

MINUTES OF THE TAX ABATEMENT PUBLIC HEARING  
OF THE BRAHAM CITY COUNCIL  
MONDAY, DECEMBER 10, 2018  
6:30 P.M.

The public hearing was called to order with the following present: Mayor Patricia Carlson; Council Members Lowell Jaques, Shawn Sullivan, and Vicky Ethen; and City Administrator Sally Hoy. Council Member Jeremy Kunshier was absent.

Present in the audience was David Drown from David Drown Associates, the City's Financial Advisors. Also present were Robert Knowles and Police Officer Kevin Lease.

David Drown explained the purpose of the Tax Abatement and how it applied to fund the demolition of the old Ercoa building. He noted it is a State program than loans low interest money with deferred payments for a couple years, and if the City is able to reuse the property, they will forgive half the loan. He told the council the State wants the loan evidenced by a General Obligation Bond, which he said would be the Tax Abatement Bond.

Drown said the Abatement laws allow the City to designate the existing taxes from existing properties to be an abatement, and that through the Abatement Bonds, the City pledges those revenues to the bond issue. He explained this gives the authority to create a bond issue that the State could buy at 2% rate of interest. He said an abatement in Minnesota requires the City to hold a public hearing, with notice in the paper, tell how it's going to work, and the designation of the parcels in town that are generating the tax dollars that will be the abatement for this specific purpose. Drown said the City is borrowing \$126,000 at 2% with forgiveness up front. He said once the abatement starts, the City will need to budget about \$10,000 in principal and about \$1,500 in interest for an \$11,500 annual bond payment.

Drown announced that this is the public hearing that people have an opportunity to speak at, and once they do, the council closes the public hearing, and considers adopting the resolution that gives the findings for issuing the abatement. He said this means that in a couple years the City will need to budget for the abatement payments, and the City has specific authority to levy the \$11,500 to pay the bonds. He told the council that his recommendation, after the hearing, is that this is an efficient way to get the project done. He said he didn't know what four parcels were dedicated to the abatement, and Administrator Hoy answered they were random parcels that generated enough taxes to cover the bond payments. She explained that the particular parcels didn't matter because it is still general tax dollars. Drown noted that was a good point to emphasize. He said it creates another line item in the budget that is called Abatement. He said the bond payment will come from these four parcels, meaning that those parcels aren't generating tax dollars into the general pool and the rest of the taxpayers will need to make up the difference, so it is adding to the overall levy to make the bond payments. Drown noted for the City to keep in mind that it cannot do Tax Increment on these Tax Abatement parcels.

Mayor Carlson asked if there were any questions, and Robert Knowles asked if the abatement was for four blocks and Hoy answered it was just for four parcels that generate the amount of taxes that are equal to what the City would need to levy for the payments.

Knowles asked when the construction would start, and Hoy reported the schedule from Jason Murray showed the council adopting the resolution and DEED Loan Agreement at this meeting and construction in January. She noted that Marshall Lind had checked with Hjort Excavating, and their price was still good. She said she checked with the City auditor, and the City did not need to issue RFPs again.

With no other comments or questions, Ethen moved, and Sullivan seconded to adjourn. Motion carried 4-0.

Respectfully Submitted,

Sally A. Hoy  
City Administrator