

**CITY OF CROOKSTON
CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
BUSINESS SUBSIDY POLICY**

July 23, 2018

1. PURPOSE

Business subsidies are considered investments in the City of Crookston (“City”) and are meant to encourage desirable development and/or redevelopment that benefit the City. The purpose of this policy is to establish the City’s criteria relating to the provision of business subsidies for private development. This policy shall be used as a guide in processing and reviewing applications requesting business subsidies.

The City of Crookston and Crookston Housing and Economic Development Authority (“CHEDA”) have or will maintain policy documents which speak to the general goals and objectives for the provision of development in the City and public assistance for private development or redevelopment activities. These documents include, but are not limited to: the City’s Comprehensive Plan and CHEDA’s Economic Development Strategic Plan.

The further intent of this policy is to satisfy the requirements of the Business Subsidies Act (“the “Act”), Minnesota Statutes, Sections 116J.993 through 116J.995, as amended. Terms used in this Policy are intended to have the same meanings as if 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.

2. STATUTORY LIMITATIONS

The City and CHEDA’s ability to grant business subsidies is governed by the limitations established within the Act and every business subsidy is subject to the requirements set forth within the Act.

3. PUBLIC PURPOSE REQUIREMENT

All business subsidies must meet a public purpose as provided in Section 5 that may include, but must not be limited to, increasing the property tax base. All business subsidy recipients must enter into a business subsidy agreement with the City and CHEDA that complies with Minnesota Statutes, Section 116J.994, subd. 3.

4. CIRCUMSTANCES FOR APPROVING A BUSINESS SUBSIDY

- a. All business subsidies approved by the City and CHEDA should meet the criteria set forth herein. 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 or the City or CHEDA.

- b. All proposed projects 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.
- c. Potential recipients shall be required to provide such studies, reports, appraisals, information or other data as may be requested by the City and CHEDA prior to consideration of a request for business subsidy.
- d. 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.
- e. All business subsidy requests shall meet the "but for" test or otherwise demonstrate why a business subsidy is necessary and serves a public purpose as described in this policy. The "but for" test means that the project would not develop solely on private investments in the reasonable future. The developer shall provide findings for the "but for" test. If tax increment financing is used to grant a subsidy, the recipient must demonstrate compliance with all statutory requirements of the TIF Act, including the "but for" test. The potential recipient will be required to provide all documentation necessary to make the requisite findings under the TIF Act and the Act.
- f. All projects requesting business subsidies will be evaluated to determine if their business assumptions are reasonable, their financial projections are sound and their proposed venture(s) are likely to be successful.

5. PUBLIC PURPOSE CRITERIA

- a. Every business subsidy request will be evaluated according to the public purpose criteria specified below which shall apply to all potential recipients.
 - Support the expansion of businesses that have an environmentally sound track record and provide desirable goods and services.
 - Increase the community's property tax base (e.g., generate a net increase in the amount of property taxes paid before and after redevelopment).
 - Create quality, new jobs (e.g., stable employment and/or attractive wages and benefits).
 - Retain quality, existing jobs (where job loss is specific and demonstrable).
 - Eliminate or prevent "substandard" or "blighted" areas.
 - Cleanup contaminated properties.
 - Reduce public health risks, safety concerns or criminal activity.

- Promote revitalization or economic diversification of neighborhoods.
- Develop/redevelop underutilized properties.
- Stimulate additional investment or “spin-off” businesses and jobs in the area.
- Encourage full utilization of existing or planned infrastructure improvements.

The above list is not exclusive; the City and CHEDA will consider public purposes that otherwise meet their development and redevelopment goals.

