

Northfield Business Subsidy

Final Draft

EDA Executive Committee Review

Nate Carlson
5-12-2017

City of Northfield, Minnesota

BUSINESS SUBSIDY POLICY

1. PURPOSE, AUTHORITY AND LIMITATIONS

- a. For the purposes of this policy document, the term “City” includes the Northfield City Council, City employees, consultants and agents, the Northfield Economic Development Authority, the Northfield Housing and Redevelopment Authority, and other City advisory boards and commissions.
- b. Economic development incentives are financial tools that enable the City to provide opportunities and benefits for its businesses and residents. Whenever the City allocates, grants, loans, appropriates, approves, dedicates, invests public funds or otherwise agrees to voluntarily use tax or other revenues that benefit private development projects, the City’s primary objective for those projects is to create the greatest number of full time equivalent (“FTE”) jobs possible, which pay at least a living wage, for the residents of the City and the surrounding region. City policy-makers and economic development agents must keep the critical need for well-paying jobs the priority whenever public dollars are used for a private business or development project. Additionally, it is the priority of the City to assist existing businesses and industries located in the City, as well as to attract those businesses that are identified to be within the target markets of the City to locate in the City.
- c. This policy is adopted in compliance with the Minnesota Business Subsidy Act (“Act”), Minn. Stat. § 116J.993-116J.995, as amended. The City has adopted this policy and these criteria after a public hearing in accordance with the governing statutes. A copy of this policy shall be submitted to the Department of Employment and Economic Development (“DEED”) along with the first annual Business Subsidy report.
- d. The City reserves the right to approve or reject projects on a case-by-case basis, taking into consideration established policies, project criteria, and demand on City services in relation to the potential benefits from the project. Meeting all or any portion of the policy criteria contained herein does not mean or guarantee the award of business assistance by the City to any project. Approval or denial of one project is also not intended to set precedent for approval or denial of another project. The City reserves the right, in its sole judgment and discretion, to approve or deny business assistance to a project based on the merits of the project and the overall benefit of the project to the community, using this policy and the criteria contained herein as the means of measuring overall benefit.
- e. The City shall have the option of amending or waiving sections of this policy and criteria when determined necessary or appropriate in the public interest.- The Act permits the City to deviate from this policy by documenting in writing the reason(s) for the deviation and attaching a copy of the document to the City’s next annual report to DEED.
- f. Any applicant who is not in good standing with the City, in regards to any licenses, fees, property taxes, or other specific City charges, will not be considered for business subsidies until satisfied.
- g. All request for business assistance must comply with the Act and applicable law.
- h. Any amendments of modifications to the Act shall amend or modify the terms and definitions of this policy and criteria without any further actions of the City.
- i. The City may charge a fee for requests under this policy, and these fees will be adopted by the City Council.

2. BUSINESS SUBSIDY PUBLIC PURPOSE, PRIORITIES, GOALS AND OBJECTIVS

- a. The purposes, priorities, goals and objectives in providing a business subsidy to assist private development under this policy, include but are not limited to, achieving the following:
 - i. To redevelop blighted or under-utilized areas of the City.
 - ii. To create additional job opportunities within the City.
 - iii. To retain local jobs in the City, where job loss is specific and demonstrable.

- iv. To enhance the economic diversity of the City and to provide essential products and services within the City.
- v. To enhance economic growth and opportunity in the City.
- vi. To increase the City's tax base.
- vii. To create opportunities for affordable and workforce housing and/or a diversification of housing stock available within the City.
- viii. To support the retention and/or adaptive re-use of buildings
- ix. To target assistance to businesses that demonstrate a clear and ongoing commitment to the community. This commitment may be shown by providing at least living wage jobs to employees, where applicable, and by giving priority to those businesses over businesses that have not traditionally paid living wages.
- x. Although the primary purposes of this policy are to retain jobs locally and to create living wage jobs, we cannot achieve our economic development goals without a trained and ready workforce. The City shall commit to assist businesses to obtain trained and work-ready employees through the DEED Workforce Development Centers.

3. DEFINITIONS

- a. **"Benefit date"** - means the date that the recipient receives the business subsidy. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date begins when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either:
 - i. when the improvements are finished for the entire project; or
 - ii. when a business occupies the property. If a business occupies the property and the City expects that other businesses will also occupy the same property, the City may assign a separate benefit date for each business when it first occupies the property.
- b. **"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, and as defined by the Minnesota Business Subsidy Act, Minn. Stat. §§ 116J.993 - 116J.995.

Business Subsidies provided by the City shall include, but are not limited to the following:

- i. Loan or grant greater than \$150,000
- ii. Tax abatement
- iii. TIF or other tax reduction or deferral
- iv. Guarantee of payment
- v. Contribution of property or infrastructure
- vi. Preferential use of governmental facilities
- vii. Land contribution
- viii. Other specified subsidy.

Pursuant to Minn. Stat. § 116J.994, subd. 2, business subsidy also includes the following forms of financial assistance:

- i. Business loans or guarantees of \$75,000 to \$150,000; and
- ii. A business subsidy of \$25,000 to \$150,000.

The following forms of City financial assistance are not a business subsidy:

- i. a business subsidy of less than \$150,000;
- ii. assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- iii. public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- iv. redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- v. assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- vi. assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- vii. assistance for housing;
- viii. assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;
- ix. assistance for energy conservation;
- x. tax reductions resulting from conformity with federal tax law;
- xi. workers' compensation and unemployment insurance;
- xii. benefits derived from regulation;
- xiii. indirect benefits derived from assistance to educational institutions;
- xiv. funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- xv. assistance for a collaboration between a Minnesota higher education institution and a business;
- xvi. assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;
- xvii. redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- xviii. general changes in tax increment financing law and other general tax law changes of a principally technical nature;
- xix. federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- xx. funds from dock and wharf bonds issued by a seaway port authority;
- xxi. business loans and loan guarantees of \$150,000 or less;
- xxii. federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
- xxiii. property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.

- c. **“Business Subsidy Report”** – means the annual reports submitted each year for each business receiving a Business Subsidy in the community. The report is submitted by the City in order to comply with Minn. Stat. § 116J.994, Subd. 7. (b).

