ST. LOUIS COUNTY TAX ABATEMENT FINANCING POLICY
Adopted by St. Louis County Board March 12, 2002
Resolution No. 187

SCOPE

This policy establishes the parameters of St. Louis County's participation in Tax Abatement Financing (TAF) as authorized under Minnesota Statutes §§469.1812 through 469.1815 (2000) and any amendments thereto. TAF may be considered a form of business subsidy which will require compliance with the Business Subsidy Act, Minnesota Statutes §§116J.993 through 116J.995, and any amendments thereto. This policy establishes the criteria and procedures to be utilized in administering TAF.

PURPOSE

The purpose of St. Louis County TAF is to provide a tool for the county to accomplish its goals in the areas of housing and economic development. These goals include facilitating projects that result in the creation of quality jobs and the attraction, retention, and expansion of business and housing options within the county. TAF is to be used for development or redevelopment that would not otherwise occur without the assistance of TAF.

STATUTORY CRITERIA

The public benefits of a project must be expected to exceed the costs to the county and the project must meet one or more of the following criteria:

1. Increase or preserve the county tax base,
2. Provide permanent employment opportunities within the county,
3. Provide or help acquire or construct public facilities,
4. Help redevelop or renew blighted areas within the county,
5. Help provide access to services for county residents,
6. Finance or provide public infrastructure, or
7. Phase in property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than an increase attributable to improvement of the parcel.

TYPES OF FINANCING

Of the TAF options available by state statute, the county will only enter into agreements for the following types of financing:

1. Rebate to a property owner (or taxpayer) all or part of paid county property taxes.
2. Defer county property taxes and provide a corresponding abatement of penalties and interest that would have otherwise accrued.
3. Phase in property tax increase resulting from an 50 percent or greater increase in estimated market value in one year from factors other than property improvement.

ADDITIONAL CRITERIA

The following additional criteria will apply to TAF projects:

1. The county will provide TAF to a project in conjunction with the municipality provided the municipality has some form of financial participation in the project.
2. Full-time equivalent jobs will be considered in determining either an increase or retention of jobs. Minimum wages for the jobs will be set at prevailing wage rates, for like or similar jobs within the area.
3. The county will not enter into agreements for speculative projects or developments which lack specific tenant agreements.
4. Non-housing projects must be at least 51 percent funded from non-public sources.
5. Housing projects must provide a minimum of 12 affordable rental units and remain affordable for 15 years pursuant to a declaration of covenants and deed restriction. Affordable rents will be no greater than fair market rents as determined by the U.S. Department of Housing and Urban Development.
6. All agreements entered into under this policy may be subject to the County Debt Policy.
7. All agreements entered into under this policy may be subject to the requirements of the County Business Subsidy Criteria and Minnesota Business Subsidy Act.
8. Projects will not place extraordinary demands on public services or generate significant environmental problems in the opinion of local, state, or federal governments.
9. Priority will be given to projects that clean up existing contaminated sites.
10. Projects must conform with all applicable state, local and federal requirements.

LIMITATIONS

The following limitations are set forth for all TAF projects:

1. The total annual commitment for all agreements under this program will not exceed one percent of the existing county levy.
2. No agreement under this policy will have a term exceeding ten full property tax years.
3. The overall total county contribution for any project regardless of the number of property tax parcels involved will not exceed $300,000 over the term of the agreement or $30,000 in any given year.
4. The county will not abate, retain, or defer in any one year more than the county's share of taxes net of all credits or abatements as determined by the county auditor for that year.
5. The maximum abatement for each qualified job under this program will be $1,000 per year.
6. The maximum abatement for each affordable housing unit will be $1,000 per year.
7. No carry over of any "unused" abatement is allowed.
8. Property within a tax increment financing district does not qualify.
9. Personal property taxes and special assessments levied by any subdivision do not qualify for abatements. This is consistent with the opinion of the Minnesota Department of Revenue; personal property taxes on government owned property do not qualify for abatement.

10. Deferred taxes will be due and payable in the first property tax payable year after the end of the agreement.
11. The county board may extend the time for recipients' performance of specific items under the TAF agreement. However, the county board may not extend the time for payment of annual property taxes.
12. No abatement installment will be paid to a recipient if property taxes are not timely paid (i.e., within 15 days of statutory due date).

APPLICATION PROCESS

The following process is established for all TAF applications:

1. Applications must be completed on forms provided by the county together with all documentation, reports, and studies, financing packages, and other relevant data. County may accept municipal or another funder's application provided adequate information and documentation is provided.
2. Applicants must submit a non-refundable fee payment of $1,000 with the initial application.
3. The Planning Department will review the application to determine if the project appears to meet county policy guidelines and to determine the need for additional information. If the Planning Department determines the project meets policy guidelines, the applicant may submit a final application.
4. Applicant will submit a final application with additional documentation and a non-refundable application fee of $2,000. County will evaluate costs after one year and make recommendations on fees.
5. The Planning Department will then provide a detailed review of the project including a full due diligence study that will encompass at a minimum the financial and marketing package. When possible, this study will be completed in conjunction with the municipality and other project funders.
6. If the project qualifies for TAF, the county will proceed to approval process.

