
SUBJECT: TAX INCENTIVE POLICY

ADOPTED DATE: JANUARY 2, 2018

PAGE 1 OF 5

This policy sets forth the criteria under which the Cass County Board of Commissioners may grant tax exemptions for new or expanding businesses, whether commercial, industrial or service. The Cass County Board of Commissioners states that its purpose in adopting this policy is to sanction, authorize, and encourage activities in the public interest and for the welfare of the State of North Dakota, its political subdivisions, and the people by assisting in the establishment of additional industrial plants, the expansion and retention of existing business, and promotion of economic activities within the State, and thereby increasing production of wealth, and adding to the volume of employment. This policy is a business expansion and jobs creation policy and applies to new and existing businesses as well as new or existing buildings. This tax incentive policy shall apply only to businesses that locate in Cass County, outside of any incorporated city.

New or Expanding Business Exemption/PILOT (N.D.C.C. 40-57.1) [Page 10]

This allows for a 5-year exemption for buildings of certain new or expanding business projects. A 10-year exemption may be granted to projects producing or manufacturing a product from agricultural commodities, at the commission's discretion, evaluated on a case by case basis. In addition to, or instead of a property tax exemption, projects may be granted an option to set up to 20 years of payments in lieu of taxes (PILOT) again at the commission's discretion. The amount of those payments would be determined through negotiations with the County and the project operator.

The following guidelines are recommended:

Cass County will use as a guide the general review criteria below in evaluating the applications for assistance. Each incentive option will be administered according to the appropriate state law in conjunction with the specific policy or guideline adopted by the Cass County Commission.

- 1) A \$100.00 non-refundable fee is required to begin the application process. In addition, the project operator shall publish two notices, the form of which shall be prescribed by the State Board of Equalization. This notice to competitors of such an application for tax exemption shall be published in the official newspaper at least one week apart and not less than 15, nor more than 30 days, before the Board of Commissioners is scheduled to consider such application.
- 2) A new business to the community must not gain unfair advantage with existing competitors using the exemption. The "unfair advantage" argument must be made by a competitive business, in writing, to the Board of Commissioners within 15 days after publication of the official notice.
- 3) An existing business is eligible for tax exemption if expansion of the business includes new jobs and a minimum 20% increase in taxable property value, limited to the assessed valuation of the expansion. Property tax liability on existing buildings are not eligible for the exemption.
- 4) Warehousing and retail projects would not receive exemptions unless the owner could prove need or provide other information to justify granting the exemption.
- 5) Growth projections in the community must be verifiable through either the County Assessor or County Auditor's Office.

SUBJECT: TAX INCENTIVE POLICY

ADOPTED DATE: JANUARY 2, 2018

PAGE 2 OF 5

Economic Impact to the County

The economic impact to the County to be considered will be determined by increased construction activity and the purchase of local equipment, goods and services. Also, consideration will be given in terms of the size of the payroll and the value of the real property which ultimately serves to increase the tax base of the county.

Diversification and Growth of the Economic Base

The County is concerned about attracting and retaining companies that provide diversification from the existing industrial base to bring about a more stable economic environment in the county.

Number and Type of Jobs to be Created

The County is interested in knowing the projection for job creation over the term of the assistance. Consideration will be given to the salary, benefits, and type of jobs to be created or anticipated jobs to be added in the future.

Quality and Growth Potential of the Client

Consideration will be given to the company's reputation in other areas of the country in terms of the client's track record, credit history, stability, and overall industry standing. The County will also be interested in the company's history of growth, potential for future growth, and the general outlook for growth of the industry.

If requested by the County, the developer shall provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, cash escrows, and personal guaranties. If requested by the County, or its consultants, the developer shall provide sufficient financial, environmental, or other data relative to the successful operation of the project.

Kinds of Businesses Targeted for Possible Incentives

The County will typically assist primary sector businesses. Primary sector businesses are those in which at least 70% of the revenues generated by the product or service, they provide come from outside the Fargo trade area (150-mile radius). The product may be completed by another firm (i.e. Cardinal Glass provides glass to Integrity Windows). This information will be provided by the business as part of the application process.

The business must receive "Primary Sector" designation from the North Dakota Department of Commerce and submit that information along with the incentive application. Targeted primary sector businesses are:

1. Those engaged in manufacturing, remanufacturing or processing of a raw material or base product.
2. Those providing packaging and distribution of end products.
3. Service industries that are involved in data processing, data communications, telecommunications services, computer software development, technology support, research facilities, research and development of new technologies, or any form of information processing.

The County is sensitive to concerns of providing assistance if jobs are simply being relocated within the Fargo Trade Area.

