

BUSINESS SUBSIDY CRITERIA

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes, §§116J.993 through 116J.995 (the "Act"). The term "City" means the City of Babbitt, Minnesota. The term "project" means the property with respect to which the business subsidy is provided.

A. PROJECT REVIEW AND EVALUATION POLICY.

1. The City recognizes that the creation of good paying jobs is a desirable goal which benefits the community. Nevertheless, not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation. In addition, the imposition of high job creation requirements and high wage level requirements may be unrealistic and counter-productive in the face of larger economic forces influencing, and the financial and competitive circumstances of, an individual business. In determining the requirements for a project under consideration for a business subsidy, the determination of the number of jobs to be created and the wage levels therefore will be guided by the following principles and criteria:

a. Each project will be evaluated on a case-by-case basis. The evaluation will take into consideration the project's importance in and benefit to the community from all perspectives, including created or retained jobs.

b. If a particular project does not involve the creation of jobs, but is nonetheless found to be worthy of support and subsidy, assistance may be approved without any specific job or wage goals if permitted by applicable law.

c. In cases where the objective is the retention of existing jobs, the recipient of the subsidy will be required to provide evidence which demonstrates that the loss of those jobs is imminent.

d. The setting of wage and job goals will be influenced by (i) prevailing wage rates, (ii) local economic conditions, (iii) external economic forces over which neither the City nor the recipient of the subsidy has control, (iv) the financial resources of the recipient and (v) the competitive environment in which the recipient's business exists.

2. Because it is not possible to anticipate all the needs and requirements of every type of project and the ever-changing needs of the community and in order to retain the flexibility necessary to respond to all proposed projects, the City retains the right to approve projects and business subsidies which may vary from the principles and criteria set forth herein.

B. PROJECT REVIEW AND EVALUATION PROCEDURE

The City will consider one or more of the criteria listed in Section C below in determining whether to provide financial or other assistance to a project as a business subsidy. In applying the criteria to a specific project, the following will apply:

1. The City may consider the requirements of any other business subsidy received, or to be received, from a grantor other than the City.
2. If the business subsidy is a guaranty, the amount of the business subsidy may be valued at the principal amount of the guaranteed payment obligation.
3. If the business subsidy is real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the City.
4. If the business subsidy is received over time, the City may value the subsidy at its present value using a discount rate equal to an interest rate which the City determines is fair and reasonable under the circumstances.

As used herein "benefit date" means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either: when the improvements are finished for the entire project; or when a business occupies the property.

C. PROJECT REVIEW AND EVALUATION CRITERIA.

The project review and evaluation criteria are the following:

1. Jobs and Wages.
 - a. New Jobs. The minimum net number of direct full time equivalent jobs to be created or retained by the proposed project for a period of at least two years from the estimated benefit date.
 - b. Payroll. The minimum net payroll (including employer contributions for health benefits) to be generated at the end of the first anniversary date and second anniversary date of the estimated benefit date. In addition, an estimate or goal of the minimum annual net payroll to be generated for each year ending on the fifth anniversary date of the estimated benefit date.

2. Tax Base.

a. Increase in Tax Base. The net increase in property taxes estimated to be generated by the project in the first full year of operation, payable in the following year.

3. Land Use.

a. Compliance with Comprehensive or Other Plans. Whether, apart from any needed services to the community described in section 5 below, the project is more compatible with the comprehensive plan than other permitted uses for the property. For example, the project may involve a "clean" industry such as a technology or service business which is preferred over other permitted uses.

b. Marginal Property. Whether the project is located on property which needs but is not likely to be developed or redeveloped because of blight or other adverse conditions of the property. For example, property may be so blighted that the cost of making land ready for redevelopment exceeds the property's fair market value.

c. Design and/or Other Amenities. Whether, as a result of the business subsidy, the project will include design and/or amenity features not otherwise required by law. For example, the project may, at the request of the City, include landscaping, open space, public trails, employee work out facilities or day care facilities which serve a public purpose but are not required by law.