- d. **“Financial Assistance Report”** - means the annual reports submitted each year for each business receiving Financial Assistance in the community. The report is submitted by the City in order to comply with Minn. Stat. § 116J.994, Subd. 7. (c).
 - e. **“Business Subsidy Agreement”** – means the agreement, pursuant to Minn. Stat. § 116J.994, Subd. 3, between the City and the Recipient receiving a business subsidy, which is required and must be executed, in order to receive a business subsidy.
 - f. **“Criteria”** – means the equitably applied, uniform standards by which the City bases its decision to award any Business Subsidy to a private business or development project establishing a business and creating jobs in the City.
 - g. **“DEED”** – means Minnesota Department of Employment and Economic Development.
 - h. **“Economic Development Agent”** – means the city department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form Business Subsidy agreements on behalf of the City. The Economic Development Agent for the City shall be the Community Development Director and/or designee, hereinafter “Agent”.
 - i. **“Living Wage Job”** – shall mean a job which pays wages that total at least the rate of 150-percent of the current poverty level for a family of four:
 - j. **“Local Government Agency”** – means a statutory or home rule charter city, housing and redevelopment authority, town, county, port authority, economic development authority, community development agency, nonprofit entity created by a local government agency, or any other entity created by or authorized by a local government with authority to provide business subsidies.
 - k. **“Recipient”** – means any for-profit or nonprofit business entity that receives a Business Subsidy. Only nonprofit entities with at least 100 full-time equivalent positions and with a ratio of highest to lowest paid employee, that exceeds ten to one, determined on the basis of full-time equivalent positions, are included in this definition.
4. **MINIMUM JOB CREATION REQUIREMENT.** A recipient receiving a Business Subsidy from the City shall create/retain a minimum of one full-time equivalent living wage job per \$100,000 in business subsidy **AND/OR** invest \$1 million in capital improvements per \$100,000 in business subsidy.
5. **PROCESS FOR CONSIDERING AND APPROVING A BUSINESS SUBSIDY.**
- a. A business must submit a written request/application to the City for a Business Subsidy or other financial assistance. If the requested assistance is not tax increment financing or tax abatement, which have their own specific application process, the business must submit information as found in the Business Subsidy Application for any request for financial assistance from the City. The City may request additional financial information as the City deems appropriate or necessary in its discretion to process the application.
 - b. All materials submitted to the City in connection with a business subsidy application shall become the property of the City and are subject to the Minnesota Government Data Practices Act (“MGDPA”), Minn. Stat. c. 13. Business data as defined in the MGDPA submitted to and received by the City from a business requesting a Business Subsidy or other financial assistance from the City shall be classified as either private, nonpublic or public data, as applicable, pursuant to the requirements contained in Minn. Stat. § 13.591.
 - c. City staff or the City's economic development agent shall review the application materials and make a preliminary recommendation to the City regarding the completeness of the application, whether the application meets the goals of this policy, and whether the application complies with the criteria established in this policy.
 - d. Pursuant to Minn. Stat. § 116J.994, subd. 5, before granting a business subsidy that exceeds \$150,000, the City must provide at least ten-day, published public notice of and hold a hearing on the business subsidy. The public notice shall include the date, time, and place of the hearing and identify the location at which information about the business subsidy, including a summary of the terms of the subsidy, is available. The City shall make the information available in printed paper copies and, if possible, on the Internet. The

public notice of any public meeting on a business subsidy agreement shall include notice that a person with residence in, or the owner of taxable property in, the City may file a written complaint with the City if the City fails to comply with the Act. The notice shall also state that no such action may be filed against the City for the failure to comply with the Act unless such written complaint is timely filed with the City. The written complaint under Minn. Stat. § 116J.994, subd. 11 for failure to comply with subdivisions 1 to 5 of said statute must be filed with the City within 180 days after approval of the business subsidy agreement. Such an action must be commenced within 30 days following receipt of the City's reply to the complaint, or within 180 days after approval of the business subsidy agreement, whichever is later.

- e. In the event that the City concurs with the recommendation above, the City will consider the application during a public meeting. The City will grant final approval or denial of the proposal.
- f. Additional agreements and program requirements (including annual reporting) may be necessary depending on the form of business subsidy and/or the value of the award, as defined in the Act.

A Business Subsidy of \$150,000 or more requires a public hearing with at least 10 days notice in the local newspaper. A public hearing for another purposes such as tax increment financing or abatement may be combined with the Business Subsidy hearing. A copy of the draft Business Subsidy agreement must be on file with the City.

6. BUSINESS SUBSIDY AGREEMENT AND REPORTING REQUIREMENTS

- a. **Requirements of businesses.** The City of Northfield shall require all businesses receiving a Business Subsidy to comply with the following:
 - i. **Business Subsidy Agreement.** A Recipient must enter into a business subsidy agreement with the City that includes:
 - 1. a description of the business subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
 - 2. a statement of the public purposes for the subsidy;
 - 3. measurable, specific, and tangible goals for the subsidy;
 - 4. a description of the financial obligation of the recipient if the goals are not met;
 - 5. a statement of why the subsidy is needed;
 - 6. a commitment to continue operations in the jurisdiction where the subsidy is used for at least five (5) years after the benefit date;
 - 7. the name and address of the parent corporation of the recipient, if any; and
 - 8. a list of all financial assistance by all grantors for the project.
 - ii. Business Subsidies in the form of grants must be structured as forgivable loans. For other types of Business Subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
 - iii. If a Business Subsidy benefits more than one recipient, the City must assign a proportion of the business subsidy to each recipient that signs the business subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.
 - iv. **Reporting Requirements.** The City shall monitor the progress by the recipient in achieving the goals contained in the business subsidy agreement, and the recipient shall cooperate in all respects in meeting the reporting requirements contained in Minn. Stat. § 116J.994, subd. 7. A recipient must provide information regarding goals and results for two (2) years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information regarding the business subsidy until the subsidy is repaid. The information must be filed on forms developed by DEED. Copies of the completed forms must be sent to the City and

contain all the information required in Minn. Stat. § 116J.994, subd. 7. A report must be filed by the recipient with the City no later than March 1 of each year for the previous year. The City shall thereafter forward copies of the recipient's completed report(s) received to DEED by April 1.

Financial Assistance excluded from the definition of business subsidy will require reporting to DEED officials in a manner similar to the reporting required by businesses receiving a Business Subsidy. Financial Assistance goals will be detailed in a loan agreement or an agreement similar to that of a Business Subsidy Agreement.

- v. **Failure to Meet Goals.** Pursuant to Minn. Stat. § 116J.994, subd. 6, the business subsidy agreement must specify the recipient's obligation if the recipient does not fulfill the terms contained in the agreement. At a minimum, the business subsidy agreement must require a recipient failing to meet subsidy agreement goals to pay back the assistance plus interest to the City or, at the City's option, to the account created under Minn. Stat. § 116J.551, provided however that repayment may be prorated to reflect partial fulfillment of the stated goals by the recipient. The interest rate must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year. The City, after a public hearing, may extend for up to one (1) year the period for meeting the wage and job goals provided in the business subsidy agreement. The City may extend the period for meeting other goals contained in the business subsidy agreement by documenting in writing the reason(s) for the extension and attaching a copy of the document to its next annual report to DEED.

A recipient that fails to meet the terms of a business subsidy agreement may not receive a business subsidy from the City for a period of five (5) years from the date of failure or until a recipient satisfies its repayment obligations, whichever occurs first. Before the City signs a business subsidy agreement, the City must check with the compilation and summary report required by DEED to determine if the recipient is eligible to receive a business subsidy.

