



BUSINESS SUBSIDY POLICY

Adopted July 5, 2017

1. Purpose

This document sets forth the business subsidy policy and the specific criteria to be considered by the City of Pine City (City) and the Pine City Economic Development Authority (EDA) in evaluating requests for business subsidies. In adopting these criteria, it is the intent of the City and EDA to comply with Minnesota Statutes, Sections 116J.993-116J.995 as amended (the Act). The City and EDA hereby adopt the definitions contained in the Act for the application of the criteria, and they are incorporated herein by reference. The City and EDA have each adopted this policy and these criteria after a public hearing in accordance with the Act. Henceforth in this document the term "City" includes both the City and the EDA unless otherwise designated.

2. Goals of this Policy

It is the City's intent to advance the following goals and objectives in granting business subsidies:

- a. To provide business subsidies consistent with the City of Pine City's comprehensive plan and other plans and guides adopted by the City to guide development of the community.
- b. To provide business subsidies consistent with the Act, including:
 - i. The project for which the business subsidy is being provided must have a public purpose, including, but not limited to, the public purposes stated in Section 3 below;
 - ii. The recipient must enter into a business subsidy agreement with the City that is consistent with the Act;
 - iii. The recipient must commit to remain in the site for which the business subsidy agreement was granted for at least five (5) years from the benefit date (as defined by the Act); and,
 - iv. The business subsidy agreement sets forth the findings relevant to the criteria contained herein, and any specific job, wage, property valuation or other goals established with respect to the business subsidy.

3. Definition of Business Subsidy

The definition of "business subsidy" may include tax increment financing, tax abatement, and land subsidies. Applicants interested in the City's Revolving Loan Fund or its

Minnesota Investment Fund (MIF) Revolving Loan Fund should refer to program policies for more information regarding conditions and requirements.

4. **Business Subsidy Criteria**

The following criteria shall be utilized in evaluating a request for a business subsidy. However, that an applicant meets these criteria does not create a constitutional right to a business subsidy. The City may at any time and at its own discretion modify these criteria as permitted by the Act.

- a. *Increase Tax Base.* The Act provides that an increase in tax base cannot be the sole basis for generating a business subsidy. However, the City considers an increase in tax base to be a critical factor in granting a business subsidy. The City may consider a specific goal for tax base increase in connection with a specific request for assistance.
- b. *Job Creation.* The applicant will be required to demonstrate that the proposed project will create the maximum number of jobs feasible in light of the project type and site. Jobs to be created may include jobs that will be retained within the City of Pine City, but only with a demonstration by the applicant that, absent the business subsidy, the job loss would be specific and measurable. If, after the public hearing, the City determines that the creation or retention of jobs is not a goal of the specific project, the job creation goal may be set at zero (0).
- c. *Wages.* New jobs to be created by the project must pay at least 200% of the federal minimum wage exclusive of benefits. Jobs to be retained may not be required to meet the above-wage standard. After the public hearing the City may establish wage goals for new jobs to be created that vary from the standard above, and which take into account the following factors:
 - i. The size of the business and its potential to create higher paying jobs in the future;
 - ii. Prevailing local wage rates;
 - iii. Local economic conditions;
 - iv. External economic factors over which neither the City nor the recipient of the business subsidy has control;
 - v. The individual financial resources of the recipient; and,
 - vi. The competitive environment in which the recipient's business exists.
- d. *Other Economic or Redevelopment Goals.* If creation of jobs is determined not to be a goal of a project (and by extension wages) the proposed business subsidy must achieve specific, tangible and measurable goals related to one or more of the following:
 - i. Provides a significant economic impact by means of a multiplier effect within the community;

- ii. Results in greater economic or commercial diversity within the community;
- iii. Contributes to the establishment or reestablishment of a critical mass of commercial/industrial development within an area of the City;
- iv. Provides goods or services that are not currently available in the community;
- v. Increases the range of goods or services that are available in the community;
- vi. Encourages the growth of fast-growing businesses;
- vii. Encourages the private investment or reinvestment that results in the removal of blight or remediation of pollution;
- viii. Supports the retention and/or adaptive reuse of buildings of historical or architectural significance; and,
- ix. Encourages the full utilization of existing or planned public infrastructure improvements.

In granting business subsidies, the City may deviate from the criteria outlined above if a) the reasons for the deviation is documented in writing, and b) reported to the Minnesota Department of Employment and Economic Development (DEED) pursuant to the Act.

