



Sherburne County – Administrative Policy Manual

Tax Abatement Financing Policy

Authority: County Board *Effective:* 9/5/2017
Revised:

1. General Purposes and Objectives

Sherburne County is committed to the promotion and retention of high quality development in all parts of the County, and to an ongoing improvement in the quality of life for its citizens. Because the enhancement and expansion of the local economy generally serves these objectives, Sherburne County will consider providing Tax Abatement Financing (TAF) in order to stimulate economic development in the County. Requests for Tax Abatement Financing will be considered in accordance with the procedures and criteria outlined in this Policy. Nothing herein shall imply or suggest that Sherburne County is under any commitment or obligation whatsoever to provide Tax Abatement Financing to any applicant or for any project. Instead, the granting of any Tax Abatement Financing is solely within the discretion of the Sherburne County Board of Commissioners.

Sherburne County will approve or reject TAF after taking into consideration factors that include, but are not limited to, the County’s budgetary and financial constraints, established policies, project criteria, and demand on County services, all in relation to the potential benefits from the project. Meeting the criteria provided in this Policy does not guarantee the award of TAF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project. It is the intent of Sherburne County to provide the minimum amount of TAF, as well as other incentives, at the shortest term required for the project to succeed.

2. Tax Abatement Financing

The County is authorized to abate all or part of the taxes imposed by the County on property pursuant to Minnesota Statutes sections 469.1812 to 469.1815.

2.1 Statutory Requirements

Before agreeing to abate all or part of the taxes imposed by the County on eligible property, the County Board must determine that:

- A. The benefits to the County will be at least equal to the costs of the tax abatement or that the County Board intends the abatement to phase in a property tax increase (as allowed by statute); and
- B. The proposed TAF is in the public interest because the abatement will:
 - Increase or preserve tax base;
 - Provide employment opportunities in a County;
 - Provide or help acquire or construct public facilities;

- Help redevelop or renew blighted areas;
- Help provide access to services for County residents;
- Finance or provide public infrastructure;
- Phase in a property tax increase of 50% or more on the estimated market value of a parcel, except where such increase is attributable to improvement of the parcel; or
- Stabilize the tax base through equalization of property tax revenues with respect to a utility property.

2.2 Duration and Other Restrictions

Pursuant to Minnesota Statute section 469.1813, the County may grant Tax Abatement Financing for a period not to exceed 15 years, except as provided below. If the County does not specify a term for the abatement in a resolution approving the request, the abatement term shall be 8 years. Taxes may be abated on the entire net tax capacity of a parcel including land or any area-wide fiscal disparities tax. Property in a Tax Increment Financing District is not eligible to receive TAF.

Notwithstanding the foregoing, the County may abate taxes for a period of up to 20 years pursuant to Minnesota Statutes section 469.1813, subs. 6(b) and 6b.

2.3 Statutory Limitations on Amount

In any given year, the total amount of property taxes abated by the County for all parcels may not exceed the greater of : (1) ten (10) percent of a County's net tax capacity; or (2) \$200,000. This limitation does not apply to an abatement granted a utility taxpayer whose real and personal property is subject to valuation pursuant to Minnesota Rules chapter 8100. The County may not abate tax attributable to an area wide tax under Minnesota Statutes chapters 276A or 473F, except as may be permitted by section 469.1813.

The County may limit the amount of any approved TAF as follows:

- To a specific dollar amount, per year or in total;
- To the increase in property taxes resulting from improvements of the property;
- To the increase in property taxes resulting from increases in the market value or tax capacity of the property;
- In any other manner a County Board determines is appropriate; or
- To the interest and penalty that would otherwise be due on taxes that are deferred.

2.4 County Approach to Tax Abatement Financing

- Sherburne County believes that all taxpayers should pay their fair share of the costs associated with public facilities and services.
- The County recognizes that relocating and expanding businesses in key economic sectors create important tax base and employment, and stimulate additional economic activity.
- The County recognizes that economic circumstances (such as a major loss of employment, a recession, or an especially strong economy) may affect the level of support approved by policymakers.
- The County recognizes that additional public facilities such as roads, turn lanes, traffic signals and other public infrastructure may be necessary to facilitate the safe and efficient location of a business in the County, and that the expansion of public infrastructure and public services may in some cases encourage and facilitate future economic development.

- The County acknowledges that businesses incur substantial capital costs as well as operational inefficiencies during construction, renovation and start-up.
- The County seeks to create a reasonable transition from tax abatement to tax-paying status.