Northfield Business Subsidy

Draft Version #2

EDA Executive Committee Review

Nate Carlson
4-17-2017

City of Northfield, Minnesota

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BUSINESS SUBSIDY POLICY

FOR ESTABLISHING

A BUSINESS SUBSIDY POLICY FOR TRADITIONAL BUSINESS SUBSIDY

and

JOBZ BUSINESS SUBSIDY DEVELOPMENTS

RESOLUTION

OF THE MAYOR AND CITY COUNCIL

OF

CITY OF NORTHFIELD

Commented [CH1]: I suggest having the policy and the resolution be two separate documents. The resolution would simply attach the business subsidy policy and state that the policy replaces and supersedes in all respects any prior business subsidy policy.

To Amend

Its Resolution # 2003-12 entitled

"Business Subsidy Policy"

Last modified Amended on

On April 21, 2003

Amended _____, 2017

RESOLVED by the City Council of the City of Northfield that it shall adopt the following **Business Subsidy Policy and Criteria:**

1. PURPOSE, AUTHORITY AND LIMITATIONS

- a. **Preamble.** For the purposes of this policy document, the term "City" includes the Northfield City Council, City employees, consultants and agents, the Northfield Economic Development Authority, the Northfield Housing and Redevelopment Authority, and other City advisory boards and commissions.
- b. Economic development incentives are financial tools that enable the City to provide opportunities and benefits for its businesses and residents. Whenever the City of Northfield allocates, grants, loans, appropriates, approves, dedicates, invests public funds or otherwise agrees to voluntarily forfeit use tax or other revenues that benefit private development projects, the City's primary objective for those projects should be to create the greatest number of full time equivalent ("FTE") jobs possible, that which pay at least a living wage, for the residents of the City and the surrounding region. City policy-makers and economic development agents must keep the critical need for living-wage FTE well-paying jobs the priority whenever public dollars are invested used for in a private business or development project. Additionally, it is the priority of the City to assist existing businesses and industries located in the City, as well as to attract those businesses that are identified to be within the target markets of the City to locate in the City.
- c. This policy is adopted in compliance with the Minnesota Business Subsidy Act ("Act"), Minn. Stat. § 116J.993-116J.995, as amended. The City has adopted this policy and these criteria after a public hearing in accordance with the governing statutes. A copy of this policy shall be submitted to the Department of Employment and Economic Development ("DEED") along with the first annual Business Subsidy report.
- d. The City reserves the right to approve or reject projects on a case-by-case basis, taking into consideration established policies, project criteria, and demand on City services in relation to the potential benefits from the project. Meeting all or any portion of the policy criteria contained herein does not mean or guarantee the award of business assistance by the City to any project. Approval or denial of one project is also not intended to set precedent for approval or denial of another project. The City reserves the right, in its sole judgment and discretion, to approve or deny business assistance to a project based on the merits of the project and the overall benefit of the project to the community, using this policy and the criteria contained herein as the means of measuring overall benefit.
- e. The City shall have the option of amending or waiving sections of this policy and criteria when determined necessary or appropriate in the public interest, and can deviate from this policy for projects that supersede the objectives identified herein. The Act permits the City to deviate from this policy by documenting in writing the reason(s) for the deviation and attaching a copy of the document to the City's next annual report to DEED.
- f. Any applicant who is not in good standing with the City, in regards to any licenses, fees, property taxes, or other specific City charges, will not be considered for business subsidies.
- g. All request for business assistance must comply with the Act and applicable law.
- h. Any amendments or modifications to the Act shall amend or modify the terms and definitions of this policy and criteria without any further actions of the City.
- b-i. The City may charge a fee for requests under this policy, and these fees will be adopted by the City Council.

Commented [CH2]: This policy is drafted to mirror the governing statutes and is intended to be inclusive providing policy and option issues for the EDA to consider, modify or reject. The statutory language has been added to assist staff in implementing the policy as opposed to going to the statutes directly. Another way to draft this policy, of course, would have been not to include the statutory language and instead just reference the statute.

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Commented [CH3]: Referencing location in the City is a policy issue for the EDA. There is no requirement to make such a reference.

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Commented [CH5]: This is a policy question to consider. It is not required in the statute or otherwise.

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2. BUSINESS SUBSIDY PUBLIC PURPOSE, PRIORITIES, GOALS AND OBJECTIVES

- e-a. **Business Subsidy Public Purpose.** The purposes, priorities, goals and objectives in providing a business subsidy to assist private development public purposes of under this policy, include but are not limited to, shall be to accomplish achieving the following on behalf of the City of Northfield:
- To redevelop blighted or under-utilized areas of the City.
 - To create additional job opportunities within the City.
 - To retain local jobs in the City, where job loss is specific and demonstrable.

iv. To enhance the economic diversity of the City and to provide essential products and services within the City.

v. To enhance economic growth and opportunity in this area City,

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vi. To increase the City's tax base.

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vii. To create opportunities for affordable and workforce housing and/or a diversification of housing stock available within the City.

viii. To support the retention and/or adaptive re-use of buildings of historical or architectural significance.

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d. This policy is adopted in compliance with M.S. § 116J.994 Subd. 2. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report.

Principles of Business Subsidy Implementation. The City shall

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e. ix. To target ~~its Business Subsidy~~ assistance to businesses that demonstrate a clear and ongoing commitment to the community. This commitment ~~must~~ may be shown by providing at least living wage jobs to ~~their~~ employees, where applicable, and by giving priority to those businesses over businesses that have not traditionally paid living wages.

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~~The City shall focus its business subsidy assistance only to businesses which agree to comply with annual business subsidy reporting requirements as required by Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310–469.320, and/or as required by the Business Subsidy statute M.S. §§ 116J.993–116J.995.~~

Commented [NC7]: Discontinued JOBZ state program. Language no longer applicable.

~~i. x. Although the primary purposes of this policy are to retain jobs locally and to create living wage jobs, we cannot achieve our economic development goals without a trained and ready workforce. The City shall commit to assist businesses to obtain trained and work-ready employees through the DEED Workforce Development Centers.~~

~~f. b. The City values our existing employers and agrees to require that a qualified business shall not compete with or displace local businesses currently operating within the subzone community.~~

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2.3. DEFINITIONS

a. ~~"Authorized Business Subsidy Signatory" means the Mayor of the City of Northfield who is authorized by this Policy to execute Business Subsidy agreements on behalf of the City of Northfield AND/OR The Economic Development Authority President and/or designee to executing Business Subsidy Agreements on its behalf.~~

~~"JOBZ Business Subsidy" means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310–469.320. JOBZ Business Subsidies shall include:~~

- ~~1. Exemption from individual income taxes as provided under M.S. § 469.316; and~~
- ~~2. Exemption from corporate franchise taxes as provided under M.S. § 469.317; and~~
- ~~3. Exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in M.S. § 297A.68, subdivision 37; and~~
- ~~4. Exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under M.S. § 297B.03; and~~
- ~~5. Exemption from the property tax as provided in M.S. § 272.02, subdivision 64; and~~
- ~~6. Exemption from the wind energy production tax under M.S. § 272.029, subdivision 7; and~~
- ~~7. The jobs credit allowed under M.S. § 469.318.~~

Commented [NC8]: Discontinued JOBZ state program. Language no longer applicable.

b-a. "Benefit date" - means the date that the recipient receives the business subsidy. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date begins when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either:

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- i. when the improvements are finished for the entire project; or
- ii. when a business occupies the property. If a business occupies the property and the City expects that other businesses will also occupy the same property, the City may assign a separate benefit date for each business when it first occupies the property.

