



## Legislation Details (With Text)

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**Date:** March 30, 2017

**To:** Members of the Economic Development Authority

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

Northfield Business Subsidy Policy Review Update

### Summary and Action Requested:

Executive Committee update on recommended changes to the Northfield Business Subsidy Policy.

### Background:

As of the February EDA meeting, the EDA Board took action to review and recommend changes to the Northfield Business Subsidy Policy. The EDA Executive Committee met on March 10<sup>th</sup> to review the Business Subsidy Policy and made several recommended changes. The following is a brief outline of the recommended changes:

- Removal of all JOBZ related information
  - JOBZ was a State business incentive program for greater Minnesota
  - The JOBZ program ended December 31, 2015.
- Addition of “Local Government Agency” definition
  - “Local Government Agency” is 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.
- Addition of EDA President to execute Business Subsidy Agreements
- Redefining the thresholds of business subsidy amounts per state statute
  - Loan or grant greater than \$150,000

- Addition of “Financial Assistance” definition
  - Financial Assistance means state or local government agency monetary assistance in the forms of:
    - Loans of \$75,000 to \$150,000
    - Grants of \$25,000 to \$150,000
- Addition of “Financial Assistance Report” definition
  - “Financial Assistance Report” means the annual reports submitted each year for each business receiving a business financial assistance in the community. The report is submitted by the City in order to comply with M.S. § 116J.994 Subd. 7(b).
- Addition of “Business Subsidy Agreement” definition
  - “Business Subsidy Agreement” means the agreement between the City of Northfield and the Recipient receiving business subsidies must execute in order to receive subsidy.”
- Revising the “Living Wage Job” definition
  - Previous language
    - “shall mean a job which pays wages and health benefits that total at least the rate of 110-percent of the current poverty level for a family of four”
  - New language
    - “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”
- Addition of “Recipient” definition
  - “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.
- Restructuring “Minimum Job Creation Requirements”
  - Previous structure
    - Abided by JOBZ requirements
  - New structure
    - “A qualified business receiving 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.”

- Addition of Public Hearing language
  - “A Business Subsidy of \$150,000 or more requires a public hearing with at least 10 day 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.”
- Restructuring “Subsidy Agreement and Reporting Requirements:”
  - Previous language
    - Defined by JOBZ procedures
  - New language
    - A Recipient must enter into a subsidy agreement with the City and EDA that includes:
      - (1) Description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
      - (2) Statement of the public purposes for the subsidy;
      - (3) Measurable, specific, and tangible goals for the subsidy;
      - (4) Description of the financial obligation of the recipient if the goals are not met;
      - (5) Statement of why the subsidy is needed;
      - (6) Commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date;
      - (7) Name and address of the parent corporation of the recipient, if any; and
      - (8) 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 a 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 on the subsidy until the subsidy is repaid.

Financial Assistance will require reporting to state officials similarly to that of Business Subsidy reporting. 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.

#### **Recommendation:**

Staff recommends taking the following steps to finalize the Business Subsidy Policy:

- Following EDA Board Discussion of recommended changes
  - A second meeting of the Executive Committee will be scheduled to review final draft of Business Subsidy Policy.
  - City Attorney Chris Hood will be asked to review final draft of the policy.
  - The Executive Committee will provide a recommendation to EDA Board recommending approval of the Business Subsidy Policy.
  - The EDA will be asked to provide a recommendation to the City Council to adopt a Resolution approving the amended Business Subsidy Policy.
  - If adopted, City staff is required to provide notice to the MN Department of Employment and Economic Development (DEED) of the amended policy.