



Lent Township Business Subsidy Policy July 2020

INTRODUCTION:

This Policy is adopted for purposes of the business subsidies act, pursuant to Minnesota Statutes, Sections 116J.993 through 116J.995 (the "Statutes"). Terms used in this Policy are intended to have the same meanings as used in Statutes. Subdivision 3 of the Statutes specifies forms of financial assistance that are not considered a business subsidy. This list contains exceptions for several activities, including redevelopment, pollution clean-up, and housing, among others. By providing a business subsidy, the Town commits to holding a public hearing, as applicable, and reporting annually to the Department of Employment and Economic Development ("DEED") on job and wage goal progress.

1. PURPOSE AND AUTHORITY

- A. The purpose of this document is to establish criteria for the Township of Lent ("Town") for the granting of business subsidies and public financing for private development within the Town. These criteria shall be used as a guide in processing and reviewing applications requesting business subsidies and/or Town public financing.
- B. The Town's ability to grant business subsidies is governed by the limitations established in the Statutes. The Town may choose to apply its Business Subsidy Criteria to other development activities not covered under this statute. Town public financing may or may not be considered a business subsidy as defined by the Statutes.
- C. Unless specifically excluded by the Statutes, business subsidies include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment financing (TIF), abatement of property taxes, loans made from Town funds, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.
- D. These criteria are to be used in conjunction with other relevant policies of the Town. Compliance with the Business Subsidy Criteria and Town Public Financing Guidelines shall not automatically mean compliance with such separate policies.

- E. The Town, at its sole discretion, may deviate from the job and wage goals criteria outlined in Sec. 5, Subd. D, E, and F below by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to DEED with the next annual report.
- F. The Town may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes.

2. TOWN'S OBJECTIVE FOR THE USE OF PUBLIC FINANCING

- A. As a matter of adopted policy, the Town may consider using public financing which may include tax increment financing (TIF), tax abatement, bonds, and other forms of public financing as appropriate, to assist private development projects. Such assistance must comply with all applicable statutory requirements and accomplish one or more of the following objectives:
 - 1. Remove blight, clean up polluted areas and/or encourage development in designated development area(s) per the goals and visions established by the Town Board and Planning Commission.
 - 2. Facilitate the development process and promote development on sites that could not be developed without this assistance (determined as part of a But-For analysis).
 - 3. Create local jobs and/or increase the number of diverse quality jobs (i.e. higher paying jobs).
 - 4. Expand broadband access to an unserved and/or underserved area of the Town.

3. PUBLIC FINANCING PRINCIPLES

- A. The guidelines and principles set forth in this document pertain to all applications for Town public financing regardless of whether they are considered a Business Subsidy as defined by the Statutes. The following general assumptions of development/redevelopment shall serve as a guide for Town public financing:
 - 1. All viable requests for Town public financing assistance shall be reviewed by staff, and, if staff so designates, a third-party financial advisor who will inform the Town of its findings and recommendations. This process, known as the "But For" analysis is intended to establish the project would not be feasible but for the Town assistance.

2. The Town shall establish mechanisms within the development agreement to ensure that adequate checks and balances are incorporated in the distribution of financial assistance where feasible and appropriate, including but not limited to:
 - a. Third party “but for” analysis
 - b. Establishment of “look back provisions”
 - c. Establishment of minimum assessment agreements
3. TIF and abatement will be provided on a pay-as-you-go-basis. Any request for upfront assistance will be evaluated on its own merits and may require security to cover any risks assumed by the Town.
4. Public financing will not be used to support speculative commercial or office. In general, the developer should be able to provide market data, tenant letters of commitment or finance statements which support the market potential/demand for the proposed project.
5. Public financing will not be used in projects that would give a significant competitive financial advantage over similar projects in the area due to the use of public subsidies. Developers should provide information to support that assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
6. Public financing will not be used in a project that involves a land and/or property acquisition where the price is in excess of the fair market value.
7. The developer shall pay all applicable application fees and pay for the Town’s fiscal and legal advisor time as stated in the Town’s Public Assistance Application.
8. The Town will not consider waiving any application or development fees.
9. The developer shall proactively attempt to minimize the amount of public assistance needed through the pursuit of grants, innovative solutions in structuring the deal, and other funding mechanisms.

4. PROJECTS WHICH MAY QUALIFY FOR PUBLIC FINANCING ASSISTANCE

- A. All new applications for public financial assistance that are considered by the Town must meet each of the following minimum qualifications. However, it should **not** be presumed that a project meeting these qualifications will automatically be approved for assistance. Meeting the qualifications does not imply or create contractual rights on the part of any potential developer to have its project approved for assistance.

