

City of Granite Falls

Business Subsidy Criteria, Policy & Procedures

1. PURPOSE

- 1.01 The purpose of these criteria is to establish reasonable standards as they relate to the use of business subsidies, as defined in Minnesota Statutes 116J.993, Subdivision 3, and 116J.004, Subdivision 2, as amended, for public investment or agreement to voluntary tax or other revenues that benefit private development projects. These criteria shall be used as a guide in processing and reviewing applications requesting business subsidies.

2. PUBLIC POLICY

- 2.01 All business subsidy requests will be reviewed on an individual basis with the intent to assist the potential developer to create the best application possible.
- 2.02 Employment growth and expansion is needed in the Community in order to provide for and enhance reasonable long term stability and economic growth of the City.
- 2.03 Wherever possible and in a reasonable manner the City will assist local businesses with employment growth and expansion opportunities as well as work with businesses who would like to establish or move their business to the Community.
- 2.04 Business Subsidy assistance may be provided to private business that: create economic growth; create, or retain, high quality jobs; demonstrate a clear and ongoing commitment to the City.
- 2.05 City achievement of economic development goals requires appropriate and timely investment in providing a qualified and well trained workforce, community housing, infrastructure development and repair and quality of life issues.

3. MINNESOTA STATUTORY LIMITATIONS

- 3.01 Business subsidy requests must comply with applicable State Statutes, The City's ability to grant business subsidies is governed by Minnesota Statutes 116J.993 through 116J.995, as amended. Individual local programs regulated by Business Subsidy Criteria include, but are not limited to: Minnesota Tax Increment Finance Statutes (469.124 – 469.134 and 469-174 - 469.1799) all inclusive; Minnesota Tax Abatement Statutes (469.1812 – 469.1815) as amended and Minnesota Job Opportunity Building Zones (469.310 – 469.320), as amended.

4. DEFINITIONS

- 4.01 Business Subsidy means a state or local government agency grant, contribution of personal property, real property, infrastructure, a principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease or other obligation, any preferential use of government facilities given to a business or as further defined in Minnesota Statute 116J.993 – 116J.995, as amended. Business subsidies shall include, but are not limited to: loans, grants, Tax abatement, Tax Increment Finance, Job Opportunity Zone benefits, guarantee of payment, contribution of property or infrastructure and land contributions.
- 4.02 Business Subsidy Report means the annual report submitted by the City, as required, to comply with Minnesota Statutes 116J.994 Subdivision 7. (b).
- 4.03 City means the City of Granite Falls, Minnesota.
- 4.04 City Council means the governing body of the City of Granite Falls, Minnesota.
- 4.05 Criteria means the equitably applied, uniform standards by which the Economic Development Authority (EDA) and the City Council bases its decision to award any business subsidy to a private business.
- 4.06 DEED means the Minnesota Department of Employment and Economic Development.
- 4.07 Development Agreement means a written agreement between the City and Recipient and or Qualifying Business that specifies, at a minimum, the standards, terms and responsibilities of both parties.
- 4.08 Economic Development Authority (EDA) means the Granite Falls Economic Development Authority which is charged by the City to recruit, market, negotiate and form development agreements and business subsidy criteria for housing, community and economic development purposes.
- 4.09 Job Opportunity Building Zone (JOBZ or Job Zone) means a parcel, or parcels, of land designated by the Commissioner of Employment and Economic Development subject to Minnesota Statutes Sections 469.310 – 469.320.
- 4.10 Job Opportunity Building Zone Relocation Agreement means a written agreement between the Commissioner of DEED and a potential Recipient and/or Qualifying Business.
- 4.11 Job Zone Business Subsidy means tax exemptions from: property tax, (Minnesota Statutes 272.2, subdivision 64); state sales and use tax on qualifying purchases (Minnesota Statutes 297A.68, subdivision 37); state sales tax on motor vehicles (Minnesota Statutes 297B.03); job credits allowed (Minnesota Statutes 469.318); wind energy production tax (Minnesota Statutes 272.029, subdivision 7) corporate franchise taxes (Minnesota Statutes 469.317) and individual income taxes (Minnesota Statutes 469.316).

