

## COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY

### UNIFORM TAX EXEMPTION POLICY

SECTION 1. PURPOSE AND AUTHORITY. Pursuant to Section 874(4)(a) of Title One of Article 18-A of the General Municipal Law, County of Cattaraugus Industrial Development Agency (the “Agency”) is required to establish a uniform tax exemption policy applicable to the provision of any financial assistance of more than one hundred thousand dollars to any project. This uniform tax-exemption policy (hereinafter, the “Uniform Tax Exemption Policy”) was adopted pursuant to a resolution enacted by the members of the Agency on November 14, 1995, readopted pursuant to a resolution enacted by the members of the Agency on March 30, 1999, and modified pursuant to resolutions enacted by the members of the Agency on June 8, 2004 and February 4, 2010.

SECTION 2. DEFINITIONS. All words and terms used herein and defined in the Act shall have the meanings assigned to them in the Act, unless otherwise defined herein or unless the context or use indicates another meaning or intent. The following words and terms used herein shall have the respective meanings set forth below, unless the context or use indicates another meaning or intent:

(A) “Act” shall mean Title One of Article 18-A of the General Municipal Law.

(B) “Administrative Fee” shall mean a charge imposed by the Agency to an Applicant or project occupant for the administration of a project.

(C) “Affected Tax Jurisdiction” means, with respect to a particular project, the County and each Municipality and/or School District in which such project is (or is to be) located which will fail to receive real property tax payments which would otherwise be payable with respect to such project due to a Tax Exemption obtained by reason of the involvement of the Agency in such project, unless the Affected Tax Jurisdictions shall agree in writing to add or subtract additional governmental entities thereto.

(D) “Agency” shall mean County of Cattaraugus Industrial Development Agency.

(E) “Agency Fee” shall mean the normal charges imposed by the Agency on an Applicant or a project occupant to compensate the Agency for the Agency’s participation in a project. The term “Agency Fee” shall include not only the Agency’s normal application fee and the Agency’s normal Administrative Fee, but also may include (1) reimbursement of the Agency’s expenses, (2) rent imposed by the Agency for use of the property of the Agency, and (3) other similar charges imposed by the Agency.

(F) “Applicant” shall mean an applicant for financial assistance.

(G) “Applicant Project” shall mean a project which is undertaken by the Agency for the benefit of an Applicant which either (1) has been or will be financed by the issuance by the Agency of bonds, notes or other evidences of indebtedness with respect thereto or (2) is a straight lease transaction which the Agency has determined to undertake pursuant to the Lease Policy.

(H) “Assessed Value” shall mean, with respect to a particular Parcel, the value of the Parcel in question for purposes of determining payments in lieu of taxes due hereunder

(I) “Assessor” shall mean, with respect to a particular project and with respect to a particular Affected Tax Jurisdiction, the appropriate officer or officers charged by said respective Affected Tax Jurisdiction with assessing the value of real property located within the boundaries of said Affected Tax Jurisdiction for purposes of determining real property taxes levied by said Affected Tax Jurisdiction.

(J) “Code” means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of said Code, and any official rulings and judicial determinations under the foregoing.

(K) “Commercial Facility” shall mean any Applicant Project approved by the Agency that is not a Tax-Exempt Facility, a Manufacturing Facility, a Tourism Destination Facility, a Retail Facility or a Residential Facility. A “Qualified Commercial Facility” shall mean a Commercial Facility which commits to retain at least 100% of the number of existing jobs for the Initial Period relating thereto.

(L) “County” shall mean the County of Cattaraugus.

(M) “FTE” shall mean a full time equivalent employee. To determine the number of FTEs employed by an employer at a particular facility in a particular year, divide the number of hours worked by all employees at such facility in such year by 1900.

(N) “Guaranteed Pilot Payment” shall mean each payment due with respect to a Wind Farm Facility during the Initial Period relating to said Wind Farm Facility pursuant to Section 7(D)(10) of this Uniform Tax Exemption Policy.

(O) “Initial Period” shall mean, with respect to a particular project, the period of time that said project shall receive a real property tax abatement pursuant to the provisions of this Uniform Tax Exemption Policy.

(P) “Lease Policy” shall mean the lease policy approved by resolution of the members of the Agency on November 14, 1995 and modified pursuant to a resolution enacted by the members of the Agency on \_\_\_\_\_, 2009, pursuant to which the Agency set forth the circumstances under which the Agency will consider undertaking a straight-lease transaction, as such term is defined in Section 854(15) of the Act.

(Q) “Manufacturing Facility” shall have the meaning set forth in Section 144(a)(12)(C) of the Code, which defines said term to include (1) a “manufacturing facility”, i.e. any facility used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property and (2) certain facilities which are directly related and ancillary to a manufacturing facility if such facilities are located on the same site as the manufacturing facility. A “Regular Manufacturing Facility” shall mean a Manufacturing Facility which commits to retain at least 90% of the number of existing jobs for the Initial Period relating thereto. An “Enhanced Manufacturing Facility” shall mean a Manufacturing Facility which commits to retain all existing jobs for the Initial Period relating thereto and additionally commits to create additional jobs equal to the greater of (a) 50% of the number of existing jobs or (b) 50 jobs.

(R) “Municipality” shall mean each city, town and village located within the County.

(S) “Non-Applicant Project” means a project which is undertaken by the Agency for the benefit of the Agency, and shall not include an Applicant Project.

(T) “Nonexempt Person” shall mean a person not exempt from real property taxation pursuant to the provisions of the Real Property Tax Law of the State of New York.

