

Policy Statement

TITLE

Business Subsidy Policy

CODE

104

REFERENCE

NA

PERSONNEL RESPONSIBLE

EFFECTIVE DATE

Upon Adoption

POLICY

104.100 – Purpose

This document includes the criteria to be considered by the City of Bemidji ("City") to evaluate requests for business subsidies. It is the intent of the City in adopting these criteria to comply with Minnesota Statutes, Sections 116J.993-116J.995 (the "Act"). The City hereby adopts the definitions contained in the Act for application in this policy.

104.200 – Objectives

It is the City's intent to advance the following objectives in granting business subsidies:

- a. All projects must be consistent with Bemidji's comprehensive plan, zoning ordinance and any other similar plan or guide for development of the community.
- b. Business subsidies must be justified by evidence that the project cannot proceed without the benefits of the subsidy. If tax increment financing is used to grant a subsidy, the grantee must demonstrate compliance with all statutory requirements of the TIF Act, including the "but for" test. The grantee will be required to provide all documentation necessary for the City to make the requisite findings under the TIF Act and the Act.

- c. Grantees will be required to enter into a development agreement with the City that is consistent with statutory requirements, including a commitment to remain in business at the site for a minimum of five years after the last benefit date and maintain compliance with the specific job, wage, and other goals established for the project.

104.300 – Business Subsidy

Business subsidies shall include, but not be limited to:

1. Loan
2. Grant
3. Tax abatement
4. TIF or other tax reduction or deferral
5. Guarantee of payment
6. Contribution of property or infrastructure
7. Preferential use of governmental facilities
8. Land contribution

Business subsidies do not include the following:

1. Assistance of less than \$25,000;
2. 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;
3. Public improvements to buildings or lands owned by City 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. Property polluted by contaminants being redeveloped as defined in M.S. §116J.552, Subd. 3.
5. 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 percent of the total cost of the development;
6. Assistance to provide job readiness and training services;
7. Assistance for housing;
8. Assistance for pollution control or abatement, including assistance from a TIF hazardous substances subdistrict;
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 M.S. Chapter 47A refunding bonds and 501(c)(3) bonds;
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 M.S. 469.174, Subd.19;
17. 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 year 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 and reinvested by the local governmental unit;
20. Funds from dock or wharf bonds issued by a seaway port authority;
21. Business loans or loan guarantees of \$75,000 or less; and
22. Federal loan funds provided through the U.S. Economic Development Administration.

104.400 – Business Subsidy Criteria

The City recognizes that every proposal is unique. Nothing in these criteria shall be deemed to be an entitlement or shall establish a contractual right to a subsidy. The City reserves the right to modify these criteria from time to time and to evaluate each project as a whole. The following criteria recognize that the award of a business subsidy may serve a variety of public purposes of varying importance depending upon the specific project facilitated by the subsidy. The City may modify any criterion it determines to be unimportant in the case of a particular project, as permitted by the Act.

- a. Increase in Tax Base. While an increase in the tax base cannot be the sole grounds for granting a subsidy, the City believes it is a necessary condition for any subsidy.
- b. Jobs and Wages. It is City's intent that the grantee creates the maximum number of livable wage jobs at the site. Job retention may be used, but only if job loss is imminent and demonstrable. The number of jobs and the timeline for creating them will be specified in the subsidy agreement
- c. Economic Development. Projects should promote one or more of the following:
 1. Economic and commercial diversity within the community;
 2. Removal of blight, including pollution mitigation;
 3. Retention and reuse of buildings of historical or architectural significance;
 4. Additional or "spin-off" development within the community;
 5. Extension of utilities into unserved areas;
 6. The project must be generally consistent with the City's Comprehensive Plan;
 7. The use of the business subsidy should encourage quality construction and promote the highest and best use of land;
 8. The project will promote completion of major public improvement projects within the community with special emphasis given to the

installation of trunk sewer and water lines and major transportation projects;

9. The project will not proceed in its present design and time tables without the business subsidy.
10. The business agrees to continue operating under the conditions of the subsidy agreement for a period of five years beyond the last benefit year.
11. Generally a subsidy will not be granted to a business that directly competes with a business that is currently operating in Bemidji. Exceptions may be granted when the addition of competition could have a positive effect on the community, or meet other goals of the city.

104.500 – Compliance and Reporting Requirements

- a. Any subsidy granted by the City will be subject to a public hearing and must be approved by the Bemidji City Council.
- b. The grantee must provide any reports and information required by the City or State for reporting and compliance monitoring.

104.600 – Basis of Decision

When considering projects, the City will consider all relevant factors and will base its decision on the merits of the project and its projected economic benefit to the community (i.e., the increased tax base and the jobs, which will result from the project). The City will also consider the contributions that the project makes to further the community's overall development plan and its impact on existing businesses.

Generally, the city will not consider a subsidy which requires more than \$25,000 per job created, or that does not pay at least 110 percent of the Federal Department of Health and Human Services poverty guideline for a family of four. Higher thresholds may be established based on the amount of the business subsidy.

104.700 – Application Process

The applicant shall provide such information as required by the city regarding the business subsidy request as is necessary to evaluate the merits of the project and judge the probability of success. The applicant shall bear the direct cost of any legal, financial, or other review of the project required by the city to complete the review of the application. The Council may also establish an application fee to cover staff costs in reviewing the application.

APPROVED BY: City Council
DATE: March 15, 2004