

Business Subsidy Policy Comments

EDA Board Member Recommendations

Fred Rogers

Here are my comments on the policy, using the last 'final' copy as a reference.

Section 1 b. I agree with Andrew's comments this morning that this purpose needs to be expanded. Based upon the references to Farmington, I would strongly encourage using that to beef up this purpose.

Section 1 e. This section should not grant an option for amending the policy. Moreover, I think the language of waiving sections is also too strong. I think it should say something more like: The City shall interpret the sections and criteria of this policy in ways which most advance the goals and purposes set forth above and may find that in some cases it would be beneficial to deviate from the policy specifics. In those cases, the City will document the reasons and justifications for so deviating and discuss them with the appropriate City boards and commissions as part of the process of considering such business subsidy as is affected. (then it can say the sentence about DEED)

Section 2 a. This section should spell out in more detail whatever additional goals are developed for 1 b. above.

Section 2 a. x. The last sentence here is not a goal. Perhaps it is part of Section 1 where it can be listed as a new subsection j. stating "As required by Law, the City shall assist...."

Section 3 . It would be good to start this section with a statement that says that the City has multiple levels of business subsidy and financial assistance available to potential business recipients. They are as follows:

- Business Subsidy
- Financial Assistance
- Local Grant and Loan

- Business Subsidy is over \$150,000
- Financial Assistance is loans between \$75-100k and grants between \$25-150k
- Local Grants and Loans are smaller than those limits

Then you can have a section on each that follows. In those following sections they should say which state statutes or regulations govern their use and reporting and and list specific criteria that apply to each. The draft section b. is a good start on the version of this for Business Subsidy.

I am not clear on why the long list of what is Not a Business Subsidy is required in this policy if it comes out of state statute. If it is required, then it should be included in the subsection that defines a Business Subsidy in detail or it could be a footnote?

It might even help to include a small table showing the types of subsidies, their limits and their statute references?

Section 4 The definition should include the words "a minimum of" for the capital improvement target as well as for employment. So the last line would read: AND/OR invest a minimum of \$1 million in capital improvements per \$100,000 in business subsidy.

After all of that, I have no comment on the issue of Living Wage threshold. I agree with Mike and Todd that it can't be so high that it is a reason to not do work. What was proposed by the Exec Committee on this seemed good to me. My one question here is whether it is intended to be indexed and thus grow over time?

Thank you,

Fred

Andrew Ehrmann

- 1) Broaden the focus of section 1 b. Currently the focus is primarily on creating the greatest number of FTE's, which pay at least a living wage. While these are important, it seems to me that we should have a broader understanding of the potential public benefits a business might bring to town.
- 2) Use language that highlights the fact that we are looking to use public dollars to bring public benefits. I really like how Farmington's policy states this in multiple sections, but the following is nice because it helps organize their policies purpose:

Because projects vary greatly in structure and public benefit derived, each project will be considered on its own merits. Consideration will be given to projects providing public benefits in one or more of the following categories:

a. The creation of new jobs/increase in total payroll. In the case of new job creation, new jobs must pay an average wage equal to the minimum wage level for business assistance programs administered by the Minnesota Department of Employment and Economic Development for cities located in the seven county metropolitan area in place at the time of an application by any business seeking a subsidy. Preference will be given to higher paying jobs that also provide benefits such as health care coverage.

b. Projects that provide value in the forms of needed transportation and other utility infrastructure improvements including regional infrastructure in the community that would be completed in conjunction with the project.

c. Redevelopment projects that result in the stabilization of business districts or neighborhoods by elimination of blighting conditions.

d. Projects that enhance or increase the economic diversity of the community by attracting businesses or industries not currently located in the City. New job wage requirements will apply to any new jobs created. Farmington Business Subsidy Policy rev. 4.20.15

e. Projects that result in the development of affordable senior or workforce housing.

f. Quality of Life based on business/projects. Those business/entities that provide a desirable good or service and address an unmet demand in the community will be considered. New job wage requirements will apply to any new jobs created.

g. Retention of existing jobs. To be considered under this category, it must be demonstrated – to the satisfaction of the City - that the loss of jobs is specific and can be demonstrated.

It seems like we could easily include similar language in Section 2 of our policy. I would also encourage us to look compare the subcategories in our section 2 to those above.

- 3) State somewhere in our policy that we evaluate proposals based on multiple guiding documents: Again Farmington phrases this as such:

Each project shall not only be evaluated against the Business Subsidy Policy but also against other applicable City of Farmington or Economic Development Authority policies, including the Comprehensive Land Use Plan, current Strategic Plan for Economic Development. The level of assistance to be provided for any project is at the discretion of City of Farmington.

Elk River also includes this as following:

The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.

- 4) Replace the phrase "AND/OR invest 1 million in capital improvements per \$100,000 in business subsidy " with something like this from Farmington's policy :

If a particular project does not involve the creation of jobs, but is nonetheless found to meet another public purpose of the City it may be considered without any specific job wage goals, as permitted by Minnesota Statutes. This public purpose has to be something other than an increase to the City's tax base. Other measurable, specific and tangible goals must be established. Examples of tangible goals may include redevelopment or clean-up of a contaminated site or increased tourism.

- 5) It might be nice to also include phrases like these from Elk River:

Business subsidy assistance will not be used in cases where the subsidy would create an unfair and significant competitive financial advantage over other similar projects in the area.

Business subsidy assistance will not be used for projects that would place extraordinary demands on city infrastructure and services.

- 6) Finally I would recommend that we make this document as easy to read and understand as possible. Elk River, Farmington, Roseville and Shakopee all seem do this well by limiting unnecessary legal language that often repeats state statutes, and by organizing the policy in a clear and simple fashion.