AGENDA

Maple Lake Economic Development Association
Regular Meeting
October 28, 2025 at 6:00 p.m.
Council Chambers, Maple Lake City Hall

RULES OF CIVILITY FOR OUR COMMUNITY

The City of Maple Lake expects everyone appearing at Council Meetings to follow some basic rules of civility – elected officials, staff, citizens, and visitors. It is hoped that by following these simple rules, everyone's opinions can be heard and understood in a reasonable manner. It is understood that everyone will follow these principles:

Show Respect For Each Other * Actively Listen To One Another * Keep Emotions In Check * Use Respectful Language

1. **Call to Order**
2. **Roll Call**
3. **Approval of Agenda**
4. **Approval of Minutes** – September 02, 2025
5. **Business**
    - **a.** Discussion regarding Maple Lake Business Resources
    - **b.** Presentation and Discussion regarding TIF and Tax Abatement 101.
    - **c.** Discussion and Possible Direction regarding Maple Lake Financial Assistance Policy and Application.
    - **d.** Update and Discussion regarding available space and sites inventory.
6. **Staff Report**
7. **Next Meeting –** November 05, 2025 at 6:00 p.m.
8. **Adjournment**

CITY OF MAPLE LAKE
WRIGHT COUNTY, MINNESOTA
MINUTES OF MAPLE LAKE
ECONOMIC DEVELOPMENT AUTHORITY MEETING
SEPTEMBER 02, 2025 - 6:00 P.M.

1. **Call to Order** - The meeting of the City of Maple Lake Economic Development Authority was called to order by President Kissock at 5:57 p.m. on Tuesday, September 02, 2025.

   Roll Call – President Lynn Kissock, Members Scott Chantland, Lori Hausken and Wayne Paumen were present.

   City Staff and Consultants Present: Scott Hildebrand, City Administrator and Kirstin Chatfield, EDA Consultant.

2. **Approval of Agenda** - Motion by Member Chantland and seconded by Member Paumen to approve the agenda as presented. Motion passed unanimously by voice vote.

3. **Approval of Minutes** - Motion by Councilor Chantland and seconded by Councilor Hausken to approve the minutes of the July 01, 2025 MLEDA Meeting. Motion passed unanimously by voice vote.

4. **Business**

   a. Chatfield discussed the MLEDA Work Plan based on prior feedback and priorities. **Motion by Member Chantland and seconded by Member Paumen to approve the work plan and send it to the City Council for approval. Motion passed unanimously by voice vote.**

      The Board also discussed priorities for Chatfield to focus on, to get a handle on what space is available and how to market. A nexus was identified between #2 and 4, and tying in Planning and Zoning along with the Comprehensive Plan update

   b. Chatfield reviewed a Maple Lake Business Resource proposal. There was discussion regarding City Branding and ensuring that all documents meet design standards. Changes will be made, but this can be shared with the Chamber, Business Development Group and on the City's website.

   c. Hildebrand Chatfield discussed recent business development with Bernatello's, the Brewery, Kind Bud and others.

5. **Staff Report** – Nothing additional was added by City Administrator Hildebrand,

6. **Next Meeting** - The next meeting was scheduled for October 07, 2025, at 6:00 p.m.

7. **Adjournment** - Motion made by Member Hausken, seconded by Member Paumen to adjourn the meeting. Motion passed unanimously by voice vote. Meeting adjourned at 6:44 p.m.

Respectfully submitted,
Scott W. Hildebrand
City Administrator

Approved: _____
Lynn Kissock, President

Business Resources

Loans and Grants -

City of Maple Lake Revolving Loan Fund –City of Maple Lake– Low interest loan for manufacturing, technology, retail, and other industries that increase tax base, increase employment, and pay livable wages. Funds can be used for acquisition of land, construction, demolition or rehabilitation of facilities, site improvements, utilities or infrastructure, machinery and equipment, and working capital. Other requirements and job and wage goals apply.

Wright County Enterprise Loan Fund-Wright County **-**The purpose of the Wright County Enterprise Loan Fund is to encourage industrial and commercial development that contributes meaningfully to Wright County's business environment and tax base. Through this program, administered by the Economic Development Partnership of Wright County and participating lending institutions, loans are made to help businesses meet a portion of their financing needs.

Direct Business Loan Fund - Initiative Foundation – Up to $500,000 for value added agriculture and manufacturing companies that bring new revenue to communities.

Initiative Foundation Gap Loans - Gap Loans — Initiative Foundation (ifound.org)- Gap lending at the Initiative Foundation is a partnership between the borrower, a lead lender and our lending team. Gap loans "fill the gap" between what a bank can provide and what the borrower needs to remain solvent on a business-investment project.

Initiative Foundation Micro Loan- Microloans — Initiative Foundation (ifound.org)- Microloans can range from a few hundred dollars up to tens of thousands of dollars. The goal of the Initiative Foundation's microlending program is to support entrepreneurship, foster economic self-sufficiency, and create opportunities for individuals and small businesses.

Minnesota Investment Fund – City of Maple Lake/State of Minnesota – Offers a maximum of $500,000 per grant. Focuses on industrial, manufacturing, and technology related industries that increase the local and state tax base and improve economic vitality statewide. Grants are awarded to local units of government, which use the money to provide below market rate loans to help companies expand. Funding may be used to purchase land, machinery, and equipment.

Minnesota Job Creation Fund - State of Minnesota (DEED) - Provides up to $1 million in grants to approved industrial, manufacturing, and technology related businesses after specified job creation and capital investment goals are achieved. Minimum requirements: 10 jobs created and $500,000 capital investment.

