

PINE COUNTY BUSINESS SUBSIDY POLICY

1. PURPOSE AND AUTHORITY

- 1.01 The purpose of this policy is to establish guidelines, criteria and a process for the use of business subsidies in Pine County, Minnesota.
- 1.02 Pine County is authorized to grant business subsidies under Minnesota Statutes sections 116J.993 through 116J.995. The County is also authorized to abate its taxes as a form of business subsidy under Minnesota Statutes section 469.1813 through 469.1815. This County policy and any future amendments to these criteria are subject to public hearing requirements pursuant to those statutes.

2. STATUTORY LIMITATIONS

- 2.01 All applications or requests for business subsidies must comply with all applicable state statutes.
- 2.02 The definitions and minimum criteria set forth in Minnesota Statutes sections 116J.993 through 116J.995, and sections 469.1813 through 469.1815 are hereby incorporated in this policy by reference.
- 2.03 The County's ability to grant business subsidies is ultimately governed by the limitations established the Minnesota Statutes cited in paragraph 2.02 above.

3. DEFINITIONS

- 3.01 Business Subsidy: "Business subsidy" or "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 government facilities given to a business.
- 3.02 Benefit Date: The "benefit date" is the latter of either the date on which the Business Subsidy Agreement is executed or the date on which any amount of Business Subsidy is first provided to the recipient.
- 3.03 Business Subsidy Agreement: "Business Subsidy Agreement" means the agreement between the Business Subsidy Recipient (as defined in this section) and the County entered into under the Business Subsidy Act describing the subsidy, specific tangible goals (i.e., create number of jobs, establish minimum

wage rates and time periods in which goals will be achieved) and providing remedy for failure to achieve goals and providing for reporting to the State of Minnesota.

- 3.04 Business Subsidy Recipient: "Business Subsidy Recipient" means any business entity that receives a business subsidy as defined by the Business Subsidy Act and that has signed a Business Subsidy Agreement with the County.
- 3.05 Business Subsidy Report: "Business Subsidy Report" means the annual reports submitted by the County each year for each business receiving a Business Subsidy in the County in order to comply with the Business Subsidy Act.

4. APPLICATION REQUIREMENTS

- 4.01 Each request for a business subsidy shall be submitted in writing to the Pine County Office of Economic Development on a form provided by that office.

5. PUBLIC POLICY REQUIREMENTS

- 5.01 Any application for a business subsidy must meet a public purpose which may include but may not be limited to:
- a) Increasing or preserving tax base;
 - b) Creating or retaining jobs (when job loss is imminent and demonstrable);
 - c) Providing or helping acquire, finance or construct public facilities;
 - d) Helping develop or renew blighted areas;
 - e) Helping provide access to services for residents of the County;
 - f) Retaining a business if it is at risk of relocating outside of the County; or
 - g) Improving housing in the County as delineated in 6.03 below;
 - h) Or for any other public purpose or public good as determined by the County Board.

6. BUSINESS SUBSIDY CRITERIA

The following criteria will be considered by Pine County when reviewing applications for business subsidies in accordance with Minnesota Statutes. However, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of the County or any applicant, business, proposed project or potential developer.

- 6.01 The ultimate benefit to the County must be at least equal to the costs of the business subsidy.

- 6.02 The business subsidy may only be provided within debt limit guidelines and other appropriate financial requirements and policies.
- 6.03 The project for which a business subsidy is sought must meet at least two of the following criteria derived from the list of public goods in Section 5.01 above:
- a) Increasing or preserving tax base;
 - b) Creating or retaining jobs (retention considered only when job loss is imminent and demonstrable);
 - c) Providing or helping acquire, finance or construct public facilities;
 - d) Helping develop or renew blighted areas;
 - e) Helping provide access to services for residents of the County;
 - f) Retaining a business if it is at risk of relocating outside of the County.
 - g) To meet the following housing-related uses:
 1. To provide a diversity of housing not currently provided by the private market.
 2. To provide a variety of housing ownership alternatives and housing choices.
 3. To create opportunities for the construction, operation and maintenance of affordable housing for low or moderate-income individuals.
 4. To promote community stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.
- 6.04 The applicant, proposed project or potential development must comply with any applicable local Comprehensive Plan and Zoning Ordinances, or required changes to the Plan and Ordinances must be under active consideration at the time of approval. The applicant shall demonstrate evidence of support from the local unit of government.
- 6.05 Prior to consideration of a business subsidy request, the County may require an independent underwriting of the proposed project or potential development at the expense of the developer.
- 6.06 Any applicant requesting a business subsidy may be required to demonstrate past successful general development capability as well as specific capability in the type and size of project or development being proposed.
- 6.07 The applicant must retain ownership of the project at least long enough to stabilize its occupancy, to establish the project management, and if applicable, to initiate repayment of the business subsidy.
- 6.08 A recipient of business subsidy shall continue operations at the site where the subsidy is used for the length of time approved by the County Board, but not less than five (5) years after the benefit begins.
- 6.09 The business subsidy funding will be set at the lowest level of funding and for the shortest period of time which is feasible to meet the objectives.