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e-b. "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, and as defined by the Minnesota Business Subsidy statute Act, Minn. Stat. §§ 116J.993 - 116J.995.

Business Subsidies provided by the City shall include, but are not be limited to the following:

- i. Loan or grant greater than \$150,000
- ii. Grant
- iii. Tax abatement
- iv. TIF or other tax reduction or deferral
- v. Guarantee of payment
- vi. Contribution of property or infrastructure
- vii. Preferential use of governmental facilities
- viii. Land contribution
- ix. Other specified subsidy.

Pursuant to Minn. Stat. § 116J.994, subd. 2, business subsidy also includes the following forms of financial assistance: "Financial Assistance" – means state or local government agency monetary assistance in the forms of:

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- i. Business loans or guarantees of \$75,000 to \$150,000; and
- ii. A business subsidy Grants of \$25,000 to \$150,000.

Commented [CH9]: State statute provides: " Notwithstanding section 116J.993, subdivision 3, clauses (1) and (21), for the purpose of this subdivision, "business subsidies" as defined under section 116J.993 includes the following forms of financial assistance: (1) a business subsidy of \$25,000 or more; and (2) business loans and guarantees of \$75,000 or more."

The following forms of City financial assistance are not a business subsidy:

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- ~~iii-i.~~ a business subsidy of less than \$150,000;
- ~~iv-ii.~~ assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- ~~v-iii.~~ public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- ~~vi-iv.~~ redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- ~~vii-v.~~ assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- ~~viii-vi.~~ assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- ~~ix-vii.~~ assistance for housing;

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- ~~i-viii.~~ assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;
- ~~ii-ix.~~ assistance for energy conservation;
- ~~iii-x.~~ tax reductions resulting from conformity with federal tax law;
- ~~xi.~~ workers' compensation and unemployment insurance;
- ~~iv-xii.~~ benefits derived from regulation;
- ~~v-xiii.~~ indirect benefits derived from assistance to educational institutions;
- ~~vi-xiv.~~ funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- ~~vii-xv.~~ assistance for a collaboration between a Minnesota higher education institution and a business;
- ~~viii-xvi.~~ assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;
- ~~ix-xvii.~~ redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- ~~x-xviii.~~ general changes in tax increment financing law and other general tax law changes of a principally technical nature;
- ~~xi-xix.~~ federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- ~~xii-xx.~~ funds from dock and wharf bonds issued by a seaway port authority;
- ~~xiii-xxi.~~ business loans and loan guarantees of \$150,000 or less;
- ~~xiv-xxii.~~ federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
- ~~xxiii.~~ property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.

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Business Subsidies or Financial Assistance do not require reporting if they fall within any of the following categories:

- ~~ii.~~ assistance of less than \$25,000 for grants;
- ~~ii.~~ assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria;
- ~~ii.~~ public improvements to buildings or lands owned by the City that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- ~~ii.~~ property polluted by contaminants being redeveloped as defined in M.S. § 116J.552, subd. 3;
- ~~ii.~~ assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development;
- ~~ii.~~ assistance to provide job readiness and training services;
- ~~ii.~~ assistance for housing;

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- ~~ii. assistance for pollution control or abatement, including assistance from a TIF hazardous substances subdistrict;~~
- ~~ii. assistance for energy conservation;~~
- ~~ii. tax reductions resulting from conformity with federal tax law;~~
- ~~ii. workers compensation and unemployment compensation;~~
- ~~ii. benefits derived from regulation;~~
- ~~ii. indirect benefits derived from assistance to educational institutions;~~
- ~~ii. funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501(e)(3) bonds;~~
- ~~ii. assistance for collaboration between a Minnesota higher education institution and a business;~~
- ~~ii. assistance for a tax increment financing soils condition district as defined under M.S. 469.174, subd. 19;~~
- ~~ii. redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value;~~
- ~~ii. general changes in tax increment financing law and other general tax law changes of a principally technical nature;~~
- ~~ii. federal assistance until the assistance has been repaid to and reinvested by the local governmental unit;~~
- ~~ii. funds from dock or wharf bonds issued by a seaway port authority;~~
- ~~ii. business loans or loan guarantees of \$75,000 or less; and~~
- ~~ii. federal loan funds provided through the U.S. Economic Development Administration.~~

aa-c. "Business Subsidy Report" – means the annual reports submitted each year for each business receiving a Business Subsidy in the community. The report is submitted by the City in order to comply with Minn. Stat. § 116J.994, Subd. 7. (b).

bb-d. "Financial Assistance Report" - means the annual reports submitted each year for each business receiving Financial Assistance in the community. The report is submitted by the City in order to comply with Minn. Stat. § 116J.994, Subd. 7. (bc).

ee-c. "Business Subsidy Agreement" – means the agreement, pursuant to Minn. Stat. § 116J.994, Subd. 3, between the City of Northfield and the Recipient receiving a business subsidy, which is required and must be executed, in order to receive a business subsidy.

dd-f. "Criteria" – means the equitably applied, uniform standards by which the ~~Economic Development Agency and/or the~~ City bases its decision to award any Business Subsidy to a private business or development project establishing a business and creating jobs in the City.

ee-g. "DEED" – means Minnesota Department of Employment and Economic Development.

ff-h. "Economic Development Agent" – means the city department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form Business Subsidy agreements on behalf of the City. The Economic Development Agent for the City shall be the Community Development Director and/or designee, hereinafter "Agent".

gg. "Health Insurance" means basic health insurance

hh-j. "Living Wage Job" – shall mean a job which pays wages and health benefits that total at least the rate of ~~40~~ 50-percent of the current poverty level for a family of four.

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Commented [CH11]: This is a policy issue for the city and I have no comment.

jj-j. **"Local Government Agency"** – means a statutory or home rule charter city, housing and redevelopment authority, town, county, port authority, economic development authority, community development agency, nonprofit entity created by a local government agency, or any other entity created by or authorized by a local government with authority to provide business subsidies.

jj-k. **"Operation Start Date"**—shall mean the date by which the business begins its operations in the zone as evidenced by constructing a facility or relocating to an existing building in a facility and beginning revenue generating operations and/or hiring employees.

kk-l. **"Qualified Business"**—means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in M.S. § 469.310 Subd. 11; and complies with the reporting requirements specified by M.S. § 469.313 Subd. 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 living wage defined in this agreement.