(U) “Normal Tax” shall mean, with respect to a particular Parcel, the amount of general taxes and general assessments which would be payable to each Affected Tax Jurisdiction if the Parcel in question was owned by a Nonexempt Person and not the Agency by multiplying (1) the Assessed Value of the Parcel in question, by (2) the tax rate or rates of such Affected Tax Jurisdiction that would be applicable to such Parcel if such Parcel was owned by a Nonexempt Person and not the Agency.

(V) “Parcel” shall mean a parcel of land and the improvements located thereon.

(W) “Pilot” or “Payment in Lieu of Tax” shall mean any payment made to the Agency or an Affected Tax Jurisdiction equal to all or a portion of the real property taxes or other taxes which would have been levied by or on behalf of an Affected Tax Jurisdiction with respect to a project but for Tax Exemption obtained by reason of the involvement of the Agency in such project, but such term shall not include Agency Fees.

(X) “Pilot Agreement” or “Payment in Lieu of Tax Agreement” shall mean a payment in lieu of tax agreement.

(Y) “Residential Facility” shall mean buildings and appurtenant lands constituting single, duplex or multi family buildings and appurtenant lands that are leased to or occupied by any person as a residence.

(Z) “Retail Facility” shall mean facility (1) where either (a) fifty percent (50%) or more of the total cost of such facility relates to stores and/or professional offices offering goods or services for sale to customers who personally visit such premises to receive such goods or services or (b) fifty percent (50%) or more of the total space in such facility constitutes stores and/or professional offices offering goods or services for sale to customers who personally visit such premises to receive such goods or services, or (2) which constitutes a club where there is an initial fee, annual membership fee or membership is limited.

(AA) “School District” shall mean each school district located within the County.

(BB) “Small Alternate Energy Facility” means a facility (1) that is determined by the Agency to be a facility described in Section 487(1) of the Real Property Tax Law (including solar or wind energy equipment, a solar or wind energy system, farm waste electric generating equipment, and a farm waste energy system), (2) that is installed or to be installed in a residence, a farm or a small business located within the County and (3) that is not a Wind Farm Facility.

(CC) “Tax-Exempt Facility” shall mean a facility solely occupied by entities exempt from taxation pursuant to Section 115 of the Code or Section 501(c)(3) of the Code and utilized exclusively for the mission of such entity for which exemption was granted pursuant to Section 501(c)(3) of the Code.

(DD) “Tax Exemption” shall mean any financial assistance granted to a project which is based upon all or a portion of the taxes which would otherwise be levied and assessed against a project but for the involvement of the Agency in such project.

(EE) “Tourism Destination Facility” shall mean a facility in the County that the Agency determines (1) will attract and/or service a significant number of Tourists, (2) will entice more Tourists to

come to the County, (3) is linked to other Tourism Destination Facilities in the County, and (4) will agree to pay (a) sales taxes and occupancy taxes related to the operation of said facility and (b) real estate taxes and/or Pilot payments related to such facility.

(FF) “Tourist” shall mean customer of a facility who resides outside the Western New York Economic Development Region (as designated by the New York State Department of Economic Development).

(GG) “Wind Farm Facility” means a group of wind turbines and related facilities in the same location intended to be used for the production of electric power to be sold to third parties. A Wind Farm Facility includes all related equipment determined by the Agency to be necessary or desirable for collecting such electric energy and delivering same to the electric grid, but shall not include the land and improvements that were included on the tax rolls of the Affected Tax Jurisdictions prior to the commencement of the project of which such Wind Farm Facility is a part (see Section 7(D)(1) herein).

SECTION 3. GENERAL PROVISIONS. (A) General Policy. The general policy of the Agency is to grant Tax Exemption as hereinafter set forth to (1) any Applicant Project and (2) any Non-Applicant Project.

(B) Exceptions. Absent special circumstances, the Agency intends to follow the general policy enunciated under subsection (A) of this Section. The Agency reserves the right to deviate from such policy in special circumstances. In determining whether special circumstances exist to justify such a deviation, the Agency may consider the magnitude of the deviation sought and the factors which might make the project unusual, which factors might include but not be limited to the following factors: (1) the magnitude and/or importance of any permanent private sector job creation and/or retention related to the proposed project in question; (2) whether the Affected Tax Jurisdictions will be reimbursed by the project occupant if such project does not fulfill the purposes for which Tax Exemption was granted; (3) the impact of such project on existing and proposed businesses and/or economic development projects; (4) the amount of private sector investment generated or likely to be generated by such project; (5) demonstrated public support for such project; (6) the estimated value of the Tax Exemptions requested; and (7) the extent to which such project will provide needed services and/or revenues to the Affected Tax Jurisdictions. In addition, the Agency may consider the other factors outlined in Section 874(4)(a) of the Act.

(C) Application. No request for a Tax Exemption relating to an Applicant Project shall be considered by the Agency unless an application (with a cost/benefit analysis) and environmental assessment form are filed with the Agency on the forms prescribed by the Agency pursuant to the rules and regulations of the Agency. Such application shall contain the information requested by the Agency, including a description of the proposed project and of each Tax Exemption sought with respect to the project, the estimated value of each Tax Exemption sought with respect to the project, the proposed financial assistance being sought with respect to the project, the estimated date of completion of the project, an analysis of the costs and benefits of the project, and whether such financial assistance is consistent with this part.

