

***BUSINESS SUBSIDY POLICY TO USE IN  
ESTABLISHING  
A BUSINESS SUBSIDY POLICY FOR  
JOBZ BUSINESS SUBSIDY DEVELOPMENTS***

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**RESOLUTION # 2004-32  
OF THE CITY  
OF  
PIPESTONE**

**RESOLVED** by the City Council of the City of Pipestone that it shall adopt the following Business Subsidy Policy and Criteria for JOBZ Subsidy Developments :

**Preamble.** Whenever the City of Pipestone invests public funds or agrees to voluntarily forfeit tax or other revenue that benefit private development projects, those projects should create the greatest number of FTE jobs that pay a living wage possible for the residents of the City and the surrounding region. City policy makers and economic development agents must keep the critical need for living wage FTE jobs the priority whenever public dollars are invested in a private business or development project.

**Business Subsidy Public Purpose.** The public purposes of this policy shall be to accomplish the following on behalf of the City of Pipestone:

1. Enhance economic growth in this area
2. Create high quality job growth in this area
3. Retain high quality jobs in this area
4. Stabilize the community

This policy is adopted in compliance with M.S. § 116J.994 Subd. 2. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report.

**Principles of Business Subsidy Implementation.** The City shall target its JOBZ business subsidy assistance to businesses that demonstrate a clear and ongoing commitment to the community by providing living wage jobs to their employees and to City residents, where applicable, by giving priority to those businesses over businesses that have not traditionally paid living wages.

The City shall focus its JOBZ business subsidy assistance only to businesses which agree to comply with annual business subsidy reporting requirements as required by Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310 - 469.320; and/or as required by the Business Subsidy statute M.S. §§ 116J.993 - 116J.995.

All other things being equal and to the extent legally possible, the City shall give preferential treatment for business subsidies to business that engage in responsible labor relations defined as neutrality on union organizing.

Although the primary purpose of this policy is the creation of living wage jobs, we cannot achieve our economic development goals without a trained and ready workforce and adequate childcare. The city shall commit to assist businesses to obtain trained and work-ready employees through the DEED Workforce Development Centers, MNSCU and other services; and to facilitate access to childcare.

The City agrees to require that a qualified business shall not to compete with or displace local businesses currently operating within the subzone community.

## I. DEFINITIONS

“Authorized Business Subsidy Signatory” means the Mayor, City Administrator or other individuals authorized by the City Council to execute business subsidy agreements on behalf of the City of Pipestone.

“JOBZ Business Subsidy” means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. §§ 469.310 - 469.320. JOBZ Business Subsidies shall include:

1. Exemption from individual income taxes as provided under M.S. § 469.316; and
2. Exemption from corporate franchise taxes as provided under M.S. § 469.317; and
3. Exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in M.S. § 297A.68, subdivision 37; and
4. Exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under M.S. § 297B.03; and
5. Exemption from the property tax as provided in M.S. § 272.02, subdivision 64; and
6. Exemption from the wind energy production tax under M.S. § 272.029, subdivision 7; and
7. The jobs credit allowed under M.S. § 469.318.

“Business Subsidy Report” means the annual reports submitted each year for each business receiving a business subsidy in the community. The report is submitted by the LGU in order to comply with M.S. § 116J.994 Subd. 7. (b).

“Criteria” means the equitably applied, uniform standards by which the Economic Development Agency and /or the City bases its decision to award any business subsidy to a private business or development project establishing a business and creating jobs in the City.

“DEED” means Minnesota Department of Employment and Economic Development.

“Health Insurance” means basic health insurance which shall include: employer 100% premium payment for individual coverage or 80% premium payment for family coverage; employer minimum payment for 80% of office visits, emergency care, surgery and prescriptions; a maximum yearly deduction of \$1,000, and maternity coverage.

“Living Wage Job” shall mean a job which pays wages and health benefits that total at least the rate of 110% of the current poverty level for a family of four.

“Local Governmental Unit” hereinafter LGU, means the statutory or home rule charter city, county, town, iron range resources and rehabilitation agency, regional development commission.

“Operation Start Date” shall mean the date by which the business begins its operations in the zone as evidenced by constructing a facility or relocating to an existing building in a facility and beginning revenue generating operations and/or hiring employees.

“Qualified Business” means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in M.S. § 469.310 Subd. 11; and complies with the reporting requirements specified by M.S. § 469.313 Subd. 2. (5); and shall comply with the criteria in Section II.C. of this agreement; and shall also mean “Recipient” as defined by Business Subsidy law. A qualified business shall not include a retail business, a low-wage service business, an agricultural production business, or a business that pays less than the living wage defined in this agreement.