Commented [NC12]: Discontinued JOBZ state program. Language no longer applicable.

ll-m. **"Recipient"** – means any for-profit or nonprofit business entity that receives a Business Subsidy. Only nonprofit entities with at least 100 full-time equivalent positions and with a ratio of highest to lowest paid employee, that exceeds ten to one, determined on the basis of full-time equivalent positions, are included in this definition, mean any business entity that receives a business subsidy as defined by M.S. § 116J.993, and that has signed a Business Subsidy Agreement with the City.

mm-n. **"Relocating Business"**—A business relocating from another Minnesota non-JOB Zone location.

nn-o. **"Relocation Agreement"**—means a binding written agreement between a relocating qualified business and the commissioner of DEED pledging that the qualified business shall either: (a) increase full-time or full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, or (b) make a capital investment on the property equivalent to 10% 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.

oo-p. **"Subzone"**—means the parcel or parcel of land designated by the Commissioner of Employment and Economic Development within a Job Opportunity Building Zone within the boundaries of City of Northfield to receive certain tax credits and exemptions specified under M.S. § 469.310-469.320.

pp-q. **"Zone"**—means a Job Opportunity Building Zone or an Agricultural Processing Facility Zone designated by the commissioner of Employment and Economic Development under M.S. § 469.314.

Commented [NC13]: Discontinued JOBZ state program. Language no longer applicable.

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3-4. **BUSINESS SUBSIDY MINIMUM JOB CREATION REQUIREMENT.** A qualified business recipient receiving a Business Subsidy from the City shall create/retain a minimum of one full-time equivalent living wage job per \$100,000 in business subsidy AND/OR invest \$1 million in capital improvements per \$100,000 in business subsidy.

5. **PROCESS OFFOR CONSIDERING AND APPROVING A BUSINESS SUBSIDY.**

a. A business must submit a written request/application to the City and EDA for a Business Subsidy or other financial assistance. If the requested assistance is not tax increment financing or tax abatement, which have their own specific application process, the business must submit information as found in the Business Subsidy Application for any request for financial assistance from the City. The City and EDA may request additional financial information as the City deems appropriate or necessary in its discretion to process the application. During the negotiation process, such financial data will be considered private data. After the negotiations are complete, such information submitted in writing to the City will be considered public data.

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a-b. If an application fee is required, the applicant will complete and submit the City's Application for Business Subsidy along with the required application fee (refer to the current year's adopted fee schedule). The application fee covers the City's outside legal counsel review and financial analysis costs. The applicant will also provide any additional information requested by the City. The applicant will be liable for any additional costs beyond the initial deposit. All materials submitted to the City in connection with a business

Commented [CH14]: Change proposed by Britt Ackerman

subsidy application shall become the property of the City and are subject to the Minnesota Government Data Practices Act ("MGDPA"), Minn. Stat. c. 13. Business data as defined in the MGDPA submitted to and received by the City from a business requesting a Business Subsidy or other financial assistance from the City shall be classified as either private, nonpublic or public data, as applicable, pursuant to the requirements contained in Minn. Stat. § 13.591.

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b-c. City staff or the City's economic development agent shall review the application materials and make a preliminary recommendation to the City regarding the completeness of the application, whether the application meets the goals of this policy, and whether the application complies with the criteria established in the this policy.

d. Pursuant to Minn. Stat. § 116J.994, subd. 5, before granting a business subsidy that exceeds \$150,000, the City must provide at least ten-day, published public notice of and hold a hearing on the business subsidy. The public notice shall include the date, time, and place of the hearing and identify the location at which information about the business subsidy, including a summary of the terms of the subsidy, is available. The City shall make the information available in printed paper copies and, if possible, on the Internet. The public notice of any public meeting on a business subsidy agreement shall include notice that a person with residence in, or the owner of taxable property in, the City may file a written complaint with the City if the City fails to comply with the Act. The notice shall also state that no such action may be filed against the City for the failure to comply with the Act unless such written complaint is timely filed with the City. The written complaint under Minn. Stat. § 116J.994, subd. 11 for failure to comply with subdivisions 1 to 5 of said statute must be filed with the City within 180 days after approval of the business subsidy agreement. Such an action must be commenced within 30 days following receipt of the City's reply to the complaint, or within 180 days after approval of the business subsidy agreement, whichever is later.

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e-c. In the event that the City concurs with the recommendation above, the City will consider the application during a public meeting. The City will grant final approval or denial of the proposal.

f. Additional agreements and program requirements (including annual reporting) may be necessary depending on the form of business subsidy and/or the value of the award, as defined in the Act.

Business Subsidy Policies. The City of Northfield adopts the following:

Any time the City of Northfield provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage levels, job creation and other criteria set forth in this policy and specified in the Business Subsidy Agreement made with the City of Northfield. In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993—116J.995 and the JOBZ statute M.S. §§ 469.310—469.320, the JOBZ statute shall supersede.

The recipient, in the case of a quantifiable non-JOBZ business subsidy, shall create and retain at least one full-time equivalent (FTE) job in the community, with a minimum wage of at least 100 percent of the median wage for Rice County—for the particular industry sector that the business is categorized by, in accordance with North America Industry Classification System (NAICS). The wage information will be obtained from the Minnesota Department of Employment and Economic Development (DEED), and shall be equal to or greater than living wage.

The qualified business, in the case of a JOBZ business subsidy, must create and retain for the period of the Job Zone duration or until December 31, 2015, whichever is shorter:

at least 10 FTE job(s) that pay a living wage (100 percent of the median wage for Rice County—for the particular industry sector that the business is categorized by, in accordance to the NAICS, obtained from DEED and shall be equal to or greater than living wage) with cash benefits including health insurance if the qualified business is moving into the City from outside the city/county/state. These jobs shall be created no later than the specific date identified in a Business Subsidy Agreement.

at least five (5) FTE job(s) that pay a living wage (100 percent of the median wage for Rice County—for the particular industry sector that the business is categorized by, in accordance to the NAICS, obtained from DEED).

~~which shall be equal to or greater than living wage) with cash benefits including health insurance if the qualified business is an existing business already located within the City. These jobs shall be created no later than the specific date identified in a Business Subsidy Agreement~~

~~The qualified business shall be identified in the Business Subsidy Agreement as a:~~

~~New trade or business start-up located within the subzone; OR~~

~~Business expanding in the subzone which is a business that maintains its current operations in its current location and is expanding its operations and its payroll within the Northfield subzone; OR~~

~~A business relocating from another state; OR~~

~~A business relocating from another Minnesota non-Zone location, which meets the relocation criteria as defined by the State;~~

Commented [NC16]: Discontinued JOBZ state program. Language no longer applicable.

