



City of Maple Grove

BUSINESS SUBSIDY POLICY

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I. INTRODUCTION

The purpose of this policy is to establish the City of Maple Grove’s position relating to the use of business subsidies for private development. This policy shall be used as a guide in the processing and review of applications requesting business subsidies. This policy is adopted for purposes of the Business Subsidy Act. This policy is also applicable to business subsidies provided by any subordinate development entities in and for the City of Maple Grove.

II. PURPOSE AND AUTHORITY

- A. The City of Maple Grove’s ability to grant business subsidies is governed by the Business Subsidy Act, Minnesota Statutes 116J.993 through 116J.994, as amended. The City of Maple Grove (City) is granted the power to utilize Tax Increment Financing (TIF) by the Minnesota Tax Increment Financing Act, Minnesota Statutes 469.174 through 469.1794, as amended. The City is also granted the power to utilize Tax Abatement by Minnesota Statutes 469.1812 through 469.1815, as amended.
- B. The purpose of this policy is to establish the City’s position relating to the use of business subsidies for private development within the City.
- C. Certain public financing may or may not be considered a business subsidy as defined by the Business Subsidy Act. However, requests for financial assistance that are exempt from the Business Subsidy Act under State Law are still subject to review and approval of the City, and the City, in its discretion, may choose to implement the same requirements for State exempted projects as required by the Policy. Regardless of State exempt or non-exempt status, the granting of any assistance is at the sole discretion of the City and may be subject to other regulatory requirements and/or policies.
- D. The criteria are to be used in conjunction with other relevant policies of the City.
- E. The City reserves the right to approve or reject projects on a case-by-case basis, taking into consideration factors considered appropriate by the City, in addition to established policies, project criteria, demand on City services and potential benefits from the project. Meeting the criteria does not guarantee a project shall be approved. Approval or denial of a request for a business subsidy is at the sole discretion of the City.
- F. The City may deviate from the criteria by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to DEED with the next annual report.
- G. The City may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Business Subsidy Act.

III. PUBLIC PURPOSE OBJECTIVES

All business subsidies must meet a public purpose with measurable benefit to the City as a whole. Public purposes include, but are not limited to:

- A. Diversification of the local economy;

- B. Increasing the tax base, provided that increase in the tax base may not be the sole reason for the subsidy;
- C. Creating needed services or facilities not currently available in the City;
- D. Removing blight and/or encouraging redevelopment in the City in order to encourage high levels of property maintenance and private reinvestment in those areas;
- E. Retaining local jobs, provided that job retention may only be used as a public purpose in cases where job loss is specific and demonstrable and shall be documented as to the information used to determine the nature and extent of the job loss;
- F. Increasing the job base;
- G. Providing diversity in that job base;
- H. Enhancing existing jobs through increased wages;
- I. Encouraging additional unsubsidized private development in the area, either directly, or through secondary “spin off” development;
- J. Offsetting increased costs of redevelopment over and above those costs that a developer would incur in normal site conditions; and
- K. Meeting other objectives of public policy, as adopted by the City from time to time, including the promotion of quality urban and architectural design, energy conservation, sustainable building practices, decreasing the capital and operating costs of local government, and other similar goals.

IV. MINIMUM CRITERIA

All new applications for assistance considered by the City must meet each of the following minimum criteria, or qualifications, in order to be eligible to receive a business subsidy.

- A. The project shall meet the applicable requirements of the Business Subsidy Act.
- B. The project shall meet one or more of the public purpose requirements in Section III.
- C. The project shall be in compliance with State and local laws, including the City’s Comprehensive Plan, Zoning Ordinance, and any other applicable land use regulations.
- D. For the purposes of evaluating the request, the applicant shall provide all requested market and financial feasibility studies, appraisals, environmental data, private lender commitment and information provided to private lenders regarding the project, and other information requested by the City or its consultants, so that it may proceed with an evaluation of the proposal and determine whether the request is consistent with City policies.
- E. The applicant shall provide adequate financial guarantees to ensure completion of the project and repayment of any business subsidy (if repayment is required), unless an exception is granted by the City. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, and mortgages.

