City of Winthrop Business Subsidy Policy and Criteria

1. PURPOSE

1.01 This policy's purpose is to establish the City's position relating to the use of tax increment financing, tax abatement, industrial revenue bonds, JOBZ Incentives and other business assistance programs for private development. The City and EDA will use this policy as a guide in processing and reviewing applications requesting tax increment, tax abatement, bonding and other business assistance.

1.02 The City and the EDA may amend or waive any part of this policy as allowed under Minnesota Law.

2. STATUTORY LIMITATIONS

2.01 This policy is adopted in compliance with M.S. 116J.994 Subd. 2 and M.S. 469.310- 469.320. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report. All business assistance requests must comply with applicable Minnesota law.

3. DEFINITIONS

"Authorized Business Subsidy Signatory" means the Mayor and City Clerk for the City of Winthrop and/or the EDA President and Treasurer, who is/are authorized by this Policy to execute business subsidy agreements on behalf of the City of Winthrop and/or Winthrop EDA;

"JOBZ Business Subsidy" means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310 - 469.320;

3.03 "Business 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, and as defined by the Business Subsidy statute M.S. §§ 116J.993 - 116J.995.

"Business Subsidy Report" means the annual report submitted by the LGA required to comply with M.S. § 116J.994 Subd. 7. (b) through 116J.994 Subd. 8;

"Criteria" means the equitably applied, uniform standards by which the Economic Development Agency and /or the City bases its decision to award any business subsidy to a private business or development project establishing a business and creating jobs in the City of Winthrop;

"DEED" means Minnesota Department of Employment and Economic Development;

"Economic Development Agent" means the city department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form business subsidy agreements on behalf of the City of Winthrop. Economic Development Agent for the City of Winthrop shall be the Winthrop EDA, hereinafter "Agent";

"Health Insurance" means basic health insurance which shall include: employer 100% premium payment for individual coverage or 80% premium payment for family coverage; employer minimum payment for 80% of office visits, emergency care, surgery and prescriptions; a maximum yearly deduction of $1,000, and maternity coverage; or as further redefined by State Statute from time to time;

"Living Wage Job" shall mean a job which pays wages and health benefits that total at least the rate of 110% of the current poverty level for a family of four;

"Local Governmental Unit" hereinafter LGA, means the statutory or home rule charter city, county, town, iron range resources and rehabilitation agency, regional development commission;

"Qualified Business" means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in M.S. § 469.310 Subd. 11; and complies with the reporting requirements specified by M.S. § 469.313 Subd. 2. (5); and shall comply with the criteria in Section II.C. of this agreement; and shall also mean "Recipient" as defined by Business Subsidy law. A qualified business shall not include a retail business, a low-wage service business, an agricultural production business, or a business that pays less than the living wage defined in this agreement;

"Recipient" mean any business entity that receives a business subsidy as defined by M.S. § 116J.993, and that has signed a Business Subsidy Agreement with a city;

3.13 **"Relocating Business"** A business relocating from another Minnesota non-JOB Zone location;

3.14 **"Relocation Agreement"** means a binding written agreement between a relocating qualified business and the commissioner of DEED pledging that the qualified business will either: (a) increase full-time for full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, **or** (b) make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met;

"Subzone" means the parcel or parcel of land designated by the Commissioner of Employment and Economic Development within a Job Opportunity Building Zone within the boundaries of Winthrop to receive certain tax credits and exemptions specified under M.S. § 469.310-469.320;

"Zone" means a Job Opportunity Building Zone or an Agricultural Processing Facility Zone designated by the commissioner of Employment and Economic Development under M.S. § 469.314.

4. ELIGIBLE BUSINESS ASSISTANCE USES

4.01 The City and the EDA will consider using business assistance tools to assist private development only in those circumstances in which the proposed project meets at least one of the following public purposes:

A. To redevelop blighted or under-utilized areas of the community

B. 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 promote affordable housing for low or moderate income individuals.

4. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.

C To remove blight and encourage redevelopment in the City's commercial and industrial areas to encourage high levels of property maintenance and private reinvestment in those areas.

D. In combination with any other use provided for in this section, to increase the City's tax base to ensure the City's long-term ability to

provide adequate services for its residents while lessening the reliance on residential property tax.

E. To retain local jobs where job loss is specific and demonstrable, increase the local job base and create high quality job growth, and provide diversity in the job base.

F. To enhance economic growth and diversity and encourage additional unsubsidized private development in the area, either directly, or through secondary "spin-off" development.

G. To offset increased redevelopment costs, over and above those costs that a developer would incur in normal development, and to encourage redevelopment and revitalization of the City or specific areas within the City.

H. To retain a stable and centralized business area and downtown to assist in assuring the City's continued vitality, culture and identity and to provide for a centralized and convenient location of retail sales and services for City residents.

I. To accelerate the development process and to achieve development on sites which would not be developed without assistance.