(D) Notice to Affected Tax Jurisdictions. No request for approval of an Applicant Project by the Agency which involves the issuance of bonds, notes or other evidences of indebtedness with respect thereto or any other application for Tax Exemptions or other financial assistance which may aggregate more than \$100,000, or which involves a proposed deviation from the provisions of this Uniform Tax Exemption Policy, shall be given final approval by the Agency unless and until (1) the Agency has sent written notice of said request to each Affected Tax Jurisdiction, and (2) has given each Affected Tax Jurisdiction a reasonable opportunity, both in writing and in person, to be heard by the Agency with

respect to the proposed request. With respect to Non-Applicant Projects, the Agency shall comply with the provisions of Section 859-a of the Act, to the extent applicable. In addition, the Agency shall comply with all other notice provisions contained in the Act relative thereto.

**SECTION 4. SALES AND USE TAX EXEMPTION.** (A) General. State law provides that purchases of tangible personal property by the Agency or by an agent of the Agency, and purchases of tangible personal property by a contractor for incorporation into or improving, maintaining, servicing or repairing real property of the Agency, are exempt from sales and use taxes imposed pursuant to Article 28 of the Tax Law. The Agency has a general policy of abating sales and use taxes applicable (1) only to the initial acquisition, construction, reconstruction and/or equipping of an Applicant Project and (2) to any Non-Applicant Project. The Agency has no requirement for imposing a payment in lieu of tax arising from the exemption of an Applicant Project from sales and/or use taxes applicable to the initial acquisition, construction, reconstruction and/or equipping of such project, except (a) as described in subsection (E) below or (b) in the circumstance where (i) an Applicant Project is offered sales and use tax exemption on the condition that a certain event (such as the issuance of bonds by the Agency with respect to the project) occur by a certain date and (ii) such event does not occur, in which case the Agency may require that the Applicant make payments in lieu of sales and use taxes equal to the amount of tax which otherwise may have been due to the New York State Department of Taxation and Finance.

(B) Period of Exemption. Except as set forth in subsection (A) above, the period of time for which a sales and use tax exemption shall be effective (the “Tax Exemption Period”) shall be determined as follows:

(1) General. Unless otherwise determined by the Agency, the sales and use tax exemption for an Applicant Project shall be for the Tax Exemption Period commencing with the issuance by the Agency of bonds, notes or other evidences of indebtedness with respect to such project, or the execution and delivery by the Agency of a lease agreement relating to such project pursuant to the Lease Policy, and ending on the date of completion of the project. The Tax Exemption Period for a Non-Applicant Project shall extend for such period of time as the Agency shall determine.

(2) Early Commencement. The Tax Exemption Period for an Applicant Project may, at the discretion of the Agency, commence earlier than (a) the date of issuance by the Agency of the Agency’s bonds, notes or other evidences of indebtedness relating to the project or (b) the execution and delivery of the documents relating to a straight lease transaction, provided that (i) the Agency has complied with the requirements of Section 859-a of the Act, (ii) the Agency thereafter adopts a resolution determining to commence such period earlier, (iii) the Applicant agrees to the conditions of such resolution and supplies to the Agency the materials required to be supplied to the Agency thereunder, and (iv) the Chairman or Executive Director of the Agency acknowledges satisfaction of all conditions to the granting of such Tax Exemption set forth in such resolution.

(3) Normal Termination. The Tax Exemption Period for an Applicant Project will normally end upon the completion of such project. On construction or reconstruction projects, the Agency and the Applicant shall agree on the estimated date of completion of the project, and the sales and use tax exemption shall cease on the earlier of (a) the date which is six (6) months after the actual date of completion of the project or (b) the date which is six (6) months after the estimated date of completion of such project. On non-construction projects, the Agency and the Applicant shall agree on the estimated date of completion of the project, and the sales and use tax exemption shall cease on the earlier of (i) the date which is three (3) months after the actual date of completion of the project or (ii) the date which is three (3) months after the estimated date that

the last piece of equipment related to the project is expected to be ordered. If the Agency and the Applicant shall fail to agree on a date for completion of the project, the Agency shall on notice to the Applicant make the determination on the basis of available evidence.

(4) Later Termination. The Agency, for good cause shown, may adopt a resolution extending the period for completion of the project and/or extending the Tax Exemption Period.

(C) Items Exempted. The sales and use tax exemption granted by the Agency with respect to an Applicant Project shall normally extend only to the following items acquired during the Tax Exemption Period described in subsection (B) above:

(1) improvements to and items incorporated into the real property;

(2) tangible personal property, including furniture, furnishings and equipment used to initially equip the project or otherwise forming part of the project, if purchased by the Applicant as agent of the Agency;

(3) the rental of tools and other items necessary for the construction, reconstruction and/or equipping of the project, if rented by the Applicant as agent of the Agency; and

(4) office supplies, fuel and similar items consumed in the process of acquiring, constructing, reconstructing and/or equipping the project, if purchased by the Applicant as agent of the Agency.

(D) Items Not Exempted. A sales and use tax exemption with respect to an Applicant Project shall not be granted by the Agency for the following:

(1) purchases occurring beyond the Tax Exemption Period described in subsection (B) above;

(2) repairs, replacements or renovations of the project, unless such repairs, replacements or renovations constitute major capital-type expenses approved by the Agency as a separate project in the manner contemplated by the Act; or

(3) operating expenses, unless such operating expenses constitute major capital-type expenses approved by the Agency as a separate project in the manner contemplated by the Act.

