



Land for a DOLLAR!

City of Sandstone Land Credit Program

Sandstone Business Park

PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

City of Sandstone – Economic Development Authority
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Adopted March 25, 2020

Sandstone Business Park



CITY OF SANDSTONE

LAND CREDIT PROGRAM: SANDSTONE BUSINESS PARK PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

SECTION ONE: GENERAL INFORMATION

The Sandstone Industrial Park is owned and developed by the Sandstone Economic Development Authority (SEDA), appointed by the Mayor and City Council. The Industrial Park includes a total of 181 acres, surveyed and zoned for Professional / Light Industrial uses. Approximately 150 acres are available for sale and development ranging in size from 1.9 acres to 28.4 acres. Road and utility infrastructure was completed throughout the park in 2017. Current tenants of the Medical Campus include Essentia Health hospital, Gateway Clinic, Thrifty White Pharmacy, Therapeutic Services Agency, and Golden Horizons Assisted Living.

Location: The Park enjoys easy visibility from Interstate 35 and is right off the exit to Minnesota Highway 23, within close proximity to the following:

- 10 miles from Hinckley / Grand Casino
- 20 miles from Pine Technical & Community College
- 60 miles from Duluth
- 60 miles from Minneapolis / St. Paul
- 80 miles from St. Cloud

Land Price and City Assistance:

Prices range from \$0.72/sf to \$0.25/sf. The sales price may be modified by the land credit program, as approved by SEDA. If a business is approved for the land credit program, the price is \$1.00 an acre.

The SEDA generally provides land as an incentive rather than establishing TIF districts.

Zoning & Uses:

The Park is Zoned Professional / Light Industrial Business Park allowing for most industrial, manufacturing, office\warehousing uses, and vehicle sales and service. Refer to the City Zoning Code for more detailed information.

Utilities:

Unusual demand for utilities, water, sewer capacity, special emission or effluent treatments and the storage and handling of combustibles and chemicals should be raised early in the process.

Taxes:

There will be no taxes or assessments due on the property at sale. To calculate an estimate as to what your future tax liability may be, please contact the Pine County Assessor at (800) 450-7463 ext. 1632.

Contact:

Kathy George
City Administrator
(320) 245-5241
administrator@sandstonemn.com

SECTION TWO: PURCHASING LAND

The following outlines the steps from inquiry to closing the sale. This outline is not considered all-inclusive, as additional information may be necessary and will be available for each step.

Step One: Initial Inquiry.

Contact City Administrator to discuss your business and building needs, including size and layout of the building and property, land price and credit conditions.

Step Two: Offer & Concept Plan.

Make a written offer to SEDA for the purchase the land. Identify the specific lot(s) and blocks, or acres and location. Specify the price offered for the land and/or request the land price program and include the credit information form. Provide a concept plan including the location of building, parking, and storage areas, as well as a building elevation or image depicting the appearance of the building.

Step Three: SEDA Review & Approval – Preliminary Land Credit, Sale, and Concept Plan.

Offers, Preliminary Land Credit, Sale, and Concept plan will be reviewed by City Staff and scheduled for SEDA consideration. SEDA meetings are typically held at 6:00 pm on the 4th Wednesday of the month.

Step Four: Documents. City Staff will work with the City Attorney to draft appropriate documents (purchase agreement, development agreement, etc.).

Step Five: Site Plan Approval.

Approval of formal plans for the site and building are considered as part of the Site Plan application by the Planning Commission and City Council. Please see the attached *Site Plan Checklist* for further details

Step Six: Public Hearing.

A Public Hearing before the SEDA will be required on the proposed sale of EDA owned land.

Step Seven: Authorization & Execution.

The completed package of all plans and agreements will be presented to SEDA for authorization to execute the deed and agreements and close on the property.

LAND CREDIT PROGRAM

This section includes a brief outline of the conditions under which the Sandstone Economic Development Authority (SEDA) can consider a request to reduce the sale price of Industrial Park land (a business subsidy). The subsidy consists of selling the land for \$1.00 an acre and deferring the balance of the land price for five years. Credits based on the value of building construction and new jobs are then deducted from the land price. The SEDA makes final decisions on the granting of business subsidies. Program acceptance may require a public hearing.

Type of Business: Land credits can be used when the SEDA owns the land. To be considered for a land credit, the business has to be permitted in the Professional / Light Industrial Business Park, such as manufacturing, processing or wholesaling (See Sandstone City Code for complete details). Businesses that need a special use permit to locate in the Business Park will be considered for the land price subsidy on a case-by-case basis.

