

**LESTER PRAIRIE
BUSINESS SUBSIDY POLICY AND CRITERIA**

1. PURPOSE

- 1.1. The purpose of this policy is to establish the City's position related to the use of revolving loan fund, tax increment financing, tax abatement, and any other business subsidy programs for private development. The City will use this policy as a guide in processing and reviewing applications requesting any type of business subsidy.
- 1.2. The City may amend or waive any part of this policy as allowed under Minnesota Law.

2. STATUTORY LIMITATIONS

- 2.1. This policy is adopted in compliance with the Business Subsidy statute M.S. 116J.993 - 116J.995. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report. All business subsidy requests must comply with applicable Minnesota Law.

3. DEFINITIONS

- 3.1. "Authorized Business Subsidy Signatory" means the Mayor and the City Clerk, who are authorized by this Policy to execute business subsidy agreements on behalf of the City Lester Prairie.
- 3.2. "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 governmental 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
 2. Grant
 3. Tax abatement
 4. TIF or other tax reduction or deferral
 5. Guarantee of payment
 6. Contribution of property or infrastructure
 7. Preferential use of government facilities
 8. Land contribution
 9. Other specified subsidy

Business subsidies do not include the following:

1. assistance of less than \$25,000;
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 and 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 and wharf bonds issued by a seaway port authority;
 21. business loans or loan guarantees of \$150,000 or less;
 22. federal loan funds provided through the U.S. Economic Development Administration or U.S. Department of Commerce; and
 23. property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.
- 3.3. "Business Subsidy Recipient Report" means the annual reports submitted each year by each business receiving a business subsidy in the community. The report is submitted to the Local Government Unit in order to comply with M.S. 116J.994, Subd. 7. (b).
- 3.4. "Business Subsidy Grantor Report" means the annual reports submitted each year by the Local Government Unit in order to comply with M.S. 116J.994, Subd. 8. (a).
- 3.5. "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 of Lester Prairie.

- 3.6. "DEED" means Minnesota Department of Employment and Economic Development.
- 3.7. "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 of Lester Prairie. The Economic Development Agent for the City of Lester Prairie shall be the ~~Economic Development Director, Community Development Coordinator~~ hereinafter "Agent".
- 3.8. "Local Governmental Unit" hereinafter LGU, means the statutory or home rule charter city, county, town, iron range resources and rehabilitation agency, or regional development commission.
- 3.9. "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.
- 3.10. "Qualified Business" means a person or other entity that carries on a trade or business at a place of business 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.~~
- 3.11. "Recipient" means any business entity that receives a business subsidy as defined by M.S. 116J.993 and that has signed a Business Subsidy Agreement with a LGU.

4. BUSINESS SUBSIDY PUBLIC PURPOSE

- 4.1. The City will consider using business subsidy tools to assist private development only in those circumstances in which the proposed project meets at least two of the following public purposes:
 - 4.1.1. To retain local jobs where job loss is specific and demonstrable, increase the local job base, create high quality job growth, and provide diversity in the job base.
 - 4.1.2. To redevelop or renew blighted areas, or to develop under-utilized areas of the City.
 - 4.1.3. To provide or help acquire or construct public facilities.
 - 4.1.4. In combination with any other use provided for in this section, to increase the City's tax base to ensure the City's long-term ability to provide adequate services for its residents while lessening the reliance on residential property tax.
 - 4.1.5. To enhance economic growth and diversity.
 - 4.1.6. To provide access to services for residents.
 - 4.1.7. To offset increased redevelopment costs, over and above those cost that a developer would incur in normal development, and to encourage redevelopment and revitalization within the City.
 - 4.1.8. To stabilize the community.
 - 4.1.9. To accelerate the development process and to achieve development on sites that would not be developed without assistance.
 - 4.1.10. To finance or provide public infrastructure.