V. JOB AND WAGE GOALS

- A. The minimum wage for a job to be considered a new or retained job shall be not less than 150% of the State of MN Minimum Wage, exclusive of benefits.
- B. Wage goals may also be set to enhance existing jobs through increased wages, which increase shall result in wages higher than the minimum under this Section.
- C. In cases where the objective is the retention of existing jobs, the applicant of the business subsidy shall be required to provide evidence that demonstrates that the loss of jobs is imminent.
- D. The goals for the number of jobs to be created or retained must result in job creation or retention by the applicant within the City.
- E. In addition to other specific goal time frames, the wage and job goals shall contain specific goals to be attained within two years of the benefit date, unless an exception is granted by the City.
- F. The project shall result in a minimum of one new or retained full-time job per \$25,000 of assistance provided.
- G. However, 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.
- H. Part-time equivalents may be counted toward job goals.

VI. GENERAL POLICIES

The guidelines and principles set forth in this document pertain to all applications for City public financing regardless of whether they are considered a Business Subsidy as defined by the Statutes. The following general policies shall serve as a guide in reviewing assistance applications:

- A. All requests for business subsidies shall be reviewed by City staff, and, if staff determines it is necessary to evaluate a request, a third party financial consultant may be retained who will advise the City of its findings and recommendations.
- B. HOUSING. The City shall not consider business subsidies for housing developments, except when the housing development is part of a mixed use development. The City may consider reducing or waiving certain fees for housing projects (in lieu of granting a business subsidy in accordance with this policy).
- C. RETAIL. The City shall not consider business subsidies for retail developments, unless the retail development is part of a mixed use development (vertical or horizontal).
- D. The applicant must demonstrate a market demand for a proposed project. Assistance shall not be granted to support purely speculative projects.
- E. The project shall not significantly and adversely increase the demands for public services or public facilities, unless plans to mitigate the project's impacts are approved and financed.
- F. Business subsidy assistance shall not be provided in circumstances where land and/or property purchase price is demonstrated by the Assessor to be in excess of fair market

value. This would normally be where the acquisition price is more than 10% in excess of market value in the last valuation by the City Assessor.

- G. Business subsidy assistance shall not be provided to projects that would result in a significant competitive financial advantage over similar projects in the area due to the use of public subsidies. When requested by the City, applicants shall provide information to demonstrate that no such competitive advantage will be created.
- H. The applicant shall proactively attempt to minimize the amount of public assistance needed by pursuing grants, innovative solutions in structuring agreements related to the proposed project, and pursuing other funding mechanisms.
- I. The applicant must demonstrate, to the City's sole satisfaction, an ability to complete the proposed project based on past development experience, general reputation, financial ability and credit history, among other factors, in relation to the size and scope of the proposed project.
- J. The applicant must demonstrate that the applicant or its contractual assigns shall retain ownership of any portion of the project long enough to complete it, to stabilize its occupancy, to establish project management and needed mechanisms to ensure successful operation, and assurance to the City the business subsidy shall be repaid (if repayment is required).
- K. The applicant shall be responsible for all application fees, the City's financial consultant(s), legal counsel, and any other costs associated with the review of the application.
- L. Failure to provide requested information shall result in denial of the request for a business subsidy.

VII. TAX INCREMENT FINANCING

A. GENERAL POLICIES FOR TAX INCREMENT FINANCING

- 1. All projects shall meet the requirements outlined in all previous Sections, including the Job and Wage Goals, and applicable State Statutes.
- 2. The applicant shall demonstrate to the satisfaction of the City that the project is not financially feasible "but for" the use of a business subsidy.
- 3. The City shall utilize "pay-as-you-go" TIF. Any request for upfront assistance shall be evaluated on its own merits and may require security to cover any risks assumed by the City.
- 4. The following types of TIF Districts may be established:
 - a) Economic Development Districts.
 - b) Redevelopment Districts.
 - c) Renewal and Renovation Districts.
 - d) Soil Conditions Districts.
 - e) Soil Deficiency Districts.
 - f) Other types of TIF Districts, along with specific criteria, may be considered on a case-by-case basis.

