

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.~~

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.~~

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 Language no longer applicable.

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. § 272.029, 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
- ~~1-2.~~ 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.

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 Language no longer applicable.

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 with 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.~~

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.

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 Language no longer applicable.

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.~~