

**CITY OF NEW PRAGUE
NEW PRAGUE ECONOMIC DEVELOPMENT AUTHORITY**

AMENDED AND RESTATED BUSINESS SUBSIDY POLICY

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes 116J.993 through 116J.995, as amended (the "Act"). The term "City" means collectively the City of New Prague and the New Prague Economic Development Authority. The term "project" means the development or property with respect to which the business subsidy is provided. The term "business subsidy" means all financial assistance deemed to be a "business subsidy" pursuant to Section 116J.993, subd. 3 of the Act.

A. MANDATORY CRITERIA

All projects must comply with the following criteria:

1. *But For Test.* There is a substantial likelihood that the project would not go forward without the business subsidy. This criterion may be met based solely on representation of the recipient of the business subsidy.
2. *Public Purpose.* The business subsidy must meet a public purpose which may include, but may not be limited to, increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. Suggestions for business subsidy public purposes are set forth in Exhibit A.
3. *Jobs and Wages Goals.* Projects provided a business subsidy must create at least one (1) full-time equivalent job. The wage floor for wages to be paid for the jobs created shall be not less than 110% of the State minimum wage in effect at the time the subsidy is granted, exclusive of benefits. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section. Where job loss is specific and demonstrable, the project may meet the Jobs and Wages Goals by retaining jobs at the project. If the City finds that creation or retention of jobs is not a goal for a particular project, the Jobs and Wages Goals may be set at zero.
4. *Economic Feasibility.* The recipient must demonstrate to the satisfaction of the City that it has adequate financing for the project and that the project will be completed in a timely fashion.
5. *Compliance With Act.* The business subsidy from the City must satisfy all requirements of the Act.

B. PROJECT REVIEW AND EVALUATION POLICY

1. The City recognizes that the creation of good paying jobs is a desirable goal which benefits the community. Nevertheless, not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation. In addition, the imposition of high job creation requirements and high wage level requirements may be unrealistic and counter-productive in the face of larger economic forces influencing, and the financial and competitive circumstances of an individual business. In determining the requirements for a project under consideration for a business subsidy, the

determination of the number of jobs to be created and the wage levels therefor will be guided by the following principles and criteria:

- a. Each project will be evaluated on a case by case basis. The evaluation will take into consideration the project's importance in and benefit to the community from all perspectives, including created or retained jobs.
 - b. If a particular project does not involve the creation of jobs, but is nonetheless found to be worthy of support and subsidy, assistance may be approved without any specific job or wage goals provided the City documents in writing the reasons for deviating from the Jobs and Wage Goals set forth in Section A.
 - c. In cases where the objective is the retention of existing jobs, the recipient of the subsidy will be required to provide evidence which demonstrates that the loss of those jobs is imminent.
 - d. The setting of wage and job goals will be informed by (i) prevailing wage rates, (ii) local economic conditions, (iii) external forces over which neither the City nor the recipient of the subsidy has control, (iv) the financial resources of the recipient and (v) the competitive environment in which the recipient's business exists.
2. Because it is not possible to anticipate all the needs and requirements of every type of project and the ever-changing needs of the community and in order to retain the flexibility necessary to respond to all proposed projects, the City retains the right to approve projects and business subsidies which may vary from the principles and criteria set forth herein. The reasons for deviations from the business subsidy criteria set forth herein will be documented in writing.
3. Certain financial assistance provided by the City may be exempted from this policy pursuant to Section 116J.993, subd 3 of the Act. The types of financial assistance excepted from the requirements of the Act are set forth in Exhibit B.

C. PROJECT REVIEW AND EVALUATION PROCEDURE

The City will consider one or more of the criteria listed in this Section C in determining whether to provide financial or other assistance to a project as a business subsidy. In applying the criteria to a specific project, the following will apply;

1. The City may consider the requirements of any other business subsidy received, or to be received, from a grantor other than the City.
2. If the business subsidy is a guaranty, the amount of the business subsidy may be valued at the principal amount of the guaranteed payment obligation.
3. If the business subsidy involves the conveyance of real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the City.
4. If the business subsidy is received over time, the City may value the subsidy at its present value using a discount rate equal to an interest rate which the City determines is fair and reasonable under the circumstances.

D. PROJECT REVIEW AND EVALUATION CRITERIA

The project review and evaluation criteria are the following:

1. Jobs and Wages. Each project granted a business subsidy must meet the Jobs and Wages Goals set forth in Section A within two years of the benefit date. As used herein "benefit date" means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either; when the improvements are finished for the entire project, or when a business occupies the property (upon receipt of a Certificate of Occupancy).
2. Continued Operation of Project. Each project granted a business subsidy must continue its operations at the site of the project for at least five years following the benefit date.
3. Increase in Tax Base. The net increase in property taxes estimated to be generated by the project in the first full year of operation. The creation of tax base cannot be the sole public purpose for a business subsidy.
4. Land Use.
 - a. Compliance with Comprehensive or other Plans. Whether, apart from any needed services to the community described in Section D 6, the project is more compatible with the comprehensive plan than other permitted uses for the property. For example, the project may involve a "clean" industry such as a technology or service business which is preferred over other permitted uses.
 - b. Marginal Property. Whether the project is located on property which needs but is not likely to be developed or redeveloped because of blight or other adverse conditions of the property. For example, property may be so blighted that the cost of making land ready for redevelopment exceeds the property fair market value.
 - c. Design and/or Other Amenities. Whether, as a result of the business subsidy, the project will include design and/or amenity features not otherwise required by law. For example, the project may, at the request of the City, include landscaping, open space, public trails, employee work out facilities or day care facilities which serve a public purpose but are not required by law.
 - d. Highest and Best Use. Whether the project will encourage and promote the highest and best use of land.
5. Impact on Existing and Future Public Investment.
 - a. Utilization of Existing Infrastructure Investment. Whether and to what extent (i) the project will utilize existing public infrastructure capacity and (ii) the project will require additional publicly funded infrastructure investments.
 - b. Direct Monetary Return on Public Investment. Arrangements made or to be made for the City to receive a direct monetary return on its investment in the project. For example, the

business subsidy may be in the form of an interest bearing loan or may involve a project sharing arrangement.