(E) Percentage of Exemption. Unless otherwise determined by resolution of the Agency, the sales and use tax exemption shall be equal to one hundred percent (100%) of the sales and/or use taxes that would have been levied if the project were not exempt by reason of the Agency's involvement in the project. If an exemption of less than one hundred percent (100%) is determined by the Agency to be applicable to a particular Applicant Project, then the Applicant shall be required to pay a Pilot to the Agency equal to the applicable percentage of sales and/or use tax liability not being abated. The Agency shall remit such Pilot, within thirty (30) days of receipt thereof by the Agency, to the Affected Tax Jurisdictions in accordance with Section 874(3) of the Act.

(F) Confirmation Letter. The final act of granting a sales and/or use tax exemption by the Agency shall be confirmed by the execution by an authorized officer of the Agency of a confirmation letter by the Agency. Such confirmation letter may either be in the form of a letter for the duration of the anticipated construction period relating to the project (where the sales and use tax exemption is permanent, because the Agency is satisfied that any conditions precedent to such sales and use tax

exemption, such as the issuance of bonds or the execution of a lease agreement by the Agency, have been satisfied) or a letter having a shorter duration (where such sales and use tax exemption is tentative, because there remain conditions precedent to such sales and use tax exemption which have not been satisfied). Each such confirmation letter shall describe the scope and term of the sales and use tax exemption being granted.

(G) Required Filings. (1) The New York State Department of Taxation and Finance requires that proper forms and supporting materials be filed with a vendor to establish a purchaser's entitlement to a sales and use tax exemption. For example, TSB-M-87(7) outlines the materials that must be filed to establish entitlement to a sales and use tax exemption as an "agent" of the Agency. It is the responsibility of the Applicant and/or project occupant to ensure that the proper documentation is filed with each vendor to obtain any sales and use tax exemptions authorized by the Agency.

(2) Pursuant to Section 874(9) of the Act, the Agency is required to file, within thirty (30) days of the date that the Agency designates an Applicant and/or project occupant to act as agent of the Agency, a New York State Department of Taxation and Finance form ST-60 relating to such appointment. The form identifies the agent of the Agency, provides a brief description of the project and an estimate of the value of the sales tax exemption and certain other information. The project documents shall require that the Applicant assist the Agency in completing the form.

(H) Required Reports and Records. Pursuant to Section 874(B) of the Act, the Applicant and/or project occupant is required to annually file with the New York State Department of Taxation and Finance a statement of the value of all sales and use tax exemptions claimed under the Act by the Applicant and/or the project occupant and/or all agents, subcontractors and consultants thereof. The project documents shall require that (1) a copy of such statement will also be filed with the Agency and (2) that the project occupant shall maintain, for a period ending seven (7) years after the last purchase made under the sales and use tax exemption, and make available to the Agency at the request of the Agency, detailed records which shall show the method of calculating the sales and use tax exemption benefit granted by the Agency.

SECTION 5. MORTGAGE RECORDING TAX EXEMPTION. (A) General. State law provides that mortgages recorded by the Agency are exempt from mortgage recording taxes imposed pursuant to Article 11 of the Tax Law. The Agency has a general policy of abating mortgage recording taxes for the initial financing obtained from the Agency with respect to each project with respect to which the Agency issues debt which will be secured by a mortgage upon real property. In instances where the initial financing commitment provides for a construction financing of the Agency to be replaced by a permanent financing of the Agency immediately upon or shortly after the completion of the project, the Agency's general policy is to abate the mortgage recording tax on both the construction financing and the permanent financing.

(B) Refinancing. In the event that the Agency retains title to a project, it is the general policy of the Agency to abate mortgage recording taxes on any debt issued by the Agency for the purpose of refinancing prior debt issued by the Agency, and on any modifications, extensions and renewals thereof, so long as the Agency Fees relating to same have been paid. A refinancing of an Applicant Project shall not result in (1) any real property tax exemption beyond the Initial Period described in Section 7(D) hereof or (2) any additional sales and use tax exemptions with respect to said project.

(C) Non-Agency Projects. In the event that the Agency does not hold title to a project, it is the policy of the Agency not to join in a mortgage relating to that project and not to abate any mortgage recording taxes relating to that project.

(D) Non-Agency Financings. Occasionally, a situation will arise where the Agency holds title to a project, the project occupant needs to borrow money for its own purposes (working capital, for example), and the lender will not make the loan to the project occupant without obtaining a fee mortgage as security. In such instances, the policy of the Agency is to consent to the granting of such mortgage and to join in such mortgage, so long as the following conditions are met:

(1) the documents relating to such proposed mortgage make it clear that the Agency is not liable on the debt, and that any liability of the Agency on the mortgage is limited to the Agency's interest in the project;

(2) the granting of the mortgage is permitted under any existing documents relating to the project, and any necessary consents relating thereto have been obtained by the project occupant; and

(3) the payment of the Agency Fee relating to same.

(E) Exemption Affidavit. The act of granting a mortgage recording tax exemption by the Agency is confirmed by the execution by an authorized officer of the Agency of an exemption affidavit relating thereto.

(F) Pilot Payments. If the Agency is a party to a mortgage that is not to be granted a mortgage recording tax exemption by the Agency (a "non-exempt mortgage"), then the Applicant and/or project occupant or other person recording same shall pay the same mortgage recording taxes with respect to same as would have been payable had the Agency not been a party to said mortgage (the "normal mortgage tax"). Such mortgage recording taxes are payable to the County Clerk of the County, who shall in turn distribute same in accordance with law. If for any reason a non-exempt mortgage is to be recorded and the Agency is aware that such non-exempt mortgage may for any reason be recorded without the payment of the normal mortgage tax, then the Agency shall prior to executing such non-exempt mortgage collect a Pilot equal to the normal mortgage tax and remit same within thirty (30) days of receipt by the Agency to the Affected Tax Jurisdictions in accordance with Section 874(3) of the Act.

