

Sibley County Tax Abatement Policy

Purpose:

- 1.1 The purpose of this policy is to establish the County's position as it relates to the use of Tax Abatement for private development projects within the County. This policy shall be used as a guide in processing and reviewing applications requesting Tax Abatement for those private development projects.
- 1.2 The County shall have the option of amending or waiving all or certain sections of this policy when determined necessary or appropriate.

Statutory Limitations & Fees:

- 2.1 The County's use of Tax Abatement will comply with all applicable Minnesota State Statutes.
- 2.2 Costs for the financial advisor and/or consultant, legal counsel, and other expenses to complete a Tax Abatement project will be the responsibility of the applicant.

Eligible Uses for Tax Abatement:

- 3.1 The County will consider using Tax Abatement to assist private development projects only in those circumstances when the proposed project meets one or more of the following uses:
 - A. To redevelop blighted or underutilized areas within the County, thereby increasing the tax base of the County.
 - B. To increase the tax base of the County to ensure the long-term ability of the County to provide adequate services for its residents.
 - C. To retain jobs, to increase the number of jobs, or to provide job diversity within the economic base. Businesses that contribute to the economic base are those that generate a substantial portion of their income from outside the county.
 - D. To increase the local business and market potential of the County.

- E. To encourage additional private development, either directly or indirectly or through secondary “spin-off” development (without the use of Tax Abatement).
- F. To offset increased costs of development, over and above those costs that a private developer would incur in normal development.
- G. To accelerate the development process or to achieve development on sites which would not be developed without the use of Tax Abatement.
- H. To meet other public policy goals, as adopted by the County from time to time, including the promotion of: quality of design in a rural setting; energy conservation; and decreasing the capital and operating costs of the County.
- I. A determination of financial need: Project could not go forward without it.

Tax Abatement Project Approval Criteria:

- 4.1 All new private development projects using Tax Abatement should meet mandatory minimum approval criteria (Section 4.2). However, it should not be presumed a request for use of Tax Abatement meeting these approval criteria will automatically be approved. Meeting the approval criteria creates no contractual rights on the part of any party in a private development project.
- 4.2 Approval Criteria
 - A. Tax Abatement assistance shall be provided within the applicable state statutes and other appropriate requirements and policies.
 - B. The private development project should meet one or more of the eligible uses for Tax Abatement described in section 3.1.
 - C. The private development project must be in accordance with any affected local unit of government’s comprehensive plan and zoning ordinances.
 - D. Prior to approval of a Tax Abatement request, the private developer shall provide any business plans (with all financial projections and disclosures), market studies, soil boring reports, environmental studies, and any other information the County, or its designated

representative(s), deems necessary to conduct the County's review of the project.

- E. Any private developer requesting Tax Abatement should be able to demonstrate past successful general development capability, as well as specific capability in the type and size of development proposed.
 - F. The private developer should retain ownership of the project to completion to stabilize its occupancy and to establish project management.
 - G. The level of Tax Abatement should be reduced to the lowest amount possible by first maximizing the use of the private developer's equity, the private developer's ability to finance debt, and by using other sources of funding or income prior to using Tax Abatement.
- 4.3 Final approval will require the applicant to sign a development agreement which clearly defines the responsibilities of the property owner(s) receiving abatements.
- 4.4 All private development projects applying for Tax Abatement will be reviewed by the County Board of Commissioners. The County Board of Commissioners will establish the members of the Project Review Committee. The Committee will review Tax Abatement applications and recommend action, if any, to the County Board.

Tax Abatement Project Evaluation Criteria:

- 5.1 All private development projects requesting the use of Tax Abatement will be evaluated on the criteria listed in Section 5.3 for comparison with other proposed Tax Abatement projects reviewed by the County and for comparison with other standards (where appropriate). Changes in local markets, costs of construction, and interest rates may cause changes in the amounts of Tax Abatement a given private development project may require at any given time.
- 5.2 Some criteria, by their very nature, must remain subjective. However, whenever possible, benchmark criteria (section 5.3) have been established for the evaluation process. A Tax Abatement request that meets one or more benchmark criteria does not entitle the private developer automatic approval of Tax Abatement. Benchmark criteria are

to be used to assist the County in applying uniform standards to the review process whenever possible.

5.3 Evaluation benchmark criteria:

- A. All Tax Abatement requests should optimize the private development potential of a site.
- B. All Tax Abatement requests should obtain the highest possible private to public financial investment ratio. The County establishes a benchmark ratio of three parts private financing to one part public financing for industrial projects. Housing, retail, and commercial development projects will be reviewed on an individual basis. All sources of public financing (Tax Increment Financing, Tax Abatement, etc.) will be used to calculate this ratio.
- C. All Tax Abatement requests should create the highest feasible number of new jobs on the site.
- D. Tax Abatement requests should not be used to support speculative private development projects. Speculative projects are those projects having less than 50 percent of the available space either pre-leased or having signed letters-of-intent to lease space.
- E. All Tax Abatement requests involving displacement of low- and moderate-income residents should give specific attention to the re-housing needs of those residents. Adequate solutions to these re-housing needs will be required as a matter of public policy.
- F. Tax Abatement will normally not be used in a project involving an excessive (more than 10 percent in excess of market value established by a licensed real estate appraiser) real estate price.
- G. Tax Abatement requests should not be approved to give a significant competitive financial advantage when compared to similar private development project(s) in the County that do not use Tax Abatement.
- H. Tax Abatement should not be approved when the private developer's credentials, in the sole judgment of the County, are inadequate due to the developer's past history relating the completion of projects, general reputation, bankruptcy, or other issues or problems considered relevant by the County.

- I. A private developer using Tax Abatement shall provide a financial guarantee for the repayment of Tax Abatement if such guarantee is allowed or required for by law.
- J. Tax Abatement should not be used for a private development project that places significant demands on County services, or other capital or operating expenditures that exceed the average County expenditures for similar projects. Consideration will be given to the total public costs that are required to support the project, including but not limited to, off-site facility costs that are required to complete the project.
- K. Tax Abatement will not be used for private development projects that would generate significant environmental problems. When necessary an environmental impact study may be required by the County.
- L. Tax Abatement will not be used when the schedule for completing the private development project has exceeded the schedule established in the development agreement between the private developer and the County, and where the County has not agreed to extensions of that schedule.
- M. Tax Abatement should not be approved for those private development projects that fail to meet good policy criteria, as determined by the County. Those policy criteria can be:
 - 1. Poor project quality;
 - 2. Projects that are not in accord with the local government's comprehensive plan, zoning ordinances, redevelopment plans or public policies;
 - 3. Projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the County;
 - 4. Projects that do not significantly increase the tax base;
 - 5. Projects that do not provide significant retention of jobs or increase the number of jobs;
 - 6. Projects that are not financially feasible;
 - 7. Projects that do not provide the highest and best use of the property; and
 - 8. Projects that have been reviewed by the County and where public funding has not been approved by any local unit of government.
- N. Tax Abatement will be considered as an alternative to Tax Increment Financing (TIF) if the projects financial projections demonstrate no significant increase in the property's future taxes to be paid and the

project meets all of the criteria set forth in the County's Tax Abatement Policy. TIF and Tax Abatement are not to be used on the same private development project.

- O. Tax Abatement will be considered by the County within the legal boundary of a local unit of government only upon approval of Tax Abatement by that local unit of government in an amount similar in relation to the amount considered by the County or in accordance with the local unit of government's policies.

Source:

Sibley County Board Approved on April 25, 2006