



Business Subsidy Policy

Public Hearing Held

August 20, 2013

Policy Adopted

August 20, 2013

I. Introduction

This Policy is adopted for the purposes of the business subsidies act (the "Act"), which is Minnesota Statutes, Sections 116J.993 through 116J.995, as amended. Terms used in this Policy are intended to have the same meaning as used in the Act, and this Policy shall apply only with respect to subsidies granted under the Act if and to the extent required thereby.

While it is recognized that the creation of good paying jobs is a desirable goal that benefits the county, it must also be recognized that not all projects assisted with business subsidies derive their public purposes 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.

The County further believes that each economic development opportunity offers its own unique benefit to the community whether it be retail, commercial or industrial in nature. These benefits may be in the form of added tax base, new or retained jobs, higher incomes, overall investment in the area, business diversification and / or increased economic activity and vitality.

The Benton County Economic Development Authority was established in order to promote job creation, redevelopment and investment in the county as well as to expand the county's tax base and diversify the county's industrial and commercial base.

To effectively promote economic development within the county, be competitive vis-à-vis other counties, cities and communities and meet the diverse needs of business and industry, the EDA must have use of all the economic development incentives and tools legally available to it. The use of these incentives and tools cannot be judged nor can they be provided by a single measure, but must rather be evaluated in terms of county need, market trends, job creation, capital outlay and / or technology.

II. Intent to Retain Flexibility

Because it is not possible to anticipate every type of project that may provide benefit to the County, the County shall retain the option to amend or waive sections of this policy when it is determined to be necessary and / or appropriate. Minnesota Statute 116J.994, Subd. 2 allows the County to 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 State.

III. Business Subsidy Public Purpose

Business Subsidies shall be provided in order to achieve the following public purposes:

1. Enhance the economic diversity of the county
2. Create high quality job growth
3. Provide for job retention
4. Stabilize the county
5. Increase the tax base

This policy is adopted in compliance with M.S. § 116J.994 Subd. 2.

IV. Definitions

“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 \$150,000.
2. Business loans or loan guarantees of \$150,000 or less
3. Federal loan funds provided through the U.S. Economic Development Administration.
4. 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;
5. Public improvements to buildings or lands owned by Benton County 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;
6. Property polluted by contaminants being redeveloped as defined in M.S. § 116J.552, subd. 3.
7. 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;
8. Assistance to provide job readiness and training services;
9. Assistance for housing;

10. Assistance for pollution control or abatement, including assistance from a TIF hazardous substances sub-district;
11. Assistance for energy conservation;
12. Tax reductions resulting from conformity with federal tax law;
13. Workers compensation and unemployment compensation;
14. Benefits derived from regulation;
15. Indirect benefits derived from assistance to educational institutions;
16. Funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501(c)(3) bonds;
17. Assistance for collaboration between a Minnesota higher education institution and a business;
18. Assistance from a tax increment financing soils condition district as defined under M.S.469.174, subd.19;
19. 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;
20. General changes in tax increment financing law and other general tax law changes of a principally technical nature;
21. Federal assistance until the assistance has been repaid to and reinvested by the local governmental unit;
22. Funds from dock or wharf bonds issued by a seaway port authority;

"Business Subsidy Report" means the annual reports submitted each year for each business receiving a business subsidy in the county. The report is submitted by the local government unit 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 County bases its decision to award any business subsidy to a private business or development project establishing a business and creating jobs in Benton County.

"DEED" means Minnesota Department of Employment and Economic Development.

"Economic Development Agent" means the county 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 Benton County. The Economic Development Agent for Benton County shall be the Economic Development Authority (EDA) Board of Directors, hereinafter "Agent".

"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 and beginning revenue generating operations and / or hiring employees.

"Qualified Business" means a legal entity that carries on a trade or business 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 job and wage criteria established by this policy and shall also mean "Recipient" as defined by Business Subsidy law.

"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 the county.

“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 or 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 the 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 Benton County 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.

V. Business Subsidy Policies and Requirements

Benton County adopts the following:

1. Any time Benton County 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 county. 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. Job Creation & Wage Guidelines

Assistance may be provided as follows:

Project Type	Commercial	Industrial
Job Creation Goal	At least 2 FT or FTE	1 FT or FTE for each \$20,000 in assistance provided.
Wage Goal	At least 125% of State or Federal Minimum Wage	At least equal to 110% of the U.S. Department of Health and Human Services Poverty Level for a family of four.

