



Legislation Text

File #: Res. 2017-116, **Version:** 1

City Council Meeting Date: December 5, 2017

To: Mayor and City Council
City Administrator

From: Nate Carlson, Economic Development Coordinator
Chris Heineman, Community Development Director

Consider Approval of Amended Northfield Business Subsidy Policy

Action Requested:

Staff recommends approval of a Resolution approving the updated Business Subsidy Policy.

Summary Report:

The City of Northfield initially adopted a Business Subsidy Policy in 1999 in conformance with the Business Subsidies Act found in Sections 116J.993 through 116J.995 of Minnesota Statutes. The purpose of the Business Subsidy Policy is to establish guidelines and criteria regarding the use of business subsidies that encourage desirable private development or redevelopment projects within the City of Northfield.

A business subsidy is defined as 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 (MN Statute 116J.993 Subd. 3).

In accordance with State Statute, local governments shall establish a business subsidy policy that meets the state requirements. (MN Statute 116J.994 Subd. 2) Local units of government may include additional requirements specific to each community. The current Business Subsidy Policy was last amended on April 21, 2003. The policy states eligible and ineligible uses for business subsidies awarded by the City of Northfield. The City of Northfield must report on an annual basis to the MN Department of Employment and Economic Development (DEED) regarding the subsidies delivered in the calendar year.

The current Northfield Business Subsidy Policy includes sections that are outdated and no longer applicable. For example, the City of Northfield Business Subsidy takes several cues from the “Job Opportunity Building Zone” (JOBZ) statute. This was a State program providing business subsidies by creating specific pockets where development was encouraged. The JOBZ program officially ended December 31, 2015.

Other examples of outdated information include the established limits on loan amounts, job creation goals, and wage goals. An updated Business Subsidy Policy is imperative to guiding economic development for the City of Northfield. A copy of the current Northfield Business Subsidy Policy is included as an attachment.

The Northfield Economic Development Authority (EDA) has acted as the reviewing body for the Business Subsidy Policy. Over the course of nine months, the EDA Executive Committee and the EDA Board have held several meetings and work sessions to review the recommended changes to the existing Business Subsidy Policy. The EDA Executive Committee and Board of Directors consulted with City Attorney Chris Hood on the revisions required by State Statute.

EDA Board members reached a consensus that the new Policy language should reference State Statute rather than mirroring Statute and incorporated revisions and detailed comments from the City Attorney. City Attorney Hood also provided guidance related to the “Living Wage Job” criteria and the statutory requirement to establish a wage floor in the policy.

The EDA discussed the criteria for a “Living Wage Job” and agreed upon the following definition: “A living wage job shall mean a job which pays wages that total at least the rate of 150-percent of the current Federal poverty level for a family of four.” A primary justification for using this formula to create the statutory required criteria of a wage floor is that it will automatically adjust with the current Federal guideline. The revised policy results in a wage of \$17.74 per hour exclusive of benefits utilizing the 2017 ASPE Poverty Guideline.

Other specific changes include language that reflects the current City Council Strategic Plan and provides ongoing support for workforce development between the colleges and public school system. The final draft of the revised Business Subsidy Policy was forwarded to the City Attorney for review and has been approved by City Attorney Chris Hood.

The Northfield Economic Development Authority reviewed the final draft of the Business Subsidy Policy at the October 26 EDA Board meeting. The EDA Board unanimously passed a motion to recommend City Council approval of the revised Business Subsidy Policy for the City of Northfield. The EDA Board recommends approval of the Business Subsidy Policy for the City of Northfield. Minutes of the EDA Board meeting are attached.

Alternative Options:

Request further information and review from the Economic Development Authority.

Financial Impacts:

N/A

Tentative Timelines:

If approved, the Business Subsidy Policy will be to be forwarded to the Department of Employment and Economic Development (DEED) to meet reporting requirements.