

# CITY OF MOUNDS VIEW POLICY AND PROCEDURES RELATING TO THE USE OF BUSINESS SUBSIDIES

## I. PURPOSE

*For the purposes of this document, the term "City" shall include the Mounds View Economic Development Authority (EDA). This revised Business Subsidies Policy was adopted at a joint meeting of the EDA/City Council on May 12, 2003.*

The purpose of this policy is to establish guidelines and criteria regarding the use of business subsidies, such as tax increment financing (TIF), tax rebate financing (TRF), otherwise referred to as tax abatement, and other business subsidies for private development projects within the City of Mounds View and shall be in addition to the requirements and limitations set forth by provisions of Minnesota State Statute 116J.993 (Minnesota Business Subsidy Law), and by the City's policy and guidelines of the particular form of subsidy.

These guidelines shall be used in processing and reviewing applications requesting business subsidies assistance. The fundamental purpose of business subsidies in the City is to encourage desirable development or redevelopment that would not otherwise occur "but for" the assistance provided through business subsidies.

It is the intent of the City to provide a minimum amount of business subsidies, as well as other incentives that the City may deem appropriate, at the shortest term required for the project to proceed. The City reserves the right to approve or reject projects on a case-by-case basis, taking into account established policies, specific project criteria, and demand on city services in relation to the potential benefits to be received from a proposed project. Meeting policy guidelines or other criteria does not guarantee the award of business subsidies. Furthermore, the approval or denial of one project is not intended to set precedent for approval or denial of another project.

## II. DEFINITION OF "BUSINESS SUBSIDY"

The following types of assistance having a value equal to or in excess of \$25,000 are defined as a "business subsidy" within the Minnesota Business Subsidy Law:

- State and local government agency grants;
- Contributions of personal property, real property, or infrastructure;
- The principal amount of a loan that exceeds \$75,000 at rates below those commercially available;
- Reductions or deferrals of taxes or fees;
- Guarantees of any payment under any loan, lease, or other obligation; and,
- Preferential use of government facilities.

### III. PUBLIC PURPOSE OBJECTIVES OF BUSINESS SUBSIDIES

In accordance with the Minnesota Business Subsidy Law, the City will consider using business subsidies to assist private development projects to achieve one or more of the following public purpose objectives:

- To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- To enhance and diversify the City of Mounds View's economic base and to increase the tax base.
- To remove blight and/or encourage development of commercial, industrial or high priority areas in the city that result in higher quality redevelopment and private investment.
- To encourage the revitalization and redevelopment of the County Highway 10 Corridor.
- To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
- To offset increased costs of redevelopment (i.e. contaminated site cleanup, demolition expenses, etc.) over and above the costs normally incurred in development.
- To finance the costs associated with public infrastructure and public facilities.

### IV. GENERAL POLICIES FOR THE USE OF BUSINESS SUBSIDIES

- A. Business subsidy assistance will be provided from the City, by a "pay-as-you-go" note method, to the developer if the business subsidy is tax increment financing or tax abatement. Requests for up front financing will be considered on a case-by-case basis.
- B. It is the intent of the City to provide the minimum financing, as well as other incentives, at the shortest term required for the project to proceed.
- C. A developer requesting business subsidy assistance must demonstrate, to the satisfaction of the City, sufficient cash equity investment in the project as required within the City's policy for the particular form of subsidy.
- D. A developer must be able to demonstrate to the City, or, if applicable, to the underwriting authority, a market-demand for a proposed project.
- E. Business subsidy will not be used in cases where the subsidy would create an unfair and significant competitive financial advantage over other similar projects in the area.
- F. Business subsidy will not be used for projects that would place extraordinary demands on city infrastructure and services.

- G. If requested by the City, 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.
- H. Each developer must be able to demonstrate to the City's satisfaction, an ability to construct, operate, and maintain the proposed project based on past experience, general reputation, and credit history.
- I. If requested by the City, or its consultants, the developer shall provide sufficient market, financial, environmental, or other data relative to the successful operation of the project.