Business Subsidy Law: Minnesota requires a business which receives a subsidy (of up to \$150,000) to sign a commitment to remain in operation at the site for five years or repay the subsidy (Business Subsidy Act 116J-933-955). The law also requires that subsidy agreements include new job and wage goals that must be established and reported to the state. The City will provide reporting forms in early February, which must be returned by March 15, annually, until the goals are met. A job is considered a full-time equivalent or 2080 hours of work per year. Failure to meet these requirements necessitates reimbursement of a prorated amount of the subsidy.

Security: The purchaser executes a development agreement recorded on the land title. If the developer/owner does not complete construction of the building, meet its job and wage goals as reported to the state, defaults on the development agreement, or the land credits do not cover the subsidy, a prorated amount of the subsidy will have to be paid to the SEDA. The purchaser's lender will need to acknowledge the purchaser's obligation to the SEDA. Additionally, this agreement gives the SEDA the right to assess the reimbursement against the property.

Calculation of Credits: The purchaser proposes to construct building(s) on the site of a given value and proposes an annual payroll of a given value at the site by a specified date, five years after transfer of the property. The proposal will be used to estimate the land price credit for the agreement. However, the actual value of the credits can be calculated for certification anytime up to the fifth anniversary of the release of the Certificate of Occupancy.

Construction Credit is the value of the improvements, less land. Divide the building value (determined by the county assessor's market value on the January proceeding), by 10 for the amount of the credit.

Example: Building valued by the county assessor at \$500,000 divided by 10 = \$50,000 credit.

Jobs Credit is based on the amount of the purchaser's payroll for the last 12 months or most recent four quarters, as documented by the businesses' quarterly tax/wage reports (MDES-1). Adjustments are made for jobs existing prior to the sale and for the owner's compensation. Divide the payroll by \$27,000 (a full-time job at \$13.00 an hour) for the number of job equivalents. Multiply job equivalents by \$5,400 for the amount of the credit.

Example: 12-month payroll of \$400,000 divided by \$27,000 = 15 job equivalents; 15 x \$5,400 = \$81,000 credit.

The value of both credits is subtracted from the amount of the subsidy. If they exceed the subsidy, and all other terms are met, the SEDA will certify that the purchaser has completed the conditions of the agreement. Upon certification of construction credits and job credits, a satisfaction will be recorded releasing the purchaser from those repayment obligations.

Example: The owner received title to two acres. The subsidy is valued at \$133,978.. Five years later, the credits shown above show a total of \$151,000. The owner does not owe the SEDA because the credit exceeds the land value.

The purchaser agrees that if the building value and payroll calculations do not equal or exceed the value of the land, the purchaser owes the balance to the SEDA. Additionally, the balance will be due if the purchaser defaults on the agreement or sells the property prior to certification. If the purchaser does not pay the SEDA, the balance will be assessed against the property in the same manner as public improvements.

Comparison of the Land Credit Program and the Business Subsidy Law

YEAR	SEDA LAND CREDIT PROGRAM	STATE OF MINNESOTA BUSINESS SUBSIDY LAW
<p><i>Close on Land Sale:</i> considered the benefit date in the agreement for the land credits.</p> <p><i>Certificate of Occupancy:</i> considered the starting date for State wage and job goals.</p>	<p><i>Development Agreement Recorded:</i> payment of full land value is deferred for five years, at which time building and payroll credits are calculated and subtracted from the balance due on the land.</p>	<p><i>Business Subsidy Agreement Recorded:</i> developer/owner commits to job & wage goals, as well as to continuing operations at the site for five years.</p>
1 st Anniversary of Benefit Date		<i>May</i> have met job & wage goals per subsidy agreement.
2 nd Anniversary of Benefit Date	When the assessor has valued the new building and the business has acquired twelve months of payroll records for the new site, a request may be made asking the SEDA to calculate the amount of credits and determine whether the credits exceed the subsidy.	<i>Must</i> have met job & wage goals unless request for one-year extension is granted.
3 rd Anniversary of Benefit Date	same as above	<i>Must</i> have met job & wage goals or pay back pro rata share of land value.
4 th Anniversary of Benefit Date	same as above	Must still be in operation to this date or pay back pro rata share of land value.
5 th Anniversary of Benefit Date	Credits <i>must</i> be calculated as of this date, if not already done. If credits do not exceed the full value of the land, developer must pay the balance to the SEDA.	Must still be in operation to this date or pay back pro rata share of land value.

SUMMARY: Fulfilling the conditions of the land credit program does not exempt the developer from the conditions of the business subsidy act, or vice-versa. The terms of both agreements have to be met or a prorated share of the land value will have to be paid to the SEDA. Please see Minnesota Statute (116J.933-995) for additional information regarding State of Minnesota Business Subsidy Law.