3. Benton County may deviate from the wage and job criteria in this section 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.
4. The qualified business that received JOBZ tax benefits shall be identified in the Business Subsidy Agreement as one of the following:
 - a. Trade or business located and operating in a JOBZ at the time of Zone designation; or,
 - b. Business start-up located within the sub-zone; or,
 - c. Business expanding in the subzone which is a business that maintains its current operations in its present location and is expanding its operations *and* its payroll within the Benton County sub-zone; or,
 - d. Business relocating from another state; or,
 - e. Business relocating from another Minnesota non-Zone location (specifying the County).
5. Benton County authorizes the Economic Development Authority to act as its Economic Development Agent for purposes of marketing the county, initiating & negotiating Business Subsidy Agreements, and executing Business Subsidy Agreements on its behalf.

6. A public hearing shall be held by Benton County as provided by M.S. § 116J.994, when the value of the subsidy exceeds or is expected to exceed \$150,000 from local sources.

The purpose of the hearing is 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 all information required to be included in the Business Subsidy Agreement as listed in section 7 (a) (below).

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, and time of the hearing and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.

7. Requirements of Businesses

- a. The business must enter into a **“Business Subsidy Agreement”** with the County that includes:
 - (1) A description of the subsidy, including the amount and type of subsidy, and the type of district if the subsidy is tax increment financing;
 - (2) A statement of the public purpose(s) of 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, or in the case where JOBZ tax benefits are provided, for the duration of the Job Zone term;
 - (7) The name and address of the parent corporation of the recipient, if any; and,
 - (8) A list of all financial assistance by all grantors for the project
- b. Businesses failing to meet the goals agreed to in the Business Subsidy Agreement must repay the assistance provided with interest, which is set at no less than the implicit price deflator as defined in the Business Subsidy Statute, M.S. §§ 116J.993 - 116J.995. Repayment may be prorated to reflect partial fulfillment of goals.
- c. If the business is locating in a JOBZ zone and the qualified business is a relocating business under the definition provided in this policy, the business shall also be required to enter into a **“Relocation Agreement”** between the qualified business and the commissioner of DEED pledging that the qualified relocating business shall:

- (1) 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

- (2) 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.

AND

- (3) Report to DEED if the business will:
 1. Cease one or more operations or functions at a non-Zone location and begin performing substantially the same functions inside a Benton County Zone; **and / or,**
 2. 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,
- (4) Identify the date when operations are planned to begin in the JOB Zone.

BENTON COUNTY BOARD OF COMMISSIONERS
REGULAR MEETING MINUTES
August 20, 2013

The Benton County Board of Commissioners met in regular session on August 20, 2013 in the Benton County Board Room in Foley, MN with Commissioners Jim McMahon, Joe Wollak, Warren Peschl, Spencer Buerkle and Jake Bauerly present. Call to order by Chair Wollak was at 9:00 AM followed by the Pledge of Allegiance to the flag.

Peschl/Buerkle unanimous to approve the agenda as written.

No one was present to speak under Open Forum.

McMahon/Bauerly unanimous to approve the Consent Agenda: 1) approve the Regular Meeting Minutes of August 6, 2013 as written; 2) approve Application for MN Lawful Gambling Exempt Permit—*Foley Area Chapter Ducks Unlimited Inc.*—to conduct a raffle on September 26, 2013 at Jack & Jim's; and 3) approve contract with *Election Systems & Software, LLC* for hardware and software maintenance and support services, and authorize the Chair to sign.

George Fiedler, Veterans Service Officer, explained that several clients and the local American Legion have asked if an alternate office location could be provided to offer Veterans Services in the Sauk Rapids area. He noted that he has received approval to use an office in the Sauk Rapids Public Works building on an occasional basis (perhaps once every other week from 1:30-3:30 PM or as need determines). Fiedler indicated that there will be no cost involved to Benton County in office space rental or mileage. McMahon/Buerkle unanimous to approve having an occasional alternate location for the Benton County Veterans Service Officer.