## V. GUIDELINES FOR COMMERCIAL/RETAIL BUSINESS SUBSIDIES

- A. Business subsidies will not be used for commercial, retail or service businesses unless it is a development or redevelopment project that demonstrates that it will result in a significant increase in tax base.
- B. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- C. Specific wage and job goals will be determined by the City giving consideration to the particular form of the subsidy, nature of the development, the purpose of the subsidy, local economic conditions and similar factors. The recipient will have up to two years to meet the job and wage goals established by the City. The City's job goal is that each commercial/retail business receiving assistance will create at least one new fulltime job through the implementation of the project. A retention project must result in the retention of existing jobs that would be lost "but for" the proposed development or result an increase and diversification in local jobs. Business retention jobs will be considered on a one-for-one match to job creation only in cases where job loss is specific and demonstrable in accordance with the Minnesota Business Subsidy Law.
- D. The minimum wage for a job with a commercial/retail business to be considered a new or retained job shall be equal to at least 125% of the federal minimum wage or currently \$6.44 per hour exclusive of benefits. Deviations less than the wage floor will be considered on a case-by-case basis and in accordance with the requirements of the Minnesota Business Subsidy Law.
- E. Business subsidies will not be used for commercial/retail projects that have a history of inconsistent compliance with applicable environmental rules and regulations.

## VI. GUIDELINES FOR INDUSTRIAL BUSINESS SUBSIDIES

- A. Business subsidies will not be used for industrial businesses unless it is a development or redevelopment project that demonstrates that it will result in a significant increase in tax base.
- B. The project must be consistent with the City's Comprehensive Plan, Land Use Plan, and Zoning Ordinances.
- C. Specific wage and job goals will be determined by the City giving consideration to the particular form of the subsidy, nature of the development, the purpose of the subsidy, local economic conditions and similar factors. The recipient will have up to two years to meet the job and wage goals established by the City. The City's job goal is that each industrial business receiving assistance will create at least one new fulltime job through the implementation of the project. A retention project must result in the retention of existing jobs that would be lost "but for" the proposed development or result an increase and diversification in local jobs. Business retention jobs will be considered on a one-for-one match to job creation only in cases where job loss is specific and demonstrable in accordance with the Minnesota Business Subsidy Law.
- D. The minimum wage for a job with an industrial applicant to be considered a new or retained job shall be equal to at least 140% of the federal minimum wage or currently \$7.21 per hour exclusive of benefits. Deviations less than the wage floor will be considered on a case-by-case basis and in accordance with the requirements of the Minnesota Business Subsidy Law.
- E. Business subsidies will not be used for industrial projects that have a history of inconsistent compliance with applicable environmental rules and regulations.

## VII. SUBSIDY AGREEMENT AND REPORTING REQUIREMENTS

Each company receiving a business subsidy shall be subject to the subsidy agreement and reporting provisions and requirements set forth by the Minnesota Business Subsidy Law and summarized below:

### A. Progress Reports

The recipient shall file a report annually for two years after the receiving the subsidy or until all goals set forth in the subsidy agreement have been met, which ever is later. Reports shall be completed using the format drafted by the State of Minnesota and shall be filed with the City no later than March 1 of each year for the progress made the previous year.

B. Maintain Facility

The recipient agrees to maintain and operate its facility at the site where the subsidy is used for a period of five years after the date the subsidy is provided.

C. Failure to Comply

Businesses failing to comply with the subsidy agreement will be subject to fines, repayment requirements, and be deemed ineligible by the State to receive any loans or grants from public entities for a period of five years.

## VIII. SUBSIDY APPLICATION PROCESS AND PROCEDURE

- A. Application for business subsidies shall be made on forms for the particular form of assistance provided by the City of Mounds View Economic Development Coordinator, or designee. A deposit fee of \$ 5,000.00 shall accompany any Tax Increment Finance request application to cover the City's initial legal, administrative, and planning costs. A fee of \$1,000.00 shall accompany any Tax Rebate (or Abatement) Financing to cover the City's legal, administrative, and planning costs.

Following a review by appropriate City Staff the application shall be referred to the Economic Development Authority for recommendation to the City Council for further action.

- B. The application for business subsidies shall request information required within the City's policies on the particular form of subsidy including but not limited to; a detailed description of the project; a preliminary site plan; the amount of business subsidy requested; the public purpose of the project; the number and types of jobs to be created; the wages and benefits to be paid new employees; and verifiable funding sources and uses.