5. The City shall set up TIF Districts consistent with the maximum number of statutory years allowable for a specified district. However, this does not mean that the developer shall be granted assistance for the full term of the District.
6. When possible, TIF shall be used to finance public improvements associated with the project. The priority for the use of TIF funds is:
 - a) Public improvements, legal, administrative, and engineering costs.
 - b) Site preparation, site improvement, land purchase, demolition, and environmental remediation.
 - c) Underground or efficient parking.
7. The City shall retain a 10% fee to reimburse administrative costs.
8. Any applicant receiving TIF assistance shall provide a minimum of twenty percent (20%) cash equity investment in the project. Any City or other assistance provided shall not be used to supplant cash equity.
9. The City shall elect the fiscal disparities contribution to come from inside applicable TIF Districts to eliminate any impact to the existing tax payers of the community.

B. PROJECT QUALIFICATIONS

TIF projects considered by the City of Maple Grove shall meet the following requirements:

1. The project shall result in new construction of a minimum of 50,000 square feet.
2. The project shall serve at least two of the public purpose objectives outlined in Section III.

C. PRIORITY CONSIDERATION

TIF projects meeting one or more of the following desired criteria shall receive priority consideration.

1. The project shall effectively utilize investments in existing public infrastructure and, if applicable, support public services such as transit.
2. The project results in the addition of jobs paying wages higher than the minimum established under Section V.
3. The project fills an unmet market need.
4. For Redevelopment TIF Districts, a significant increase in the assessed value.

VIII. TAX ABATEMENT

A. GENERAL POLICIES FOR TAX ABATEMENT

1. All projects shall meet the requirements outlined in all previous Sections, including the Job and Wage Goals, and applicable State Statutes.
2. Tax Abatement assistance shall be provided to the applicant upon receipt of the taxes as a pay-as-you-go method. Any request for upfront assistance shall be evaluated on its own merits and may require security to cover any risks assumed by the City.

3. An applicant receiving assistance shall make a cash investment in the project. The assistance shall not be used to supplant cash equity.
4. The length or term of any Tax Abatement assistance shall be based on need for each project as determined by the City.
5. Tax abatement cannot be granted for any period while the property is located in a TIF District.

B. PROJECT QUALIFICATIONS

1. The project shall serve at least two of the public purpose objectives outlined in Section III.

C. PRIORITY CONSIDERATION

Projects meeting one or more of the following desired criteria shall receive priority consideration.

1. The project results in the addition of jobs paying wages higher than the minimum established under Section VII.
2. Existing businesses seeking to expand and grow within the City.
3. The project fills an unmet market need.

IX. APPLICATION PROCESS AND PROCEDURE

- A. A business, non-profit organization, or developer seeking a business subsidy shall complete the Business Subsidy Application, along with the fee determined by the City and an escrow deposit.
- B. When requested, the applicant shall provide all requested market and financial feasibility studies, appraisals, environmental data, private lender commitment and information provided to private lenders regarding the project, and other information that the City, or its financial consultant requests, so that it may proceed with an evaluation of the proposal and determine whether the request is consistent with City policies.
- C. When requested, the applicant shall provide adequate financial guarantees to ensure completion of the project and repayment of any business subsidy (if repayment is required), unless an exception is granted by the City. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, and mortgages.
- D. For a business subsidy subject to Section 116J.994, Subd. 5 of the Business Subsidy Act, the City shall hold a public hearing with a public notice published in the official newspaper at least ten days before the public hearing.

X. SUBSIDY AGREEMENT

- A. Any applicant receiving a business subsidy shall be required by the Business Subsidy Act to enter into a Subsidy Agreement with the City outlining the terms and conditions under which the business subsidy shall be provided.
- B. The Subsidy Agreement may be incorporated into a broader Development Agreement for a project.
- C. The Subsidy Agreement shall be approved by the City. The Subsidy Agreement shall be executed by both the City and the applicant.
- D. The applicant and City shall comply with the reporting requirements set forth in Section 116J.994, Subd. 7 and 8 of the Business Subsidy Act. The City shall file a report by April 1 of each year with the Commissioner regardless of whether or not they have awarded any business subsidies.