Automation Loan Participation Program - Automation Loan Participation Program / Minnesota Department of Employment and Economic Development (mn.gov) - DEED makes companion loans intended to fill gap financing needs for businesses purchasing machinery, equipment, or software to increase productivity and automation. Eligible borrowers include manufacturing, distribution, technology and warehousing businesses located in Minnesota. The program targets businesses with fewer than 500 employees. Loans are made in conjunction with private financing from a lead lender, typically a bank. Private financing will ideally be five times the amount of the requested DEED loan and is required to be at least equal to the DEED loan. Loans may be up to $500,000 with 1% interest on a 5 to 7-year term.

Growth Loan Program - Growth Loan Fund / Minnesota Department of Employment and Economic Development (mn.gov) GLF supports entrepreneurial growth throughout Minnesota by offering low-interest loans to early-stage businesses that are seeking to raise equity investments. Businesses seeking funding through this program need to be engaged in, or be committed to engage in, technological innovation in Minnesota. Qualified high-technology fields include, aerospace, agricultural processing, renewable energy, energy efficiency and conservation, environmental engineering, food technology, cellulosic ethanol, information technology, materials science technology, nanotechnology, telecommunications, biotechnology, medical devices, pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, or similar.

Business Resources

Redevelopment and Site Clean-Up – State of Minnesota – Grant and loan funds available to assist in the redevelopment of sites for business expansions or relocation. Public funds can pay for up to 50% of eligible redevelopment costs or 75% of contamination clean-up costs.

SBA 504 Loans – MN Business Finance Corp – Provides start-up and existing businesses loans to create new jobs with long term, low down payment, fixed-rate financing of major fixed assets, such as land and buildings.

Greater Minnesota Job Expansion Program - State of Minnesota – Provides sales tax exemptions of up to 12 years to eligible existing businesses located in Greater Minnesota that meet eligibility requirements including specified job creation and wage level.

Innovative Business Development Public Infrastructure - State of Minnesota – Focuses on job creation and retention through the growth of new innovative businesses and organizations. Provides grants to local governmental units on a competitive basis statewide. The amount of a grant may not exceed the lesser of the cost of the public infrastructure or 50% of the sum of the cost of the public infrastructure plus the cost of the completed eligible project.

Wright-Hennepin Cooperative Electric Association -Wright Hennepin Cooperative Wright-Hennepin's commercial rebate and Energy-Saving Programs offer financial incentives for its commercial, industrial and agricultural customers to invest in energy-efficient electric technologies.

Tax Credits -

Capital Equipment Exemption – State of Minnesota – Effective July 1, 2015, Minnesota law allows a sales and use tax exemption at the time of purchase on qualified capital equipment; previously a purchaser was required to file a refund claim for any tax paid at time of purchase. This exemption is available to people who purchase or lease capital equipment for use in Minnesota.

Direct Investment Venture Capital Program - Direct Investment Venture Capital Program / Minnesota Department of Employment and Economic Development (mn.gov) -The program will invest in Minnesota-based seed and early-stage startups. This program is expected to target key sectors such as advanced manufacturing, agtech/foodtech, climate tech, life sciences, software, and technology.

Angel Tax Credit – State of Minnesota - Businesses headquartered in Minnesota with fewer than 25 employees and engaged in research and development of qualifying high-technology can qualify for up to $1 million in angel tax credit.

Research and Development Tax Credit – State of Minnesota - The tax credit for R&D expenditures is 10%, up to the first $2 million in eligible expenses. The credit is 2.5% for eligible expenses above $2million. Individuals involved in partnerships, S- corporations and limited liability companies can claim the credit against their individual income taxes.

Tax Increment Financing (TIF) and Tax Abatement- City of Maple Lake**-** Used to encourage private development and pay for public improvement costs such as streets, sidewalks, sewer and water and similar public infrastructure improvements. The eligibility parameters are defined by state statutes and are generally targeted to new developments that increase the tax base, provide employment opportunities, or redevelop blighted areas. Tax Increment or tax abatement are the proceeds derived from the difference between the base property tax value of parcels and the increase property value of the parcels as a result of new development. The total amount of tax increment or tax abatement is calculated for the projected term of the district. A developer can then obtain a loan based on the projected tax increment revenues in order to use the funds upfront for public improvements.

Business Resources

Business Counseling, Workforce Programs, and Technical Assistance -

Enterprise Minnesota -enterprisemn.org – An ISO 9001:2015 certified consulting organization that works with small and medium sized manufacturing companies to help them compete and grow profitably. It is the official representative of the Manufacturing Extension Partnership (MEP) National Network in Minnesota.

Wright County Economic Development Partnership - Wright County EDP - The Wright County Economic Development Partnership is the primary point of contact for existing, start-up, and relocation businesses in Wrigth County. They are the economic development arm of the County–a not for profit partnership of area businesses, communities, and the County working together to enhance the economic vitality of the region.

Export Counseling and Assistance – Minnesota Trade Office -Provides professional assistance from international trade representatives to guide small and midsized companies through the challenges and opportunities of conducting international business, including technical, regulatory, and logistical information, market intelligence and research, and conducting business across borders, and cultures. Eligible small businesses may apply for reimbursement of up to $500 for export training that will result in the development of an export strategy or up to $7,500 for approved export development activities.

Minnesota Job Skills Partnership Program -State of Minnesota - Partners strategically with businesses and schools to train or retrain workers, expand opportunities, and keep high-quality jobs in the state. Grants up to $400,000 are awarded to educational institutions that partner with businesses to develop new job training or retraining for exiting employees.

Pathways Program -State of Minnesota-Provides grants of up to $400,000 to educational institutions or nonprofit organizations that partner with businesses to provide training, new jobs and career paths for low income people.

Job Training Incentive Program -State of Minnesota - Provides training grants of up to $200,000 to new or expanding businesses located in Greater Minnesota.