A public hearing to consider a revised Benton County business subsidy policy was opened at 9:05 AM. Miles Seppelt, Benton County's economic development consultant, outlined the proposed policy revisions as recommended for approval by the Economic Development Authority on August 6th; the update is needed to incorporate changes in State Statute and for consistency with the county loan program rules. No one was present to speak in support or in opposition to the policy revisions; the public hearing was closed at 9:10 AM. Buerkle referenced discussion which took place at a previous Economic Development Committee meeting about possibly excluding some businesses from the wage requirement in the policy (at least 125% of the State or Federal minimum wage). Wollak noted that that discussion was in the realm of the retail sector. Seppelt pointed out that the State Statute does not require the wage requirement in the policy; however, the county loan fund does not recognize retail as an eligible category. Buerkle asked if the size of the loan fund dictates the amount that can be borrowed to one particular project. Seppelt stated that, traditionally, there has been a limit of \$150,000; however, the business subsidy policy allows flexibility to review each project on its own merit. Peschl/Bauerly unanimous to approve a revised Benton County business subsidy policy.

A public hearing on a proposed business subsidy for WFSI, Incorporated was opened at 9:20 AM. Seppelt explained that WFSI, Inc. is a new company in Sauk Rapids engaged in precision, high-tech manufacturing; the company is in the process of doing a major expansion in the former Komo Machine building. Seppelt stated that a public hearing is required since the requested loan amount exceeds \$150,000 (\$250,000 loan for five years at 4.75%); he provided an overview of the items as required by the business subsidy statute at the state level. Seppelt pointed out that the subsidy is needed to allow

WFSI to rapidly expand its production capabilities and add equipment and staff in order to meet current and projected business demand; the goal is to create 32 jobs paying at least \$17.00 per hour, exclusive of benefits. No one was present to speak in support or in opposition to the request at this time; the public hearing was closed at 9:28 AM. In response to Commissioner Bauerly's inquiry regarding collateral, Seppelt stated that Benton County will have a collateral position on the equipment, but second to the bank; there will also be personal guarantees from each of the four partners and a corporate guarantee from the company. Buerkle/McMahon unanimous to approve a \$250,000 economic development loan and business subsidy to WFSI, Inc., according to the loan terms as recommended by the Economic Development Authority.

Chris Byrd, County Engineer, requested formal assignment of two County Board members to the CSAH 3 Capital Bonding Request Committee. Peschl/McMahon to appoint the Board Chair (Wollak) and the Commissioner from the District (Buerkle) to the CSAH 3 Capital Bonding Request Committee. Following brief discussion, Peschl amended his motion to include McMahon as an Alternate member to the Committee. This was agreeable to the second. Motion carried unanimously. Chair Wollak suggested that the Project Management Team Meetings for the CSAH 3 "Up the Hill" project be set as Standing Committee of the Whole meetings (to be set later in the meeting).

Engineer's Report: 1) CSAH 3 "Roundabout Corridor" Project (final plans in approval process, need to have a three-way agreement in place before contract can be awarded—MnDOT, Benton County and City of Sauk Rapids; agreement will incorporate language to receive the TED funding and address long-term maintenance of the project once it's constructed; will be getting a demo contractor to clear buildings so utility locations can occur yet this fall); 2) Rice Interchange (primary focus will be construction of temporary lanes before frost; project was delayed by utility relocations); and CSAH 6 (continuing to gravel north of CSAH 5—then will start south of CSAH 5; have submitted bridge plan to DNR for approval of proposed box culvert—still hope to "let" the project this fall).

The Regular County Board meeting was recessed at 9:40 AM to conduct a Human Services Board meeting.

The Regular County Board meeting was reconvened at 9:43 AM.

Jim Forsting and Carol Belling from *Journey Home/Our House* appeared before the Board requesting a Certificate of Need to expand occupancy space and services. Forsting stated the proposal to open an outpatient clinic in the office building next to the Our House building in Sauk Rapids; the clinic would serve 10-12 women who would live in the present Our House building. He stated that, at the Journey Home site, CentraCare would build housing for 20 women and 40 children who are now housed in the Our House building; CentraCare would also expand daycare from a capacity of 38 to 68 and would add 6 Journey Home apartments which would house 12 women and 24 children (Journey Home capacity would then be at 86 beds instead of 68 beds.) Forsting indicated that, this past year, approximately 2,500 clients from around the state were served by Recovery Plus; in addition to providing needed treatment services, these facilities also give back to the community (i.e. pay property taxes). Forsting noted that they are the only program in the State that is able to provide residential treatment for males. Bob Cornelius, Human Services Director, stated that he and his staff did have some initial reservations about the potential for more individuals coming into Benton County and needing more services (i.e. child protection), however this is a State need that will benefit the children and staff feel it is something they can support. McMahon/Buerkle unanimous to approve the issuance of a Certificate of Need to Journey Home/Our House.