SECTION 6. REAL ESTATE TRANSFER TAXES. (A) Real Estate Transfer Tax. Article 31 of the Tax Law provides for the imposition of a tax upon certain real estate transfers. Section 1405(b)(2) of the Tax Law provides that transfers into the Agency are exempt from such tax, and the New York State Department of Taxation and Finance has ruled that transfers of property by the Agency back to the same entity which transferred such property to the Agency are exempt from such tax. The general policy of the Agency is to impose no payment in lieu of tax upon any real estate transfers to or from the Agency.

(B) Required Filings. It shall be the responsibility of the Applicant and/or project occupant to ensure that all documentation necessary relative to the real estate transfer tax are timely filed with the appropriate officials.

SECTION 7. REAL ESTATE TAX EXEMPTION. (A) General. Pursuant to Section 874 of the Act and Section 412-a of the Real Property Tax Law, property owned by or under the jurisdiction or supervision or control of the Agency is exempt from general real estate taxes (but not exempt from special assessments and special ad valorem levies). However, it is the general policy of the Agency that, notwithstanding the foregoing, every non-governmental project will be required to enter into a Pilot Agreement, either separately or as part of the project documents. Such Pilot Agreement shall require payment of Pilot payments in accordance with the provisions set forth below.

(B) Pilot Requirement. Unless the Applicant and/or project occupant and the Agency shall have entered into a Pilot Agreement acceptable to the Agency, the project documents shall provide that the Agency will not file a New York State Department of Taxation and Finance, Division of Equalization and Assessment Form EA-412-a (an “Exemption Form”) with respect to the project, and the project documents shall provide that the Applicant and/or the project occupant shall be required to make Pilot payments in such amounts as would result from taxes being levied on the project by the Affected Tax Jurisdictions if the project were not owned by or under the jurisdiction or supervision or control of the Agency. The project documents shall provide that, if the Agency and the Applicant and/or project occupant have entered into a Pilot Agreement, the terms of the Pilot Agreement shall control the amount of Pilot payments until the expiration or sooner termination of such Pilot Agreement.

(C) Required Filings. As indicated in subsection (B) above, pursuant to Section 874 of the Act and Section 412-a of the Real Property Tax Law, no real estate tax exemption with respect to a particular project shall be effective until an Exemption Form is filed with the Assessor of each Affected Tax Jurisdiction. Once an Exemption Form with respect to a particular project is filed with a particular Affected Tax Jurisdiction, the real property tax exemption for such project does not take effect until (1) a tax status date for such Affected Tax Jurisdiction occurs subsequent to such filing, (2) an assessment roll for such Affected Tax Jurisdiction is finalized subsequent to such tax status date, (3) such assessment roll becomes the basis for the preparation of a tax roll for such Affected Tax Jurisdiction, and (4) the tax year to which such tax roll relates commences.

(D) Pilot Agreement. Unless otherwise determined by resolution of the Agency, all Pilot Agreements shall satisfy the following general conditions:

(1) Determination of Full Assessment: (a) Existing Assessment: Except as otherwise set forth herein, the general policy of the Agency is to minimize the loss of existing assessment, either by avoiding taking title to (or a leasehold interest in) an existing improvement and any portion of the project land not necessary to deliver the tax abatements contemplated by this Uniform Tax Exemption Policy, or, if such is not possible and the Agency takes title to (or a leasehold interest in) an existing improvement and/or any portion of the project land, to require that Pilot payments be made with respect to such existing improvements and existing land in an amount equal to 100% of the Normal Tax with respect thereto. The existing assessment on an existing improvement and/or any portion of the project land acquired by the Agency with respect to which the Agency files an Exemption Form is hereinafter referred to as the “Existing Assessment”. The Pilot Agreement may provide that the Existing Assessment is to be frozen at its present level for a period of up to five years.

(b) New Assessment: Except as provided in Section 7(D)(10) below, with respect to a project including new construction, the general policy of the Agency is to take title to (or a leasehold interest in) said new construction portion of the project (the “New Construction”), to file an Exemption Form with respect thereto, and to provide that the Assessor of each Affected Tax Jurisdiction will determine the interim assessments of such New Construction as construction progresses thereon (each, an “Interim New Assessment”) (the Interim New Assessment and the Existing Assessment being collectively referred to as the “Interim Full Assessment”) and a final assessment thereof (the “Final New Assessment”) when such New Construction is completed (the Final New Assessment and the Existing Assessment being collectively referred to as the “Final Full Assessment”). Once the Final Full Assessment is fixed, the Final Full Assessment shall be used as the basis of taxation of the project. The Applicant shall pay real estate Pilot payments determined in each tax year as follows: (i) first, determine the assessment of the new construction portion of the project for such tax year (the “Current New Assessment”), which assessment shall be a percentage of the Final New

Assessment determined by subtracting the percentage of abatement applicable to such year (as determined pursuant to paragraph (2) below) from 100%; (ii) next, determine the assessment of the project for such tax year (the “Current Pilot Assessment”) by adding the Current New Assessment to the Existing Assessment; and (iii) finally, determine the Pilot payment payable to with respect to the project to each Affected Tax Jurisdiction by multiplying the Current Pilot Assessment by the applicable tax rate of the such Affected Tax Jurisdiction.