Low Income Worker Training Program - State of Minnesota-Provides grants of up to $200,000 to public, private, or nonprofit entities to help low-income people gain new skills necessary move up the career ladder to higher paying jobs and greater economic self-sufficiency.

Work Opportunity Tax Credit - State of Minnesota - Provides a federal tax credit to all private sector businesses as an incentive to employers to hire workers in certain groups who consistently experience high rates of unemployment.

Central MN Jobs & Training Services - cmjts.org– Provides professional career guidance, quality training, and job placement services to job seekers in Central Minnesota.

Wright County Workforce Pathways- Wright County Economic Development Partnership -To identify and assist Wright County residents find the best training and jobs in our region and to help businesses with their workforce needs to create a long-term vibrant community through education, training, marketing, and collaboration.

Tax Increment Financing

Tax increment Financing (TIF) is one of the more commonly used tools that communities use for assisting with development and redevelopment efforts. TIF is the ability to capture and use most of the increased local property tax revenues from new development within a defined geographic area for a defined period of time without approval of the other taxing jurisdictions. It allows the increase value of a project to be directed to assist with specific project expenses and allows the existing value (at the time of the establishment of a TIF district) to continue to be distributed to the taxing entities.

Project Areas and TIF Districts

A TIF district must be located within a specific geographic area created under the development statutes. This area is typically a Project Area, Development District or Redevelopment Project, depending on the authority under which it was established. Typically, the following types of authorities can administer TIF districts: City Councils, City or County Housing and Redevelopment Authorities, and Economic Development Authorities. All projects require a general development or redevelopment plan, which must be approved after a public hearing held by the City Council. The boundaries tend to be large areas within which the authority intends to promote development or redevelopment.

TIF Districts are the specific parcels within a Project Area from which tax increment will be generated and captured. Multiple TIF districts may be located within a project area

Common Types of TIF Districts

Minnesota Statutes allows for several types of tax increment district and sub-districts, but there are four types of district that are most commonly established.

Economic Development TIF Districts

Economic development TIF districts are established to assist with projects increase the tax base and create employment. At the time of establishment of the TIF district, the authority must find that the district will (1) discourage business from moving to another state or municipality; (2) increase employment in the state; or (3) preserve and enhance the tax base of the state. An economic development TIF district has a maximum term of 9 years of increment.

Tax increment from an economic development district may be used to assist the following types of development:

- Manufacturing and processing
- Warehousing, storage and distribution
- Research and development related to manufacturing, warehousing, storage and distribution
- Telemarketing
- Tourism facilities
- Qualified border retail facilities; or
- Space necessary for and related to the activities listed above

No more than 15% of the buildings and facilities (on a square foot basis) may be used for purposes other than those outlined above.

Housing TIF Districts

Housing TIF districts are established to assist with projects intended for occupancy, in part, by persons or families of low and moderate income. Low to moderate income is defined by the Minnesota Housing Finance Agency and is adjusted annually. A housing TIF district has a maximum term of 26 years of increment and can assist either single family, owner occupied housing or rental housing projects.

Tax increment from a housing district can only be spent on costs which are directly related to low and moderate income housing. No more than 20% of the square footage of buildings that receive assistance from tax increment may consist of commercial, retail or other nonresidential uses; therefore, housing tax increment cannot be used to assist a commercial building. The cost of public improvement directly related to the housing projects and the administrative expenses may be included in the cost of a housing project.

Redevelopment TIF Districts

Redevelopment TIF districts are established to assist with redeveloping sites that contain substandard buildings. A redevelopment TIF district has a maximum term of 26 years of increment. Two criteria must be met in order for a proposed tax increment financing (TIF) district to qualify as a redevelopment district:

- Land parcels consisting of 70% of the TIF district must be occupied by buildings, streets, utilities, paved or gravel parking lots
- More than 50% of the buildings, not including outbuildings, must be structurally substandard to a degree requiring substantial renovation or clearance and reasonably distributed throughout the geographic area

A minimum of 90% of the increment must be used to correct the conditions causing the need for redevelopment.

Renovation and Renewal TIF Districts

Renovation and renewal TIF districts are established to assist with redeveloping sites that contain substandard buildings and buildings that require substantial renovation and clearance. A renovation and renewal TIF district has a maximum term of 16 years of increment. Three criteria must be met in order for a proposed tax increment financing (TIF) district to qualify as a renovation and renewal district:

- Land parcels consisting of 70% of the TIF district must be occupied by buildings, streets, utilities, paved or gravel parking lots.
- More than 20% of the buildings, not including outbuildings, must be structurally substandard to a degree requiring substantial renovation or clearance and reasonably distributed throughout the geographic area.
- 30% of the other buildings must require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community.

A minimum of 90% of the increment must be used to correct the conditions causing the need for redevelopment.

What is the Authority's Process for Establishing a TIF District?

The use of increment must be spelled out in a TIF plan approved by the City Council (or County Board for a county HRA) after a public hearing. The TIF Plan must include a statement of objectives, list of property to be acquired, a list of proposed development activities, identification of property to be included in the district, and a list of supporting studies and reports. In addition, the plan must include estimates of the costs associated with the project, sources of revenue, amount of bonded indebtedness, most recent net tax capacity of property within the district, estimate of captured net tax capacity upon completion, duration of the district and impact on other taxing jurisdictions.

