

To: HONORABLE MAYOR AND CITY COUNCIL.

FROM: Dave Maroney, Director of Economic Development and Planning.

SUBJECT: *Property Tax Abatement – GrandStay Hotel.*

DATE: October 27, 2016.

BACKGROUND.

To move this project forward, the equity partners and property owner are requesting that the City of Cannon Falls approve property tax abatement to assist with financing site development costs, including a public street. The proposed *Tax Abatement Property* is identified in *Exhibit A (PID 52.760.0722)*.

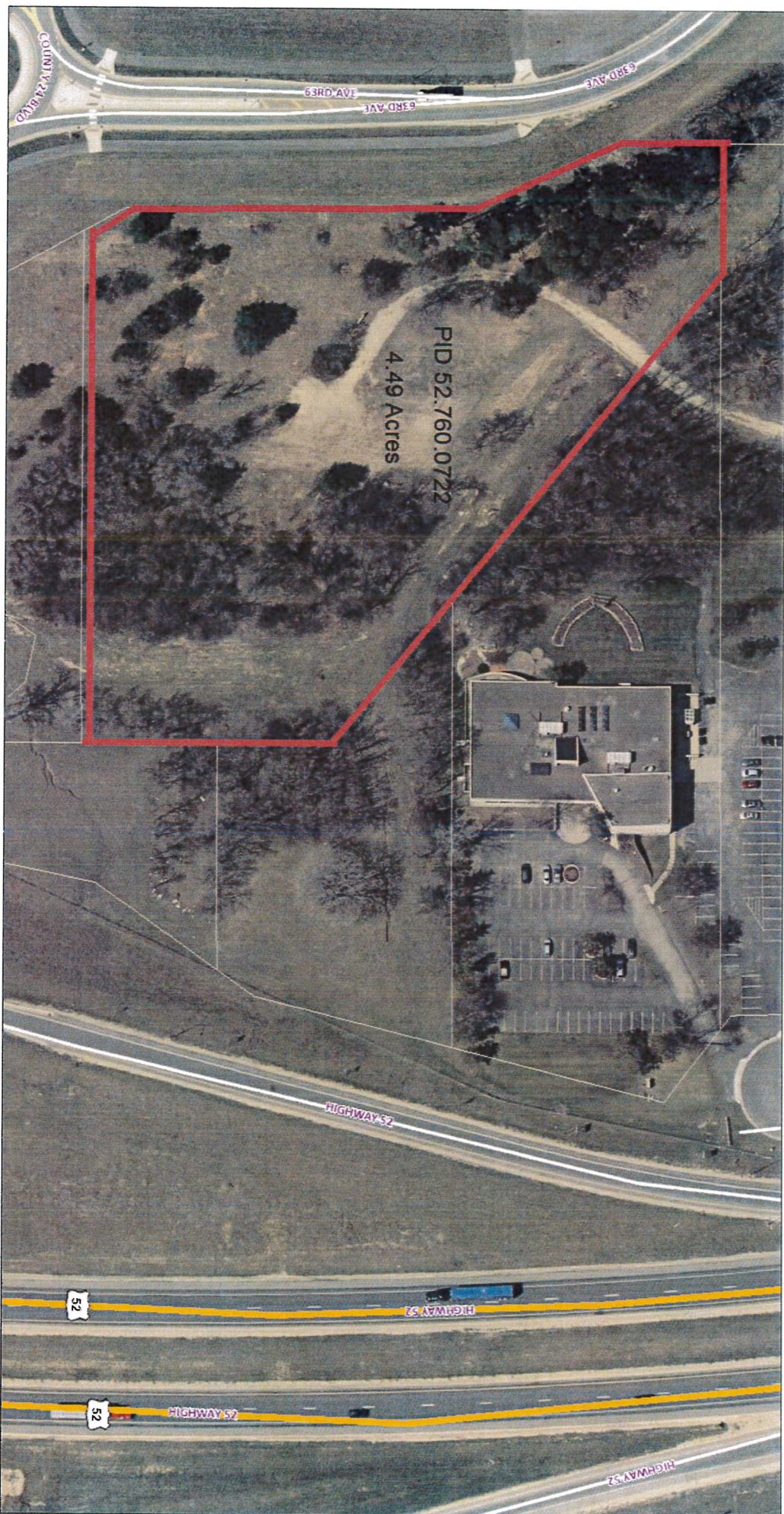
The Economic Development Authority has reviewed the plans for development of the GrandStay Hotel and recommends that the City Council approve the use of property tax abatement to assist with financing costs incurred to construct a public street access from 63rd Avenue to serve the project and Southview Acres. City Engineer Anderson estimates a cost of (“*pending*”) to design and construct a public street from 63rd Avenue east across properties owned by Cannon Falls Township and Southview Acres terminating in a cul-de-sac adjacent to the proposed site of the 45-room GrandStay Hotel – see *Exhibit B*. Although “preliminary” and somewhat conceptual, the current proposed site plan for the GrandStay Hotel and adjoining property is illustrated in *Exhibit C*.