“Recipient” mean any business entity that receives a business subsidy as defined by M.S. § 116J.993, and that has signed a Business Subsidy Agreement with a city.

“Relocating Business” A business relocating from another Minnesota non-JOB Zone location.

“Relocation Agreement” means a binding written agreement between a relocating qualified business and the commissioner of DEED pledging that the qualified business shall either: (a) increase full-time for full-time

equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, *or* (b) make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.

“Subzone” means the parcel or parcel of land designated by the Commissioner of Employment and Economic Development within a Job Opportunity Building Zone within the boundaries of Pipestone to receive certain tax credits and exemptions specified under M.S. § 469.310–469.320.

“Zone” means a Job Opportunity Building Zone or an Agricultural Processing Facility Zone designated by the commissioner of Employment and Economic Development under M.S. § 469.314.

## II. BUSINESS SUBSIDY REQUIREMENTS

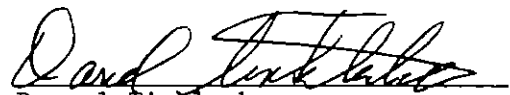
A. **Business Subsidy Policies.** The City adopts the following:

1. Any time the City of Pipestone provides a business subsidy to a Qualified Business or Recipient, that business is subject to the wage levels, job creation and other criteria set forth in this policy and specified in the Business Subsidy Agreement made with the LGU. In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993 - 116J.995 and the JOBZ statute M.S. §§ 469.310 - 469.320, the JOBZ statute shall supersede.
2. The qualified business, in the case of a JOBZ business subsidy that is non-quantifiable at the time of the Business Subsidy Agreement, must create and retain for the period of the Job Zone duration or until December 31, 2015, whichever is shorter, at least 1 FTE job that pay a living wage for every \$25,000 of the total estimated value of all tax exemptions and credits the business anticipates receiving.
3. The qualified business shall be identified in the Business Subsidy Agreement as a:
  - a. Trade or business located in and operating in a JOBZ or APF Zone at the time of Zone designation; **OR**
  - b. New trade or business start-up located with the subzone; **OR**
  - c. Business expanding in the subzone which is a business that maintains its current operations in its current location and is expanding its operations *and* its payroll within the Pipestone subzone; **OR**
  - d. A business relocating from another state; **OR**
  - e. A business relocating from another Minnesota non-Zone location specifying the City.
4. The City may deviate from wage and job criteria in Section II, by documenting the reason in writing for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED.
5. The City shall have an overall goal of 70 % of new FTE jobs created under this policy shall be held by City residents. It is expected that all qualified businesses or recipients shall have a quantified target for the number of residents to be hired.
6. The City authorizes the Mayor and City Administrator, as representatives of the city to act as its Authorized Business Subsidy Signatory to execute business subsidy agreements on behalf of the City.
7. Requirements of businesses. The City shall require all businesses receiving a business subsidy to comply with the following:
  - a. The business shall attend a properly noticed public hearing shall be held by the City as provided by M.S. § 116J.994, when the value of the subsidy does or is expected to exceed \$100,000 from local sources. The purpose of the hearing shall be held to identify define the criteria that the qualified business or recipient shall meet in order to become a qualified business for purposes of the JOBZ statute. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the subsidy, and shall specify the measurable, specific, and tangible goals committed to by the qualified business. As provided

by M.S. 116J.994, Subd. 5., a public notice shall be published in print and if possible, on the internet, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing; and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.

- b. If the business is qualified to receive JOBZ tax benefits, that business shall agree to continue to operations in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.
- c. If the qualified business or recipient is a relocating business under the definition in this agreement, the business shall be required to enter into a binding written "Relocation Agreement between the qualified business and the commissioner of DEED pledging that the qualified relocating business shall:
  - (1) Commit to signing a Relocation Agreement with DEED; and
  - (2) Cease one or more operations or functions at a non-Zone location and begin performing substantially the same functions inside the Pipestone Zone
  - (3) Increase full time employment by 20% (measured relative to the operations that were relocated) within the first full taxable year of operation within the Zone and maintains the required level of employment during each year of zone designation; or
  - (4) Make a capital investment in the Zone equivalent to at least 10% of gross revenues for the taxable year immediately preceding relocation to the Zone.
- d. The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin in the zone. The date when business operations begin is called the "operation start date".

Passed and adopted by the City Council this 19th day of July 2004.

  
Darrel Tinklenberg  
Mayor

ATTEST:

  
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Jeffrey R. Jones  
City Administrator