SUBJECT: TAX INCENTIVE POLICY

ADOPTED DATE: JANUARY 2, 2018

PAGE 3 OF 5

Kinds of Businesses Typically Not Eligible for Incentives:

- Retail or any business selling directly to the consumer
- Health Care industry
- Education industry
- Property that is occupied by a public, as opposed to private, school, academy, college or other institution of learning for the use of students in attendance upon such public educational institution would be eligible for incentives.
- Hospitality services (hotels, restaurants, taverns, etc.).
- Professionals (architects, attorneys, physicians, dentists, CPA's, real estate developers, investment advisors, advertising/public relations advisors)
- General office facilities
- General warehousing facilities

Evaluation Point System to Be Used as A Guide

A point system will be utilized as a guide in evaluating primary sector projects for possible incentive programs. Although the point system will not be the final determining factor regarding eligibility for incentives, it will be used as a tool to quantify certain criteria.

A total of 100 points is required for recommended approval under the point system. The following is a breakdown of the criteria evaluated by the point system:

Project Type:

Points Project Description

- +38 Manufacturing
- +25 Support Services
- +13 Distribution
- +25 Primary Sector Distribution
- +38 Primary Sector Service Industry
- +38 Technology Research
- 63 Common Service Industry
- 63 Warehousing
- 63 Retail
- 63 Lodging Industry

Jobs Created (Initial Year):

Points Number of Jobs

- + 0 1-10
- +15 11-50
- +20 51-100
- +25 101-250
- +30 251+

SUBJECT: TAX INCENTIVE POLICY

ADOPTED DATE: JANUARY 2, 2018

PAGE 4 OF 5

Points Hourly Salary w/o Benefits

- 25 Under \$13.00	
+ 0 \$13.01 - \$15.00	A weighted average of points will be used according to the number of jobs created in each range.
+25 \$15.01 - \$20.00	
+30 \$20.01 - \$28.00	
+35 \$28.01 - \$35.00	
+50 Over \$35.00	

Local Competition:

Points % of Gross Income with Any Local Competition

+25 0% - 10%
+15 11% - 30%
+0 31% - 50%
-25 Over 50%

Value of Proposed Buildings:

Points Proposed Building Value

+ 0 Up to \$80,000
+ 5 \$80,001 - \$100,000
+ 7.5 \$100,001 - \$500,000
+ 10 \$500,001 - \$1,000,000
+12.5 \$1,000,001 - \$5,000,000
+ 15 \$5,000,001 - \$10,000,000
+ 20 \$10,000,000 - \$15,000,000
+ 30 Over \$15,000,000

Startup Firms:

Points Startup
+15 New "startup" projects

Timing of Filing Application:

Points Application Filing
-100 If filed after start of construction on a new building
-100 If filed after occupancy on an existing building

Incentive Agreement and Reporting Requirements

Each company receiving a business incentive shall be subject to a business incentive agreement with the County as well as the State of ND and reporting provisions and requirements set forth by the ND Century Code and summarized below:

1) Progress Reports

The recipient shall file a report annually for two years after receiving the incentive or until all goals set forth in the incentive agreement have been met, whichever is later. Reports shall be completed using the format drafted by the State of ND and shall be filed with the County no later than March 1 of each year for the progress made the previous year.

SUBJECT: TAX INCENTIVE POLICY

ADOPTED DATE: JANUARY 2, 2018

PAGE 5 OF 5

- 2) Maintain Facility
The recipient agrees to maintain and operate its facility at the site where the incentive is used for a period of five years after the date the incentive is provided.
- 3) Failure to Comply
Business failing to comply with the incentive program will be subject to fines and repayment requirements and will be deemed ineligible to receive any future incentives for a period of five years.

Incentive Application Process and Procedure

Application for business incentives must be made on forms provided by the County and include the \$100.00 non-refundable fee. Following a review and evaluation by appropriate County Staff and/or County's consultant, (GFMEDC), the application shall be referred to the Cass County Commission for further action.

The application packet shall include: a detailed description of the project, preliminary site plan, the incentive amount requested, public purpose of the project, number and type of jobs to be created, wages and benefits, verifiable funding sources and uses, projected project financial statements.

Applicants must complete and submit a property tax clearance record which can be obtained from the state tax office. The purpose of this document is to show the applicant is current on existing property tax liabilities.

In those cases, where an application for tax exemption involves new construction, an exemption which has been granted will be considered lapsed and invalid if construction has not begun in 1 year and/or completed in 2 years. Notice will be sent to the project operator 90 days prior to the exemption lapsing. If, however, the business submits information prior to the exemption lapsing outlining circumstances which necessitate a longer construction schedule, the County Commission can vote to extend the construction period.

If an exemption has been granted and the project operator wishes to locate the operation in another facility, the exemption may be transferred to the new building if the value of the new building is no more than 15% higher than that of the building for which the exemption was originally granted or if the capital investment in the project does not increase by more than 20%. If the new building is more than 15% greater in estimated value or the capital investment in the project increases by more than 20%, the County Commission will reconsider the exemption.

HISTORICAL REFERENCE DATE: JUNE 5, 1995
AUGUST 3, 1998
FEBRUARY 21, 2006
JANUARY 2, 2018