

CITY OF PERHAM

Business Subsidy Policy

1. PURPOSE

1.01 The purpose of this criteria is to establish the City's and the EDA's position as it relates to the use of business subsidies as defined in Minnesota Statutes 116J.993, Subdivision 3, for private development. This criteria shall be used as a guide in processing and reviewing applications requesting business subsidies.

1.02 The City shall have the option of amending or waiving sections of this criteria when determined necessary or appropriate. Amendments to these criteria are subject to public hearing requirements pursuant to Minnesota Statutes, Sections 116J.993 through 116J.995.

2. STATUTORY LIMITATIONS

2.01 In accordance with the Business Subsidy Criteria, Business Subsidy requests must comply with applicable State Statutes. The City of Perham's ability to grant business subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995.

3. PUBLIC POLICY REQUIREMENT

3.01 All business subsidies must meet a public purpose other than increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable

4. BUSINESS SUBSIDY APPROVAL CRITERIA

4.01 All new projects approved by the City of Perham should meet the following mandatory 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.

4.02 The business subsidy shall be provided within applicable state legislative restrictions, debt limit guidelines and other appropriate financial requirements and policies.

4.03 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 City at the time of approval.

4.04 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 City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.

- 4.05 Prior to approval of a business subsidies financing plan, 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 City or its financial consultants may require in order to proceed with an independent underwriting.
- 4.06 Any developer requesting a business subsidy should be able to demonstrate their capability to make the development successful. (This can be done through a financial pro-forma, a business plan or other written document presented to the City or the EDA.)
- 4.07 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. However, the business subsidy may be assigned to a subsequent purchaser with prior written approval. The original developer may be required to assure the successful completion of the project.
- 4.08. A recipient of a business subsidy must make a commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date. The recipient may assign the business subsidy to a subsequent purchaser with prior written approval.
- 4.09 The level of business subsidy should be reduced 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 financing, prior to using additional business subsidy.

5. PROJECT EVALUATION CRITERIA

- 5.01 All business subsidy requests will be evaluated on the following criteria for comparison with other proposed business subsidy requests reviewed by the City, and for comparison with other subsidy standards (where appropriate). It is realized that changes in local markets, costs of construction, and interest rates may cause changes in the amounts of subsidies that a given project may require at any given time.
- 5.02 Some criteria, by their very nature, must remain subjective. However, wherever possible "benchmark" criteria have been established for review purposes. The fact that a given proposal meets one or more "benchmark" criteria does not mean that it is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business subsidy requests, using uniform standards whenever possible.
- 5.03 Following are the evaluation criteria that will be used by the City of Perham:

- A. All business subsidy requests should optimize the private development potential of a site.
- B. All business subsidy requests should obtain the highest amount of private financing that can be supported by the business and is available through private sources. Normally, private financing should at least equal the amount of public financing provided. Housing and retail/commercial projects shall be reviewed on an individual basis.
- C. All business subsidy requests should have average combined wages and benefits of 110% of the Federal Poverty Level for a family of 4 (the 2004 Federal Poverty Level for a family of 4 = \$18,850 times 110% divided by 2080 equals \$9.97 per hour). The Federal Poverty Level is adjusted annually. Benefits are defined as health insurance, life insurance, dental insurance, retirement, profit sharing, output bonus, plus other benefits not mandated by law. Extenuating circumstances can be reviewed on a case by case basis. The governing body reserves the right to approve exception to the wage requirement.
- D. All business subsidy requests should create the highest possible ratio of property taxes paid before and after development. Normally this would be at least a 2:1 ratio. In the event of redevelopment districts, brownfields, contaminated sites, and other special districts, the benefit to the community will be considered and decisions will be made on a case by case basis.
- E. Business subsidy requests should normally not be used to support speculative industrial, commercial, and office projects. In general, speculative projects are defined as those projects which have letters of intent or pre-leasing for less than 50% of the available leasable space.
- F. All front end financing Business Subsidy requests will be reviewed to determine the feasibility to provide the City with an equity participation or to secure the funding with appropriate security instruments.
- G. All business subsidy requests involving displacement of low and moderate income residents should give specific attention to the re-housing needs of those residents. Normally, this should be done as a part of the business subsidy. Adequate solutions to these re-housing needs will be required as a matter of public policy.
- H. Business subsidy requests will normally not be used in a project that involves an excessive land and/or property price. This will normally be where the acquisition price is more than 10% in excess of market value.
- I. All business subsidy requests will need to meet the "but for" test. Business subsidies will not be granted unless the need for the City's economic participation is sufficient that, without that assistance the

project could not proceed in the manner as proposed.

- J. Business subsidies will be used in projects that allow the community to capture unrealized market share.
- K. Business subsidies will not be used when the developer's credentials, in the sole judgement of the City, are inadequate due to past track record relating to: completion of projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City.
- L. Business subsidies will not be used to support projects that place demands on City services, or other capital or operating expenditures, unless the additional services or capital requirements are provided in a manner acceptable to the City Council.
- M. Business subsidies will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments.
- N. Business subsidies will not be used when the schedule for development has exceeded the schedule established in the development agreement, and where the City has not agreed to extensions of that schedule.
- O. Business subsidies should not be provided to those projects that fail to meet good public policy criteria as determined by the Council, including: poor project quality; projects that are not in accord with the comprehensive plan, zoning, redevelopment plans, and City policies; projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the City; projects that do not provide a significant increase in tax base; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use for the property.

PROCEDURES

1. Meet with appropriate City Staff to discuss the scope of the project, public participation being requested, and other information as may be necessary.
2. Completion of Application form. This form shall be submitted to the Director of Economic Development Authority.
3. The request shall be reviewed by City Staff on a preliminary basis as to the feasibility of the project. The staff shall prepare a report on the project.
4. The application shall be placed on the appropriate governing body agenda for concept review. The applicant may make a formal presentation of the project. The Staff will present its' findings.
5. If the Preliminary Concept Review is positive, the applicant may elect to file a formal application accompanied by a non-refundable fee, when applicable. Fees will be established from time to time by the governing body(ies).
6. If further action is required by an additional governing body, it will be necessary for the applicant, at this time, to make application to governing body.
7. Following the necessary financial analysis and preparation of detailed plans, the appropriate governing body, if necessary, shall take action on the project. If approved, the staff will be directed to undertake the following steps:
 - prepare a plan and/or agreement based upon the terms approved
8. If a redevelopment plan or zoning action is required, the governing body(ies) shall take the appropriate action at the same time that the Redevelopment Agreement is considered for approval.

CITY OF PERHAM

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RESOLUTION NO. 2004 – 6

RESOLUTION IN THE MATTER OF ADOPTING A MODIFIED BUSINESS SUBSIDY POLICY

WHEREAS, the City of Perham does have an existing Business Subsidy Criteria Plan and wishes to modify the existing plan.

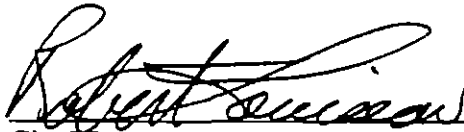
NOW THEREFORE, BE IT RESOLVED by the Council of the City of Perham, Minnesota, hereby adopts the attached modified Business Subsidy Policy to provide specific guidelines for the City's and Economic Development Authority's position as it relates to the use of business subsidies as defined in Minnesota Statutes 116J.993, Subdivision 3, for private development.

Adopted by the City Council this 1st day of March, 2004.



Mayor

ATTEST:



City Manager