



## *FAQs about proposed tax abatement financing for Community Center improvements*

The City Council will hold a public hearing Tuesday, Sept. 22 regarding financing for proposed improvements to the Shakopee Community Center. The proposal will be discussed in more detail during Tuesday's hearing; however, here is a preview of the proposed action:

### What is the City of Shakopee proposing?

The City is proposing using tax abatement to issue bonds to finance the \$30.5 million proposed Community Center improvements. These improvements include a new two-sheet ice facility, expanded fitness center, new pool and indoor aquatic center, dedicated senior center, indoor playground, and child care space.

### What are tax abatement bonds?

The Minnesota Legislature allows cities to abate all or a portion of property taxes levied by the City for a given purpose, such as public infrastructure improvements, economic incentives or redevelopment. In the case of public infrastructure improvements, such as what is being proposed here, cities can use tax abatement to issue bonds in order to finance a project upfront.

To use tax abatement, the City must identify parcels whose value demonstrates the City's ability to pay off its debt. The City also set a timeframe for bond repayment, in this case, 20 years. These parcels are identified on the attached map.

### How were the identified parcels selected?

The parcels were selected based on their location near the Community Center. However, the selection is also random in that it has no unique impact on the properties. All taxpayers will be impacted equally.

### How does this affect me as a taxpayer?

If the Community Center project moves forward with this financing mechanism, the City will have to levy annually for debt on the bonds. All Shakopee taxpayers will pay an equal percentage, based on their property value, toward the project. It makes no difference whether your property is included or not included on the attached map.

### Why is the City abating a value of \$50 million when the project is estimated at \$30.5 million?

Just like a mortgage, bonds require government entities to pay interest over the life of the bond. The Community Center project is currently estimated to cost \$30.5 million with an additional \$19.5 million in interest over the 20-year loan for a total of \$50 million.

### Have other cities used tax abatement bonds for recreation facilities?

Yes, several cities across the metro area have used tax abatement bonds for similar park and recreation-type projects. For example:

- The City of Eden Prairie recently issued \$17.2 million in tax abatement bonds to finance expansion of its aquatics center.
- The City of Woodbury used \$16.8 million in tax abatement bonds to expand the Bielenberg Sports Center in 2013.
- In 2012, the City of Savage financed construction of its indoor sports facility with \$4.9 million in tax abatement bonds.
- The City of St. Cloud expanded its existing civic center with \$22.4 million in tax abatement bonds in 2010.
- In 2008, the City of Burnsville issued \$17.8 million in tax abatement bonds to fund construction of its public performing arts center.