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**CITY OF LONG PRAIRIE, MINNESOTA**

**BUSINESS SUBSIDY PLAN**

**April 12, 2004**

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# LONG PRAIRIE BUSINESS SUBSIDY PLAN

## ARTICLE I. PURPOSE

The purpose of the Long Prairie Business Subsidy Plan is to establish policy on the use of Tax Increment Financing, Job Opportunity Building Zones and other incentive and assistance programs that may become available through the City or State of Minnesota.

The City of Long Prairie's ability to grant subsidies is governed by the limitations established in Minnesota Statutes, sections 116J.993 through 116J.994 (the Statutes).

These criteria are to be used in conjunction with other relevant policies of the City.

The City may amend this Business Subsidy Plan at any time. Amendments to this Plan are subject to public hearing requirements contained in the Statutes.

## ARTICLE II. DEFINITIONS

"Authority" means the Economic Development Authority of the City of Long Prairie, Minnesota.

"Business subsidy", "subsidy" or "subsidies" means a business subsidy as defined in Minnesota Statutes, section 116J.993, subdivision 3.

"City" means the City of Long Prairie, Minnesota.

"Comprehensive health insurance" means employer premium payment for individual or family coverage.

"Livable wage" means a wage equal to the current poverty guidelines for a family of four as issued each year in the Federal Register by the Department of Health and Human Services.

## ARTICLE III. PROGRAM ELEMENTS

### Section 1. Goals and Objectives.

- (1) Subsidies may be used to assist businesses, which will create jobs and alleviate economic distress or address other urgent community development needs.
- (2) Subsidies may be used to leverage private investment and provide debt financing to projects that otherwise may not occur, especially, to leverage financing for development or redevelopment resulting in the prevention or elimination of substandard and/or deteriorated properties.
- (3) Subsidies may be used to stimulate development for the purpose of job creation with specific emphasis on providing job opportunities to low and moderate income individuals and to establish a specific wage floor for wages to be paid for the jobs that are created.

**Section 2. Targeting Criteria.** Requests for subsidies are expected to be diverse. The use of subsidies should therefore be directed to those businesses that will do the most to solidify and strengthen the economic base of the area, be consistent with the development goals of the community, and provide permanent full-time employment to persons who are unemployed/underemployed. In its marketing and review process, business subsidies will target the following and give funding priority to them.

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- (1) Manufacturing and distribution businesses which serve to diversify the local economy or add value to agricultural products grown in the region. These businesses tend to build on existing resources (agriculture) or diversify and strengthen the economy (manufacturing and distribution). These businesses can also serve as magnets for other businesses especially in the service sector.
- (2) Businesses with a high number of full-time permanent jobs at livable wages. This meets with the goal of increasing employment for under/unemployed persons and raising the average income.
- (3) JOBZ subsidies will not be made for retail or commercial activities. JOBZ subsidies to retail businesses would probably harm existing retailers and not constitute a wise use of public funds.
- (4) Businesses that provide jobs to persons who are currently unemployed or underemployed. Applicants will be urged to work with Job Training Programs to help persons qualify for available jobs. Again, the goal is full-time permanent employment.

**Section 3. Business Subsidy Guidelines.** Subsidies taken as a whole will have the following guidelines applied to them. Individual subsidies may vary from these guidelines due to unusual circumstances or overriding factors that make deviation a necessity. Following are the guidelines for the use of subsidies:

