

BUSINESS SUBSIDY POLICY

Legislative Authority

This Policy is adopted for purposes of the business subsidy act (the "Act"), which is MN Statutes, Sections 116J.993 through 116J.995, as amended. The act authorizes the city to offer a business subsidy to a business as long as that subsidy serves a public purpose. While it is recognized that the creation of good paying jobs is a desirable goal which benefits the community, it must also be recognized that not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation.

Business Subsidy Act

A business subsidy is a local government agency grant 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 that are given to a business. There are 18 specific exceptions to the general business subsidy rule listed in the Statute that include: 1) a subsidy of less than \$150,000; 2) assistance for housing; 3) assistance for energy conservation; and 4) tax increment financing for a soil conservation district, etc.

Criteria used by the Economic Development Authority to determine whether or not to grant business subsidies

Each project shall be evaluated based on its perceived importance and benefit to the community from all perspectives deemed relevant, including created or retained employment positions, where applicable.

Each of the two types of tax increment financing districts may have its own qualifications, duration, and purpose as they are outlined in the Business Subsidies Criteria. This is because each of the districts must consider which public purpose that district needs to address.

Requirements for a Business Subsidy Agreement

1. A recipient and the St. Paul Park EDA must enter into a subsidy agreement that includes:

- A description of the subsidy, including the amount and type of subsidy and the type of district if the subsidy is tax increment financing.
- The description of the type of district in the case of a tax increment financing is important because each TIF district may have different criteria for what constitutes a public benefit.
- A statement of the public purposes for the subsidy. If applicable, the statement of the public purposes of the subsidy should include specific wage and job goals. These goals must include a description of how many jobs should be created (separate part-time and full-time) over what time frame and any increased wage goals that should be realized by the project.
- The estimated tax revenue increases due to the subsidy.
- Goals for the subsidy. The goals for the subsidy should include an economic analysis of the return on the investment from the perspective of the St. Paul Park EDA.

- A description of the financial obligation of the recipient if the goals are not met. This description must include a specific discussion of the financial penalties paid by the recipient of a subsidy if the recipient fails to meet its goals. At a minimum the agreement *must* require the recipient to *repay* the assistance with interest if goals are not met. This repayment may be prorated to reflect the fact that some goals were partially achieved.
 - A statement of why the subsidy is needed. This should also include a description of why the business cannot proceed without the subsidy. It must be demonstrated that the project would not be financially feasible but for the public assistance to be provided.
 - A commitment to continue operations at the site where the subsidy is used for *at least five years* after the benefit date.
 - A list of all financial assistance by all grantors, for the project.
 - The name and address of the parent corporation, if any.
2. The St. Paul Park EDA must provide public notice and hold a public hearing on Any subsidy in excess of \$150,000. At the hearing the business will be expected to support the case in favor of the subsidy before the citizens of St. Paul Park and that hearing will be considered part of the application.

Reports by Recipients

Any recipient of a business subsidy must file certain reports with the St. Paul Park EDA. The Business Subsidy Agreement will provide for periodic reports to the St. Paul Park EDA for at least two years, or until the goals outlined in the agreement have been achieved, whichever is later. These reports will include the following:

1. A restatement of the type of subsidy, the public purpose served by it, and the amount of subsidies by type and districts;
2. The hourly wage or salary for each job that has been created by the subsidy, with separate bands for full-time and part-time positions;
3. The sum of the hourly wages and the cost of health insurance provided by the employer with separate bands for full and part-time positions;
4. The date when the recipient expects to reach any job and wage goals;
5. A restatement of the goals identified in the Business Subsidy Agreement and an update on whether or not those goals are being achieved;
6. If the recipient was previously receiving a subsidy in Minnesota and failed to finish that project, a discussion of why that project was not completed in the previous location;
7. The name and address of the parent corporation, if any;
8. A list of all financial assistance granted by all grantors; and
9. Any other information requested by the EDA.

SUBSIDY APPLICATION PROCESS AND PROCEDURE

Application for business subsidies shall be made on forms for the particular form of assistance provided by the City of St. Paul Park. A fee of \$2,000.00 shall accompany any Tax Increment Finance, Tax Abatement, or grant request application to cover the City's initial legal, administrative, and planning costs. Following a review by appropriate City Staff the application shall be referred to the Economic Development Authority for further action. The application for business subsidies shall request information required within the EDA's policies on the particular form of subsidy, including, but not limited to: a detailed description of the project; a preliminary site plan; the amount of business subsidy requested; the public purpose of the project; the number and types of jobs to be created; the wages and benefits to be paid new employees; and verifiable funding sources and uses.

After all submittals are received and deemed complete, the applicant will receive notice of when to appear in front of the EDA. Per State Statute, any business subsidy in excess of \$150,000 requires a public hearing.

Adopted December 7, 2009