5. BUSINESS ASSISTANCE PROJECT APPROVAL CRITERIA

5.01 All new projects the City or EDA approves must meet all of the following mandatory minimum approval criteria. However, meeting these criteria will not guarantee automatic approval of a subsidy.

A. The assistance must be provided within applicable state legislative restrictions, State Auditor interpretations, debt limit guidelines, and other appropriate financial and legal requirements and policies.
B. The project must meet at least one of the uses outlined in Section 3 above.
C. The project must be in accord with the City's Comprehensive Plan and Zoning Ordinances.
D. The applicant must demonstrate that the project would not be created on the same scale and/or quality without City or EDA Business Assistance. The applicant should maximize the amount of private investment in the project.
E. The applicant must provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and any other information or data that the City, the EDA or their financial consultants may require to independently review the project.
F. An applicant requesting business assistance must demonstrate past successful general development capability or specific capability in the type and size of proposed development in the sole judgment of the City or EDA.

G. If applicable, the applicant must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, and to establish the project's management.
H. The applicant must demonstrate evidence of required equity and other project financing sources. The applicant should reduce its level of needed business assistance funding to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and then using other funding sources or income producing vehicles that can be structured into the project's financing, before using additional business assistance funding.
I. The project must be located in the City or planning to locate in the City before completion.
J. The applicant must use all business assistance funding from the City or EDA for land and/or building improvements which increase the property's tax value, foster future economic development within the City, and maintain existing or create additional jobs in the City.
K. The Applicant must demonstrate a clear and ongoing commitment to the community by providing living wage jobs to their employees and to City residents ,and where applicable, by giving priority to those residents. The hourly wage to be paid for jobs created as a result of receiving business assistance from the City or HRA cannot be less than 110% of poverty level for a family of 4, not including benefits.
L. The applicant must demonstrate the ability to repay the business assistance if the goals set forth in the business assistance agreement are not met.
M. The applicant agrees to comply with annual Business Subsidy Reporting Requirements as required by Business Subsidy Statute M.S. 116J.993-116J.995 and/or Job Opportunity Building Zone (JOBZ) statute M.S. 469.310-469.320

6. BUSINESS ASSISTANCE PROJECT EVALUATION CRITERIA

6.01 The City or EDA will evaluate all projects on the following criteria for comparison with other proposed business assistance projects reviewed by the City and the EDA, and for comparison with other subsidy standards (where appropriate). Changes in local markets, construction costs, and interest rates may cause changes in the amounts of business assistance subsidies that a given project may require at any given time.

While some criteria, by their very nature, must remain subjective, the City and EDA have established possible "benchmark" criteria for review purposes. The fact that a given proposal meets one or more "benchmark" criteria does not mean that the project is entitled to funding under this policy, but rather that the City or EDA is in a position to proceed with evaluations of (and comparisons between) various business assistance proposals, using uniform standards whenever possible.

All other things being equal and to the extent legally possible, the City will give preferential treatment for business subsidies to businesses that

engage in responsible labor relations defined as neutrality on union organizing.

The City or EDA will use the following evaluation criteria:

A. All proposals should optimize a site's private development potential.
B. All proposals should create the highest feasible number of jobs on the site given the project's nature and other goals.
C. All proposals must meet all applicable business assistance criteria established by the City or EDA.
D. All proposals should create the highest possible ratio of property taxes paid before and after redevelopment after taking into consideration all of the project's goals.
E. Proposals should normally not be used to support speculative industrial, commercial, and office projects.
F. The City or EDA will not normally provide business assistance to a project that involves an excessive land and/or property price.
G. The City or EDA will not normally use business assistance for projects that would generate significant environmental or social problems in the opinion of the local, state, or federal governments.

7. APPLICATION PROCESS AND FEES

All applicants for business assistance must fill out and submit a Pre-application for Business Assistance form to the City or EDA.
Based upon the Pre-application submitted, the City or EDA may request the applicant to fill out and submit a formal Business Assistance Application.

7.03 All applications must include an application fee as established by the City or EDA. The current established fee for a full application is $100. The City or EDA may seek reimbursement for an amount negotiated in the Business Subsidy Agreement for any additional costs and expenses incurred in processing the application.

8. BUSSINESS ASSISTANCE AWARD

8.01 The City or EDA shall consider, evaluate and take action regarding a completed Business Subsidy Application within sixty (60) days after receiving a properly completed Business Assistance Application.
The City or EDA will hold a public hearing before granting or denying the business assistance. The City or EDA will publish notice of the public hearing at least ten (10) days before the hearing.

8.03 If the City or EDA decides to grant any business assistance to the applicant, the applicant and the City or EDA must enter into a Business Subsidy Agreement containing at least the following elements:

A. A description of the business assistance, including the amount and type of assistance, and the type of district if tax increment financing is provided.
B. A statement of the business assistance's use and public purpose.
C. Measurable, specific and tangible goals for the business assistance.

