

**Job Opportunity Building Zone Business Subsidy Policy
RESOLUTION OF THE CITY OF KEEWATIN, MN**

To State Its Resolution # 2008-1 entitled

“JOBZ Business Subsidy Policy and Criteria”

Passed on April 9, 2008

RESOLVED by the City Council of Keewatin, MN, that it shall adopt the following **JOBZ Business Subsidy Policy and Criteria**:

Preamble. Whenever City of Keewatin 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 City of Keewatin

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 subdivision 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 area residents, where applicable, by giving priority to those businesses over businesses that have not traditionally paid living wages.

1 The City shall focus its business subsidy assistance only to businesses that 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 as required by the Business Subsidy statute M.S. §116J.993 - §116J.995.

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. The City shall commit to assist businesses to obtain trained and work-ready employees through the DEED Workforce Development Centers; MNSCU and other services;

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

I. DEFINITIONS

“Authorized Business Subsidy Signatory” means City Mayor is authorized by this Policy to execute business subsidy agreements on behalf of City of Keewatin, MN.

“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” 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, and as defined by the Business Subsidy statute M.S. §116J.993 - §116J.995.

Business subsidies do not include the following:

1. Assistance of less than \$25,000.
2. Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria.
3. Public improvements to buildings or lands owned by the City that serves a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made.
4. Property polluted by contaminants being redeveloped as defined in M.S. §116J.552, subdivision 3.

5. Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development.
6. Assistance to provide job readiness and training services.
7. Assistance for housing.
8. Assistance for pollution control or abatement, including assistance from a TIF hazardous substances sub-district.
9. Assistance for energy conservation.
10. Tax reductions resulting from conformity with federal tax law.
11. Workers compensation and unemployment compensation.
12. Benefits derived from regulation.
13. Indirect benefits derived from assistance to educational institutions.
14. Funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501(c)(3) bonds.
15. Assistance for collaboration between a Minnesota higher education institution and a business.
16. Assistance for a tax increment financing soils condition district as defined under M.S. §469.174, subdivision 19.
17. Redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value.
18. General changes in tax increment financing law and other general tax law changes of a principally technical nature.
19. Federal assistance until the assistance has been repaid to and reinvested by the local governmental unit.
20. Funds from dock or wharf bonds issued by a seaway port authority.
21. Business loans or loan guarantees of \$75,000 or less.
22. Federal loan funds provided through the U.S. Economic Development Administration.

“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, subdivision 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.

“Economic Development Agent” means the City department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form business subsidy agreements on behalf of the *City*. The Economic Development Agent for the *City* shall be the City of Keewatin, hereinafter “Agent”.

“Living Wage Job” shall mean a job that pays competitive wages and health benefits.

“Local Governmental Unit” hereinafter LGU, means the statutory or home rule charter City, county, town, iron range resources and rehabilitation agency, or 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, obtains a business subsidy agreement as referenced in M.S. §469.310, subdivision 11, and complies with the reporting requirements specified by M.S. §469.313, subdivision 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 or a low-wage service business.

“Recipient” means 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” means 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 increase full-time or full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent or 5 jobs, whichever is greater and provides for repayment of all tax benefits if the requirements are not met.

“Sub-zone” 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 the City of Keewatin 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. JOBZ BUSINESS SUBSIDY REQUIREMENTS

A. Business Subsidy Policies. City of Keewatin adopts the following:

1. Any time City of Keewatin 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 shall be identified in the Business Subsidy Agreement as a:
(CHOOSE)

- 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 within the sub-zone; **OR**
- c. Business expanding in the sub-zone which is a business that maintains its current operations in its current location and is expanding its operations *and* its payroll within the City of Keewatin sub-zone; **OR**
- d. A business relocating from another state; **OR**
- e. A business relocating from another Minnesota non-Zone location specifying the City.

3. FTE employees within a JOBZ area shall be paid not less than 110% of the federal poverty rate for a family of four which includes wages and/or non mandated benefits.

4. Term length of businesses meeting and maintaining subsidy agreement requirements will continue through December 31, 2015. Businesses failing to comply during the benefit period are subject to penalties by the Minnesota Department of Revenue.

5. City of Keewatin 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.

6. City of Keewatin shall have an overall goal of creating jobs under this policy shall be held by *City of Keewatin area* residents. It is expected that all qualified businesses or recipients shall have a quantified target for the number of residents to be hired.

7. City of Keewatin authorizes the **Mayor** as representative of the City to sign as its Authorized Business Subsidy Signatory to execute business subsidy agreements on behalf of City of Keewatin.

8. All business projects must be put through the "*Deal Evaluator*" prior to entering into a subsidy agreement. The Deal Evaluator is located on the DEED web site.

9. All construction projects for a JOBZ business must pay a prevailing wage rate to its workers.

B. Requirements of businesses. City of Keewatin shall require all businesses receiving a business subsidy to comply with the following:

1. The business shall attend a properly noticed public hearing 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 and define the criteria that the qualified business or recipient shall meet in order to be eligible to receive a business subsidy or 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, subdivision 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.

2. 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 sub-zone) for the duration of the job zone term.

3. 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:

(a) Commit to signing a Relocation Agreement with DEED; and

CHOOSE ONE from b or c:

(b) Cease one or more operations or functions at a non-Zone location and begin performing substantially the same functions inside the City of Keewatin Zone; or

(c) Reduce employment at the non-Zone location starting one year before and ending one year after beginning operations in the Zone where its employees in the Zone are engaged in the same line of business as the employees at the location where it reduced employment; and

(d) Increase full time employment equivalent by 20% or 5 Jobs, whichever is greater,(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.

4. 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".

Signed

Date

City Mayor

Representative of City of Keewatin



News

Council adopts JOBZ subsidy policy

First step in the process

by **Melissa Cox**
Staff Writer

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KEEWATIN — In a first step toward offering a state-sponsored economic stimulus program, the Keewatin City Council established a Job Opportunity Building Zones (JOBZ) site development business subsidy policy and criteria during a public hearing Tuesday.

Keewatin Economic Development Authority (EDA) chair Dean Gould recommended approval of the subsidy policy. The EDA has been reviewing and discussing the policy.

Rick Utech of Itasca Economic Development Corporation (IEDC) said the policy sets criteria for businesses interested in applying for JOBZ. He said the city would have to have a subsidy policy in place before it could even consider the JOBZ program for a business.

He pointed out that the next step is for the council to create a JOBZ zone, which requires state approval.

Following state approval, the city can move forward in entering into a JOBZ business subsidy agreement with a business at a public hearing, Utech said. A business interested in JOBZ would first have to apply to the city.

Businesses that qualify and are approved for JOBZ receive tax benefits by meeting specific requirements, such as job creation and capital investment.

Launched in January 2004, JOBZ provides tax relief to companies that open or expand in targeted areas, which include more than 300 communities in most regions of the state. The program is due to sunset at the end of 2015.

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