- The county commissioner representing the area of a proposed housing or redevelopment TIF district must be notified at least 30 days before the date of publication of the public hearing notice that a TIF district is being proposed.
- The county has 45 days after receipt of the TIF plan to notify the authority if tax increment is required to pay all or a portion of the cost of county road improvements.
- The county and the school district must receive a notice of the proposed TIF district including the proposed TIF plan and estimated fiscal implications a minimum of 30 days prior to the public hearing.
- A public hearing notice with a map showing the project area and TIF district must be published between 10 and 30 days prior to the public hearing date.
- The planning commission must review the TIF plan to conform to the general plans for the development and redevelopment of the City as a whole.
- The EDA or HRA must review and approve the TIF plan.
- A public hearing must be held by the City Council (or County Board), and findings must be made, including that the proposed development would not reasonably be expected to occur solely through private investment in the reasonably foreseeable future (the "but for" finding).

TIF Plans may be modified using the same process as for approval of the initial plan. Generally, modifications that do not increase expenditures or debt or call for new land acquisition may be approved simply by resolution. Modifications will not trigger application of current statutes unless the boundary of the TIF district is expanded.

The Project will not Occur "But For" the Assistance of TIF

Prior to establishing a TIF district, the City Council (or County Board) must consider the But For Test. Simply stated, the "But For" Test states that, the project will not go forward "but for" the requested assistance.

The municipality must find that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing (a hypothetical figure) would be less than the increase in the market value of the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the TIF Plan (this requirement does not apply to qualified housing districts).

In addition, the municipality typically considers specific economic and site factors affecting the development.

TIF Starts with Calculating the Captured Tax Capacity

Market values are established annually by the county assessor with a valuation dated January 2. For the most part, this value reflects only real property (land and buildings); equipment value is not taxes. Ehlers encourages working with the local assessor to determine estimated market values prior to proceeding with a TIF project.

The first step in calculating TIF is to calculate the captured tax capacity, or increase in tax capacity, due to a new development. Tax capacity is calculated by multiplying the market value by the class rate, based on property type and as set by the Minnesota legislature.

Assuming a commercial development with a current market value of $900,000 and a market value of $4,452,000 after new development, the captured tax capacity is 71,036.

New Market Value		Class Rate		New Tax Capacity
$4,452,000	x	Commercial/ Industrial (2%)	=	89,040
Base Market Value		**Class Rate** (Future Use)		**Base Tax Capacity**
$900,200	x	Commercial/ Industrial (2%)	=	18,004

New Tax Capacity (90,040) – Base Tax Capacity (18,004) = Captured Tax Capacity (71,036)

Captured Tax Capacity is Used to Calculate the Gross Tax Increment

The annual gross tax increment is calculated by multiplying the captured tax capacity by the local tax rate, which includes the city, county, and school district tax rates as well as other smaller taxing jurisdictions. Using the example above and assuming a local tax rate of 140.0%, the gross annual tax increment is $99.450.

Captured Tax Capacity (71,036) X Local Tax Rate (140.0%) = Gross Annual Tax Increment ($99,450)

What is Excluded from Tax Increment?

Only a portion of a property tax payment can be captured with tax increment. Using the example above, the property tax payment is $182,002, but the gross tax increment is $99,450. The Statewide commercial/ industrial tax along with market value taxes cannot be captured with tax increment. In addition, the base value taxes will continue to be distributed to the local taxing jurisdictions.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	182,002
less State-wide Taxes	(40,544)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(16,801)
less Base Value Taxes	(25,208)
Annual Gross TIF	99,450

How Much of the Gross Tax Increment Can be Used for a Project?

Not all of the gross tax increment can be used for financing a development. The Office of the State Auditor (OSA) receives 0.36% of the increment. In addition, the authority can retain up to 10% of the increment for administration of the district. Using the example above and assuming the authority retains the full amount for administration, the net annual tax increment is $89,183. This amount is multiplied by the term of the district to determine the amount of available TIF.

Annual Gross Increment:	$99,450
Less State Auditor Fee (0.36%):	($358)
Less Administration Fee (10%):	($9,909)
Annual Net Increment:	$89,183

What Expenses Are Eligible TIF Expenses?

In addition to the specific limitations for each type of TIF District, tax increment may be spent only for specified purposes permitted in the underlying development statutes. Such purposes generally include:

- Land acquisition
- Site improvements
- Public and on-site utilities
- Demolition and relocation
- Administration

If the authority owns a project, increment may be used to finance essentially any aspect of the project. Since the development statutes are often ambiguous, whether a particular activity is TIF-eligible may depend on the facts in each case.

Administrative expenditures are limited the lesser of 10% of the expenditures authorized in the TIF Plan, or 10% of actual increment expenditures. They are defined to mean all expenditures of the authority other than land acquisition and relocation costs and costs "directly connected with the physical development of the real property in the district."

Increment may not be used to finance buildings that are used "primarily and regularly for conducting the business" of any unit of government (except for parking structures); a common area used as a public park; or a facility used for social, recreational or conference purposes.

4 and 5 Year Rules

The 4-year knock down rule states that increment will not be collected from a particular parcel unless, within four years after the date of certification, demolition, rehabilitation or renovation of property or other site improvements has taken place by either the authority or the owner in accordance with the TIF Plan. Construction or major construction of an adjacent street qualifies as an improvement to a parcel, but utility

improvements do not. If the parcel is "knocked-down" and later improved, it is re-instated in the TIF District but at the market value at the time of the reinstatement.

The 5-year rule requires that in order for increment to be considered a spent expenditure within the TIF District, one of the following must occur within five years after certification of the district:

- Increment is paid to a "third party" for a TIF-eligible "activity";
- Bonds, the proceeds of which are used to finance an activity, are sold to a third party and proceeds are reasonably expected to be spent within the five-year period (with certain limited exceptions);
- Binding contracts are entered with a third party for performance of an activity, and increment is spent under the contract;
- Costs are incurred by a "party" and revenues are spent to reimburse a party; or
- Expenditures are made for housing purposes.

MN HOUSE RESEARCH

Economic Development Property Tax Abatement

August 2025

What is economic development property tax abatement?