4.1 MINIMUM QUALIFICATIONS/REQUIREMENTS:

- A. In addition to meeting the applicable requirements of State law, the project shall meet one or more of the public financing objectives outlined in Sec. 2.
- B. The developer must demonstrate to the satisfaction of the Town that the project is not financially feasible “but for” the use of tax increment, tax abatement or other public financing.
- C. The project is, or will be through the Town approval processes, consistent with the Town’s Comprehensive Plan and Zoning Ordinances, Design Guidelines or any other applicable land use documents.
- D. Prior to approval of a financing plan, the developer shall provide any requested market and financial feasibility studies, appraisals, soil boring, private lender commitment, and/or other information the Town or its financial consultants may require in order to proceed with an independent evaluation of the proposal.
- E. The developer must provide adequate financial guarantees to ensure the repayment of any public financing and completion of the project. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contract, etc.
- F. Any developer requesting public financial assistance must be able to demonstrate a previous capability for successful development, as well as specific capability regarding the type and size of the development proposed. Public financing shall not be used when the developer’s credentials, in the sole judgment of the Town, are inadequate due to previous history relating to completion of projects, general reputation, and/or bankruptcy, or other problems or issues considered relevant to the Town.
- G. The developer, or its contractual assigns, shall retain ownership of any portion of the project long enough to complete it, stabilize its occupancy, establish project management and/or needed mechanisms to ensure successful operation.

4.2 DESIRED QUALIFICATIONS:

- A. Proposals that encourage the following will receive priority consideration:
1. Implements the Town's vision and values for a Town-identified development and/or redevelopment area
 2. Provides significant improvement to surrounding land uses, neighborhoods, and/or the Town
 3. Attracts an employer within the Town providing over 25 jobs
 4. Provides increased quality and higher paying jobs
 5. Provides opportunity for the attraction of sit-down restaurants, multi-tenant buildings, research and development facilities, warehouse/distribution centers, high tech or major manufacturers, medical office/facilities, small specialty retail, and other commercial uses that fill an unmet market need
 6. Promotes multi-family, two-family, or single-family housing investment that meets the following City goals:
 - a. Provides clean, safe, and affordable workforce housing units
 - b. Senior continuum of care housing with services
 7. Offers employment opportunities for residents with safe working conditions and access to a comprehensive benefit package
 8. Redevelops a blighted, contaminated and/or challenged area
 9. Preserves and/or stabilizes a major commercial or industrial node
 10. Involves significant rehabilitation or expansion of an existing property
 11. Adds needed public infrastructure such as roads or broadband expansion

5. BUSINESS SUBSIDY PUBLIC PURPOSE, JOBS AND WAGE REQUIREMENT

- A. All business subsidies must meet a public purpose with measurable benefit to the Town as a whole.
- B. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The Town shall document the information used to determine the nature of the job loss.
- C. The creation of tax base shall not be the sole public purpose of a subsidy.

- D. Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Statutes, the creation of jobs is a public purpose for granting a subsidy. Creation of at least 5 Full Time, or Full Time Equivalent (FTE) jobs is a minimum requirement for consideration of assistance. For purposes of this Policy, FTE jobs must be permanent positions with set hours, and be eligible for benefits.
- E. Part-Time Equivalent jobs may receive a partial credit and be counted toward the job goals.
- F. The wage floor for wages to be paid for the jobs created shall be not less than 150% of the State of MN Minimum Wage. The Town will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.
- G. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.

6. **SUBSIDY AGREEMENT**

- A. In granting a business subsidy, the Town shall enter into a subsidy agreement with the recipient that provides the following information: wage and job goals (if applicable), and recourse for failure to meet goals required by the Statutes.
- B. The subsidy agreement may be incorporated into a broader development agreement for a project.
- C. The subsidy agreement will commit the recipient to providing the reporting information required by the Statutes.

7. **PUBLIC FINANCING PROJECT EVALUATION PROCESS**

- A. The following methods of analysis for all public financing proposals will be used:
 - 1. Project is deemed consistent with Town's Goals and Objectives
 - 2. Consideration of project meeting minimum qualifications
 - 3. Consideration of project meeting desired qualifications
 - 4. Project meets "but-for" analysis and/or statutory qualifications

Please note that the evaluation methodology is intended to provide a balanced review. Each area will be evaluated individually and collectively and in no case should one area outweigh another in terms of importance to determining the level of assistance.