5. Application for Business Subsidies

The applicant will complete and submit the City's application for Business Subsidy; submit with the application a deposit of an amount determined by the City Administrator or their designee to cover administrative review costs, professional services, including financial advising and legal; and to provide other information which may be requested by the City. Applicant will be liable for any additional costs beyond the initial deposit as well. All materials submitted to the City in connection with a business subsidy application shall become the property of the City. The review process shall involve at least the following:

- a. City staff or the City's agent shall review the application materials and make a preliminary recommendation to the City Council and EDA regarding 1) the completeness of the application, 2) whether the application meets the goals of this policy, and 3) whether the application complies with the criteria established in this policy.
- b. In the event that the City Council and EDA concur with the recommendation in a. above, a public hearing will be set at which the City will consider a final recommendation related to the application. The final review and recommendation by City staff or the City's agent shall take into account at least the following:
 - i. Applicable credit analysis;
 - ii. Financial structure of the proposed project/application; and,
 - iii. Legal compliance of the project/application.

- c. At the time of the scheduled public hearing, City staff or the City's agent will make a final recommendation to the City Council and EDA regarding this application. The City Council and EDA may adopt the recommendation or direct City staff or the City's agent to develop alternative information and/or alternatives for action by the City Council and EDA.

6. Other Fees Applicable to Certain Applications

- a. *Preliminary Plan Review Fee Involving Professional Service Contracts.* Developers seeking to explore the potential viability of a site prior to a formal application to Pine City for assistance may request a preliminary plan review, which may involve analysis by the City's financial advisors, legal counsel and other professional services. After review of a preliminary plan with City staff and determining that the concept conforms to the Comprehensive Plan for the area, the developer shall pay a fee of \$100 and a deposit of \$1,900. Funds may be drawn upon for reimbursement of the fees incurred by the City for professional services. Any excess funds will be returned if the project is not pursued or applied towards to a Developer Deposit if the plan moves forward.
- b. *Developer Fee for Pine City Development Projects.* The developer will pay a fee for reimbursement of Pine City Economic Development Authority's financial advisor, legal counsel and other professional fees associated with the preparation of a tax increment financing or similar plan and drafting of any development contract. The initial fee is \$1,000 and a \$10,000 deposit. The developer will be required to deposit additional funds if the initial deposit has been fully drawn. Upon execution of a Letter of Intent or City approval of a proposed Term Sheet, the developer will make this deposit to the City. Any funds deposited by the developer and not expended by the City for its legal, financial advisor, or other consultant fees on or before the date of execution of the development contract will be returned to the developer without interest. The developer shall pay all other normal and customary City fees and expenses for the approval and construction of the minimum improvements.
- c. *City Conduit Bond/Host Approval Fees.* The applicant must submit a request in writing for financing to the City along with an application fee of \$500 and a deposit in the amount of \$5,000 for reimbursement of legal and other consultant fees associated with the bond issue request. In some cases, the applicant will be required to deposit additional funds when the initial deposit has been fully drawn. The request should include data such as applicant information, a description of the project, and the amount of bonds proposed to be issued. The issuance of revenue bonds is also subject to the following fees:
 - i. Closing Fee:
 - *Housing Revenue Bonds and Industrial Development Bonds:* An Issuance fee of one percent (1%) of the original principal amount

of the revenue bonds shall be paid to the City upon issuance of the revenue bonds.

- *Refunding or Reissuance of Bonds:* 1/2 of one percent (0.5%) of gross bond proceeds. There is no Closing Fee associated with a Host City/Joint Powers Issue.

- d. *Revolving loan fund fees.* A \$100.00 non-refundable application fee shall be required along with a deposit, to be determined by the City Administrator or their designee, to cover any administrative or professional service fees incurred by the city on behalf of the project.

Note: The above fees are intended to cover the fees likely to be incurred by the City in a typical application. Higher or lower fees may be charged for specific applications, when in the reasonable judgement of the City's Administrator, a different fee appears reasonable in light of the apparent scope and complexity of the City's review and analysis.

7. Compliance and Reporting Requirements

- a. Any assistance that does not meet the definition of a "business subsidy" will be excluded from the requirement of holding a public hearing prior to granting a business subsidy. All assistance that meets the definition shall be subject to the requirement of a public hearing.
- b. Every recipient of a business subsidy must enter into a business subsidy agreement with the City, in which the agreement must fulfill the requirements of the Act.
- c. Both the recipient and the City must comply with the reporting and monitoring requirements of the Act.
- d. In the event that a recipient fails within two (2) years of the benefit date as defined in the Act to meet the job and wage goals set forth in the business subsidy agreement, the recipient or its successors and assigns shall be liable to repay to the City the assistance plus interest. The City may prorate repayment to reflect partial fulfillment of the goals set forth in the business subsidy agreement. The rate of interest charged must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce.
- e. The city may, after holding a public hearing, extend the time for compliance with the business subsidy agreement job and wage goals by up to one (1) year.