~~The City of Northfield may deviate from wage and job criteria in Section II by documenting the reason in writing for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED.~~

~~The City of Northfield authorizes the Mayor, as representative of the city, to act as its Authorized Business Subsidy Signatory to execute Business Subsidy Agreements on behalf of the City of Northfield. AND/OR~~

~~The City of Northfield authorizes the Economic Development Authority President and/or designee to execute Business Subsidy Agreements on its behalf. AND/OR~~

~~The City of Northfield authorizes the Community Development Director and/or designee to act as its Economic Development Agent for purposes of marketing, and/or initiating and negotiating Business Subsidy Agreements, and/or executing Business Subsidy Agreements on its behalf.~~

~~A Business Subsidy of \$150,000 or more requires a public hearing with at least 10 days notice in the local newspaper. A public hearing for another purposes such as tax increment financing or abatement may be combined with the Business Subsidy hearing. A copy of the draft Business Subsidy agreement must be on file with the City.~~

4.6. BUSINESS SUBSIDY AGREEMENT AND REPORTING REQUIREMENTS

a. **Requirements of businesses.** The City of Northfield shall require all businesses receiving a Business Subsidy to comply with the following:

i. **Business Subsidy Agreement.** A Recipient must enter into a business subsidy agreement with the City and EDA that includes:

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1. a description of the business subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
2. a statement of the public purposes for the subsidy;
3. measurable, specific, and tangible goals for the subsidy;
4. a description of the financial obligation of the recipient if the goals are not met;
5. a statement of why the subsidy is needed;
6. a commitment to continue operations in the jurisdiction where the subsidy is used for at least five (5) years after the benefit date;
7. the name and address of the parent corporation of the recipient, if any; and
8. a list of all financial assistance by all grantors for the project.

ii. Business Subsidies in the form of grants must be structured as forgivable loans. For other types of Business Subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.

- iii. If a Business Subsidy benefits more than one recipient, the City must assign a proportion of the business subsidy to each recipient that signs the business subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.
- iv. Reporting Requirements. The City shall monitor the progress by the recipient in achieving the goals contained in the business subsidy agreement, and the recipient shall cooperate in all respects in meeting the reporting requirements contained in Minn. Stat. § 116J.994, subd. 7. A recipient must provide information regarding goals and results for two (2) years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information regarding the business subsidy until the subsidy is repaid. The information must be filed on forms developed by DEED. Copies of the completed forms must be sent to the City and contain all the information required in Minn. Stat. § 116J.994, subd. 7. A report must be filed by the recipient with the City no later than March 1 of each year for the previous year. The City shall thereafter forward copies of the recipient's completed report(s) received to DEED by April 1.
- Financial Assistance excluded from the definition of business subsidy will require reporting to state DEED officials in a manner similar to the reporting required by businesses receiving a Business Subsidy. Financial Assistance goals will be detailed in a loan agreement or an agreement similar to that of a Business Subsidy Agreement.
- If the recipient does not submit its report, the City must mail the recipient a warning within one week of the required filing date. If, after 14 days of the postmarked date of the warning, the recipient fails to provide a report, the recipient must pay to the grantor a penalty of \$100 for each subsequent day until the report is filed. The maximum penalty shall not exceed \$1,000.
- v. Failure to Meet Goals. Pursuant to Minn. Stat. § 116J.994, subd. 6, the business subsidy agreement must specify the recipient's obligation if the recipient does not fulfill the terms contained in the agreement. At a minimum, the business subsidy agreement must require a recipient failing to meet subsidy agreement goals to pay back the assistance plus interest to the grantor City or, at the grantor City's option, to the account created under section Minn. Stat. § 116J.551, provided however that repayment may be prorated to reflect partial fulfillment of the stated goals by the recipient. The interest rate must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year. The City, and EDA, after a public hearing, may extend for up to one (1) year the period for meeting the wage and job goals if provided for in a business subsidy agreement. The City may extend the period for meeting other goals contained in the business subsidy agreement by documenting in writing the reason(s) for the extension and attaching a copy of the document to its next annual report to DEED.
- A recipient that fails to meet the terms of a business subsidy agreement may not receive a business subsidy from the City for a period of five (5) years from the date of failure or until a recipient satisfies its repayment obligations, whichever occurs first. Before the City signs a business subsidy agreement, the City must check with the compilation and summary report required by DEED to determine if the recipient is eligible to receive a business subsidy.

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~~The business shall attend a properly noticed public hearing which shall be held by the City as provided by M.S. § 116J.994, when the value of the subsidy does or is expected to exceed \$100,000 from local sources. The purpose of the hearing shall be held to identify and define the criteria that the qualified business or recipient shall meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the subsidy, and shall specify the measurable, specific, and tangible goals committed to by the qualified business. As provided by M.S. 116J.994, Subd. 5, a public notice shall be published in print and if possible, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing, and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.~~

~~Business Subsidy Policy REVISE 2017 Hood mark-up 042517 (002)Business Subsidy Policy REVISE 2017Business Subsidy Policy 12-200405-2017~~

- ~~a. If the business is qualified to receive JOBZ tax benefits, that business shall agree to continue to conduct operations in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.~~
- ~~b. If the qualified business or recipient is a relocating business under the definition in this agreement, the business shall be required to enter into a binding written "Relocation Agreement between the qualified business and the commissioner of DEED pledging that the qualified relocating business shall:~~
 - ~~(1) Commit to signing a Relocation Agreement with DEED; and~~
 - ~~(2) Cease one or more operations or functions at a non-Zone location and begin performing substantially the same functions inside the Northfield Zone; or~~
 - ~~(3) Increase full time employment by 20 percent (measured relative to the operations that were relocated) within the first full taxable year of operation within the Zone and maintains the required level of employment during each year of zone designation; or~~
 - ~~(4) Make a capital investment in the Zone equivalent to at least 10 percent of gross revenues for the taxable year immediately preceding relocation to the Zone.~~
- ~~d. The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin in the zone.~~

Northfield Business Subsidy

Draft Version #1

EDA Executive Committee Review

Nate Carlson
3-10-2017

BUSINESS SUBSIDY POLICY
FOR ESTABLISHING
A BUSINESS SUBSIDY POLICY FOR TRADITIONAL BUSINESS SUBSIDY
and
JOBZ-BUSINESS SUBSIDY DEVELOPMENTS

RESOLUTION
OF THE MAYOR AND CITY COUNCIL
OF
CITY OF NORTHFIELD

To Amend
Its Resolution # 2003-12 entitled
“**Business Subsidy Policy**”
~~Last modified~~Amended-on
~~On~~ April 21, 2003
Amended _____, 2017

RESOLVED by the City Council of the City of Northfield that it shall adopt the following **Business Subsidy Policy and Criteria**:

Preamble. Whenever the City of Northfield invests public funds or agrees to voluntarily forfeit tax or other revenue that benefit private development projects, those projects should create the greatest number of full time equivalent (FTE) jobs possible, that pay at least a living wage, for the residents of the City and the surrounding region. City policy makers and economic development agents must keep the critical need for ~~living wage FTE~~ well-paying jobs the priority whenever public dollars are invested in a private business or development project. Additionally, it is the priority of the City to assist existing businesses and industries, as well as those businesses that are identified to be within the target markets of the city.

Business Subsidy Public Purpose. The public purposes of this policy shall be to accomplish the following on behalf of the City of Northfield:

1. To redevelop blighted or under-utilized areas of the City.
2. To create additional job opportunities within the City.
3. To retain local jobs in the City, where job loss is specific and demonstrable.
4. To enhance the economic diversity of the City and to provide essential products and services within the City.
5. To enhance economic growth in this area.

This policy is adopted in compliance with M.S. § 116J.994 Subd. 2. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report.