Minnesota law allows political subdivisions—cities, counties, school districts, and towns—to abate property taxes in order to promote local economic growth. Minn. Stat. §§ 469.1812-469.1815. Economic development property tax abatements differ from traditional abatements where the valuation of the property, its property taxes, or its costs, interest, or penalties of property taxation are reduced. An economic development abatement allows a political subdivision to expend money to benefit a property in one of many ways, including by reducing property taxes, deferring payment of property taxes, or spending the money directly on improving the property. A political subdivision will often grant an abatement pursuant to an abatement agreement with the landowner; in exchange for the abatement, the landowner agrees to develop the land in a way that will promote local economic development.

When and how can an economic development abatement be granted?

To grant an abatement, the political subdivision must expect the benefits of the abatement to equal or exceed its costs. The political subdivision must also find that the abatement will serve the public good in one of a number of ways, such as increasing the tax base, redeveloping blighted areas, or providing employment opportunities, public facilities, or access to services.

Before granting an abatement, a political subdivision must provide notice of the prospective abatement and hold a public hearing. After the hearing, the governing body of the political subdivision may grant an abatement by adopting an abatement resolution that specifies the terms of the abatement.

Which property taxes may be abated?

A political subdivision may only abate the property taxes it imposes by resolution. It cannot abate the taxes imposed by another political subdivision, by the state, or by a special taxing district, such as a watershed district. It also cannot abate taxes imposed pursuant to state law, such as the fiscal disparities tax. Despite these limitations, a political subdivision may grant an economic development abatement at an amount that offsets one of these taxes.

What are the limits on an abatement?

Usually, an abatement can last no more than 15 years, but a political subdivision may extend the duration to 20 years if it asks the other political subdivisions containing the property to grant the property an abatement and if any of the other political subdivisions refuses the request.

When adopting the abatement resolution, the political subdivision may limit the abatement to a specific dollar amount per year or in total, to increases in property taxes resulting from increases in property value, or to interest and penalties if it chooses to grant the abatement as a deferral of property tax payments by the parcel owner. The annual value of all economic development abatements granted by a political subdivision may not exceed the greater of (1) $200,000, or (2) 10 percent of the net tax capacity of the political subdivision.

By **Justin Cope**, justin.cope@house.mn.gov

How is an abatement implemented?

An abatement may take several forms: the political subdivision may pay the parcel owner the amount of the abatement; the political subdivision may defer payment of property taxes on the parcel and forgive interest and penalties for late payment; or the political subdivision may use the money directly to improve public infrastructure. No matter how the political subdivision implements the abatement, the amount of the abatement is added to the subdivision's property tax levy, which is collected through taxation on all properties in the subdivision, including the parcel receiving the abatement.

What bonding powers does a political subdivision granting an abatement have?

A political subdivision granting an economic development abatement may issue bonds to be paid with the abatement. The bonds can be general obligation bonds or revenue bonds and can be used for a number of purposes, including paying for public improvements, acquiring land, or reimbursing the property owner for improvements to the land. The Department of Education advises school districts that, without voter approval, they may only issue abatement bonds for school parking improvements.[1]

How do abatements compare with tax increment financing?

The legislature designed the abatement law as an alternative to and a supplement to tax increment financing (TIF). Both tools can be used for similar purposes, rely on property tax funding, and have similar bonding powers, but they differ in at least three important respects. First, some TIF districts last 26 years, while abatements typically last only 15 years. Second, TIF allows a municipality acting unilaterally to capture all local property taxes, while an abatement captures only the property taxes imposed by the granting political subdivision. Finally, TIF is subject to more legal restrictions than an abatement. Restrictions on TIF include a blight test for redevelopment districts, the but-for test, and strict limits on how increments may be spent. (See the House Research website for more information on TIF at www.house.mn.gov/hrd/issinfo/tifmain.aspx.)

How widely has abatement been used?

The following amounts of abatement levies were reported for property taxes payable in 2025, as reported to the Departments of Revenue (cities and counties) and Education (schools).

Political Subdivision	Number	Amount
Cities	79	$19,136,196
Counties	33	$2,424,764
School districts	8	$509,202
Total	**120**	**$22,070,162**

MN HOUSE RESEARCH

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn.gov/hrd | 651-296-6753 | Third Floor, Centennial Office Building | St. Paul, MN 55155

[1] https://education.mn.gov/MDE/dse/schfin/fac/MDE073628

	Tax Increment	Tax Abatement
Definition	Tax Increment Financing (TIF): The ability to capture and use most of the increased local property tax revenues from new development within a defined geographic area for a defined period of time without approval of the other taxing jurisdictions.	Tax Abatement: The ability of one or more taxing jurisdictions to capture and use all or a portion of their share of local property tax revenues within a defined geographic area. It is a rebate rather than an exemption from paying taxes.
Statutes	Minnesota Statutes 469.174 to 1799	Minnesota Statutes 469.1812 to 1816
Who Grants Assistance?	City approves TIF	◆ Cities ◆ Counties ◆ Schools ◆ Towns Any one jurisdiction or any combination
Types of Projects	Redevelop Blighted/Obsolete Buildings Affordable Housing Job & Tax Base Creation	Redevelop Blighted/Obsolete Buildings Affordable Housing Market Rate Housing Job & Tax Base Creation Retail, Commercial and Office
Criteria for Establishment	Tests for blight and coverage, income limits, and type of businesses assisted Limited by MN Statutes	No inspections or coverage requirements; no income limits; no use restrictions
Geographic Area	◆ TIF district must be in a project area, which sets boundaries for TIF expenditures; Project Area may contain multiple TIF districts ◆ TIF district defines parcels for capture of value	◆ Parcels with taxes being abated must be identified.
Amount of Assistance	Captures only the increase in value	Flexible structure May capture existing values requirements

