

TAX ABATEMENT

I. PURPOSE

The purpose of this policy is to establish the District's position relative to Tax Abatement (Abatement) for private development. This policy shall be used as a guide in the review and consideration of abatement proposals. The School District, in adopting this policy, retains the sole and absolute discretion to grant or deny any request for any reason with or without cause or explanation. The School District shall have the option of amending or waiving sections of this policy when determined necessary or appropriate if determined that the total economic benefit exceeds this policy's intent.

II. DEFINING TERMS

One of the key differences between Tax Increment Financing (TIF) and Tax Abatement is the way in which political subdivisions approve them. When a city awards TIF to a project, the other political subdivisions (school district and the county) are required to contribute their portion of the increased taxes to the project. Conversely, when Tax Abatement is requested, each political subdivision has the option of granting its portion of the increased taxes to the project.

III. APPLICATION REQUIREMENTS AND PROCESS

The School Board shall hold a public hearing on the tax abatement application following which the investment may be approved by the Board. The investment will be implemented only upon passage of a resolution and Tax Abatement Agreement specifying the terms of the investment.

IV. PUBLIC POLICY CONSIDERATIONS

Each application requesting tax abatement must:

- A. Demonstrate in the application that the benefits to the School District will be at least equal to the costs of the tax abatement or tax increment financing investment; and
- B. Demonstrate that the project will benefit the School District in the following ways:
 - 1. Increase or preserve tax base;
 - 2. Create or retain jobs;
 - 3. Provide or help acquire, finance or construct public facilities;

4. Help develop or renew blighted areas or renovate buildings;
5. Help provide access to services for residents; or
6. Retain the business if it is at risk of relocating

V. APPLICATION CONSIDERATIONS

The following criteria will be considered by the School Board when reviewing applications for tax abatement in accordance with Minnesota Statutes. However, it should not be presumed that a project meeting these criteria will automatically be approved.

The School Board will consider retail or service businesses for tax abatement if it is determined the proposed project accomplishes the following:

- A. Creates employment opportunities;
- B. Creates tax base;
- C. Provides or helps acquire, finance or construct public facilities;
- D. Helps develop or renew blighted areas or renovate buildings;
- E. Helps provide access to services for residents; or
- F. Retains a business if it is at risk of relocating

The School Board may consider the impact of the project on the surrounding areas, including but not limited to: pollution, traffic, sewer and water, parks, and need for additional government services such as law enforcement.

The School Board may approve tax abatement investment terms at its discretion based on the individual project being considered. Equal consideration may be given to businesses currently located in the school district boundaries, which are renovating, expanding or adding on to their existing building, and new businesses.

VI. PROJECT APPROVAL CRITERIA

In addition to complying with all statutory requirements, projects requesting abatement assistance should meet the following minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved. The Board may rely on the city's assessment of these criteria:

- A. Tax abatement assistance should be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies;

- B. Tax abatement assistance should not be provided to projects that have the financial feasibility to proceed without public financial assistance. In effect, assistance will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of an abatement assistance request, the school district may undertake an independent financial evaluation or feasibility study of the project to help ensure that the request for assistance is valid.
- C. The developer should provide a minimum of 10% equity in the project.
- D. Any developer requesting abatement assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposal.
- E. Tax abatement assistance should not be used to support speculative industrial, commercial, and office projects. In general, speculative projects are defined as those projects which have letters of intent or pre-leasing for less than 50% of the available lease spaces.

VII. EVALUATION CRITERIA

When considering a tax abatement request, there should be a financial benefit to the school district.

The following items may be taken into consideration in the evaluation of any development proposal requesting tax abatement assistance.

- A. Need for public assistance – in all cases, it is required that the need for public assistance be demonstrated and documented by the developer.
- B. Amount of public assistance versus private investment – all development proposals should seek to maximize the amount of private investment per dollar of public assistance. Public assistance as a percentage of total development costs will be determined for each project and compared to other development projects of similar scope and magnitude whenever possible.
- C. Term of public assistance – the term of the assistance shall be kept to a minimum. The proposed term of any assistance shall be fully documented and explained.
- D. Development benefits and costs – the direct and indirect benefits of the development proposal shall be determined and quantified to the degree possible. Benefits shall include, but are not limited to, employment benefits (number of jobs retained or created wage and salary information, etc.), tax base benefits (estimated market value of new development, new property taxes generated, etc.), housing benefits (number of new rental or ownership units, etc.) and other benefits relating to transportation, parking, blight remediation, environmental cleanup and historic preservation.

Generally speaking, no position will be taken on applications for Tax Increment Financing.

Source: Cambridge-Isanti Schools

Legal References: Minn. Stat. §469.174 - 469.1794

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