Principles of Business Subsidy Implementation. The City shall target its Business Subsidy assistance to businesses that demonstrate a clear and ongoing commitment to the community. This commitment must be shown by providing living wage jobs to their employees, where applicable, and by giving priority to those businesses over businesses that have not traditionally paid living wages.

~~The City shall focus its business subsidy assistance only to businesses which agree to comply with annual business subsidy reporting requirements as required by Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310–469.320; and/or as required by the Business Subsidy statute M.S. §§ 116J.993–116J.995.~~

Commented [NC1]: Discontinued JOBZ state program. Language no longer applicable.

Although the primary purposes of this policy are to retain jobs locally and to create living wage jobs, we cannot achieve our economic development goals without a trained and ready workforce. The City shall commit to assist businesses to obtain trained and work-ready employees through the DEED Workforce Development Centers.

~~The City values our existing employers and agrees to require that a qualified business shall not compete with or displace local businesses currently operating within the subzone community.~~

I. DEFINITIONS

"Local Government Agency" – means a statutory or home rule charter city, housing and redevelopment authority, town, county, port authority, economic development authority, community development agency, nonprofit entity created by a local government agency, or any other entity created by or authorized by a local government with authority to provide business subsidies.

"Authorized Business Subsidy Signatory" – means the Mayor of the City of Northfield who is authorized by this Policy to execute Business Subsidy agreements on behalf of the City of Northfield **AND/OR**

The Economic Development Authority President and/or designee to executing Business Subsidy Agreements on its behalf.

~~**"JOBZ Business Subsidy"** – means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310–469.320. JOBZ Business Subsidies shall include:~~

- ~~1. Exemption from individual income taxes as provided under M.S. § 469.316; and~~
- ~~2. Exemption from corporate franchise taxes as provided under M.S. § 469.317; and~~
- ~~3. Exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in M.S. § 297A.68, subdivision 37; and~~
- ~~4. Exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under M.S. § 297B.03; and~~
- ~~5. Exemption from the property tax as provided in M.S. § 272.02, subdivision 64; and~~
- ~~6. Exemption from the wind energy production tax under M.S. § 272.022, subdivision 7; and~~
- ~~7. The jobs credit allowed under M.S. § 469.318.~~

Commented [NC2]: Discontinued JOBZ state program. Language no longer applicable.

"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, and as defined by the Business Subsidy statute M.S. §§ 116J.993 - 116J.995. Business Subsidies shall include, but not be limited to:

1. Loan or grant greater than \$150,000
- ~~2. Grant~~
- ~~3.2~~ Tax abatement
- ~~4.3~~ TIF or other tax reduction or deferral
- ~~5.4~~ Guarantee of payment
- ~~6.5~~ Contribution of property or infrastructure
- ~~7.6~~ Preferential use of governmental facilities
- ~~8.7~~ Land contribution
- ~~9.8~~ Other specified subsidy.

“Financial Assistance” – means state or local government agency monetary assistance in the forms of:

1. Loans of \$75,000 to \$150,000
- ~~2. Grants of \$25,000 to \$150,000~~

Business Subsidies or Financial Assistance do not require reporting if they fall within any of the following categories:

1. assistance of less than \$25,000 for grants;
2. assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria;
3. public improvements to buildings or lands owned by the City that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
4. property polluted by contaminants being redeveloped as defined in M.S. § 116J.552, subd. 3.
5. assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development;
6. assistance to provide job readiness and training services;
7. assistance for housing;
8. assistance for pollution control or abatement, including assistance from a TIF hazardous substances subdistrict;
9. assistance for energy conservation;
10. tax reductions resulting from conformity with federal tax law;
11. workers compensation and unemployment compensation;
12. benefits derived from regulation;
13. indirect benefits derived from assistance to educational institutions;
14. funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501(c)(3) bonds;
15. assistance for collaboration between a Minnesota higher education institution and a business;
16. assistance for a tax increment financing soils condition district as defined under M.S.469.174, subd.19;
17. redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value;
18. general changes in tax increment financing law and other general tax law changes of a principally technical nature;
19. federal assistance until the assistance has been repaid to and reinvested by the local governmental unit;
20. funds from dock or wharf bonds issued by a seaway port authority;
21. business loans or loan guarantees of \$75,000 or less; and
22. federal loan funds provided through the U.S. Economic Development Administration.

"Business Subsidy Report" – means the annual reports submitted each year for each business receiving a Business Subsidy in the community. The report is submitted by the City in order to comply with M.S. § 116J.994 Subd. 7. (b).

"Financial Assistance Report" - means the annual reports submitted each year for each business receiving Financial Assistance in the community. The report is submitted by the City in order to comply with M.S. § 116J.994 Subd. 7. (b).

"Business Subsidy Agreement" – means the agreement between the City of Northfield and the Recipient receiving business subsidies must execute in order to receive subsidy.

"Criteria" – means the equitably applied, uniform standards by which the Economic Development Agency and/or the City bases its decision to award any Business Subsidy to a private business or development project establishing a business and creating jobs in the City.

"DEED" – means Minnesota Department of Employment and Economic Development.

"Economic Development Agent" – means the city department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form Business Subsidy agreements on behalf of the City. The Economic Development Agent for the City shall be the Community Development Director and/or designee, hereinafter "Agent".

"Health Insurance" – means basic health insurance

"Living Wage Job" – shall mean a job which pays wages ~~and health benefits~~ that total at least the rate of ~~110~~150 percent of the current poverty level for a family of four.

"Operation Start Date" – shall mean the date by which the business begins its operations in the zone as evidenced by constructing a facility or relocating to an existing building in a facility and beginning revenue generating operations and/or hiring employees.

"Qualified Business" – means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in M.S. § 469.310 Subd. 11; and complies with the reporting requirements specified by M.S. § 469.313 Subd. 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 living wage defined in this agreement.

Commented [NC3]: Discontinued JOBZ state program. Language no longer applicable.

"Recipient" – means any for-profit or nonprofit business entity that receives a Business Subsidy. Only nonprofit entities with at least 100 full-time equivalent positions and with a ratio of highest to lowest paid employee, that exceeds ten to one, determined on the basis of full-time equivalent positions, are included in this definition. mean any business entity that receives a business subsidy as defined by M.S. § 116J.993, and that has signed a Business Subsidy Agreement with the City.

"Relocating Business" – A business relocating from another Minnesota non-JOB Zone location.

"Relocation Agreement" – means a binding written agreement between a relocating qualified business and the commissioner of DEED pledging that the qualified business shall 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 20 percent, ~~or~~ (b) make a capital investment on the property equivalent to 10% 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.

"Subzone" – means the parcel or parcel of land designated by the Commissioner of Employment and Economic Development within a Job Opportunity Building Zone within the boundaries of City of Northfield to receive certain tax credits and exemptions specified under M.S. § 469.310-469.320.

"Zone" – means a Job Opportunity Building Zone or an Agricultural Processing Facility Zone designated by the commissioner of Employment and Economic Development under M.S. § 469.314.