- 4.12 Operation start date means the date by which the business begins its operations in a Job Zone as evidenced by constructing a facility or relocating to an existing building in a facility and beginning revenue generating operations or hiring employees.
- 4.13 Qualified Business means a person that carries on a trade or business at a place of business located within an area designated as a Job Zone, as referenced in Minnesota Statutes 469.310 Subdivision 11, and complies with the reporting requirements specified by Minnesota Statutes 469.313 Subdivision 2 (5); and shall comply with the criteria in Section II.C. of this agreement; and shall also mean “Recipient” as defined by Business Subsidy law. A qualified business shall not include a retail business, a low-wage service business, an agricultural production business or a business that pays less than the wage defined in this agreement.
- 4.14 Recipient means a business entity that receives a business subsidy as defined by Minnesota Statutes 116J.993 and has signed a Business Subsidy Agreement with the City.
- 4.15 Relocation Agreement means a binding written agreement between a relocating qualified business and the Commissioner of DEED pledging that the qualified business will either: (a) increase full-time for full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least twenty (20%) percent or (b) make a capital investment on the property equivalent to ten (10%) percent of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.
- 4.16 Relocating Business means a business relocating from another Minnesota non-Job Zone location.
- 4.17 Tax Abatement means a municipal program for deferral of taxes for, among other items, provision of employment opportunities and regulated by Minnesota Statutes 469.1812 through 469.1815.
- 4.18 Tax Increment Finance means a local government program intended to, among other items, improve the economy, improve the tax base and to provide employment opportunities.
- 4.19 Sub zone means the parcel or parcels of land designated by the Commissioner of DEED within a job zone within the boundaries of the City to receive certain tax credits and exemptions specified under Minnesota Statutes 469.310 through 469.320.
- 4.20 Zone means a Job Opportunity Building Zone.

5. PUBLIC HEARING AND REPORTING REQUIREMENTS

- 5.01 State law requires the EDA to conduct a properly advertised public hearing where a private sector business requests financing that exceeds \$ 25,000 in public funds.
- 5.02 Amendments to these criteria, or waivers from the existing criteria, are subject to public hearing requirements pursuant to Minnesota Statutes, Sections 116J.994.

- 5.03 The City may waive job and wage criteria by documenting the reasons for variation in the EDA minutes. All modifications to these criteria and variations from wage and job criteria shall be included in the annual Business Subsidy Report.
- 5.04 In order to receive business subsidy assistance the recipient agrees to comply with annual business subsidy reporting requirements as required in Minnesota Statutes, Sections 469.310 – 469.320 and Sections 116J.993 – 116J.995.

6. BUSINESS SUBSIDY APPROVAL CRITERIA

All projects approved by the City of Granite Falls should meet the following minimum approval criteria. However, it should not be presumed that a project meeting these criteria would automatically be approved. The ability to meet these criteria creates no contractual rights on the part of any potential developer. Final approval is the sole responsibility of the City Council and, in the case of the Job Opportunity Building Zone Program the Commissioner of DEED.

- 6.01 The business subsidy may only be provided within applicable state statute restrictions, reasonable debt limit guidelines, and other appropriate financial requirements and policies.
- 6.02 The project must be in accord with the Comprehensive Plan, Building Code and Zoning Ordinance or required changes to the Plan and Ordinances must be under active consideration by the City at the time of approval.
- 6.03 Business subsidies will not be provided to projects that have the financial feasibility to proceed without the benefit of the subsidy. In effect, business subsidies will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business subsidy request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.
- 6.04 An Application Form and a business, marketing and financial plan will be prepared by the potential developer and submitted to the EDA office. The EDA staff may request the potential Recipient/Developer to provide any market and financial feasibility studies, appraisals soil boring information or other pertinent information normally provided to private lenders for the project, and other information or data that the EDA, or its financial consultants, may require in order to proceed with an independent underwriting.
- 6.06 Any developer requesting a business subsidy should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
- 6.07 The developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate repayment of the business subsidy.
- 6.08 A recipient of a business subsidy must make a commitment to continue operations at the site where the business subsidy is used for at least five years or as specified in the development agreement. Where a JOBZ business subsidy exists the recipient must make a commitment to continue operations at the site until December 31, 2015.

- 6.09 The level of public funding should be reduced to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and then using other funding sources or income producing vehicles that can be structured into the project financing.
- 6.10 In order to obtain financing from or through the EDA for retail or commercial projects the full-time-equivalent (FTE) wage for new employment must exceed seven dollars an hour.
- 6.11 In order to obtain financing from or through the EDA for manufacturing or industrial jobs a minimum of five FTE jobs must be created within two years of execution of the development agreement for any manufacturing business. The FTE rate of pay for the new positions must equal or exceed 110 per cent of the federal poverty level for a family of four.