Karri Thorsten, Auditor-Treasurer, reported that, previously, Benton County contracted with D&T Ventures for our website application which they, in turn, contracted with *VisualGov Solutions LLC* to provide Benton County taxpayers the ability to pay their property taxes online. She noted that Benton County now contracts with Schneider Group for our website application; therefore this requires us to contract with VisualGov Solutions LLC independently. Thorsten indicated that approximately \$200,000 in taxes has been collected via the website to date this year. She referenced several concerns that the County Attorney's Office had with the contract language; options at this point are to approve "as is", find another credit card provider and post manually to the system, or not provide this service to constituents. Michelle Meyer, Assistant County Attorney, stated that although VisualGov did address a number of concerns, there are still language issues relative to indemnification. Adam Tagarro, IT Director, stated he has no concerns from an IT standpoint; Benton County has been using VisualGov and this solution for over six years now with D&T Ventures. Following brief discussion, Bauerly/Peschl unanimous to approve the contract between Benton County and VisualGov Solutions LLC for online tax payment services, and authorize the Chair to sign.

At this time, Allan Beyer and Bob Sexton appeared before the Board to speak to the business subsidy request of WFSI (W.F. Scarince--Critical Welding and Manufacturing). Beyer commented that "Miles Seppelt has done a fantastic job for us". He thanked Board members for their consideration of the financing option for WFSI, stating their focus of keeping a good company, such as WFSI, in the greater St. Cloud area. Beyer stated the importance of not only acquiring the existing skill group that W.F. Scarince built up, but also to have the facilities and equipment to allow them to expand and significantly increase employment. Sexton provided an overview of the jobs that will be created, offering a tour of the facility for interested county officials. Beyer and Sexton briefly commented on Benton County's property taxes. On behalf of the Board, Chair Wollak thanked the WFSI partners for staying in our community.

Bob Cornelius and Karri Thorsten provided a presentation regarding introducing LEAN in Benton County—the core idea of LEAN is to maximize customer value while minimizing waste; simply, LEAN means creating more value for customers while adjusting to decreasing resources and funding. Cornelius pointed out that the LEAN process relies on a fundamental philosophy of continuous improvement, known as Kaizen; eliminating waste greatly increases productivity, reduces costs and improves profits. Thorsten explained that a LEAN culture must start with top management; at this point, a LEAN Committee has been formed, comprised of about 15 interested employees. She indicated that LEAN is not a tool to eliminate jobs—it is important for all employees to be looking for ways to improve the system without the fear of losing their job. Thorsten stated possible Kaizen events could include the Department of Development permitting process, claims and vouchers, the receipting process, and the Human Services' waiver process. Bauerly commended Thorsten and Cornelius for taking the lead in this process, stating his belief that the County Board will support this concept. Thorsten pointed out that AMC provided a LEAN training for employees in May; Benton County has a list of facilitator resources and staff who are able to co-facilitate the process. Board consensus that Thorsten prepare a resolution of support to bring back to the Board for action.

Board members reported on recent meetings they attended on behalf of the county.

McMahon/Peschl unanimous to pay the following bills: Revenue Fund abstract, \$109,373.74; Human Services Fund abstract, \$64,638.81; Highway Fund abstract, \$109,629.67; and Capital Projects abstract (storm damage), \$13,013.18.

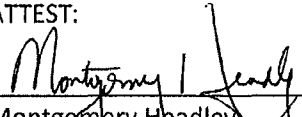
Buerkle/Bauerly unanimous to set Committees of the Whole: September 9th, Benton SWCD Tour of Practices; September 19th, Benton County Association of Township Officers. All Project Management Team Meetings for the CSAH 3 Up the Hill Project were also set as "Standing" Committees of the Whole.

Peschl/Bauerly unanimous to adjourn at 10:54 AM.



Joseph J. Wollak, Chair
Benton County Board of Commissioners

ATTEST:



Montgomery Headley
Benton County Administrator