(2) **Amount of Abatement:** Based upon the categorization of a project (as set forth below), said project shall be entitled to the following benefits:

(a) **Tax-Exempt Facility:** If the project qualifies as a Tax-Exempt Facility, (i) the Initial Period shall be such period as the project continues to qualify as a Tax-Exempt Facility, and (ii) the percentage of exemption in each tax year shall be 100%.

(b) **Regular Manufacturing Facility:** If a project qualifies as a Regular Manufacturing Facility, (i) the Initial Period shall be fifteen years, and (ii) the percentage of exemption in each tax year shall be as set forth in the following table:

| <b>Tax Year</b>   | <b>Percentage of Exemption</b> |
|-------------------|--------------------------------|
| 1 through 15      | 100%                           |
| 16 and thereafter | 0%                             |

(c) **Enhanced Manufacturing Facility:** If a project qualifies as an Enhanced Manufacturing Facility, (i) the Initial Period shall be twenty years, and (ii) the percentage of exemption in each tax year shall be as set forth in the following table:

| <b>Tax Year</b>   | <b>Percentage of Exemption</b> |
|-------------------|--------------------------------|
| 1 through 15      | 100%                           |
| 16                | 85%                            |
| 17                | 70%                            |
| 18                | 55%                            |
| 19                | 40%                            |
| 20                | 25%                            |
| 21 and thereafter | 0%                             |

(d) **Tourism Destination Facility:** If a project qualifies as a Tourism Destination Facility, (i) the Initial Period shall be fourteen years, and (ii) the percentage of exemption in each tax year shall be as set forth in the following table:

| <b>Tax Year</b>   | <b>Percentage of Exemption</b> |
|-------------------|--------------------------------|
| 1 through 10      | 100%                           |
| 11                | 80%                            |
| 12                | 60%                            |
| 13                | 40%                            |
| 14                | 20%                            |
| 15 and thereafter | 0%                             |

(e) **Residential Facility:** If the project qualifies as a Residential Facility, (i) the Initial Period shall be zero years, and (ii) the percentage of exemption in each tax year shall be 0%.

(f) **Retail Facility:** If the project qualifies as a Retail Facility, (i) the Initial Period shall be ten years, and (ii) the percentage of exemption in each tax year shall be as set forth in the following table:

| <b>Tax Year</b>   | <b>Percentage of Exemption</b> |
|-------------------|--------------------------------|
| 1                 | 50%                            |
| 2                 | 45%                            |
| 3                 | 40%                            |
| 4                 | 35%                            |
| 5                 | 30%                            |
| 6                 | 25%                            |
| 7                 | 20%                            |
| 8                 | 15%                            |
| 9                 | 10%                            |
| 10                | 5%                             |
| 11 and thereafter | 0%                             |

(g) **Qualified Commercial Facility (Renovation):** If a project qualifies as a Qualified Commercial Facility which is being renovated, but does not include any new construction, (i) the Initial Period shall be six years, and (ii) the percentage of exemption in each tax year shall be as set forth in the following table:

| <b>Tax Year</b>  | <b>Percentage of Exemption</b> |
|------------------|--------------------------------|
| 1                | 60%                            |
| 2                | 50%                            |
| 3                | 40%                            |
| 4                | 30%                            |
| 5                | 20%                            |
| 6                | 10%                            |
| 7 and thereafter | 0%                             |

(h) **Qualified Commercial Facility (New Construction):** If a project qualifies as a Qualified Commercial Facility and involves new construction, (i) the Initial Period shall be ten years, and (ii) the percentage of exemption in each tax year shall be as set forth in the following table:

| <b>Tax Year</b>   | <b>Percentage of Exemption</b> |
|-------------------|--------------------------------|
| 1                 | 100%                           |
| 2                 | 90%                            |
| 3                 | 80%                            |
| 4                 | 70%                            |
| 5                 | 60%                            |
| 6                 | 50%                            |
| 7                 | 40%                            |
| 8                 | 30%                            |
| 9                 | 20%                            |
| 10                | 10%                            |
| 11 and thereafter | 0%                             |

(i) Small Alternate Energy Facility (New Construction): If the project qualifies as a Small Alternate Energy Facility, (i) the Initial Period shall be fifteen years, and (ii) the percentage of exemption in each tax year shall be 100%.

(3) Reduction for Failure to Achieve Goals: If the Agency's approval of a particular project is predicated upon achievement by the project of certain minimum goals (such as creating and maintaining certain minimum employment levels), the Pilot Agreement may provide for the benefits provided thereby to the project to be reduced or eliminated if, in the sole judgment of the Agency, the project has failed to fulfill such minimum goals.

(4) Payee. Unless otherwise determined by resolution of the Agency, all Pilot payments payable to an Affected Tax Jurisdiction shall be assessed, billed and collected directly by the same officials which assess, bill and collect normal taxes levied by such Affected Tax Jurisdiction. Pursuant to Section 874(3) of the Act, such PILOT payments shall be remitted to each affected tax jurisdiction within thirty (30) days of receipt.

(5) Expiration of Initial Period; Project Additions. Upon expiration of the Initial Period as aforesaid, the assessment of the project shall revert to a normal assessment (i.e., the project will be assessed as if the project were owned by the Applicant and not by the Agency). Also, any addition to the project shall be assessed normally as aforesaid, unless such addition shall be approved by the Agency as a separate project following notice and a public hearing as described in Section 859-a of the Act.

