

Business Subsidy Policy

Amendments to Northfield's Current Business Subsidy Policy

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Background

- **Minnesota Business Subsidy Statute**

- **§116J.993 - §116J.994**

- “Business subsidy” means a state or local government agency grant, contribution of personal property, real property, infrastructure, the 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, or any preferential use of government facilities given to a business.

- **Public Purpose §116J.994 subd. 1.**


- “Business subsidy must meet a public purpose which may include, but may not be limited to, increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable.”
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Background

- **Developing a set of criteria §116J.994 subd. 2.**
 - “A business subsidy may not be granted until the grantor has adopted criteria after a public hearing...”
 - “Criteria must include a specific wage floor for the wages to be paid for the jobs created.”
- **Reports by grantors §116J.994 subd. 8.**
 - “Local government agencies of a local government must file a report by April 1 of each year with the DEED commissioner.”




Current Policy

- Last amended on April 21, 2003
 - JOBZ language throughout the policy
 - State incentive program discontinued 12/31/2015
 - Wage floor is 110% of the current poverty level for a family of four including benefits (\$14.96/hr)
 - Job Creation requirements – 1 FTE
 - Does not align with current Council/EDA Strategic Initiatives
 - “Mirrors” state statute (i.e. legal language)
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EDA Review Process

- Initiated April 27, 2017
 - EDA Executive Committee Review: March - June
 - Remove JOBZ language entirely
 - Increase wage floor to 150% of the current Federal poverty level for a family of four exclusive of benefits (i.e. \$17.74/hr without benefits)
 - EDA Board Review
 - EDA Work Session July 11, 2017
 - “Reference” State Statute rather than “Mirror”
 - Align with current strategic initiatives of Council and EDA
 - Remove FTE requirement to allow more flexibility

City Council Approval Process

- EDA reviewed final draft Business Subsidy Policy on October 26, 2017 and unanimously passed a motion to recommend City Council approval of revised Business Subsidy Policy
 - City Attorney Hood has reviewed final draft
 - Public Hearing conducted 12/5/2017
 - If approved by the City Council, revised policy is sent to DEED for reporting requirements
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Questions?

