

**CITY OF NEW ULM
ECONOMIC DEVELOPMENT AUTHORITY
BUSINESS SUBSIDY POLICY**

December 5, 2000

1. INTRODUCTION

This policy is adopted to comply with the requirements of Minnesota Statutes 116J.993 through 116J.995, as amended, which regulates business subsidy agreements signed on or after August 1, 1999. Additionally, the Policy will provide the Economic Development Authority of the City of New Ulm, Minnesota, the New Ulm City Council and City staff with guidelines for the negotiation of economic development projects requesting incentives. Terms used in this Policy are intended to have the same meanings as those used in the Business Subsidies Act (the "Act"), and this Policy shall apply only with respect to assistance granted under the Act if and to the extent required thereby.

The New Ulm Economic Development Authority has previously provided economic assistance to businesses and industries locating or expanding in the City. This assistance has typically taken the form of low interest loans and land sales below market or appraised values. The Authority's goals in providing these forms of assistance are normally one or more of the following:

- a) Increasing the property tax base to generate more property tax revenue.
- b) Increasing employment opportunities for New Ulm citizens.
- c) Utilizing private business development resources to improve public infrastructure to the benefit of the larger community.
- d) Redevelopment of potentially viable existing properties and redevelopment of significant, prominent or historic buildings.
- e) Providing financing to accomplish a housing market need.
- f) Increasing industrial diversification.

While it is recognized that the creation of good paying jobs is a desirable goal that benefits the community, it must also be recognized that not all projects that receive public assistance derive their public purpose and importance solely by virtue of job creation. In addition, the imposition of high job creation requirements and high wage levels may be unrealistic and counter productive in the face of larger economic forces and the financial and competitive circumstances of an individual business.

It is also to be recognized that not all jobs created will always be at wage and benefit levels consistent with those required to support a basic household unit. However, the importance of providing such jobs for other wage earning groups such as youth, post-secondary education students, and those desiring additional income from part-time work, may be considered in the economic development evaluation process. These jobs will not be considered in the monitoring of compliance with economic development goals.

2. **BUSINESS SUBSIDY**

A "Business Subsidy", pursuant to Subdivision 3 of the Act, 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.

Subdivision 3 of the Act further identifies financial assistance that does not constitute a business subsidy under the statute. Financial assistance of less than \$25,000 is not a Business Subsidy.

3. **CRITERIA FOR SUBSIDIES**

Any qualifying request for assistance shall meet one or more of the following objectives:

- a) Provide additional employment opportunities in New Ulm.
- b) Retain existing employment opportunities where job loss is specific and demonstrable.
- c) Stimulate private investment.
- d) Elimination of slums and blight.
- e) Increase local tax base.
- f) Redevelopment of existing properties.
- g) Improvements to public infrastructure benefiting the larger community.
- h) Provide a needed service for the community.
- i) Improve the productivity and competitiveness of a business.
- j) The specific wage floor for created jobs will be 150% of the prevailing minimum wage.

The Authority may deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the Department of Trade and Economic Development.

4. SUBSIDY AGREEMENT

Prior to award of a business subsidy, the proposed recipient must enter into a Subsidy Agreement with the Authority that includes the following:

- 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 City New Ulm at least five years after the benefit date. A recipient may move from the City within the five-year period following a public hearing on this matter and the approval of the Authority;
- 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.

Business subsidies in the form of grants must be structured as forgivable loans. If a business subsidy is not structured as a forgivable loan, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a market price or other in-kind benefits to the recipient.

If a business subsidy benefits more than one recipient, the grantor must assign a proportion of the business subsidy to each recipient that signs a subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.

5. WAGE AND JOB GOALS

The Subsidy 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 jobs, or, in cases where job loss is specific and demonstrable, goals for the number of jobs retained.
- b) Wage goals for the jobs created or retained.
- c) The wage and job goals must be attained within two years of the benefit date.
- d) Wage and job goals maybe set at zero if it is determined after a public hearing that the creation or retention of jobs is not a goal.

The setting of wage and job goals must be sensitive to prevailing wage rates, local economic conditions, external economic forces over which neither the grantor nor the recipient of public assistance has control, the individual financial resources of the recipient and the competitive environment in which the recipient's business exists.

6. **PUBLIC NOTICE AND HEARING**

Before granting a business subsidy that exceeds \$100,000.00, the Authority will provide public notice and conduct a hearing on the subsidy. Public notice shall be published in a local newspaper of general circulation at least ten days prior to the Public Hearing,

The Public Hearing notice will include the following:

- a) Location at which information about the business subsidy, including a copy of the summary of the terms of the Subsidy Agreement, is available. This information will be available in printed form.
- b) Date, time and place of the Public Hearing.

7. **FAILURE TO MEET GOALS**

The Subsidy Agreement must specify the recipient's obligation if the recipient does not fulfill the agreement. At a minimum, the agreement must require a recipient failing to meet subsidy agreement goals to pay back the assistance plus interest to the grantor 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 as defined under Section 275.70, Subdivision 2.

The Authority may, after a public hearing, extend for up to one year the period for meeting the wage and job goals provided in the subsidy agreement.

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.

The Authority shall verify with the Department of Trade and Economic Development the recipient's eligibility to receive a business subsidy.

8. **REPORTS BY RECIPIENTS TO THE NEW ULM ECONOMIC DEVELOPMENT AUTHORITY**

The Authority will monitor the progress by the recipient in achieving agreement goals. The recipient must provide the information described in Subdivision 7, (b), (1) through (10) of the Act for two (2) 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 recipient will utilize report forms provided by the Department of Trade and Economic Development for this purpose.

A report must be filed by the recipient no later than March 1 of each year for the previous year.

9. **REPORTS BY THE NEW ULM ECONOMIC DEVELOPMENT AUTHORITY**

The Authority will file a report with the Department of Trade and Economic Development by April 1 of each year.

The report will include a list of recipients who failed to file reports and a list of recipients who have failed to meet their wage and job goals within two (2) years and the steps being taken to bring them into compliance or to recoup the subsidy.

Adopted by the New Ulm Economic Development Authority
December 12, 2000