2.5 Abatement Dedicated to Public Infrastructure Necessary to Support Business Expansion

Sherburne County will consider Tax Abatement Financing when it will help finance or provide public infrastructure in accordance with the following guidelines:

- Priority will be given to the dedication of funds to pay for public infrastructure costs associated with a project over the use of funds as a business incentive.
- If the public infrastructure is owned or operated by a municipality other than the County, the County will consider the extent to which the municipality has agreed to provide tax abatement and/or other economic development incentives for the project.
- Full abatement will be considered if a project demonstrates a high level of tax base and/or employment generation; offers excellent wages/benefits; maintains the highest design and environmental standards; and demonstrates strong, long term, private sector financial commitment.
- Partial abatement (shorter term and/or lower percentages) will be considered for projects that demonstrate good employment and tax base generation; offer good wages/benefits; maintain good design and environmental standards; and demonstrate a good, long term private sector commitment.
- A maximum dollar amount and term of abatement will be specified for each project in an agreement with the business/developer.

2.6 Abatement Terms

As provided in section 4 of this Policy, all developers/businesses receiving TAF assistance shall enter into a Tax Abatement and Business Subsidy Agreement with the County. In addition to other terms required by the County, the Agreement shall set forth the job and wage goals and other goals that may be required as a condition of receiving TAF. The Agreement shall also set forth the maximum dollar amount and the term for the TAF, which may include a reduction in the percentage or total amount of taxes to be abated over the term of the TAF.

All taxes on any property receiving TAF must be paid when due in the same manner as other real estate taxes. After the taxes are paid, the County will abate the dates according to the terms of the resolution approving the abatement and the Tax Abatement and Business Subsidy Agreement. If requested by the developer/business, the County may agree to pay the abatement over to another municipality within the County for the purpose of reducing the cost of public infrastructure or land acquisition.

2.7 County Limitations on Tax Abatement Financing

Although a greater amount is allowed by statute, it is the County's policy that the total amount of taxes abated by the County may not exceed three percent of the County's net tax capacity for the payable year to which the abatement applies.

In addition, although the County may issue bonds to fund an approved TAF, the County will not do so, except when necessary and desirable to pay for public improvements.

3. Criteria for Tax Abatement Financing

When determining whether to approve a request for TAF, the County Board shall consider and shall be guided by the following criteria, along with all other important and relevant factors, including all statutory requirements and the County restrictions and goals set forth in this Policy:

1. The applicant must demonstrate that the project will have a level of economic impact within the County that sufficiently meets or exceeds the guidelines established in the “Tax Abatement Financing Review Worksheet” prepared by the County and as may be amended from time-to-time.
2. Applicants will be eligible for TAF based on the following scoring system:

<u>Score</u>	<u>Maximum Eligibility</u>
High	up to 100% of request
Above Average	up to 75% of request
Average	up to 50% of request
Low	up to 25% of request

Applicants who do not obtain at least a “Low” score will not be eligible to receive TAF.

3. The County may deviate from the maximum eligibility restrictions only if the County’s Economic Development Authority (EDA) and the County Board find that doing so is in the public interest for one of the following reasons:
 - the project will provide or help acquire or construct public facilities;
 - the project will help redevelop or renew blighted areas;
 - the project will help provide access to services for County residents; or
 - the project will finance or provide public infrastructure.
4. Business/developers or entities receiving “TAF” must pay each employee retained or newly-hired as a direct result of the project a starting hourly wage, including employer-paid healthcare, above the minimum local “Living Wage Calculation” established by MIT (<http://livingwage.mit.edu/counties/27141>).
5. The business/developer must contribute a minimum of ten percent (10%) cash equity investment in the project.
6. The business/developer shall adequately demonstrate, to the County’s satisfaction, an ability to complete the proposed project based on past development experience, general reputation and credit history, among other factors, considering the size and scope of the proposed project.
7. For the purposes of underwriting the proposal, the business/developer shall provide any market, financial, environmental, sales or other data requested by the County or its consultants.
8. Equal consideration will be given to both existing business expansion and new businesses locating in Sherburne County.
9. Retail or service businesses that primarily serve local or regional customers and compete with similar businesses in the area will not be considered unless the project creates or retains substantial quality employment or substantial tax base.
10. TAF will not be used in circumstances where the proposed purchase price to acquire property for the project exceeds the property’s fair market value as determined by the County.

11. The project must be consistent with all State, local and federal requirements, including, but not limited to, the County's Comprehensive Land Use Plan, Transportation Plan, and the Sherburne County Economic Development Strategic Plan.