- (1) A business subsidy must have a defined 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.
- (2) For projects requiring job creation or retention a minimum ratio of \$35,000 in subsidy proceeds per job created or retained.
- (3) Requirement that 51% of all the jobs to be created using subsidies be made available to low and moderate income individuals.
- (4) Job creation with subsidies will be directed toward skilled craft-persons and technicians; semi-skilled workers; and service trade industry workers, rather than part-time or minimum wage jobs.
- (5) Subsidy funds may be used for acquisition of land, construction or rehabilitation of manufacturing/warehouse facilities, site improvements, professional fees, utilities or infrastructure, purchase of machinery and equipment and working capital.
- (6) Eligible businesses must be a "for profit" business.
- (7) Before approval of a subsidy request, the Authority will make a determination that the proposed subsidy is deemed necessary or appropriate given the previously defined program objectives and eligibility guidelines. The Authority must evidence this determination through a written analysis that is to accompany any request or recommendation for approval.
- (8) This Business Subsidy Plan establishes a specific wage floor for the wages paid for jobs created using subsidies. Businesses using subsidies must pay a livable wage equal to the current poverty guidelines for a family of four as issued each year in the Federal Register by the Department of Health and Human Services (HHS). HHS poverty guidelines are located at: <http://aspe.hhs.gov/poverty/04poverty.shtml>. Employer paid premiums for health insurance may reduce the hourly wage by up to \$1.00 per hour. A higher wage is encouraged consistent with industry standards. The Authority may allow deviations below the specific wage floor when the proposed recipient of the subsidy clearly demonstrates that the proposed wages are consistent with a nationally established wage standard and the business is determined to be beneficial to the public.

purpose and intent of this Business Subsidy Plan. Specific reasons for deviation must be reported to the State of Minnesota in the annual report on subsidies.

#### **ARTICLE IV. RELATED ACTIVITIES**

**Section 1. Subsidy packaging.** Companies seeking assistance with subsidy services may be aided by the subsidy staff and/or other appropriate public or private sources including Small Business Administration, Regional Development Commission, Long Prairie Economic Development Authority, Minnesota Department of Employment and Economic Development or private consulting firms.

**Section 2. Job referral and training.** The subsidy staff will work closely with the State of Minnesota's Department of Jobs and Training Offices to ensure that recipients of subsidies receive referrals with a placement of unemployed and underemployed individuals. In addition, the Job Training Offices and the area Community College can provide other benefits to these companies by identifying and designing specialized training programs to meet both the needs of the companies and their employees.

#### **ARTICLE V. ADMINISTRATIVE ELEMENTS OF THE PLAN**

**Section 1. Authority Responsibilities.** The Authority shall be responsible for administering the Long Prairie Business Subsidy Plan. The duties of the Authority are as follows:

- (1) Review and approve or deny all applications for subsidies under the terms of this Plan. The Authority may exempt any subsidy application requiring a public hearing from its' review.
- (2) From time to time, amend this Business Subsidy Plan as required by necessity.
- (3) Report to the City Council.

**Section 2. Staff Capacity.** Staffing for the subsidy program will be provided by the City and the Authority. Staff duties include the following:

- (1) Program Marketing - Staff will market the subsidy program through local media, speaking engagements, literature, and business visits. The goal is to have eligible businesses aware of the program.
- (2) Subsidy Structuring and Packaging - Staff will assist applicants in structuring the subsidy package to coordinate with non-subsidy programs, bank involvement, equity, and other necessary components. Staff will also assist applicants in completing the necessary forms and documentation for the subsidy.
- (3) Linking jobs to long term unemployed - Staff will encourage all applicants to work with the Minnesota Department of Employment Services and Local Employment and Training providers in order to insure that long term unemployed and low and moderate income persons have maximum opportunity to be considered for jobs.
- (4) Financial Management - Staff will provide all financial management of the subsidy program including, audits and record keeping.

**Section 3. Business Subsidy Selection and Approval Process.** The selection and approval processes will be as follows:

- (1) Pre-application.
  - (a) No form is provided. A pre-application is required of potential subsidy applicants in order to determine the proposed structure and eligibility of the project.

- (b) All pre-applications will be screened by subsidy staff for eligibility and written invitations for full applications or denials will be provided within two weeks of receipt. If denied, the applicant may appeal to the City Council.

(2) Full Application.

- (a) No form is provided. Applicants shall provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data that the Authority/City or its financial consultants may require in order to proceed with an independent analysis of the subsidy.
- (b) When a full application is invited, a staff site visit and discussion with the business about full application details will take place.
- (c) When completed applications are received, staff will conduct a thorough review. Because subsidy programs are diverse, different information may be required in order to conduct a thorough analysis. Following is information that may be required in order to analyze the subsidy request:

- \*2 year past financial history (if available) and a 24 month projection with balance sheet, P&L and cash flow analysis
- \*eligibility with Business Subsidy Plan
- \*economic benefits of the proposed project
- \*balance sheet/ratio analysis
- \*repayment ability
- \*management skill
- \*collateral and lien position
- \*credit risk of applicant
- \*need for special requirements, i.e. insurance, personal guarantee
- \*environmental review
- \*civil rights review

- (d) Based on its review, staff will prepare recommendation to be presented to the Authority.
- (e) The Authority reviews full application, staff recommendations and makes decision on the application.
- (f) Subsidy staff informs applicant in writing of the Authority decision.