- 6.10 Retail, service, or recreation businesses will be considered for business subsidies only if the project meets at least two of the following:
- a) Creates quality employment;
 - b) Creates tax base;
 - c) Provides a necessary service not already provided in the community;
 - d) Finances, constructs or provides public infrastructure; or
 - e) Redevelops blighted areas.
- 6.11 The impact of the project on surrounding areas will be taken into consideration. Impacts include but not limited to: Pollution, traffic, sewer and water, parks, and need for additional government services such as law enforcement.
- 6.12 Equal consideration will be given to both the expansion or growth of existing business and the attraction of new businesses proposing to relocate in the County.
- 6.13 To be considered as a redevelopment project, a significant portion of a business subsidy as determined and allowed by the County Board must be expended by the applicant to eliminate blight conditions or for another redevelopment purpose deemed appropriate by the County Board.
- 6.14 Business subsidies will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. In effect, business subsidies will not be provided solely to improve a developer's or business's profit margins on a project. Prior to consideration of a business assistance request, the County may undertake an independent underwriting of the project to help ensure that the request for assistance is valid with underwriting costs to be reimbursed by the business in all instances which shall be in addition to the application fee described herein.
- 6.15 Prior to approval of a business subsidies financing plan and when deemed appropriate by the County, the developer or business shall provide, at their cost, any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data relative to the successful operation of the project that the County or its financial consultants may require in order to proceed with an independent underwriting. If requested by the County, the developer shall provide adequate financial guarantees to ensure completion of the project, including, but not limited to: assessment agreements, letters of credit, cash escrows, and personal guaranties.
- 6.16 A developer requesting County business subsidy assistance must demonstrate, to the satisfaction of the County or its financial consultants, sufficient cash equity investment in the project.

- 6.17 In the event of a change in business ownership during the period of the business subsidy, the agreement may be subject to review and/or alteration subject to the criteria and at the discretion of the Board.

7. APPLICATIONS WILL RECEIVE PRIORITY FOR:

- 7.01 Developments that create quality employment. The minimum wage threshold for a business receiving a subsidy shall be \$2.00 per hour above the prevailing minimum wage in Minnesota plus benefits for new jobs created or jobs retained. The County reserves the right to deviate from this wage floor if the circumstances warrant. If such is the case, the County will follow the reporting requirements for such set forth in Minnesota Statute section 116J.994.
- 7.02 Projects which include manufacturing, distribution, or technology-based firms or businesses which employ a majority of professional or skilled labor.
- 7.03 Businesses at risk of locating out of state or the County, as demonstrated by sufficient evidence to the satisfaction of the County Board.
- 7.04 Projects constructed of block, engineered concrete, brick or engineered steel buildings (not pole) which contain decorative accessory materials (brick).
- 7.05 Projects that include green technologies or the repurposing of existing buildings.
- 7.06 Projects that result in other forms of public improvements or the elimination of blight.

8. BUSINESS SUBSIDY AGREEMENT:

- 8.01 The Office of Economic Development will develop and obtain County Board Approval for a standard Pine County Business Subsidy Agreement. The agreement must contain at minimum the following:
- a) A description of the subsidy, including the amount and type of subsidy and the type of district if the subsidy is tax increment financing;
 - b) A statement of the public purpose for the subsidy;
 - c) Measurable, specific and tangible goals for the subsidy, including interim and/or final goals for jobs created and/or retained within the County and wage goals for jobs created and for jobs retained;
 - d) A description of the financial obligation of the recipient if the interim or final goals are not met;
 - e) A statement of why the subsidy is needed;
 - f) A commitment by the recipient to continue operations in the County for at least five years after the benefit date;
 - g) The name and address of the parent corporation of the recipient, if any; and

h) A list of all financial assistance by all grantors for the project.

9 REVIEW AND APPROVAL

- 9.01 The Office of Economic Development shall review each application and make a recommendation to the County Board as to the granting of a business subsidy.
- 9.02 The County Board will make the final decision on granting the business subsidy. County Board will provide adequate notice of and hold a public hearing on any matter relating to granting a business subsidy of \$25,000 or more.
- 9.03 The preferred term of business subsidy is 5 years unless otherwise determined by the County Board. The County Board may approve longer or shorter terms at its discretion.
- 9.04 The County may limit the amount of the business subsidy:
- a) To a specific dollar amount per year or in total;
 - b) To the increase in property taxes resulting from improvement of the property;
 - c) To the increases in property taxes resulting from increases in the market value or tax capacity of the property;
 - d) In any other manner the county determines are appropriate;
 - e) The County may not abate tax attributable to the value of the land or the area wide tax under Minnesota Statutes sections 276A or 473F.