The total maximum property tax abatement during a 15-year term will not exceed \$250,000. The total annual property tax projected for a 45-room GrandStay Hotel is \$50,000 - \$55,000 (\$1,100 - \$1,200 per room). The “City” portion only of the projected total is estimated to be \$16,000 - \$17,600 (the annual “tax abatement”). The finance plan proposes that the “City” portion of new taxes resulting from development of the GrandStay Hotel plus assessments levied against Southview Acres property that benefits from the public street (assume one or two new developable lots) will pay the estimated cost of the public street. The street will be designed and constructed to meet City standards within dedicated right-of-way and the Board of Supervisors for Cannon Falls Township and Southview Acres have given their consent to provide the land needed for this project. The investor/owners of the GrandStay Hotel and their Lender seek approval by the City Council to finance the capital cost of the public street with the understanding that taxes paid by the GrandStay Hotel (the “tax abatement”) and assessments to Southview Acres will repay the City’s investment to construct the public street.

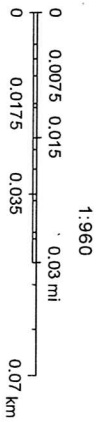
REQUESTED COUNCIL ACTION.

The City Council is asked to conduct the public hearing pertaining to the request for property tax abatement and thereafter consider approval of the accompanying *Resolution Approving Property Tax Abatements*. Approval of this *Resolution* alone will not commit the City to constructing the proposed public street but approval does allow for financing the project with property tax abatements.

Southview Acres - Hotel Abatement Project



- October 13, 2016
- Roads 9,600
 - Township or Other Roads
 - Major Roads 1,200
 - US Highway
 - State Highway
 - County Roads 1,200
 - County Roads - Gravel
 - County Roads - Paved
 - Township or Other Roads
 - Roads 1,200
 - Township or Other Roads
 - ESRI Major Roads
 - Parcels





EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL OF THE
CITY OF CANNON FALLS, MINNESOTA

HELD: November 1, 2016

Pursuant to due call and notice thereof, a meeting of the City Council of the City of Cannon Falls, Goodhue County, Minnesota, was duly called and held at the City Hall in said City on Tuesday, the 1st day of November, 2016, at 6:30 o'clock p.m.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NUMBER 2228

RESOLUTION APPROVING PROPERTY TAX ABATEMENTS

BE IT RESOLVED by the City Council (the "Council") of the City of Cannon Falls, Minnesota (the "City"), as follows:

1. Recitals.

(a) The City has been requested to assist in financing the construction of a GrandStay Hotel (the "Project") in the City. The City proposes to grant a tax abatement and reimburse the developer for a portion of the costs of the construction of the Project in accordance with Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the "Abatement Law"). The abatement will be derived from the property taxes to be levied by the City on Parcel Identification Number 52.760.0722, (the "Tax Abatement Property").

(b) On this date, the Council held a public hearing on the question of the Abatement, and said hearing was preceded by at least 10 days but not more than 30 days prior published notice thereof at which all interested persons appeared and were heard.

(c) The City proposes to approve tax abatements on the City's portion of property taxes on the Tax Abatement Property in an amount not to exceed \$250,000 for a term of up to fifteen (15) years to finance a portion of the costs of the Project.

(d) The Abatement is authorized under the Abatement Law.

2. Public Hearing Notice. The City Council hereby ratifies the actions of the City Administrator in causing the publication of the Notice of Public Hearing to be published in the

City's legal newspaper as required by law; and

3. Findings for the Abatement. The City Council hereby makes the following findings:

(a) The tax abatement (the "Abatement") is the City's share of taxes on the Tax Abatement Property.

(b) The Council expects the benefits to the City of the Abatement to at least equal or exceed the costs to the City thereof.

(c) Granting the Abatement is in the public interest because it will:

(i) increase or preserve tax base; and

(ii) provide employment opportunities in the City.

(d) The Tax Abatement Property is not located in a tax increment financing district.

(e) In any year, the total amount of property taxes abated by the City by this and other resolutions and agreements, does not exceed the greater of ten percent (10%) of the net tax capacity of the City for the taxes payable year to which the abatement applies or \$200,000, whichever is greater. The City may grant other abatements permitted under the Abatement Law after the date of this resolution, provided that to the extent the total abatements in any year exceed the Abatement Limit the allocation of the Abatement limit to such other abatements is subordinate to the Abatement granted by this resolution.

4. Terms of Abatement. The Abatement is hereby approved. The terms of the Abatement are as follows:

(a) The Abatement shall be for up to fifteen (15) years beginning with real estate taxes payable in 2019 and continuing through 2033, inclusive and shall not exceed \$250,000.

(b) The City will abate the Abatement as provided in this resolution.

(c) The Abatement shall be subject to all the terms and limitations of the Abatement Law.

The motion for the adoption of the foregoing resolution was made by member _____ and duly seconded by member _____ and, upon a vote being taken thereon after full discussion thereof, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

STATE OF MINNESOTA)
) ss.
COUNTY OF GOODHUE)

I, the undersigned, being the duly qualified and acting Administrator of the City of Cannon Falls, Minnesota (the "City"), do hereby certify that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the approval of property tax abatements.

WITNESS My hand this 1st day of November, 2016.

City Administrator