

CITY OF AUSTIN, MINNESOTA

RESOLUTION NO. 12501

RESOLUTION APPROVING A MODIFICATION TO THE
BUSINESS SUBSIDY CRITERIA.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN (the
"City") AS FOLLOWS:

Section 1. Background.

Pursuant to Minnesota Statutes, sections 116J.993 to 116J.995 (the "Act"), governmental subdivisions that grant business subsidies, as defined in the Act, are required prior to granting any such business subsidies to adopt business subsidy criteria. There has been prepared and presented to the City Council a proposed modification to the Business Subsidy Criteria for consideration by the City Council. The City Council has held a public hearing concerning the proposed modification to the Business Subsidy Criteria as required pursuant to the Act and has considered all comments made at the public hearing. The City Council has determined that the adoption of the proposed Business Subsidy Criteria is in the best interest of the City and satisfies the legal requirements of the Act.

Section 2. Approval of Subsidy Criteria. The City Council hereby approves the Business Subsidy Criteria as presented to the City Council attached hereto. The Business Subsidy Criteria, as it may be amended from time to time, will provide guidelines to the City Council in the future review and consideration of business subsidies within the City.

Adopted this 15th day of March, 2004

YEAS 4

NAYS 2


Mayor

Attest:



City Recorder

(seal)

**CITY OF AUSTIN, MINNESOTA
CRITERIA FOR AWARDED BUSINESS SUBSIDIES**

The following criteria are adopted for purposes of the business subsidies act (the "Act"), which is Minnesota Statutes, Sections 116J.993 through 116J.995. Terms used in this criteria policy statement are intended to have the same meanings as used in the Act, and these criteria shall apply only with respect to business subsidies granted under the Act if and to the extent required thereby.

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 on 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." To be subject to the criteria a business subsidy must be \$25,000 or more. Twenty-two exceptions to these requirements are set out in the legislation and are attached hereto as Appendix A.

Any project for which the City grants a business subsidy shall meet the following mandatory minimum criteria.

A. Job Creation and Wage Requirements:

- ◆ Where the public purpose of a project is the creation of additional jobs in the City, such jobs shall pay a wage of at least the rate of 115% of the current poverty level for a family of four (currently \$10.19/hour, \$10.52/hour as of July 2004). A minimum of one (1) fulltime equivalent or two (2) part-time jobs shall be created. Where the public purpose of a project is the retention of jobs, the job loss must be specific and demonstrable, a minimum of one (1) fulltime equivalent or two (2) part-time jobs shall be retained.

While the creation of good paying jobs is a desirable goal, which benefits the community, it must be recognized that not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation. Therefore, where creation or retention of jobs is not a goal of the project, the job and wage goals may be set at zero after a public hearing.

The following are additional criteria that will be considered in determining whether a project is worthy of a business subsidy.

B. Enhancing Economic Diversity:

- ◆ The project's potential to improve the mix of businesses in the area so as to allow it to participate in fast-growing industries and protect it from adverse economic consequences caused by slow growth or declining industries that are dominant in the area.
- ◆ The possibility of the project generating a high level of secondary spin-off economic effects through purchases and/or subcontracts offered to local vendors.

C. Retaining Jobs Where Loss Is Imminent and Demonstrable:

- ◆ Where there is substantial evidence that the company will have to shut down involuntarily.
- ◆ In cases where substantial evidence is provided that – unless there is some intervention – the business will move to another state or community.

D. Stabilizing the Community:

- ◆ The project will constitute a significant investment in an area that is economically depressed.
- ◆ The project addresses slum and blight conditions in an area.
- ◆ The project's potential to stimulate additional capital investment in real property, equipment and/or public infrastructure in an area.

E. The Project's "Risk-Reward" Ratio:

- ◆ Examination of the type of assistance requested and the current status of that specific tool or program.
- ◆ The other forms of financing, the private versus public finance ratio (high levels of private capital leverage are preferred) and the potential of the full financing package being realized.
- ◆ The project's potential for any negative effect on competitive businesses.

Because it is not possible to anticipate every type of project which may in its context and time present desirable community development and/or preservation goals and objectives, the governing body must retain the right in its discretion to approve projects and subsidies which may vary from the principles and criteria of this Policy.

APPENDIX A

1. A business subsidy 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 state or local government 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. redevelopment property polluted by contaminants 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, provided that the assistance is equal to or less than 50 percent of the total cost;
6. assistance provided to organizations whose primary mission is to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
7. assistance for housing;
8. assistance for pollution control or abatement;
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. § 474A refunding bonds and 501(c)(3) bonds;
15. assistance for a collaboration between a Minnesota higher education institution and a business;
16. assistance for a tax increment financing soils condition districts as defined under section M.S. § 469.174, subdivision 19;
17. redevelopment when the recipient's investment in the purchase of the site and in site preparations is 70 percent or more of the assessor's current year's estimate 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 state or local government agency;
20. funds from dock and wharf bonds issued by a seaway port authority;
21. business loans and loan guarantees of \$75,000 or less; and
22. Federal loan funds provided through the United States Department of Commerce, Economic Development Administration.