12. The County Board and the EDA shall also consider the following as it relates to each proposed project:

- The nature and type of the new development.
- The extent to which the project may increase the demand for or burden on County infrastructure or other public services.
- The extent to which other local governments are supporting the project.
- The extent to which other types of public assistance will be provided for the project.
- The extent to which the project adds to, diversifies, or preserves the County's net commercial, industrial or general tax base.
- The extent that TAF will encourage development of sites that would not otherwise be developed.
- The extent to which a project will serve as an anchor tenant or otherwise attract substantial additional commercial/industrial tax base or employment.

4. Subsidy Agreement and Reporting Requirements

Tax Abatement Financing is a business subsidy, as defined in Minnesota Statutes, sections 116J.993 to 116J.995, and is subject to the reporting requirements under that law. All developers/businesses receiving TAF shall enter into a Tax Abatement and Business Subsidy Agreement with the County that identifies: the reason for the subsidy, the public purpose served by the subsidy, and goals for the subsidy, as well as other criteria set forth by Minnesota Statutes, Section 116J.993.

The developer/business shall file a report for every year the business/developer receives a benefit under the Tax Abatement and Business Subsidy Agreement. Reports shall be completed using the format drafted by the State of Minnesota, and shall be filed with Sherburne County no later than March 1 of each year for the previous calendar year. Businesses fulfilling job creation requirements must file a report to that effect with Sherburne County within 30 days of meeting the requirements.

The developer/business shall maintain and operate its facility at the site where TAF is used for a minimum period of five years after the original benefit date and shall meet or exceed the jobs and wages goals and other criteria set forth in the Subsidy Agreement.

Developers/businesses failing to comply with the above provisions will be subject to fines, repayment requirements, and may be deemed ineligible by the State of Minnesota to receive any loans or grants from public entities for a period of five years.

5. Application Process

1. Applications shall be submitted on forms provided by the County, along with a non-refundable application fee to be established in the County's fee schedule. All information requested as part of the application must be provided before an application may be considered.

2. Completed applications will be reviewed by County staff for compliance with this Policy and will be scored using the County's Tax Abatement Financing Review Worksheet.
3. After initial review and scoring by County staff, the application will be submitted to the County's EDA for consideration and recommendation to the County Board.
4. Applications that do not achieve a score of "Low" or higher will not be forwarded to the County Board unless the EDA makes specific findings supporting a recommendation to deviate from the County's criteria pursuant to section 3 of this Policy.
5. For applications that are forwarded to the County Board, the Board will set a public hearing for review and consideration.
6. The County Board's decision whether to approve or deny a request for TAF shall be final.

For application forms or for further information, please contact:

Dan Weber, Assistant County Administrator
Sherburne County Government Center
13880 Business Center Drive NW
Elk River, MN 55330
763-765-3007

APPLICATION FOR TAX ABATEMENT FINANCING

A. Applicant Information

Full Legal Name of Corporation/Partnership:

Address:

Primary Contact Person:

Address:

Phone:

E-mail:

On a separate sheet, please provide the following:

- Brief description of the corporation/partnership's business, including history, principal product or service, etc. (Attach as Exhibit A)
- Brief description of the proposed project. (Attach as Exhibit B)
- List names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership. (Attach as Exhibit C)

Attorney Name:

Address:

Phone:

E-mail:

Accountant Name:

Address:

Phone:

E-mail:

Contractor Name:

Address:

Phone:

E-mail:

Engineer Name:

Address:

Phone:

E-mail:

Architect Name:

Address:

Phone:

E-mail:

B. Project Information

1. The project will be:

Industrial New Construction Expansion Redevelopment/Rehab.

Office/Research Facility that Conforms to Business Park Standards

Commercial Redevelopment/Rehabilitation/Development

Retail Other

2. In addition to Sherburne County, applicant is requesting TAF funds from:

City of Becker City of Big Lake City of Clear Lake

City of Elk River City of Princeton City of St. Cloud

City of Zimmerman Local School District

3. The project will be: Owner Occupied Leased Space Sale Leaseback

- If leased space, please attach a list of names and addresses of future lessees and indicate the status of commitments or lease agreements. (Attach as Exhibit D)

4. Project Address:

- Include legal descriptions and PID Numbers for all parcels. (Attach as Exhibit E)

5. Site plan and floor plan (foot print), including square footage of project.

Attached? Yes No

6. Total amount of TAF requested from Sherburne County:

\$ _____ annually over _____ years Total: \$ _____

City portion of TAF: Annual: \$ _____ Total: \$ _____

School Dist. portion of TAF: Annual: \$ _____ Total: \$ _____

7. Other contributions from other governmental agencies or political subdivisions for the project, whether financial or otherwise (list on separate attachment).

