

CITY OF MONTEVIDEO BUSINESS SUBSIDY CRITERIA

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1. PURPOSE AND AUTHORITY

- 1.1 The purpose of this document is to establish the criteria for the City of Montevideo and the Montevideo Economic Development Authority (the "Grantor") for granting of business subsidies for private development. These criteria shall be used as a guide in the processing and reviewing of applications requesting business subsidies.
- 1.2 The Grantor's ability to grant business subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995 (the "Statutes.")
- 1.3 Unless specifically excluded by the Statutes, business subsidies include grants by state or local governmental agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, 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 governmental facilities given to a business.
- 1.4 These criteria are to be used in conjunction with other relevant policies of the Grantor.
- 1.5 The Grantor may deviate from these criteria by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Department of Trade & Economic Development with the next annual report.
- 1.6 The Grantor may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes.

2. PUBLIC PURPOSE REQUIREMENT

- 2.1 All business subsidies must meet a public purpose.
- 2.2 The creation or retention of jobs may be, but is not required to be, a public purpose for granting a subsidy. The determination that jobs are not a public purpose for the subsidy and that the related wage and job goals are zero shall be made following a public hearing.
- 2.3 Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The Grantor shall document the information used to determine the nature of the job loss.

- 2.4 The creation of tax base shall not be the sole public purpose of a subsidy.
- 2.5 The wage floor for wages to be paid for the jobs created shall be the state minimum wage in effect at the time the subsidy is granted. The Grantor will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy.

3. BUSINESS SUBSIDY APPROVAL CRITERIA

- 3.1 All new projects approved by the Grantor should meet the following minimum approval criteria. 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 any potential developer.
- 3.2 To be eligible to receive a business subsidy, the recipient must meet the following minimum requirements:
- a. The subsidy must achieve a public purpose.
 - b. The project must comply with local plans and ordinances.
 - c. The recipient shall provide information demonstrating that granting the subsidy is necessary for the proposed development to occur.
 - d. The recipient enters into an agreement pursuant to these criteria and the Statutes.
- 3.3 The business subsidy shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.
- 3.4 The project must be in accord with the comprehensive plan and zoning ordinances, or required changes to the plan and ordinances must be under active consideration by the Grantor at the time of approval.
- 3.5 Business subsidies will not be provided to projects that have the financial feasibility to proceed without the benefit of the subsidy. In effect, business subsidies will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business subsidy request, the Grantor may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.
- 3.6 Prior to approval of a business subsidy, the developer 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 Grantor or its financial consultants may require in order to proceed with an independent underwriting.
- 3.7 Any developer requesting a business subsidy should be able to demonstrate past successful general development capability, as well as specific capability in the type and size of development proposed.

- 3.8 The developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate repayment of the business subsidy, if applicable.
- 3.9 A recipient of a business subsidy must enter into a subsidy agreement with the Grantor, as described in Section 4.
- 3.10 A recipient of a business subsidy must make a commitment to continue operations within the City of Montevideo for at least five years after the benefit date.
- 3.11 Any business subsidy will be the lowest possible level and least amount of time necessary, after the recipient maximizes the use of private debt and equity financing first.

4. **Subsidy Agreement**

- 4.1 In granting a business subsidy, the Grantor shall enter into a subsidy agreement with the recipient that provides the information, wage and job goals, commitments to provide necessary reporting data and recourse for failure to meet goals required by the Statutes.
- 4.2 The subsidy agreement may be incorporated into a broader development agreement for a project.
- 4.3 The subsidy agreement will describe the requirements for the recipient to provide the reporting information required by the Statutes.

ADOPTED:

Montevideo City Council + (MCDC)
Montevideo Economic Development Authority

April 7, 2003
April 15, 2003