

OTTER TAIL COUNTY – MINNESOTA

ECONOMIC DEVELOPMENT TAX ABATEMENT POLICY

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Objective

The purpose of this policy is to establish Otter Tail County's guide for the consideration and processing of applications requesting tax abatement.

Policy Statement

The fundamental purpose of tax abatement in Otter Tail County is to encourage desirable development, redevelopment, or public improvements which clearly demonstrate a need for assistance and a public benefit. The County is granted the power to utilize tax abatement financing by the Minnesota Tax Abatement Act (Minnesota Statutes, Section 469.1812 to 469.1815, as amended). Tax abatement in this context is a rebate of taxes, rather than an exemption from paying property taxes. Meeting policy criteria does not guarantee the award of tax abatement to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

Statutory References

Minnesota Tax Abatement Act (Minnesota Statutes, Section 469.1812 to 469.1815, as amended)

MINIMUM REQUIREMENTS FOR TAX ABATEMENTS

- A. Abatements shall be subject to duration and amount limits.
- B. Such duration and amount limits shall be for the minimum amount necessary to meet the financial goals of the project.
- C. Benefits to the County of the proposed abatement shall be:
 1. The benefits to the County must be at least equal to the costs of the abatement (M.S. §469.1813, Subdivision. 1(a)); or
 2. The abatement will be used to phase in a property tax increase and the County finds that the abatement will be in the public interest because it will accomplish at least one of the following purposes (M.S. §469.1813, Subdivision. 1(b)):
 - a. Increase or preserve the tax base;
 - b. Provide employment opportunities within the political subdivisions;
 - c. Provide or help acquire or construct public facilities;
 - d. Help redevelop or renew blighted areas;
 - e. Help provide access to services for residents of the political subdivision;

- f. Finance or provide public infrastructure; or
 - g. Phase in a property tax increase of the parcel resulting from an increase of 50-percent or more in one year on established market value of the parcel, other than increase attributable to improvement made to the parcel.
- D. Otter Tail County will not support tax abatement for proposals that are not economically feasible.
 - E. No property tax abatement agreements shall be allowed that provides for abatement of taxes on a parcel if the abatement will occur while the parcel is located in a tax increment financing district.
 - F. Property tax subject to abatement is the net tax capacity based tax of real property including land and buildings. Market value based taxes and special assessments are not eligible for abatement.
 - G. Total tax abatements in the county cannot exceed five percent of the current net levy or \$100,000.00, whichever is greater (M.S. §469.1813, Subdivision. 8). No individual tax abatement should exceed one percent of the current net levy.
 - H. The County will not issue bonds to provide advance payment of abatements.
 - I. The abatement request must be approved prior to any new construction or improvements being made to the proposed property.
 - J. At the time an application for an Economic Development Tax Abatement is submitted all current and past due property taxes must be paid in full.

EVALUATION CRITERIA

- A. Private Development Objectives. Otter Tail County will consider using Tax Abatement to assist private development projects that strive to achieve one or more of the following objectives:
 - 1. To retain local jobs and/or increase the number and diversity of high quality jobs that offer attractive wages and benefits.
 - 2. To encourage additional unsubsidized private development in Otter Tail County, either directly or indirectly through “spin off” development (without the use of tax abatement).
 - 3. To facilitate the development process and to achieve development of sites that would not be developed without tax abatement assistance.
 - 4. To remove blight and/or encourage redevelopment of commercial and industrial areas that result in high quality redevelopment, private investment, and an increase in the County tax base.
 - 5. To offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
 - 6. To provide infrastructure necessary to accommodate economic development.
 - 7. To meet other public policy goals, as adopted by Otter Tail County from time to time, including but not limited to:
 - › Development of quality child care opportunities in Otter Tail County
 - › Preservation and creation of resorts in Otter Tail County
 - › Development and preservation of housing in Otter Tail County
- B. Additional Objectives. Otter Tail County will also consider the following factors when evaluating tax abatement requests to assist private development projects:
 - 1. In an effort to support local businesses, extra consideration will be given to existing businesses seeking to expand and grow within Otter Tail County.
 - 2. The extent to which the proposed project adds to the net commercial, industrial or

general tax base of the County and optimizes the private development of the proposed site.

3. Whether or not the proposed project provides services not already provided in the county, or services which are needed.
4. Whether or not the proposed business would be in direct competition with existing businesses in Otter Tail County. Abatements should not be given to businesses which would receive a competitive advantage over existing businesses in Otter Tail County.
5. The extent to which the project represents “new” dollars into the county.
6. The extent to which other political subdivisions are in support of the project.
7. Consistency of the proposed project with County land use regulations.
8. How the proposed project furthers the goals and objectives of the county and/or community.
9. The level of private financial investment into the project.

APPLICATION

- A. A written application, available from the Otter Tail County Community Development Agency shall be submitted for all projects seeking tax abatement from Otter Tail County.
- B. Applications shall include:
 1. Completed application for tax abatement with all support materials attached; and
 2. An application fee of \$500.00 payable to Otter Tail County. The applicant will also be required to pay for all attorney and financial consultant fees.
- C. Completed applications shall be submitted, along with required fees, to the Community Development Agency.

APPROVAL PROCESS

- A. The Otter Tail County Community Development Agency in collaboration with the County Auditor and Assessor will review the tax abatement application and make a recommendation, as to whether or not the proposed project is consistent with Minn. Stat. §§ 469.1812 to 469.1815 and the requirements and objectives of this policy.
- B. A public hearing shall be scheduled before the Otter Tail County Commissioners.
- C. An Abatement Resolution shall be submitted for consideration by the Otter Tail County Board of Commissioners, who are the final authority on granting approval of tax abatement requests.

DEVELOPMENT AGREEMENT AND ANNUAL REPORTING REQUIREMENTS

- A. **Development Agreement:** All projects granted tax abatement will be required to enter into a Development Agreement. The Development Agreement will be recorded against the property, and will clearly define the responsibilities of the property owner(s) receiving the abatement, and will require annual reporting.
- B. **Annual Reporting Requirements:** All projects granted tax abatement shall submit annual reports, which comply with Business Subsidy Reporting Requirements as established in Minn. Stat. §§116J.993-116J.995.

RECAPTURE OF ABATEMENT

- A. Imposition of any recapture is at the sole discretion of the Otter Tail County Board of Commissioners and shall be considered on a case-by-case basis.
- B. Recapture considerations may include but are not limited to the:
 - 1. Sale or closure of the facility and departure of the company from the jurisdiction.
 - 2. Significant change in the use of the facility and /or the business activities of the company.
 - 3. Significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic condition.
 - 4. Failure to achieve the minimum number of net new jobs and wage level as specified in the abatement policy, application, and County Business Subsidy Policy.
 - 5. Failure to comply with development agreement and/or annual reporting requirements.