8. Current real estate taxes on the Project site: \$ _____

Estimated real estate taxes following completion: \$ _____

9. Construction Start Date: _____ (month/year)

Construction Completion: _____ (month/year)

Date (if phased project) _____ year _____ % completed

_____ year _____ % completed

C. **Public Purpose**

Sherburne County will only provide TAF when it is in the public interest to do so. Please indicate how this project will serve a public purpose:

Job Creation: Number of existing jobs: _____
Number of jobs created by project: _____
Average hourly wage of jobs created: \$ _____
(Attach a position-specific hour wage)

New industrial, commercial, or retail development which will result in additional private investment in the area:

- ___ Enhancement and/or diversification of the County's economic base
- ___ The project contributes to the fulfillment of Sherburne County's Economic Development Strategic Plan, Comprehensive Plan, Transportation Plan and Land Use Ordinance.
- ___ Removal of blight
- ___ Rehabilitation of a high profile or priority site
- ___ Other: _____

D. Additional Documentation

Applicants must provide the following documentation:

1. Written business plan, including a description of the business, ownership/management, date established, products and services and future plans.
2. Current financial statements (profit and loss statement to date and balance sheet to date).
3. Financial statements for past two years (profit and loss and statement balance sheet).
4. Two-year financial projections, including sources and uses of all project funding, which must include a clear explanation of capital investment, operating capital, project equity, public and private funds, and specific lenders.
5. Personal financial statements of all major shareholders, including current tax returns.
6. Letter of commitment from applicant pledging to complete during the proposed project duration.
7. Letter of commitment from the other sources of financing, stating terms and conditions of their participation in the project.

The undersigned certifies that all information provided in this application is true and correct to the best of the undersigned's knowledge. The undersigned authorizes Sherburne County to check credit references and verify financial and other information. The undersigned also agrees to provide any additional information as may be requested by the County after the filing of this application.

Signature: _____

Print name: _____

Title: _____

Date: _____

EXHIBIT A

Description of the corporation or partnership.

EXHIBIT B

Description of the proposed project.

EXHIBIT C

Names of officers and shareholders/partners with more than five percent (5%) interest in the corporation/partnership.

EXHIBIT D

Prospective lessees, if any.

EXHIBIT E

Legal descriptions and PIDs for all parcels involved.

**TAX ABATEMENT FINANCING PROPOSAL REVIEW WORKSHEET
(TO BE COMPLETED BY COUNTY)**

1. Economic Impact Score

Total economic impact of the Project (IMPLAN): Points Awarded: _____

	<u>Score</u>	<u>Points</u>
(Value added + Output)/Subsidy Request	over 150	35
	120 -149	30
	90-119	25
	60-89	20
	25 -59	15

2. Bonus Points

A. Ratio of private to public investment: Points Awarded: _____

	<u>Score</u>	<u>Points</u>
Private Investment: \$ _____	9:1	5
Public Investment: \$ _____	8:1	4
Private/Public Ratio: _____	7:1	3
	6:1	2
	5:1	1

B. Job Creation in Sherburne County: Points Awarded: _____

	<u>Score</u>	<u>Points</u>
Number of new jobs	40+	5
as a result of the project	30 – 39	4
	20 – 29	3
	10 – 19	2
	5 – 9	1

C. Property Tax Impact: Points Awarded: _____

	<u>Score</u>	<u>Points</u>
Estimated real estate taxes payable	\$40,000+	5

in first fully assessed year following completion: \$ _____	\$30,000+	4
	\$20,000+	3
	\$10,000+	2
	\$10,000-	1

D. Infrastructure: Points Awarded: _____

Points

The project will build public infrastructure of value to a larger area 5

E. Relocation Project Points Awarded: _____

Points

The project is relocating from outside of the state 5

Total Points Awarded: _____
(out of possible 60)

Overall Project Analysis:	<u>Score</u>	<u>Rating</u>	<u>Maximum Eligibility</u>
	42-60 points	High	100% of request
	33-41 points	Above Avg.	75% of request
	25-32 points	Moderate	50% of request
	17-24 points	Low*	25% of request

(*Minimum necessary to be eligible for County Board consideration)