	Tax Increment	Tax Abatement
Maximum Terms	◆ Economic Development – 9 years ◆ Renewal and Renovation – 16 years ◆ Redevelopment – 26 years ◆ Housing – 26 years	◆ Participation by all 3 entities – 15 years ◆ Participation by 1 or 2 entities – 20 years ◆ Resolution is silent as to the term – 8 years
Approval Process	Requires notification to County and School District, but does not require approval from other jurisdictions City holds public hearing and adopts resolution with findings	Requires public hearing by each participating jurisdiction Each jurisdiction adopts a resolution with statement of public benefit and term of abatement
Reporting Requirements	Annual reports are filed with the Office of the State Auditor by August 1 Business subsidy reports may need to be filed	Business subsidy reports may need to be filed
Maximum Use	No maximum on the annual increment generated or number of TIF districts	Maximum cannot exceed the greater of $200,000 or 10% of the net tax capacity
Restrictions on Use	◆ Must be used on activities including acquisition, demolition, site improvements, public utilities, streets and sidewalks, and administration ◆ General government use is prohibited ◆ Recreational use is prohibited	◆ Few restrictions on use ◆ Cannot abate taxes on a parcel located in a TIF district
Other Items to Consider	Geographic restrictions and pooling	◆ Abatements are special levies and outside levy limits. ◆ Amount of abatement must be added to total levy for current year ◆ Proposed levy and certified levy must include current levy abatement amounts.

City of Shoreview, Minnesota

FINANCIAL ASSISTANCE POLICY

Policy Purpose

The purpose of this policy is to establish the City of Shoreview's position relating to the use of ***Tax Increment or Tax Abatement*** for private development within the requirements and limitations set forth by State Law. This policy shall be used as a guide in the processing and review of applications requesting tax increment or tax abatement assistance. It is the intent of the City to minimize the risk and amount of business assistance to a project and to leverage its public dollars to maximize private sector funding.

Tax Increment. The City of Shoreview (City) is granted the power to establish tax increment financing districts by Minnesota Statutes 469.174 through 469.1794, as amended. Tax increment is an effective tool the City has used to address blight and redevelopment, attract and retain quality companies that provide for employment opportunities, promote a myriad of housing options for Shoreview residents, and increase local tax base.

Tax Abatement. The City is granted the power to utilize Tax Abatement by Minnesota Statutes 469.1812 through 469.1816, as amended. The fundamental purpose of Tax Abatement in Shoreview is to encourage desirable development or redevelopment that would not otherwise occur but-for the assistance provided through the tax abatement.

Tax Increment and Tax Abatement are funding techniques that leverage development and redevelopment investment to pay for the public related costs associated within the proposed project. The funding is derived from the difference in the current value of the tax capacity and tax revenues and the value after construction once the (re)development is completed.

General City practice is to provide financial assistance on a "pay-as-you-go" basis. This approach limits the City's financial risk by reimbursing the developer for those agreed upon and eligible project costs after the development has been constructed. Two important elements of these financial programs:

(1) The City *does not* issue bond financing. All project financing is paid for up front by the developer.

(2) Tax increment and tax abatement use the same revenue source and therefore *cannot* be used together.

The City reserves the right to ***approve or reject projects on a case by case basis***, taking into consideration established policies, project criteria, and demand on City services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of business assistance to the project. Approval or denial of one project is not intended to set

precedent for approval or denial of another project.

The Economic Development Authority may recommend that the City Council deviate from this policy for projects that supersede the objectives identified herein.

1) OBJECTIVES OF FINANCIAL ASSISTANCE

As a matter of adopted policy, the City will consider the use of tax increment or tax abatement to assist private development projects that achieve these objectives:

- To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- To facilitate the development process and to achieve development on sites which would not otherwise be developed but-for the use of tax increment or tax abatement.
- To remove blight and/or encourage redevelopment of commercial and industrial areas in the City that result in high quality redevelopment and private reinvestment.
- To offset increased costs of redevelopment over and above the costs normally incurred in development.
- To provide for housing opportunities and/or options which target a specific demographic as agreed upon by the developer and the City of Shoreview. A minimum number of "set aside" units may be a condition of assistance.
- Funding for necessary public improvements, where the costs of those improvement are considered extraordinary.
- All projects shall be of the highest quality in terms of planning and design.
- Projects that improve the quality of life in the City by providing a desirable good or service and address an unmet demand in the community.

2) PROJECT REQUIREMENTS

1. Financial assistance (tax increment or tax abatement) shall be provided to the developer upon receipt of the property tax payment by the City from Ramsey County; otherwise referred to as the pay-as-you-go method. Requests for up front financing will be considered on a case by case basis.
2. Any developer receiving assistance shall provide a cash equity investment in the project. The local government assistance is considered gap financing and shall not be used to supplant cash equity.
3. The length or term of any financial assistance will be based on need for each project as determined by the City.

4. The Developer shall be able to demonstrate a market demand for a proposed project. Assistance shall not be granted to support purely speculative projects.
5. Business assistance shall not be utilized in cases where it would create an unfair and significant competitive financial advantage over other projects in the area.
6. Business assistance shall not be provided for projects that would place extraordinary demands on City services or for projects that would generate significant environmental impacts.
7. The developer must provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, personal guarantees, etc. unless an exception is granted by the City.
8. The developer shall adequately demonstrate, to the City's sole satisfaction, an ability to complete the proposed project based on past development experience, general reputation, and credit history, among other factors, including the size and scope of the proposed project.
9. For the purposes of analyzing the proposal, the developer shall provide any requested market, financial, environmental, or other data requested by the City or its consultants.