7. PROJECT EVALUATION CRITERIA

All business subsidy requests submitted to the EDA will be evaluated on a reasonable set of criteria as well as criteria from other public finance programs that may be incorporated into the funding request.

Some evaluation criteria, by their very nature, are subjective. However, wherever possible "benchmark" criteria, described below, will be utilized for review purposes. Depending on the nature and circumstances of each business subsidy request the evaluation criteria described below may be modified or expanded. The fact that a given proposal meets one or more evaluation criteria does not mean that it is entitled to funding but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business subsidy requests, using reasonable evaluation criteria whenever possible.

Generally, the following are the evaluation criteria that will be used by the EDA;

- 7.01 All business subsidy requests should optimize the private development potential of a site.
- 7.02 All business subsidy requests should obtain the highest possible private to public financial investment ratio.
- 7.03 All business subsidy requests will be incorporated in a development agreement. A part of the written and executed development agreement will establish employment goals.
- 7.04 All business subsidy requests should create the highest possible ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the City, this ratio may vary widely.
- 7.05 Business subsidy will not be used to support speculative industrial, commercial and office projects.
- 7.06 All business subsidy requests will be reviewed to determine the feasibility to provide the City with equity participation in new developments (through a share of the profits), or to treat the business subsidy as a second mortgage with fixed payments.

- 7.07. All business subsidy requests involving displacement of low and moderate income residents should give specific attention to the re-housing needs of those residents. Normally, this should be done as a part of the business subsidy. Adequate solutions to these re-housing needs will be required as a matter of public policy.
- 7.08 Business subsidy requests will normally not be used in a project that involves an excessive land and/or property price. This will normally be where the acquisition price is more than 10% in excess of market value.
- 7.09 All business subsidy requests will need to meet the "but for" test. Business subsidies will not be granted unless the need for the City and EDA's economic participation is sufficient that, without that assistance the project could not proceed in the manner as proposed.
- 7.10 Business subsidies will not be used in projects that would give a significant, competitive financial advantage over similar projects in the city due to the use of business subsidies.
- 7.11 Business subsidies will not be used when the developer's credentials, in the sole judgment of the EDA, are inadequate due to past track record relating to: completion of projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City.
- 7.12 Business subsidies will not be used to support projects that place demands on City services, or other capital or operating expenditures that exceed the average city expenditures for similar facilities. Consideration will be given to the total public costs that are required to support the project, including offsite facilities costs that are required.
- 7.13 Business subsidies will not normally be used for projects that would generate significant environmental problems.
- 7.14 Business subsidies will not be used when the schedule for development has exceeded the schedule established in the development agreement.
- 7.15 Business subsidies may not be provided to those projects that fail to meet good public policy criteria as determined by the City, including but not limited to: poor project quality; projects that are not in accord with the comprehensive plan, zoning, redevelopment plans, and City policies; projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the City; projects that do not have new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use of property.

8.0 PROCEDURES

- 8.1 Meet with appropriate City Staff to discuss the scope of the project, components of a proposed application including, but not limited to, scope of project, marketing, management, accounting, any financial needs that may be required, and other information as may be necessary or appropriate.

- 8.2 Complete the Application form and submit to the EDA Office. If the potential developer chooses EDA Office staff will assist with preparation of an application as well as other related materials such as the business, marketing and financial plans.
- 8.3 Upon application submission the request will be reviewed by EDA Staff on a preliminary basis to determine the feasibility of the project to make recommendations that may enhance the ability of the project to have increased likelihood of success.
- 8.4 The application may be placed on the EDA agenda for concept review. The applicant may make an informal presentation of the project. Applicants should expect concept review to be completed at regular EDA meetings.
- 8.5 A business subsidy criteria public hearing is required where more than \$ 25,000 of public financing is requested by a developer.
- 8.6 Upon completion of the development agreement the EDA Board will make a recommendation to the City Council.

9.0 APPROVALS

- 9.1 The EDA Board has the option to amend or waive sections of this policy and criteria when necessary or appropriate. The Business Subsidy Act allows the EDA to deviate from its criteria by documenting the reason for deviation in its minutes as well as attaching a copy of the minutes to the report required to be submitted to DEED.
- 9.2 A project request that includes a public finance request submitted to the EDA Board will not be approved prior to a scheduled public meeting and/or a public notice appears in the Advocate-Tribune.
- 9.3 All development agreement recommendations will be sent to the City Council.
- 9.4 No development agreement is approved unless all parties to the specific development agreement have signed the agreement.