**Section 4. Sources of Funding to Cover Administrative Costs of Business Subsidies.**

- (1) Tax Increment Financing (TIF). TIF administrative costs will be financed through application fees charged to the applicant and up to 10% of the annual TIF receipts received by the City from Todd County.
- (2) JOBZ. JOBZ administrative costs will be financed through an initial application fee and an annual maintenance fee charged to the applicant.

**Section 5. Other Requirements.** The City of Long Prairie in order to ensure the rights, protect the safety and promote prosperity of its citizens requires that projects applying for subsidies be reviewed for compliance with the following requirements. Because subsidy programs are diverse, not all requirements are applicable nor will be required for each project receiving a subsidy. The Authority at its discretion shall determine appropriate requirements for each project.

- (1) **Civil Rights.** No applicant may be denied a subsidy on the basis of race, color, national origin, religion, age, handicap or sex. All advertisement and promotion of subsidy programs will emphasize this civil rights provision and the targeting criteria established to promote affirmative action.
- (2) **Access for the Handicapped.** If the subsidy benefits a construction project to which the public will have access, provisions for access to the handicapped must be included.
- (3) **Flood Plains and Wetlands.**
  - (a) The Authority shall not approve subsidies made for construction in, or alteration of, a wetland or 100 year flood plain as determined by soils mapping, USGA studies or other accepted means if adverse effect would be caused by that construction.
  - (b) The Authority shall not approve projects, which would result in construction, other than underground utilities, in the 100-year floodplain as defined by FEMA unless all capacity removed from the floodplain is restored by excavation or other appropriate means.
  - (c) The Authority shall not approve projects, which result in the alteration of any wetland, or in any adverse impact on a wetland, without prior consultation with, and consent of the U.S. Department of the Interior, Fish and Wildlife Service.
  - (d) When applicable, applicants will be required to purchase flood hazard insurance.
- (4) **Air and Water Quality.** Applicants will be required to comply with all federal, state, and local laws and regulations concerning air and water quality. All required reviews will be completed and permits issued before granting the subsidy.
- (5) **Environmental Review Procedure.** The staff of the subsidy program will review each application for conformance with paragraphs (1) through (4) of this Section. To conduct its review, the staff will contact local (city and county) planning and zoning authorities. Site specific maps and the regulations of FEMA, USGS, SCS, SHPO and other applicable agencies will also be consulted. All local, state and federal regulations must be complied with prior to granting a subsidy.

#### **Section 6. Public Notice and Hearing.**

- (1) Before granting a subsidy that exceeds \$100,000, the City must provide public notice and a hearing on the subsidy. A public hearing and notice under this section is not required if law otherwise requires a hearing and notice on the subsidy.
- (2) Public notice of a proposed subsidy by the City must be published in the City's legal paper. The public notice must identify the location at which information about the subsidy, including a summary of the terms of the subsidy, is available. The City must make the information available in printed paper copies and, if possible, on the Internet. The City must provide at least a ten-day notice for the public hearing.
- (3) The public notice must include the date, time, and place of the hearing.
- (4) If more than one nonstate grantor provides a business subsidy to the same recipient, the City may hold a single public hearing regarding the business subsidies provided by all nonstate grantors.

