

CITY OF EYOTA
SPECIAL WORK CITY COUNCIL MINUTES
Meeting held jointly with Eyota EDA
April 14, 2014, 7:00 pm, Eyota City Hall

Council Members Present: Mayor Tyrel Clark, Tony Nelson and Kurt Holst

Council Members Absent: Ray Schuchard and Bryan Cornell

EDA Members Present: Tom Aleshire, Connie Meiners, Shannon Reuss, Dave Higgins and Dale Heintz

Staff Present: Iris Neumann, Secretary and Mike Bubany of David Drown Associates

Mayor Tyrel Clark called the joint meeting of the City Council and the Eyota Economic Development Authority (EDA) to order at 7:05 pm. He requested Mike Bubany of David Drown Associates to present information regarding a possible request for tax abatement on a potential residential addition to the City.

Mike Bubany presented the advantages and disadvantages of using Tax Increment Financing (TIF) or tax abatement in helping the developer with the costs to develop residential lots. Both are property tax incentives.

TIF

Up-front costs, city borrows, risky
Involves city, county & school taxes
More dollars involved, more regulations
Income limits for lot purchasers
Lasts 26 years
Automatic calculations

Tax Abatement

Pay as you go, less risky for city
Only city taxes involved
Fewer regulations to follow
No income limits
Maximum of 15 years
Manually calculate annually, budget as "special levy"

Bubany explained, with tax abatement a maximum amount of taxes abated is agreed upon prior to starting. If 15 years passes and max is not met, there is no requirement to pay balance; the abatement period has ended. If the developer wishes to sell its subdivision, it needs approval from council during the tax abatement period.

In a what-if scenario, Bubany explained the tax value of a lot is much less than the value of the same lot with a house, creating a potential of greater tax value. (Example: a \$20,000 lot property with a 1 percent base has a \$200 tax base, versus the same property with a house valued at \$200,000, having a \$2,000 tax base.) This makes tax abatement for a new property subdivision attractive. If a city decided to abate taxes on one development, it is not required to abate taxes on another or similar development in the City.

EDA members had questions regarding the development costs estimated by a potential developer. Two phases development were included in an estimate. Mayor Tyrel Clark said a next step would be to work with the city engineer to verify costs for developing each lot.

The meeting was adjourned at approximately 7:55 p.m.



Tyrel Clark
Mayor



Iris Neumann
Secretary