(6) Special District Taxes. As indicated above, the Agency is not exempt from special assessments and special ad valorem levies, and accordingly these amounts are not subject to abatement by reason of ownership of the Project by the Agency. The Pilot Agreement shall make this clear and shall require that all such amounts be directly paid by the Applicant and/or project occupant. However, Applicants and project occupants should be aware that the courts have ruled that an Agency-sponsored project is also eligible to apply for an exemption from special district taxes pursuant to Section 485-b of the Real Property Tax Law. If an Applicant or project occupant desires to obtain an exemption from special district taxes pursuant to said Section 485-b, it is the responsibility of the Applicant and/or project occupant to apply for same at its sole cost and expense.

(7) Credit for Taxes Paid. The Pilot Agreement may contain a provision providing that, should the project occupant pay in any fiscal tax year to any Affected Tax Jurisdiction any amounts in the nature of general property taxes, general assessments, service charges or other governmental charges of a similar nature levied and/or assessed upon the Project Facility or the interest therein of the project occupant or the occupancy thereof by the project occupant (but not including, by way of example, (a) sales and use taxes, and (b) special assessments, special ad valorem levies or governmental charges in the nature of utility charges, including but not limited to water, solid waste, sewage treatment or sewer or other rents, rates or charges), then the project occupant's obligation to make Pilot Payments in lieu of property taxes attributed to such fiscal tax year to such Affected Tax Jurisdiction under the Pilot Agreement shall be reduced by the amounts which the project occupant shall have so paid to such Affected Tax Jurisdiction in such fiscal tax year.

(8) Pilot Mortgage. Unless otherwise determined by the Agency, all Pilot Agreements shall be secured by a mortgage (a "Pilot Mortgage") upon the real property exempted by the Agency pursuant to the Exemption Form.

(9) Enforcement. An Affected Tax Jurisdiction which has not received a Pilot payment due to it under a Pilot Agreement may exercise its remedies under Section 874(6) of the Act. In addition, such Affected Tax Jurisdiction may petition the Agency to exercise whatever remedies that the Agency may have under the project documents to enforce payment and, if such Affected Tax Jurisdiction indemnifies the Agency and agrees to pay the Agency's costs incurred in connection therewith, the Agency may take action to enforce the Pilot Agreement.

(10) Wind Farms. If the project qualifies as a Wind Farm Facility, (a) the Initial Period shall be fifteen years, and (b) the project shall be required to make Guaranteed Pilot Payments equal to (i) \$5,000 per megawatt of installed capacity of the wind turbine generators which comprise a portion of the Wind Farm Facility (the "Wind Turbine Facilities") times (ii) the actual installed capacity of the Wind Turbine Facilities, calculated on the third (3rd) business day prior to the date on the related payment is due pursuant to the Pilot Agreement; provided, that, the Guaranteed Pilot Payments are to be adjusted for inflation per annum using the lesser of the following: (i) five percent (5%); or (ii) Bureau of Labor Statistics Consumer Price Index ("CPI") for the Northeast Region for the prior year (e.g., 2010 CPI to adjust the 2011 Guaranteed Pilot Payment). Each annual Guaranteed Pilot Payment will be payable on January 1 of each year (commencing on January 1 of the year following the year of expected substantial completion of the Wind Farm Facility), subject to a thirty (30) day grace period, and shall upon receipt shall be distributed to the Affected Tax Jurisdictions in accordance with a formula based on the tax rates of the Affected Tax Jurisdictions in effect as of the date of execution of the Pilot Agreement. Following the end of the Initial Period, each annual Pilot Payment to be paid by the project occupant pursuant to the terms of the Pilot Agreement shall be in an amount equal to the amount which would be payable to such Taxing Entity with respect to the Wind Farm Facility if such Wind Farm Facility was owned by the project occupant and not the Agency. The Guaranteed Pilot Payments shall be payable notwithstanding any termination of the term of the related Lease Agreement, and shall be secured by a Pilot Mortgage. The Pilot Mortgage associated with a Wind Farm Facility may also secure amounts due and payable pursuant to any host community agreement related to such Wind Farm Facility.

(11) Late Payments. The Pilot Agreement shall provide that, if the project occupant shall fail to make any payment required by the Pilot Agreement when due, the project occupant shall be required to pay late payments at least equal to the late payments required by Section 874(5) of the Act (at the time of the last amendment of this Uniform Tax Exemption Policy, a late payment penalty equal to five percent (5%) of the amount due in the first month, and one percent (1%) per month for each month, or part thereof, that the payment due under the Pilot Agreement is delinquent beyond the first month).

(E) Required Filings. As indicated in subsection (B) above, pursuant to Section 874 of the Act and Section 412-a of the Real Property Tax Law, no real estate tax exemption with respect to a particular project shall be effective until an Exemption Form is filed with the Assessor of each Affected Tax Jurisdiction. Once an exemption form with respect to a particular project is filed with a particular Affected Tax Jurisdiction, the real property tax exemption for such project does not take effect until (1) a tax status date for such Affected Tax Jurisdiction occurs subsequent to such filing, (2) an assessment roll for such Affected Tax Jurisdiction is finalized subsequent to such tax status date, (3) such assessment roll becomes the basis for the preparation of a tax roll for such Affected Tax Jurisdiction, and (4) the tax year to which such tax roll relates commences.

(F) Real Property Appraisals. Since the policy of the Agency stated in subsection (C)(1) above is to base the value of a project for payment in lieu of tax purposes on a valuation of such project

performed by the respective Assessors, normally a separate real property appraisal is not required. However, the Agency may require the submission of a real property appraisal if (1) the Assessor of any particular Affected Tax Jurisdiction requires one or (2) if the valuation of the project for payment in lieu of tax purposes is based on a value determined by the Applicant or by someone acting on behalf of the Applicant, rather than by an Assessor of an Affected Tax Jurisdiction or by the Agency. In lieu of an appraisal, the Agency may require that an Applicant submit to the Agency and each Assessor a certified enumeration of all project costs. If the Agency requires the submission of a real property appraisal, such appraisal shall be prepared by an independent MAI certified appraiser acceptable to the Agency.