3) DURATION, RESTRICTIONS & ELECTIONS

TAX INCREMENT

- The City, based on the submitted financial assistance application and discussion with the developer will determine which type of tax increment financing district will be established. Five primary TIF District types are utilized: an economic development district (8 years), housing district (25 years), redevelopment district (25 years), renewal and renovation district (15 years), and business retention and expansion (12 years).
- Minnesota Statutes set the maximum term for each type of TIF District. The City has the authority to set the term for less than the maximum.
- Any TIF eligible costs expended prior to the establishment of the TIF District are not eligible for reimbursement and may impact the findings in the "but-for" test. The costs include land acquisition, demolition, and site improvements.

Fiscal Disparities Election

For TIF districts with new commercial-industrial development, the City must decide whether the fiscal disparities contribution will be made from valuation within the TIF district or from commercial-industrial properties located within the City but outside of the TIF district. The election to provide TIF from "outside" the TIF District

can be made in certain circumstances, with a specific request made by the developer.

The Economic Development Authority and City Council will use the following measures as a base for their considerations. However, other factors may be considered in the City's determinations and will be evaluated on a case by case basis. The Shoreview City Council has the authority to choose the fiscal disparities election for every individual TIF application based on its own merits.

Community Investment

- Demonstration of gap:
  - The gap is clearly demonstrated and surpasses the amount of TIF generated by the District under the "inside" fiscal disparities election
  - The TIF eligible expenses exceed the amount of TIF requested
  - Proof of financial gap including documentation from primary lenders, equity holders and other private financial partners
- The private development investment exceeds the City's TIF investment by a minimum of 10 to 1 ratio
- The development is occurring in a Targeted Redevelopment Area and remediates a significantly blighted property(ies)

Community Enhancement

- The business or recipient of the TIF assistance is categorized as a Shoreview Business Retention and Expansion company.
- The level of local or regional public infrastructure needed to support the development project warrants higher public financial participation. This determination to be made on an individual basis.
- New and significant job creation occurs in the manufacturing, technical, engineering or professional sectors
- The development project results in achieving a specific City Council and EDA identified goal related to community and/or economic development, housing, or redevelopment.

TAX ABATEMENT

- The City, as the only participating taxing jurisdiction, may grant an abatement for a period no longer than 15 years. The City may specify in the abatement resolution a shorter duration.

- The City, when proposing to abate taxes for a parcel, may make a written request to Ramsey County or a School District in which a parcel is located to grant an abatement of county or school taxes for the property. If one of the two political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel may be increased to 20 years.
- The City may not enter into a property tax abatement agreement that provides for abatement of taxes on a parcel, if the abatement will occur while the parcel is located in a tax increment financing district.

4) SUBSIDY AGREEMENT & REPORTING REQUIREMENTS

- All developers/businesses receiving tax abatement assistance from the City of Shoreview shall be subject to the provisions and requirements set forth by State Statute 116J.993 and summarized below. Developers/businesses must also comply with the City's Business Subsidy Policy.
- The developer/business shall file a report annually for two years after the date the benefit is received or until all goals set forth in the application and performance agreement have been met, whichever is later. Underperforming projects may result in reduced assistance on a pro rata basis or potentially repayment of some or all of the assistance.
- Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City of Shoreview no later than April 1 of each year for the previous calendar year. Businesses fulfilling job creation requirements must file a report to that effect with the City within 30 days of meeting the requirements.
- The developer/business will be required to attain or exceed the jobs and wages goals set forth in the Subsidy Agreement.
- Developers/businesses failing to comply with the above provisions will be subject to fines, repayment requirements, and be deemed ineligible by the State of Minnesota to receive any loans or grants from public entities for a period of five years.

5) APPLICATION AND REVIEW PROCESS

1) Applicant submits the completed application.
2) City staff reviews the application, meets with development team, and makes the following determination:

- Project is referred to the EDA and/or the City Council for review and feedback on the preliminary financial concept prior to submission of a formal application.

--- or ---

- Project is referred directly to the formal financial application and review process (given to Projects clearly meeting and exceeding Shoreview's development goals and/or are consistent with the adopted BRE Program objectives).

3) If preliminary approval is granted, the applicant submits the application fee of $10,000. Fee is used for legal and consulting services engaged by the City in the review of the application. This includes the process for creating a Tax Increment Financing District or Tax Abatement project area, including all necessary notices, resolutions and certificates prepared by City staff and/or consultants is begun. The application funds will be placed in a non-interest bearing escrow account and any unused portion of the fee will be returned to the applicant.

4) The Economic Development Authority reviews the project and application. If the EDA then determines financial assistance is warranted, it then recommends approval to the City Council.

5) Prior to final approval by the City Council, the City and the developer will execute a detailed Development Agreement. The negotiated agreement may include: financial guarantees from the developer, a minimum assessed value for the project, and a date for receipt of first increment.

6) Public hearing notices are published.

7) Public hearing(s) on the proposed project are held.

8) The City Council grants final approval or denial of the proposal.

9) Filing of all documentation with appropriate agencies.

10) Construction is completed and all eligible cost invoices are submitted to City for review.

11) Issuance of promissory pay-as-you-go revenue note.

12) Receipt and payment of first increment. Typically, two years from commencement of proposed development.

6) CONTACT INFORMATION

All questions and clarifications related the Financial Assistance Policy, including specifics related to Tax Increment or Tax Abatement should be directed to:

Tom Simonson

Community Development Director/EDA Executive Director

Direct Dial: 651-490-4612

Email: tsimonson@shoreviewmn.gov

www.shoreviewmn.gov

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CITY OF SHOREVIEW
PRELIMINARY AGREEMENT
FOR BUSINESS FINANCING

This Preliminary Agreement made and entered into by and between the City of Shoreview, a Municipality organized and operating under the laws of the State of Minnesota (hereinafter called "City") and _____, a corporation organized under the laws of the State of _____ (hereinafter called "Developer").