D. A description of the recipient's financial obligations if the goals are not met.
E. A statement of why the subsidy is needed.
F. The recipient's commitment to continue operations in the City for at least five (5) years from the day the Business Subsidy Agreement goes into effect.
G. The name and address of the recipient's parent corporation, if any.
H. A detailed list of all financial assistance by all grantors for the project.
I. Goals for the number of jobs created or retained, and wage goals for the jobs created or retained if any, and wage goals for any jobs to be enhanced through increased wages, to be attained within 2 years of the benefit date.

9. ADDITIONAL JOBZ BUSINESS SUBSIDY REQUIREMENTS

A. Any time the City of Winthrop provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage goals, job goals and other criteria set forth in this policy. In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993 - 116J.995 and the JOBZ statute M.S. §§ 469.310 - 469.320, the JOBZ statute shall control.

B. The City of Winthrop shall have an overall goal of 20% of new jobs created under this policy will be held by City of Winthrop residents. It is expected that all qualified businesses or recipients shall have a quantified target for the number of residents to be hired.

C. The City of Winthrop may deviate from wage and job criteria in this Section. By documenting the reason in writing for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED. (??REPEAT??)

D. The City shall require all businesses receiving a business subsidy to comply with the following:

1. Attend a properly noticed public hearing shall be held by the City as provided by M.S. § 116J.994. The purpose of the hearing shall be held to identify the criteria that the qualified business or recipient will meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute.

2. If the business is qualified to receive JOBZ tax benefits, that business shall agree to continue to operations in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.

3. If the qualified business or recipient is a relocating business under the definition in this agreement, the business shall be required to enter into a binding written "Relocation Agreement between the qualified business and the commissioner of DEED pledging that the qualified relocating business will either:

(a) increase full-time for full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, **or**

(b) make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.

4. The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin in the zone. The date when business operations begin is called the "operation start date."

CITY OF WINTHROP

PRE-APPLICATION FOR BUSINESS ASSISTANCE

Legal name:_____

Address: _____

Phone: _____ Fax: _____ E-mail:_____

Primary Contact:_____

REQUESTED INFORMATION:

Applicant will attach an Addendum addressing all of the following in detail:

A map showing the proposed development's exact boundaries.

2. A general description of the project, including the size and location of all buildings, the business type or use, traffic information such as parking, projected vehicle counts and traffic flow, the project's timing, estimated market value following completion and other pertinent information.

3. The property's existing Comprehensive Guide Plan Land Use designation and zoning, along with a statement regarding how the proposed development will conform to the land use designation and how the property will be zoned.

4. A statement identifying the type of business assistance requested, how the assistance will be used and why it is necessary to undertake the project.

5. A statement identifying the public benefits of the proposal, including the estimated increase in property valuation, new jobs to be created, hourly wages and other community assets.

6. A written description of the applicant and developer including principals, history, qualifications, experience, past projects and other pertinent information.

I understand that the application fee will be used for City staff and consultant costs and is partially refundable if my assistance request is withdrawn after the City's costs are recovered. If the initial application fee is insufficient, I will be responsible for additional deposits.

SIGNATURE

Applicant's Signature: _____

Date:_____

CITY OF WINTHROP

BUSINESS ASSISTANCE APPLICATION

GENERAL INFORMATION:

Business Name:_____ Date:_____

Address:_____

Type (Corporation, Partnership, etc):_____

Authorized Representative: _____
Phone:_____ Fax:_____ Cell:_____ E-mail:_____

Description of Business:_____

_____

Attorney:_____

Address:_____ Phone: _____ Fax:

FINANCIAL BACKGROUND:

1. Have you ever filed for bankruptcy? _____

If yes, explain: _____

2. Have you ever defaulted on any loan commitment?_____

If yes, explain: _____

3. Have you applied for conventional financing for the project? _____

If yes, describe:_____

4. List financial references:

a. _____

b. _____

c. _____

5. Have you ever used Business Assistance Financing before?_____

If yes, what, where and when? _____

PROJECT INFORMATION:

1. Location of Proposed Project: _____

2. Amount of Business Assistance requested? _____

3. Need for Business Assistance:_____

4. Present ownership of site: _____

5. Number of permanent jobs created as a result of project? _____

6. Estimated annual sales: Present: Future:

7. Market value of project following completion: _____

8. Anticipated start date: _____ Completion Date: _____

1. Estimated project related costs:

a. land acquisition $_____

b. site development $_____

c. construction/building costs $_____

d. machinery & equipment $_____

e. architectural/engineering fee $_____

f. legal fees $_____

g. off-site development costs $_____

h. interest during construction $_____

i. Other $_____

2. Financing sources:

a. private lending institution $_____

b. applicant equity $_____

c. other private funds $_____

d. Federal/State grants & loans $_____

e. tax increment funds $_____

f. tax abatement funds $_____

g. city/HRA loans $_____

h. other public funds $_____

PLEASE INCLUDE:

Bank's preliminary financial commitment

2. Project plans and drawing

3. Company's background materials

4. Pro Forma analysis

5. Business and Personal financial statements

6. Statement of property ownership or control

7. Payment of application fee ($100.00)