

CITY OF SHAKOPEE, MINNESOTA

RESOLUTION NO. R2020-018

**RESOLUTION GRANTING A PROPERTY TAX ABATEMENT
FOR CERTAIN PROPERTY IN THE CITY OF SHAKOPEE**

BE IT RESOLVED by the City Council (the “City Council”) of the City of Shakopee, Minnesota (the “City”) as follows:

Section 1. Recitals.

1.01. Opus Development Company, L.L.C., a Delaware limited liability company (“Opus”), owns the real property located in the City legally described in EXHIBIT A attached hereto (the “Property”).

1.02. Opus proposes to construct an approximately 130,000 square foot building on the Property and lease the building to Cherne Industries Incorporated, an Ohio corporation, or any of its affiliates (“Cherne”), for manufacturing, warehousing, and office space (the “Minimum Improvements”).

1.03. Cherne proposes to expand its operations in the City and will lease the Minimum Improvements from Opus and purchase equipment for manufacturing, advanced technical processes, and research and development (the “Equipment”). It is expected that Cherne will move 115 jobs to the City, create an additional 20 jobs within two years of the completion of the Minimum Improvements and create an additional 30 jobs within five years of the completion of the Minimum Improvements.

1.04. Pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the “Abatement Act”), the City has determined a need to grant a property tax abatement on the Property (the “Abatement”) to Cherne in order to assist in financing a portion of the costs of the Equipment.

1.05. A form of Contract for Private Development between the City and the Developer (the “Contract for Private Development”) has been presented to the City Council, which sets forth the terms of the Abatements provided by the City.

1.06. The Contract for Private Development incorporates a business subsidy agreement within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995 (the “Business Subsidy Act”), setting certain goals in connection with the subsidy represented by the Abatement.

1.07. On the date hereof, the City Council conducted a duly noticed public hearing on the Abatement proposed to be granted by the City, as well as the business subsidy to be provided to Cherne. The views of all interested persons were heard and considered at the public hearing.

Section 2. Findings.

2.01. The recitals set forth above are incorporated into this resolution.

2.02. It is hereby found and determined that the benefits to the City from the Abatement will be at least equal to the costs to the City of the Abatement, because (a) the City believes that the development to be facilitated is not reasonably likely to occur absent the Abatement, (b) the development to be facilitated by the Abatement will likely encourage additional development within the area, and (c) the

long-term taxes collected from the Property after termination of the Abatement will exceed the amount of the Abatement returned to Cherne.

2.03. It is hereby found and determined that the Abatement is in the public interest because such action will increase the City's tax base and provide additional employment opportunities in the City.

2.04. It is further specifically found and determined that the Abatement is expected to result in the following public benefits:

- (a) Creation of an estimated \$11,740,000 increase in market value for property tax purposes, which will be available to all taxing jurisdictions after expiration of the Abatement (commencing in 2031); and
- (b) Creation of an estimated 50 new jobs in the City over five years.

Section 3. Actions Ratified; Abatement Approved

3.01. The City Council hereby ratifies all actions of the City's staff and consultants in arranging for approval of this resolution in accordance with the Abatement Act and the Business Subsidy Act.

3.02. Subject to the provisions of the Abatement Act, the Abatement is hereby approved and adopted subject to the following terms and conditions:

- (a) The term "Abatement" means the real property taxes generated in any tax-payable year by extending the City's total tax rate for that year against the tax capacity increase resulting from the construction of the Minimum Improvements, excluding the tax capacity of the land (in the amount of \$1,000,000, as established in tax payable year 2020) and excluding the portion of the tax capacity attributable to the areawide tax under Minnesota Statutes, Chapter 473F, all as of January 2 in the prior year.
- (b) The Abatement will be paid by the City to Cherne on the dates and in accordance with all the terms and conditions of the Contract for Private Development.
- (c) In accordance with Section 469.1813, subdivision 8 of the Abatement Act, in no year shall the Abatement, together with all other abatements approved by the City under the Abatement Act and paid in that year exceed the greater of 10% of the net tax capacity of the City for that year or \$200,000 (the "Abatement Cap"). The City may grant other abatements permitted under the Abatement Act after the date of this resolution, provided that to the extent the total abatements in any year exceed the Abatement Cap, the allocation of Abatement Cap to such other abatements is subordinate to the Abatement granted pursuant to this resolution.
- (d) The Abatement will have a maximum term of nine (9) years.
- (e) In no event shall the total payments of the Abatement to Cherne exceed \$459,494 or continue to be paid for more than nine (9) years.
- (f) The Abatement is subject to modification in accordance with the Abatement Act, subject to the terms of the Contract for Private Development.

(g) In accordance with Section 469.1815 of the Abatement Act, the City will add to its levy in each year during the term of the Abatement the total estimated amount of current year Abatement granted under this resolution.

(h) The City makes no warranties or representations regarding the amount or availability of the Abatement.

(i) The Abatement shall be provided to Cherne pursuant to the terms and conditions of the Contract for Private Development, as approved by the City Council.

Section 4. Approval of Contract. The Contract for Private Development is hereby in all respects authorized, approved, and confirmed and the Mayor and City Administrator are hereby authorized and directed to execute and deliver the Contract for Private Development for and on behalf of the City in substantially the form now on file with the City but with such modifications as shall be deemed necessary, desirable or appropriate, their execution thereof to constitute such conclusive evidence of their approval of any and all modifications therein.

Section 5. Effective Date. This resolution is effective upon execution in full of the Contract for Private Development.

Approved by the City Council of the City of Shakopee, Minnesota this 18th day of February, 2020.

Mayor

ATTEST:

City Clerk

EXHIBIT A

PROPERTY

Lot 1, Block 3, West Shakopee Gateway First Addition, Scott County, Minnesota.

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