

**REQUEST FOR ACTION
CHASKA CITY COUNCIL
December 19, 2016**

Subject: Public Hearing to Consider Entering into Tax Abatement Agreement with U.S. Bank National Association

Prepared By: Nate Kabat, Assistant City Administrator

Background

The City's Business Incentive Policy provides City Tax Abatement for up to three times a new development's total taxes in order to encourage jobs, investment, and essential services to Chaska. To date, this policy has been utilized five times over the past five years.

Tax Abatement is an economic development tool that the State allows municipalities to rebate property taxes to help support costs associated with economic development. Different from Tax Increment Financing, the assistance is limited for up to 20 years, and can be utilized from one or a combination of the three local taxing jurisdictions (city, county, school district) portion of the taxes.

When evaluating tax abatement requests from developers, the City considers the following objectives:

- Illustrate the need of the assistance
- Prove that the assistance will be utilized to cover eligible costs such as land acquisition, site prep
- Highlight the community benefits the City will receive as a result of the development (jobs, infrastructure investment, community service, quality of development, etc.).

Update

The City has received a request from U.S. Bank National Association for assistance for a new facility in West Creek Corporate Center. U.S. Bank National Association will be the tenant of the \$250 million facility to be built by Stream Data Centers. The development will result in the following:

- 55,000 square foot data center facility
- 18 full time jobs at an average wage of \$80,000 per year

In addition to tax abatement, the Minnesota Department of Employment and Economic Development (DEED) is supporting the project with a grant of \$287,000 from the Job Creation Fund. To further support the project, the City worked with Greater MSP and DEED to secure a \$250,000 grant that supports \$1.13 million in infrastructure improvements the City will implement at the West Creek substation.

Minneapolis-based U.S. Bancorp, with \$454 billion in assets as of September 30, 2016, is the parent company of U.S. Bank National Association, the fifth-largest commercial bank in the United States. The company operates 3,114 banking offices in 25 states and 4,875 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services

products to consumers, businesses and institutions. The new data center in West Creek Corporate Center will provide critical data storage support for the company.

In order to move forward with the project, U.S. Bank National Association has requested assistance through the City's Business Incentive Policy to assist with substantial acquisition and site preparation costs such as electrical infrastructure, streets and utilities installation.

Given the increased tax base and infrastructure, the overall high-quality of the investment, and the number of high quality jobs this development will add to the community, staff believes that the request meets the general parameters of the Business Incentive Policy.

Based on the future estimated market value of the property and per the terms of the Business Incentive Policy (total assistance may equal up to approximately three times annual property taxes of the new building/expansion), the applicant would be able to receive up to approximately \$548,000.

Analysis

Staff has worked with Springsted to analyze the request and ensure it is consistent with State Statutes regarding Tax Abatement (See attached memo). Supported by Springsted's analysis, staff has worked with the City's economic development attorney, Bob Deike, in drafting an agreement between the City and the applicant that allows the abatement/reimbursement of City taxes but also ensures that the property owner will meet all the requirements per City policy and State Statues (See attached). The analysis and agreement establish the following broadly summarized terms for the agreement:

- The developer would receive pay-as-you-go tax abatement for 20 years
- The total amount of abatement would be \$548,000
- The developer is required to build and operate a 55,000 square foot data center facility
- The developer is required to create at least 18 full time jobs at an average wage of \$80,000 per year

The City must hold a public hearing prior to establishing a tax abatement agreement and authorize approval of the agreement by resolution. The proposed abatement constitutes a business subsidy under Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Act").

Recommendation

Upon holding the public hearing, staff recommends adoption of the attached resolution that authorizes approval of the Property Tax Abatement Agreement between the City of Chaska and U.S. Bank National Association.

CITY COUNCIL ACTION REQUESTED

Motion to adopt Resolution No. 16-104 authorizing approval of the Property Tax Abatement Agreement between the City of Chaska and U.S. Bank National Association.