

MEMORANDUM

TO: Charlene Stark – Finance Director
FROM: Stacie Kvilvang & Keith Dahl – Ehlers
DATE: January 18, 2023
SUBJECT: Temporary Tax Abatement Bonds – Acquisition of Property for Redevelopment

The City is moving forward with acquisition of certain property located along South Robert Street for redevelopment. The total cost of acquiring the property (i.e. purchase price, financing fees, and capitalized interest) is anticipated to be approximately \$6,110,000. Under Minnesota Statute 469, the City has authority to issue Tax Abatement Bonds for the acquisition. The bonds will be issued as Taxable General Obligation Temporary Tax Abatement Bonds. The bonds are “taxable” because the property is being purchased for sale to one or more private entities in the future, and “temporary” because the City only intends to issue the bonds for a 3-year term. The bonds will be structured as interest only, meaning the City will capitalize interest payments and delay principal on the bonds until maturity, or the property is sold. For this reason, there will be no annual out-of-pocket expenses to the City unless the development does not materialize by the time the bonds mature.

In order to issue tax abatement bonds, the City is required to hold a public hearing on the amount of the abatement to be granted and adopt a resolution specifying the public purpose of the tax abatement. In addition, the hearing notice is required to identify specific parcels from which the City will abate its portion of taxes. The public purpose and the required findings are outlined in the attached resolution.

The following is a list of Property Identification Numbers (PIN) in which the City will abate its portion of taxes. These parcels were listed in the public hearing notice as required by Statute. In addition, they were also selected since they are larger apartment projects that the City does not anticipate any future redevelopment on.

- 42-83875-01-010
- 42-83875-01-020
- 42-83730-01-010
- 42-02900-14-010
- 42-01900-06-010

Abating taxes from these parcels will have no impact on these property owners (no change in their taxes paid). The annual abatement is included in the City’s annual tax levy and is spread among all property owners within the City. Plus, proceeds from the land sale will be used by the City to pay off the full amount of principal and interest on the bonds.

Please contact me at 651-697-8595 with any questions.