APPROVAL PROCESS

Following is the process the county will use in considering TAF applications:

1. The County Administrator will develop a project review report for the county board. The report will include at a minimum the information described in APPLICATION REVIEW section of this policy.
2. The county board will schedule a public hearing. After hearing testimony at the public hearing, the board will determine if the county will enter into a proposed TAF agreement. When possible, the county will conduct a joint public hearing with the municipality for tax abatement or other required business subsidy public hearings.

APPLICATION REVIEW

The Planning Department will review and report on at a minimum the following items for each TAF application forwarded to the county board for action:

1. The extent to which the public interest is served based on the nature and type of development.
2. The extent to which the new permanent employment opportunities provide benefits and prevailing wages for employees.
3. The extent to which the project provides permanent rental housing opportunities for low and moderate income families as defined by the federal and state government.
4. The extent to which there are additional public costs associated with the project such as pollution control, soil corrections, and public infrastructure.
5. The extent to which the project increases county costs for road construction, traffic control, law enforcement, human services and other budgetary considerations.
6. The extent to which the local municipality supports the project, including (but not limited to) tax abatement for the subject property.
7. The results of a due diligence study completed by staff or an independent consultant.

AGREEMENTS

Every TAF subsidy agreement will contain at a minimum sections covering:

1. A list of all the parties to the agreement, their relationship, and address.
2. Description of the project in detail and the type and amount of subsidy granted.
3. Describe the total financing of the project and the sources of all funding.
4. Findings of the County Board as provided for in M.S. §469.1813.
5. Findings that the project meets all criteria established in this policy and that all the limitations and other requirements of this policy are being met.
6. Description of any agreement between the applicant and the municipality or authority under this or any other program that provides any form of public financing.
7. The public purpose of the subsidy and why the subsidy is needed.
8. Description of the need for the subsidy and a summary of the supporting documentation.
9. Specific measurable goals and time frame for meeting established goals. This section must also state how and when required measurements will be completed. It will also include base line values for the measurable goals.
10. Length of continued operations and minimum level of such operation after the agreement expires.
11. Remedies for breach of terms in the agreement, definition of default and recipients' obligation if they do not fulfill the terms of the agreement.
12. Reporting requirements detailing the time and format of all submissions.
13. Description of any other terms of the agreement.

POST APPROVAL/ABATEMENT PROCESS

After approval of a TAF application, the county will adhere to the following process:

1. The county administrator will annually determine the necessary property tax levy (at 110 percent of the expected obligation) required to support the existing tax abatement agreements that will be in force for the subsequent tax year. The levy must be reflected in the administrators proposed budget for the next fiscal year.
2. County Planning will report to the Administrator by August 1 on each of the agreements as to their progress toward and/or maintenance of project goals and other agreement compliance issues.
3. For agreements not in compliance, the administrator will make a report to the county board together with a recommendation to extend or not extend performance deadlines.
4. The county board will then make a determination to extend, terminate, adjust or otherwise modify the agreement within statutory limits.
5. Semi-annually on or before June 1 and December 1 County Planning will submit a parcel detailed request to the Auditor who will then determine for each parcel whether property taxes were timely paid. The Auditor will promptly make such determinations and report back whether such payments were made and the amount of the county share of those taxes.
6. The Planning Department will on or before January 15 and July 15 prepare and submit to the Auditor payment vouchers to pay the owner or taxpayer as determined by the agreement the tax abatements due under the agreement. The payment vouchers must contain a certification that all conditions under the agreements necessary for payment of the tax abatements have been met.
7. The Auditor will issue and mail abatement checks by February 1 and August 1.

TIME FRAME

TAF applications will be accepted on an ongoing basis. The specific time frame for TAF applications is as follows:

1. <u>April 1</u>: Applicants must file for TAF consideration no later than April 1 of the year prior to the year the tax abatement is to be effective.
2. <u>August 1</u>: All the required steps in the application process must be completed no later than August 1 to provide the administrator time to incorporate the appropriate property tax levy and budget appropriations into the proposed budget for the following year.
3. <u>December 1</u>: The county and all the parties to the agreement will execute the agreement prior to December 1 of the year preceding the year in which the tax abatement is to be effective. Failure to fully execute the agreement by this date will at a minimum postpone the proposed tax abatements by at least one year.

MEASUREMENTS

TAF recipients must provide adequate documentation for the following project performance measurements by the deadlines established in the subsidy agreement:

1. Baseline measurements for performance criteria will use information for the six full months immediately preceding the application date.
2. Annual performance measurements will at a minimum use median information for six full months prior to the required reporting date.
3. Employment performance measurements will use the median monthly wages for full time employment.

The county reserves the right to approve or reject projects on a case-by-case basis. Meeting minimum policy criteria 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. The county, at its discretion, reserves the right to deviate from its policy to impose more severe penalties and restrictions.

V:\Community Development\Tax Abatement\Policy\Final Abatement Policy of March 12 2002.wpd