



FAQ's: Financial Considerations of the Proposed Expansion of the STMA Ice Arena

The cities of Albertville, St. Michael, and the ISD #885 are considering the addition of a second sheet of ice to the existing STMA Ice Arena facility. While plans are in the very beginning stages and many details have yet to be worked out, the City of Albertville has prepared this FAQ sheet to provide its residents with explanations of many of the most frequently asked financial questions.

Who owns the existing Ice Arena?

The existing Ice Arena is jointly owned by the Cities of Albertville and St. Michael as well as ISD #885 and operated by the STMA Arena Board, which consists of two City Council members from Albertville, two from St. Michael, and two ISD #885 members.

What improvement is being proposed to the Ice Arena?

There have been various proposals, but to date all proposals include the addition of a second sheet of ice. Questions remain as to how large the addition may be, how many spectators it will hold, etc. These issues will be ironed out in the coming months as the Arena Board gathers more information and determines what best suits the needs of the community.

What is the estimated cost of the proposed Ice Arena improvements?

Costs are roughly estimated to be between \$6 to \$8 million, depending upon the final size of the addition and the items included in the building (bleachers, concession stand, etc.).

How will these improvements be funded?

At this point, the STMA Youth Hockey Association will be responsible for contributing \$1 million of the cost of the addition. The remaining amount would be split one-third each between the City of Albertville, the City of St. Michael, and ISD #885. For planning purposes, Albertville is assuming a total cost of \$8 million, resulting in a net cost to the City of Albertville of \$2.33 million (\$8 million minus \$1 million divided by three). Albertville anticipates that it would issue tax abatement bonds in the amount of \$2.33 million to finance Albertville's one-third share of the cost. These bonds would likely be issued over a 20-year period.

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 the expansion of the Ice Arena, cities can use tax abatement to issue bonds. To use tax abatement, the City must identify parcels whose value demonstrates the City's ability to pay off its debt.

When will the identified parcels be selected?

The parcels have not been selected yet. The City will not be able to identify these parcels until a more certain cost estimate is obtained. The selection of the properties is a statutory formality that will have no unique impact on the properties selected. All taxpayers will be impacted equally.

How does this affect me as a taxpayer?

If the second sheet expansion project moves forward with this financing mechanism, the City will have to levy annually for debt on the bonds. All Albertville 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 as a property identified in the tax abatement process.

How will the project affect Albertville’s taxes?

City staff has estimated the impact on the property taxes on residential homes in the City at different property valuation levels as follows:

<u>Property Value</u>	<u>Estimated Tax Increase</u>
\$150,000	\$37
\$200,000	\$49
\$250,000	\$61
\$300,000	\$73

These estimated figures represent only the impact on the City of Albertville’s taxes. This increase would remain in place over the life of the bond. The impact on ISD#885’s taxes are not included in this estimate, as how the School District ultimately chooses to finance its share will affect the impact on the School District’s current tax level. Also, please note that these estimates will change slightly as the City’s tax base changes over time, or as the estimated project cost changes.

I recently heard on the news that residents can expect their taxes to increase \$400 per year. Which number is correct?

Albertville does not know how this \$400 number was calculated or by whom. The City’s tax impact estimates listed above are based on projections prepared by the City’s financial advisor who will assist the City in issuing the bonds used to fund this project. City staff believes the \$400 figure is not accurate and bears no relationship to the proposed arena improvement project.

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.