information including past information and pro forma future projections for the project and company information to the Community Development Director.
- Community Development Director meets with the City Administrator to discuss the project including conformity with the City policies and plans.

City of Cloquet & Cloquet EDA

Tax Abatement Financing Policy

Adopted 03/15/11

- Community Development Director discusses project with the City/EDA's tax abatement consultants and receives a not to exceed quote for the cost of completing the work should the EDA Board of Commissioners accept the project as feasible for tax abatement financing.
- Project is placed on both the Planning Commission and EDA Agenda for the next regularly scheduled meeting.
- The Community Development Director and applicant present the project to the EDA Board and the Planning Commission.
- Within 30 days, the EDA will determine to accept or reject the application and deposit. If rejected, nothing further happens and deposit is returned. Such recommendation shall then be forwarded to the City Council for consideration.
- If the EDA and City Council accepts and approves the application and deposit, staff will be directed to work with the consultants to put together a tax abatement financing plan and enter into negotiations with the applicant to secure agreeable terms for the development agreement.
- Upon completion of a draft of the tax abatement financing plan, district plan and development agreement terms that are agreeable to the applicant, the EDA Board will hold a special meeting to discuss these drafts.
- If approved, the EDA Board will make a recommendation to the City Council to proceed with allowing this project to move forward.
- The Community Development Director, applicant and consultants will make a presentation to the City Council and request public hearings and other statutory items be scheduled and other board review scheduled, if appropriate.
- The public hearings will be conducted and after hearing the public input and receiving other board recommendations, the City Council may: 1) accept the plans and recommendations and direct staff to complete these plans, 2) reject the plans and project or 3) modify the plans accordingly and reenter negotiations.
- If/once approved and both parties sign the documents, construction may commence.

PLEASE ALLOW UP TO 120 DAYS TO COMPLETE THIS PROCESS!