5. BUSINESS SUBSIDY PROJECT APPROVAL CRITERIA

- 5.1. All new projects must meet all of the following mandatory minimum approval criteria. However, meeting these criteria will not guarantee automatic approval of a subsidy.
 - 5.1.1. The subsidy must be provided within applicable state legislative restrictions, State Auditor interpretations, debt limit guidelines, and other appropriate financial and legal requirements and policies.
 - 5.1.2. The project must meet at least one of the Public Purposes outlined in Section 4.
 - 5.1.3. The project must be in accordance with the appropriate zoning regulations.
 - 5.1.4. The applicant must demonstrate that the project would not be created on the same scale and/or quality without City business subsidy assistance.
 - 5.1.5. The applicant must provide any requested market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, or any other information or data that the City or their financial consultants may require to independently review the project.
 - 5.1.6. An applicant requesting City business subsidy assistance must demonstrate past successful general development capability, or specific capability in the type and size of proposed development, in the sole judgment of the City.
 - 5.1.7. If applicable, the applicant must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, and to establish the project's management.
 - 5.1.8. The applicant must demonstrate evidence of required equity and other project financing sources. The applicant should reduce its level of needed business subsidy funding to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and then using other funding sources or income producing vehicles that can be structured into the project's financing, before using additional business subsidy funding.
 - 5.1.9. The project must be located in the City or planning to locate in the City before completion.
 - 5.1.10. The applicant must use all business subsidy funding from the City for land and/or building improvements which increase the property's tax value, foster future economic development within the City, and maintain existing and/or create additional jobs in the City.
 - 5.1.11. Where the objective is the retention of existing jobs, the recipient of the subsidy shall be required to provide reasonably demonstrable evidence that the loss of those jobs is imminent.
 - 5.1.12. The applicant must demonstrate the ability to repay the business subsidy if the goals set forth in the business subsidy agreement are not met.
 - 5.1.13. The applicant agrees to comply with annual Business Subsidy Reporting Requirements as required by Business Subsidy Statute.

6. BUSINESS SUBSIDY EVALUATION GUIDELINES

- 6.1. The City will evaluate all projects using the following guidelines for comparison with other proposed business subsidy projects reviewed by the City, and for comparison with other subsidy standards (where appropriate). Changes in local markets, construction costs, and interest rates may cause changes in the amounts of business assistance subsidies that a given project may require at any given time.

- 6.2. While some criteria, by their very nature, must remain subjective, the City has established standard evaluation guidelines for review purposes. The fact that a given proposal meets one or more of the evaluation guidelines does not mean that the project is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business subsidy proposals, using uniform standards whenever possible.
- 6.3. The City will use the following evaluation guidelines:
 - 6.3.1. Proposals should optimize a site's private development potential.
 - 6.3.2. Proposals should create the highest feasible number of jobs on the site given the project's nature and other goals.
 - 6.3.3. Proposals must meet all applicable business subsidy criteria established by the City.
 - 6.3.4. Proposals should create the highest possible ratio of property taxes paid before and after redevelopment after taking into consideration all of the project's goals.
 - 6.3.5. In an effort to support local businesses, extra consideration will be given to existing businesses seeking to expand and grow in Lester Prairie.
 - 6.3.6. The City will not normally provide business subsidy to a project that involves speculative industrial, commercial and office projects.
 - 6.3.7. The City will not normally provide business subsidy to a project that involves an excessive land and/or property price.
 - 6.3.8. The City will not normally provide business subsidy for projects that would generate significant environmental or social problems in the opinion of the local, state, or federal governments.
- 6.4. The City recognizes that not all projects that may be assisted with subsidies will derive their public purposes and importance solely by virtue of job creation. It is also recognized that the imposition of high job creation requirements and high wage levels may be unrealistic and counter-productive and the financial and competitive circumstances of individual businesses must be taken into consideration. Therefore, where no other criteria apply, job and wage goals under this policy shall be required of Applicants on the basis of reasonable projections. Job and wage goals subsequently required under this policy shall be fulfilled by the end of the second full year of operation.
- 6.5. The City will encourage businesses to obtain trained and work-ready employees through the DEED Workforce Development Centers; MNSCU and other services; and to facilitate access to childcare.

7. BUSINESS SUBSIDY AWARD

- 7.1. A public hearing shall be held before granting or denying any business subsidy request over \$150,000. A notice of the public hearing shall be published in a newspaper of general circulation within the City at least ten (10) days, but no more than thirty (30) days prior to the hearing.
- 7.2. If the City decides to grant any business subsidy to the applicant, the applicant and the City must enter into a Business Subsidy Agreement containing at least the following elements:
 - 7.2.1. Wage and job creation goals (if any).
 - 7.2.2. A description of the business subsidy, including the amount and type of assistance, and the type of district if tax increment financing is provided.

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- 7.2.3. A statement of the business subsidy's use and public purpose.
- 7.2.4. Measurable, specific and tangible goals for the business subsidy.
- 7.2.5. A description of the recipient's financial obligations if the goals are not met.
- 7.2.6. A statement of why the subsidy is needed.
- 7.2.7. The recipient's commitment to continue operations in the City for at least five (5) years from the day the Business Subsidy Agreement goes into effect.
- 7.2.8. The legal name and address for legal service of the recipient, and parent corporation, if any.
- 7.2.9. A detailed list of all financial assistance by all grantors for the project.

8. EFFECTIVE DATE

- 8.1. This policy shall be effective upon adoption by the City Council.

Adopted this _____th Day of _____

LESTER PRAIRIE CITY COUNCIL

Mayor

ATTEST:

City Clerk