- b. Except as provided in Section 6 below, each recipient of a business subsidy must create or retain a number of jobs to be specified in the business subsidy agreement. There may be separate goals for the number of part-time jobs or full-time jobs. Preference will be provided to those projects that create and/or retain a significant number of quality jobs as defined above. In cases where the public purpose is the retention of existing jobs, the recipient of the subsidy must demonstrate that job loss is specific and demonstrable. The setting of specific job goals will be sensitive to local economic conditions, external economic forces over which neither the grantor nor the recipient of the subsidy has control, the individual financial resources of the recipient and the competitive environment in which the recipient’s business exists.
- c. Except as provided in Section 6 below, each recipient of a business subsidy must meet wage goals for the jobs created or retained. The goals will be specified in the business subsidy agreement. Preference will be provided to projects that create and/or retain stable jobs within the City that offer wages significantly higher than the Federal minimum wage and attractive benefits. In all cases, 90% of the jobs created or retained as a result of any business subsidy approved by the City and CHEDA must pay at least 110% of the Federal minimum wage for full-time and part-time employees.

6. CRITERIA WHEN JOB CREATION/RETENTION IS NOT A GOAL

The grantor may determine, after a public hearing, that job creation or job retention is not a goal of the business subsidy. In those cases, the recipient must meet at least one of the following minimum requirements:

- a. The proposed business subsidy must accomplish the removal, rehabilitation or redevelopment of, or prevention of development or spread of, a blighted area as defined by Minnesota Statutes, Section 469.002, subd. 11, or must constitute a cost of correcting conditions that permits designation of a redevelopment district or renewal and renovation district under Minnesota Statutes, Section 469.174 to 469.179; or

- b. The proposed business subsidy must improve public infrastructure or public facilities, including without limitation streets, sewers, storm sewers, streets, parks, recreational facilities, and other City facilities; or
- c. The proposed business subsidy must remove physical impediments to development of land, including without limitation poor soils, bedrock conditions, steep slopes, or similar geotechnical problems.

The above requirements must be expressed as specific, measurable and tangible goals in each business subsidy agreement. The job and wage goals that would otherwise be required may be set at zero.

7. FIVE YEAR RULE

Each recipient of a business subsidy must agree to continue operation within the City for a minimum of five years after the benefit date. After a public hearing, the grantor may authorize the recipient to move outside the City within the five-year period.

8. OTHER APPLICABLE POLICIES

Each business subsidy will be evaluated against the criteria in this policy but also against other applicable City or CHEDA policies.

9. FAILURE TO MEET SPECIFIED GOALS

Each business subsidy agreement will require a recipient failing to meet the specified goals by the specified date to pay back the assistance plus interest to the grantor, or at the grantor's request, to the account created under Minnesota Statutes, Section 116J.551. Any repayment may be prorated to reflect partial fulfillment of goals. The interest rate must be set at no less than the implicit deflator as defined by section 116J.994, subd. 6. The grantor may, after a public hearing, extend the period for meeting job and wage goals for up to one year. The grantor may extend the period for meeting any other goals for any period specified by the grantor, by documenting in writing the reason for the extension and filing that explanation with the Department of Employment and Economic Development along with the grantor's next annual report on business subsidies.

10. DEVIATION FROM POLICY

When granting a business subsidy, the grantor may deviate from the criteria in this Policy by documenting in writing the reason for the deviation and filing that explanation with the Department of Employment and Economic Development along with the grantor's next annual report on business subsidies. The grantor will not

approve a deviation from these criteria unless the applicant provides a written request describing why the deviation is needed to permit the proposed project to proceed, and the grantor determines in its sole discretion that such deviation is reasonable and necessary.

11. COMPLIANCE AND REPORTING REQUIREMENTS

- a. Any subsidy granted by the City and CHEDA may be subject to the requirement of a public hearing, if necessary, and must be approved by the City and CHEDA.
- b. It will be necessary for both the recipient and CHEDA to comply with the reporting and monitoring requirements of the Act.

12. RIGHT TO MODIFY POLICY

The City and CHEDA reserve the right to modify this Policy from time to time in accordance with the procedures of the Act. Amendments to this Policy are subject to public hearing requirements pursuant to Minnesota Statutes, Sections 116J.993 through 116J.995.