WITNESSETH:

WHEREAS, the City has received from Developer a request for:

- ☐ **Tax Increment Financing** assistance pursuant to Minnesota Statutes, Chapter 472A and Sections 273.71 through 273.78, as amended, in connection with a project to be undertaken by the Developer within the City

OR

- ☐ **Tax Abatement** assistance pursuant to Minnesota Statutes 469.1812 through 469.1816, as amended, in connection with a project to be undertaken by the Developer within the City

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

A. The Developer agrees to deposit with the City **$15,000** for any and all expenses and costs of the City in connection with the preparation of all documentation and procedures required by Minnesota Statutes in connection with the approval of the above checked business financing assistance. Costs and expenses shall include, but not be limited to, all out-of-pocket expenses, all fees for legal services, all fees for engineering, financial, and consulting services including feasibility reports, all administration costs, appraisal costs, all costs of reports and hearings. Monies not expended will be refunded to the applicant. Additional expenses, if any, will be passed to the Developer.

B. The City Council reserves the right to deny any application for financing at any stage of the proceedings prior to executed agreements and in accordance with the terms set forth with the approvals.

C. All applications and supporting materials and documents shall remain the property of the City. All such materials may be subject to disclosure and/or public review under applicable provisions of State Law.

IN WITNESS WHEREOF, the City and the Developer have executed this Agreement on this _____ day of _____, 20___.

DEVELOPER:

_____

CITY OF SHOREVIEW:

_____

CITY OF SHOREVIEW

FORMAL APPLICATION

BUSINESS FINANCING ASSISTANCE

I. APPLICANT

Developer and/or Business name:

Primary contact name:

Primary contact address:

Primary contact phone numbers:

Business:
Mobile:

Primary contact email:

Business form:

- ☐ Corporation
- ☐ Partnership
- ☐ Sole proprietorship
- ☐ Other (please specify)

_____

Date of formation:

State of incorporation or organization:

Nature of business, principal products, etc.

If project is leased, please list prospective lessees, nature of lessee's business, and principal products, etc.

If the applicant is a corporation, please state officers, directors, and stockholders holding more than five percent of the stock of the corporation (state name, address, and relationship to the applicant). If the corporation is not formed, set forth as much as possible concerning potential officers, directors, and stockholders:

If the applicant is general partnership, please state the general partners. If a limited partnership, please state the general interest in the limited partnership (if a partnership is not formed, set forth as much as possible concerning potential partners):

Name, address, and telephone number of applicant's legal counsel:

Name, address, and telephone number of applicant's accountant:

II. PROJECT

Location (please state the address and attach the legal description of the project site):

Present ownership of the project site. If the project site is not currently owned by the applicant, please describe the arrangements by which the applicant intends to acquire or use the site:

Describe the project. If the project is a building or addition to a building, please specify the number of stories, square footage, related parking facilities, etc. Describe the equipment if included in the project. If available, attach site plan and building elevations:

What is the land use designation on the Comprehensive Guide Plan?

What is the zoning status of the project site?

Will a comprehensive guide plan amendment, rezoning, zoning variance, or conditional use permit be sought in connection with the project? If so, please describe:

Is the property properly subdivided for the intended use?

Estimated project-related costs:

Land acquisition	$ _____
Site development	$ _____
Building cost	$ _____
Equipment	$ _____
Architectural and engineering fees	$ _____
Legal fees	$ _____
Interest during construction	$ _____
Contingencies	$ _____
TOTAL	$ _____

Source of financing:

Primary Mortgage	$ _____
Business Assistance Request	$ _____
Equity	$ _____
Grants	$ _____
Other	$ _____
TOTAL	$ _____

Will the project be occupied by the applicant after completion? If not, state the name of future lessees and the status of commitments or lease agreements:

Name and address of architect:

Name and address of engineer:

Name and address of general contractor:

Current real estate taxes assessed on the project site and estimated real estate taxes on the project site upon completion of the project:

Target date for construction start:

Target date for construction completion:

III. TYPE OF BUSINESS ASSISTANCE:

Check One:
☐ **Tax Increment Financing**
☐ **Tax Abatement**
☐ **Other**

Please provide a general summary for the basis of the request:

NOTE: **City of Shoreview policy is to provide only "pay as you go" Tax Increment or Tax Abatement Financing through the issuance of a Revenue Note to the Developer of an approved project.**

IV. MISCELLANEOUS

Detail the status of any previous or current requests which the applicant, its principals or affiliates have made to the city or to other municipalities for tax increment bond financing:

Has the applicant ever been in bankruptcy? If so, please describe the circumstances:

Has the applicant ever been convicted of a felony? If so, please describe the circumstances:

Has the applicant ever defaulted on any bond or mortgage commitment?

Will any public official of the city, either directly or indirectly, benefit by the issuance of the city's tax increment revenue bonds for this project within the meaning of Minnesota Statutes, sections 412.311 or 471.87? If so, please specify:

The applicant understands and agrees that the information contained in this application and the information contained in the items above is intended for use by the city of Shoreview, its officers, employees, and agents in connection with the city's consideration of possible tax increment bond financing for the applicant's project. However, the city gives no assurance that this information may not be disclosed, in whole or in part, to persons other than city officials, employees, and agents.

The Undersigned, (a) (the) _____ of applicant, hereby represents and warrants to the city of Shoreview that (he) (she) has carefully reviewed this application and that herewith are accurate and complete to the best of the Undersigned's knowledge and belief.

Applicant's signature _____ Date _____

By: _____

Its: _____

The City of Shoreview reserves the right to require additional information and supporting data from the applicant after the filing of this application.