

RAMSEY COUNTY
JOB AND TAX BASE FINANCIAL INCENTIVES POLICY

Public Hearing and Adoption Date: January 12, 2016

1. PURPOSE

- 1.01 The purpose of this policy is to provide a framework within which Ramsey County (the "County") will be authorized to offer financial incentives for job and tax base creation to private companies constructing and/or leasing a manufacturing, office, commercial or other industrial development. The County may offer these incentives indirectly through authorization of a State of Minnesota program such as the Minnesota Investment Fund or similar funding sources. The County may offer financial incentives directly through a reduction in land purchase price for a piece of property that the County may own, an economic development property tax abatement, or write-down of an infrastructure payment that the County may have financed. In certain cases, these financial incentives may be deemed a "business subsidy" under *Minnesota Statutes, Section 116J.993 through 116J.995*.

Minnesota Statutes, Section 116J.993, Subd. 3 defines a business subsidy 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." The amount of a grant subject to these criteria is a minimum of \$25,000 and the amount of a loan is at least \$75,000. Appendix A lists forms of financial assistance that are not a business subsidy. This policy shall be used as a guide in processing and reviewing applications requesting financial incentives.

- 1.02 The County shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. *Minnesota Statutes 116J.994, Subd. 2*, allows the County to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the State of Minnesota.

2. STATUTORY LIMITATIONS

- 2.01 In accordance with Ramsey County's Jobs and Tax Base Financial Incentives Policy, agreements among public and private parties must comply with *Minnesota Statutes, Section 116J.993 through 116J.995*.
- 2.02 A business subsidy must meet a public purpose which may include, but may not be limited to, increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable.

3. GOALS

- 3.01 As a matter of adopted policy, Ramsey County will consider using a business assistance tool to assist private developments only in those circumstances in which the proposed private projects meet one of more of the goals, as identified in the Ramsey County Board's vision, mission and goals.

4 APPLICATION REQUIREMENTS

- 4.01 Each request for a business subsidy shall be submitted in writing to Ramsey County on a form provided by Ramsey County

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5. FINANCIAL INCENTIVES APPROVAL CRITERIA

- 5.01 All proposed projects approved by the County shall meet the following minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved.
- A. Financial incentives shall be provided within applicable state legislative restrictions, State Auditor interpretation, debt limit guidelines, and other appropriate financial requirements and policies.
 - B. The project should meet one or more of the goals referenced in Ramsey County's 2030 Comprehensive Plan.
 - a. Regional impact
 - b. Provide economic diversity
 - c. High-quality job growth or job retention
 - d. Create a stabilizing influence within the County
 - e. Improvement of long-term tax base
 - C. The project shall be aligned with the County Board's vision, mission and goals including the cultivation of economic prosperity and investment in areas of concentrated poverty.
 - D. Financial incentives will not be provided to projects that do not meet a financial feasibility review by County staff and/or consultants. Prior to consideration of an incentive request, the County may undertake an independent underwriting of the project to help ensure that the request for assistance is valid. Requestors may be required to pay for the costs of this review.
 - E. Prior to approval of a financial incentives, the developer and/or business shall provide any requested market and financial feasibility studies, appraisals, offers from other states, information provided to private lenders for the project, and other information or data that the County or its financial consultants may require in order to proceed with an independent review of the project. Requestors may be required to pay for the cost of this review.
 - F. The level of financial incentives should be reduced to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing.

6. FINANCIAL INCENTIVES EVALUATION CRITERIA

- 6.01 If a business meets the criteria in Section 4 and is eligible for assistance, the following criteria will be used to determine the amount of and type of incentive that may be provided. It is realized that changes in competition from other states, local markets, costs of construction, and interest rates may cause changes in the amounts of incentives that a given project may require at any given time. As used herein, "Benefit Date," means the date the incentive is received. If the incentive involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the incentive is for improvements to property, then the Benefit Date refers to the earliest date of either when the improvements are finished for the entire project or when a business occupies the property.
- A. Financial incentives will not be used when the business'/developer's credentials, in the sole judgment of the County, are inadequate due to past track record relating to: completion of

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projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the County.