SECTION 8. PROCEDURES FOR DEVIATION. (A) General. In the case where the Agency may determine to deviate from the provisions of this Uniform Tax Exemption Policy pursuant to the provisions of Section 3(B) hereof, the Agency may deviate from the provisions hereof, provided that:

(1) the Agency adopts a resolution (a) setting forth, with respect to the proposed deviation, whether or not a Tax Exemption of any kind shall be granted, the manner in which the proposed Tax Exemption deviates from the provisions set forth in this Uniform Tax Exemption Policy, and the amount and nature and duration of the proposed Pilot payments, (b) indicating the reasons for the proposed deviation and (c) imposing such terms and conditions thereon as the Agency shall deem just and proper; and

(2) as provided in Section 3(C) hereof, the Agency shall give prior written notice of the proposed deviation from this Uniform Tax Exemption Policy to the chief executive officer of each Affected Tax Jurisdiction, setting forth therein a general description of the proposed deviation and the reasons therefor. Such notice to each Affected Tax Jurisdiction shall be given by the Agency at least thirty (30) days prior to the meeting of the members of the Agency at which the members of the Agency shall consider whether to deviate from the provisions of this Uniform Tax Exemption Policy with respect to such project. Prior to taking any final action on a proposed deviation, the Agency shall review and respond to any correspondence received from any Affected Tax Jurisdiction regarding the proposed deviation and allow any representative of an Affected Tax Jurisdiction present at such meeting to address the members of the Agency regarding the proposed deviation.

(B) Agency-Owned Projects. Where a project (1) constitutes a Non-Applicant Project, (2) is otherwise owned and operated by the Agency or (3) has been acquired by the Agency for its own account after a failure of a project occupant, such project may at the option of the Agency be exempted by the Agency from all taxes, to the extent provided in Section 874(1) and (2) of the Act.

(C) Unusual Projects. Where a project is unusual in nature and requires special considerations related to its successful operations as demonstrated by appropriate evidence presented to the Agency, the Agency may consider the granting of a deviation from this Uniform Tax Exemption Policy in accordance with the procedures provided in Section 3(B) and Section 8(A) hereof. The Agency may authorize a minimum payment in lieu of tax or such other arrangement as may be appropriate.

(D) Potential Factors Supporting A Deviation. The Agency may consider any or all of the following factors (among others) in making a determination to deviate from the provisions of this Uniform Tax Exemption Policy:

(1) The nature of the proposed project (for example, manufacturing, commercial, civic, etc.);

(2) The nature of the property before the project begins (for example, vacant land, vacant building, etc.);

(3) The economic condition of the area at the time of the application and the economic multiplying effect the project will have on the area.

(4) The extent to which the project will create or retain permanent, private sector jobs, the number of jobs to be created/retained and/or the salary ranges of such jobs.

(5) The estimated value of tax exemptions to be provided.

(6) The economic impact of the project and the proposed tax exemptions on affected tax jurisdictions.

(7) The impact of the proposed project on existing and proposed businesses and economic development projects in the vicinity.

(8) The amount of private sector investment generated or likely to be generated by the proposed project.

(9) The likelihood of accomplishing the proposed project in a timely fashion.

(10) The effect of the proposed project upon the environment and surrounding property.

(11) The extent to which the proposed project will require the provision of additional services including, but not limited to, educational, transportation, emergency medical or police and fire services.

(12) The extent to which the proposed project will provide additional sources of revenue for municipalities and school districts in which the project is located.

(13) The extent to which the proposed project will provide a benefit (economic or otherwise) not otherwise available within the municipality in which the project is located.

**SECTION 9. RECAPTURE OF BENEFITS.** (A) A Pilot Agreement may set forth shall provide that, in the event that in the event that the Agency determines, at its sole discretion and on a case-by-case basis, that (1) said project has failed to meet its intended goals (as set forth in said Pilot Agreement), and (2) the Agency has therefore determined to recapture the value of certain tax exemptions granted to the Applicant or a project occupant pursuant to this Uniform Tax Exemption Policy, such Applicant and/or project occupant agrees to pay to (or upon the order of) the Agency the value of any such exemptions so determined to be recaptured by the Agency

(B) Events that the Agency may determine will trigger recapture may include, but not be limited to:

(1) Sale or closure of the facility;

(2) Significant employment reduction;

(3) Significant change in use of the facility;

(4) Significant change in business activities or project applicant or operator; or

(5) Material noncompliance with or breach of terms of Agency transaction documents or of zoning or land use law or regulations or federal, state or local environmental laws or regulations.

(C) If the Agency determines to provide for the recapture with respect to a particular project, the Agency also shall, in its sole discretion and on a case-by-case basis, determine the timing and percentage of recapture.

**SECTION 10. ANNUAL REVIEW OF UNIFORM TAX EXEMPTION POLICY.** At least annually, the Agency shall review this Uniform Tax Exemption Policy to determine relevance, compliance with law, effectiveness, and shall adopt any modifications or changes that it shall deem appropriate. The Executive Director shall be responsible for conducting an annual review of this Uniform Tax Exemption Policy and for an evaluation of the internal control structure established to ensure compliance with this Uniform Tax Exemption Policy, which review shall be submitted to the Agency for consideration by the Agency.