Commented [NC4]: Discontinued JOBZ state program. Language no longer applicable.

II. BUSINESS SUBSIDY-MINIMUM JOB CREATION REQUIREMENTS

A qualified business receiving a Business Subsidy from the City of Northfield shall create/retain a minimum of one full-time equivalent job per \$100,000 in subsidy AND/OR invest \$1 million in capital improvements per \$100,000 in subsidy.

III. PROCESS OF CONSIDERING AND APPROVING BUSINESS SUBSIDY

A business must submit a written request to the City and EDA for a Business Subsidy. If the assistance is not tax increment financing or tax abatement, which have their own specific application process, the business must submit information as found in the Business Subsidy Application. The City and EDA may request additional financial information. During the negotiation process, such financial data will be considered private data. After the negotiations are complete, such information submitted in writing to the City will be considered public data.

Business Subsidy Policies. The City of Northfield adopts the following:

Any time the City of Northfield provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage levels, job creation and other criteria set forth in this policy and specified in the Business Subsidy Agreement made with the City of Northfield. In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993–116J.995 and the JOBZ statute M.S. §§ 469.310–469.320, the JOBZ statute shall supersede.

The recipient, in the case of a **quantifiable non-JOBZ business subsidy**, shall create and retain at least one full-time equivalent [FTE] job in the community, with a minimum wage of at least 100 percent of the median wage for Rice County *for the particular industry sector that the business is categorized by, in accordance with North America Industry Classification System (NAICS).* The wage information will be obtained from the Minnesota Department of Employment and Economic Development (DEED), and shall be equal to or greater than living wage.

The **qualified business, in the case of a JOBZ business subsidy**, must create and retain for the period of the Job Zone duration or until December 31, 2015, whichever is shorter:

at least 10 FTE job(s) that pay a living wage (100 percent of the median wage for Rice County *for the particular industry sector that the business is categorized by, in accordance to the NAICS, obtained from DEED and shall be equal to or greater than living wage*) with cash benefits including health insurance if the qualified business is moving into the City from outside the city/county/state. These jobs shall be created no later than the specific date identified in a Business Subsidy Agreement.

at least five (5) FTE job(s) that pay a living wage (100 percent of the median wage for Rice County *for the particular industry sector that the business is categorized by, in accordance to the NAICS, obtained from DEED, which shall be equal to or greater than living wage*) with cash benefits including health insurance if the qualified business is an existing business already located within the City. These jobs shall be created no later than the specific date identified in a Business Subsidy Agreement.

The qualified business shall be identified in the Business Subsidy Agreement as a:

New trade or business start-up located within the subzone; **OR**

Business expanding in the subzone which is a business that maintains its current operations in its current location and is expanding its operations *and its payroll* within the Northfield subzone; **OR**

A business relocating from another state; **OR**

A business relocating from another Minnesota non-Zone location, which meets the relocation criteria as defined by the State.

Commented [NC5]: Discontinued JOBZ state program.
Language no longer applicable.

The City of Northfield may deviate from wage and job criteria in Section II by documenting the reason in writing for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED.

The City of Northfield authorizes the Mayor, as representative of the city, to act as its Authorized Business Subsidy Signatory to execute Business Subsidy Agreements on behalf of the City of Northfield. **AND/OR**

The City of Northfield authorizes the Economic Development Authority President and/or designee to executing Business Subsidy Agreements on its behalf. **AND/OR**

The City of Northfield authorizes the Community Development Director and/or designee to act as its Economic Development Agent for purposes of marketing, and/or initiating and negotiating Business Subsidy Agreements, and/or executing Business Subsidy Agreements on its behalf.

A Business Subsidy of \$150,000 or more requires a public hearing with at least 10 days notice in the local newspaper. A public hearing for another purposes such as tax increment financing or abatement may be combined with the Business Subsidy hearing. A copy of the draft Business Subsidy agreement must be on file with the City.

IV. SUBSIDY AGREEMENT AND REPORTING REQUIREMENTS

Requirements of businesses. The City of Northfield shall require all businesses receiving a Business Subsidy to comply with the following:

A Recipient must enter into a subsidy agreement with the City and EDA that includes:

- (1) a description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
- (2) a statement of the public purposes for the subsidy;
- (3) measurable, specific, and tangible goals for the subsidy;
- (4) a description of the financial obligation of the recipient if the goals are not met;
- (5) a statement of why the subsidy is needed;
- (6) a commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date;
- (7) the name and address of the parent corporation of the recipient, if any; and
- (8) a list of all financial assistance by all grantors for the project.

Business Subsidies in the form of grants must be structured as forgivable loans. For other types of Business Subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.

If a Business Subsidy benefits more than one recipient, the City and EDA must assign a proportion of the business subsidy to each recipient that signs the subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.

Reporting Requirements. A recipient must provide information regarding goals and results for two years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information regarding the subsidy until the subsidy is repaid.

Financial Assistance will require reporting to state officials in a manner similar to the reporting required by businesses receiving a Business Subsidy. Financial Assistance goals will be detailed in a loan agreement or an agreement similar to that of a Business Subsidy Agreement.

Failure to Meet Goals. The subsidy agreement must specify the recipient's obligation if the recipient does not fulfill the agreement. At a minimum, the agreement must require a recipient failing to meet subsidy agreement goals to pay back the assistance plus interest to the grantor or, at the grantor's option, to the account created under section 116J.551 provided that repayment may be prorated to reflect partial fulfillment of goals. The interest rate must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year. The City and EDA, after

a public hearing, may extend for up to one year the period for meeting the wage and job goals if provided for in a subsidy agreement.

~~The business shall attend a properly noticed public hearing which shall be held by the City as provided by M.S. § 116J.994, when the value of the subsidy does or is expected to exceed \$100,000 from local sources. The purpose of the hearing shall be held to identify and define the criteria that the qualified business or recipient shall meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the subsidy, and shall specify the measurable, specific, and tangible goals committed to by the qualified business. As provided by M.S. 116J.994, Subd. 5, a public notice shall be published in print and if possible, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing, and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.~~

- ~~a. If the business is qualified to receive JOBZ tax benefits, that business shall agree to continue to conduct operations in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.~~
- ~~b. If the qualified business or recipient is a relocating business under the definition in this agreement, the business shall be required to enter into a binding written "Relocation Agreement between the qualified business and the commissioner of DEED pledging that the qualified relocating business shall:~~
 - ~~(1) Commit to signing a Relocation Agreement with DEED; and~~
 - ~~(2) Cease one or more operations or functions at a non-Zone location and begin performing substantially the same functions inside the Northfield Zone; or~~
 - ~~(3) Increase full-time employment by 20 percent (measured relative to the operations that were relocated) within the first full-taxable year of operation within the Zone and maintains the required level of employment during each year of zone designation; or~~
 - ~~(4) Make a capital investment in the Zone equivalent to at least 10 percent of gross revenues for the taxable year immediately preceding relocation to the Zone.~~
- ~~d. The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin in the zone.~~