- B. Financial incentives should not be provided to those projects that fail to meet good public policy criteria as determined by the County Board, including: poor project quality; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the County; and projects that do not provide the highest and best desired use for the property.
- C. All projects receiving financial incentives under the criteria listed in *Minnesota Statutes 116J.993, Subd. 3* must meet the job and wage goals described below. Minnesota Statutes 116J.994, Subd. 2 allows the County to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the State of Minnesota's Department of Employment and Economic Development.
1. Except as described in 2 and 3, a financial incentive must result in the creation or retention of jobs which will pay the following and meet wage floor requirements as noted below:
 - a. 2.5 jobs for each 1,000 square feet of new office development.
 - b. 1.0 job for each 1,000 square feet of manufacturing or warehousing space.
 - c. A specific project time line for creating jobs will be evaluated for each application.
- Note: Wage Floor for jobs created or retained: when benefits are not provided, employer must pay minimum hourly wage rate that achieves at least 130% of federal poverty level for a family of 4; if benefits are provided, the minimum hourly wage can be reduced to 110% of federal poverty level for a family of 4.
2. A recipient of a County financial incentive must enter into a County Business Subsidy Agreement that includes a description of the subsidy, goals for the number of jobs created and/or retained, and wage goals for any jobs created and/or retained. If a business does not meet the goal or is not operational for five years after the Benefit Date, the business may be required to repay all or a portion of the incentive.
 3. Job creation or retention is not required for financial incentives as long as the grantor identifies an alternate public purpose in addition to tax base enhancement. If, after a public hearing, the Board deems the alternate public purpose reasonable and the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.
 4. In lieu of job creation or retention, other measurable, specific, and tangible goals shall be established. Examples of tangible goals may include redevelopment of blighted or underutilized property, pollution cleanup, or soil remediation.
 5. The County Board shall approve each business subsidy as defined in and accordance with Minnesota Statutes, Sections 116J.993 to 116J.995.
- D. Financial incentives will normally be used for projects that address the following land use issues: (1) more compatible with the County's 2030 Comprehensive Plan than other permitted uses for property; (2) located on property which needs but is not likely to be developed or redeveloped because of blight or other adverse conditions of the property;

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and/or include design and/or amenity features not otherwise required by law; (3) adding to the diversity of tax base within a given area.

- E. Financial incentives will be evaluated on the project's impact on existing and future public investment: (1) whether and to what extent the project will utilize existent public infrastructure capacity and the extent it requires additional publicly funded infrastructure investments; (2) arrangements for the County to receive a direct monetary return on its investment in the project.
- F. Financial incentives will normally be used for projects that demonstrate to the satisfaction of the County adequate financing for the project is available and that the project will be completed in a timely fashion.

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APPENDIX A

Minnesota Statutes specifically exclude the following items from the definition of a business subsidy. The following are NOT business subsidies:

- A business subsidy of less than \$150,000;
- Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- 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;
- Redevelopment property polluted by contaminants as defined in *M.S. Section 116J.552, Subd. 3*;
- Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
- Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- Assistance for housing;
- Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance sub-district as defined under *M.S. Section 469.174, Subd. 23*;
- Assistance for energy conservation;
- Tax reductions resulting from conformity with federal tax law;
- Workers' compensation and unemployment compensation;
- Benefits derived from regulation;
- Indirect benefits derived from assistance to educational institutions;
- Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- Assistance for a collaboration between a Minnesota higher education institution and a business;
- Assistance for a tax increment financing soils condition district as defined under *M.S. Section 469.174, Subd. 19*;
- Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- General changes in tax increment financing law and other general tax law changes of a principally technical nature;
- Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- Funds from dock and wharf bonds issued by a seaway port authority;
- Business loans and loan guarantees of \$150,000 or less; and
- Federal loan funds provided through the United States Department of Commerce, Economic Development Administration.

RESOLUTION

Board of Ramsey County Commissioners

Presented By: Commissioner McDonough Date: January 12, 2016 No. B2016-018

Attention: County Manager

WHEREAS, In fulfilling its Economic Prosperity Goal, the Ramsey County Board is working to identify, establish and implement policies and practices specific to economic development; and

WHEREAS, Pursuant to Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Act"), state and local government agencies are allowed to grant business subsidies upon the adoption of a set of criteria for awarding business subsidies following a duly public noticed public hearing thereon; and

WHEREAS, Pursuant to Minnesota Statutes, Sections 116J.993 to 116J.995, Ramsey County is required to adopt a business subsidy policy to be able to provide financial incentives to a project(s) to achieve job and tax base creation and other goals as may be adopted or identified by the County, and

WHEREAS, The policy provides a framework within which Ramsey County will be authorized to offer financial incentives for job and tax base creation to private companies constructing and/or leasing a manufacturing, office, commercial or other industrial development; and

WHEREAS, The Policy is applied case by case but establishes minimum threshold requirements and the criteria to consider for each project; and

WHEREAS, The County may offer these incentives indirectly through a State of Minnesota program such as the Minnesota Investment Fund or similar funding sources or may offer financial incentives directly through a reduction in land purchase price for property that the County may own or write-down of an infrastructure payment that the County may have financed;

WHEREAS, Following adoption of the policy, the County Board approval is required for each business subsidy as defined in and accordance with Minnesota Statutes, Sections 116J.993 to 116J.995. Now, Therefore, Be it

RESOLVED, Ramsey County Board of Commissioners approves the Job and Tax Base Financial Incentives Policy.

Ramsey County Board of Commissioners

	YEA	NAY	OTHER
Toni Carter	X		
Blake Huffman	X		
Jim McDonough	X		
Mary Jo McGuire	X		
Rafael Ortega	X		
Janice Rettman		X	
Victoria Reinhardt	X		

Victoria Reinhardt, Chair

By: *Janet Guthrie*
Janet Guthrie
Acting Chief Clerk - County Board