## Section 7. Subsidy agreement.

- (1) A subsidy recipient must enter into an agreement with the City that includes:
  - (a) a description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
  - (b) a statement of the public purposes for the subsidy;
  - (c) measurable, specific, and tangible goals for the subsidy;
  - (d) a description of the financial obligation of the recipient if the goals are not met;
  - (e) a statement of why the subsidy is needed;
  - (f) a commitment to continue operations in the jurisdiction where the subsidy is used 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.
- (2) Subsidies in the form of grants must be structured as forgivable loans. For other types of subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
- (3) If a subsidy benefits more than one recipient, the City must assign a proportion of the subsidy to each recipient that signs the agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.
- (4) The City and the recipient must both sign the agreement and, the agreement must be approved by the City Council.
- (5) Notwithstanding the provision in paragraph (1)(f) of this Section, a recipient may be authorized to move from the City within the five-year period after the benefit date if, after a public hearing, the City approves the recipient's request to move.
- (6) The agreement, in addition to any other goals, must include:
  - (a) goals for the number of jobs created, which may include separate goals for the number of part-time or full-time jobs, or, in cases where job loss is specific and demonstrable, goals for the number of jobs retained;
  - (b) wage goals for any jobs created or retained; and
  - (c) wage goals for any jobs to be enhanced through increased wages. 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.
- (7) In addition to other specific goal time frames, the wage and job goals must contain specific goals to be attained within two years of the benefit date.

## **Section 8. Failure to meet goals.**

- (1) The agreement must specify the recipient's obligation if the recipient does not fulfill the agreement.
- (2) At a minimum, the agreement must require a recipient failing to meet subsidy agreement goals to pay back the assistance plus interest to the City or, at the City's option, to the account created under Minnesota Statutes, section 116J.551 provided that repayment may be prorated to reflect partial fulfillment of goals. The interest rate must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.
- (3) The City, after a public hearing, may extend for up to one year the period for meeting the wage and job goals, under Section 7, paragraph (6), provided in a subsidy agreement. A grantor may extend the period for meeting other goals under Section 7, paragraph (1)(c), by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to DEED.
- (4) A recipient that fails to meet the terms of a subsidy agreement may not receive a business subsidy from any grantor for a period of five years from the date of failure or until a recipient satisfies its repayment obligation under this Section, whichever occurs first.
- (5) Before the City signs a business subsidy agreement, the City must check with the DEED compilation and summary report to determine if the recipient is eligible to receive a subsidy.

## **Section 9. Reports by recipients to City.**

- (1) The City must monitor the progress by the recipient in achieving agreement goals.
- (2) A recipient must provide information regarding goals and results for two years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information on the subsidy until the subsidy is repaid. The information must be filed on forms developed by DEED. Copies of the completed forms must be sent to the City. The report must include:
  - (a) the type, public purpose, and amount of subsidies and type of district, if the subsidy is tax increment financing;
  - (b) the hourly wage of each job created with separate bands of wages;
  - (c) the sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
  - (d) the date the job and wage goals will be reached;
  - (e) a statement of goals identified in the subsidy agreement and an update on achievement of those goals;
  - (f) the location of the recipient prior to receiving the subsidy;
  - (g) why the recipient did not complete the project outlined in the subsidy agreement at their previous location, if the recipient was previously located at another site in Minnesota;
  - (h) the name and address of the parent corporation of the recipient, if any;
  - (i) a list of all financial assistance by all grantors for the project; and

- (j) other information DEED may request.
- (3) A report must be filed no later than March 1 of each year for the previous year. The City must forward copies of the reports received by recipients to DEED by April 1.
  - (4) Financial assistance that is excluded from the definition of "business subsidy" by Minnesota Statutes, section 116J.993, subdivision 3, clauses (4), (5), (8), and (16), is subject to the reporting requirements of this subdivision, except that the report of the recipient must include instead:
    - (a) the type, public purpose, and amount of the financial assistance, and type of district if the assistance is tax increment financing;
    - (b) progress towards meeting goals stated in the assistance agreement and the public purpose of the assistance;
    - (c) if the agreement includes job creation, the hourly wage of each job created with separate bands of wages;
    - (d) if the agreement includes job creation, the sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
    - (e) the location of the recipient prior to receiving the assistance; and
    - (f) other information the City requests.
  - (5) If the recipient does not submit its report, the local government agency must mail the recipient a warning within one week of the required filing date. If, after 14 days of the postmarked date of the warning, the recipient fails to provide a report, the recipient must pay to the City a penalty of \$100 for each subsequent day until the report is filed. The maximum penalty shall not exceed \$1,000.