6. Economic Development.

a. Leveraged Funds. Comparison of the amount of the business subsidy to be provided for the project to the amount of private funds which will be applied towards the capital cost of the project.

b. Spin Off Development. The dollar amount of nonsubsidized development the project is expected to generate in the surrounding area and the need for and likelihood of such spin off development.

c. Growth Potential. Based on the recipient's market studies and plans for expansion, whether and to what extent the project will produce a net increase of full-time equivalent jobs and of payroll, over and above the minimum number of jobs and wages set forth in Section A above.

7. Quality of Life.

a. Community Services. Whether the project will provide services in the community and the need for such services. For example, the project may provide health services, retail convenience services such as a nearby grocery store, or social services needed in the community.

b. Unmet Housing Needs. The project will provide housing alternatives the City currently needs but are not available.

8. Other.

a. Other Factors. Depending on the nature of the project, such other factors as the City may deem relevant in evaluating the project and the business subsidy proposed for it.

E. BUSINESS SUBSIDY AGREEMENTS.

The terms and conditions of all business subsidies shall be documented in writing in an agreement between the recipient and the grantor of the business subsidy. If the New Prague Economic Development Authority is the grantor of the business subsidy, the City Council must approve the agreement. The requirements for business subsidy agreements are set forth in Exhibit C.

Adopted by the City Council of the City of New Prague on September 4, 2012
Date of Public Hearing of City Council September 4, 2012

Adopted by the New Prague Economic Development Authority Board on November 14, 2012
Date of Public Hearing of Economic Development Authority Board November 14, 2012

EXHIBIT A

SUGGESTIONS FOR SUBSIDY PUBLIC PURPOSES

Grantors may wish to consider any of the following public purposes, among others, when considering an applicant's request:

1. Increasing the tax base may be used as a public purpose as long as it is not the only public purpose.
2. Job retention may only be used in cases where job loss is specific and demonstrable.
3. The project provides a service or meets a consumer need not currently addressed in the City.
4. The project represents a significant investment in an area of the City that is economically depressed.
5. The project will remove blighting influences or rehabilitate an area of the City in need of revitalization.
6. The project will stimulate additional capital investment in a geographic area of the City and act as a catalyst for future (re)development.
7. The project will cause surrounding property values to increase and will stabilize the area.
8. The project will anchor a needed commercial center for the City.
9. The project will enhance the viability of other businesses in the City.
10. The project will assist in the processing, packaging, distribution, or marketing of agricultural products grown in the region.
11. The project will assist in the orderly growth of the City and generate significant economic spin off.
12. The project will prevent the closure of business needed in the community due to merger, physical expansion, change in market or economic factors, downsizing, and other factors.
13. The project will employ a classification of people in the community at large who are not fully employed.
14. A business subsidy will permit the project to employ more people, pay higher wages, be of better quality, or in some way be of more value to the City.

EXHIBIT B

EXEMPTIONS FROM THE BUSINESS SUBSIDY ACT

Section 116J.993, subd. 3 of the Act, exempts the following forms of financial assistance from the limitations of the Act:

1. A Business subsidy of less than \$150,000;
2. Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
3. Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
4. Redevelopment property polluted by contaminants as defined in Section 116J.552, subdivision 3 of the Act;
5. Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code, and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
6. Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
7. Assistance for housing;
8. Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under Minn. Stat. Section 469.174, subdivision 23;
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 Minn. Stat. Chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;
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 Minn. Stat. Section 469.174, subdivision 19 (pollution clean-up);
17. Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's 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, or reinvested by, the state or local government agency;
20. Funds from dock and wharf bonds issued by a seaway port authority;
21. Business loans and loan guarantees of \$150,000 or less; and
22. Federal loan funds provided through the United States Department of Commerce, Economic Development Administration.

EXHIBIT C

REQUIREMENTS FOR BUSINESS SUBSIDY AGREEMENTS

Section 116J.994, subdivision 3 of the Act requires business subsidy agreements to include the following:

- (a) A recipient must enter into a subsidy agreement with a grantor that includes:
 - 1. A description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
 - 2. A statement of the public purposes for the subsidy;
 - 3. Measurable, specific, and tangible goals for the subsidy;
 - 4. A description of the financial obligation of the recipient if the goals are not met;
 - 5. A statement of why the subsidy is needed;
 - 6. A commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date; although a recipient may be authorized to move from the jurisdiction where the subsidy is used within the 5-year period after the benefit date if, after public hearing, the grantor approves the recipient's request;
 - 7. The name and address of the parent corporation of the recipient, if any;
 - 8. A list of all financial assistance by all grantors for the project; and
 - 9. Wage and job goals, including
 - a. Goals for the number of jobs created, which may include separate goals for the number of part-time and full-time jobs, or where job loss is specific and demonstrable, goals for the number of jobs retained. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.
 - b. Wage goals for the jobs created or retained, including specific goals to be attained within two years of the date the benefit was received.
 - c. Wage goals for any jobs to be enhanced through increased wages.
- (b) Business subsidies in the form of grants must be structured as forgivable loans. For other types of business subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
- (c) 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.