4. Impact on Existing and Future Public Investment.

a. Utilization of Existing Infrastructure Investment. Whether and to what extent (a) the project will utilize existing public infrastructure capacity and (b) the project will require additional publicly funded infrastructure investments.

b. Direct Monetary Return on Public Investment. Arrangements made or to be made for the City to receive a direct monetary return on its investment in the project. For example, the business subsidy may be in the form of an interest bearing loan or may involve a project sharing arrangement.

5. Economic Development.

a. Leveraged Funds. For every dollar of business subsidy to be provided for the project, the minimum amount of private funds which will be applied towards the capital cost of the project.

b. Spin Off Development. The dollar amount of non-subsidized development the project is expected to generate in the surrounding area and the need for and likelihood of such spin off development.

c. Growth Potential. Based on recipient's market studies and plans for expansion, whether and to what extent the project is expected within five years of its completion, to be expanded to produce a net increase of full time equivalent jobs and of payroll, over and above the minimum net increase in jobs and payroll described in section 1 above.

6. Quality of Life.

a. Community Services. Whether the project will provide services in the community and the need for such services. For example, the project may provide health services, retail convenience services such as a nearby grocery store, or social services needed in the community.

7. Other.

a. Other Factors. Depending on the nature of the project, such other factors as the City may deem relevant in evaluating the project and the business subsidy proposed for it.

D. CRITERIA REQUIRED FOR ALL PROJECTS

All projects must comply with the following criteria:

1. But For Test. There is a substantial likelihood that the project would not go forward without the business subsidy. This criterion may be met based solely on representations of the recipient of the business subsidy.

2. Wage Policy. If the project results in the creation of any jobs, the wage for each part-time and full-time job created must be, within two years of the date assistance is received (as defined in the Act), at least equal to the Federal minimum wage for full-time and part-time employees, with a strong emphasis and preference of wages at least equal to the prevailing wage for like or similar jobs within the area, or such greater amount as the City may require for a specific project.

3. Economic Feasibility. The recipient must demonstrate to the satisfaction of the City that it has adequate financing for the project and that the project will be completed in a timely fashion.

4. Compliance with Act. The recipient of the business subsidy from the City must satisfy all requirements of the Act.

5. Reporting. The recipient, regardless of the size of that subsidy, shall be subject to the subsidy reporting requirements set forth by the Minnesota Business Subsidy Law and summarized below:

a. Responsibility to Report. The recipient will provide information regarding the goals and results for two years after the subsidy is granted, or until the goals are met, whichever is later. If the goals go unmet beyond two years, then the recipient will provide reports until the subsidy is fully repaid.

b. Public Purpose. The recipient will restate in each report the public purpose of the subsidy.

c. Wages. The recipient will report on the hourly wage of each job created by the subsidy.

d. Benefits. The recipient will report on the sum of hourly wages and any health insurance provided by the developer.

e. Goal Date. Each year the recipient will reassess the date it expects to meet its specific job and wage goals and report what that date is.

f. Update. Each year the recipient will provide an informal update on the likelihood that the goals will be achieved and indicate the progress made during the year toward achieving the stated goals.

g. Recipient information. Each year the recipient will report its name, address of itself and any parent corporation. Furthermore, the report will include a summary of all financial assistance received from the Authority or any other organization and any other information the Commissioner of Employment and Economic Development may request.

Dated: February 20, 2013

BUSINESS SUBSIDY CRITERIA

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes, §§116J.993 through 116J.995 (the "Act"). The term "EDA" means the Economic Development Authority in and for the City of Babbitt, Minnesota. The term "project" means the property with respect to which the business subsidy is provided.

A. PROJECT REVIEW AND EVALUATION POLICY.

1. The EDA recognizes that the creation of good paying jobs is a desirable goal which benefits the community. Nevertheless, not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation. In addition, the imposition of high job creation requirements and high wage level requirements may be unrealistic and counter-productive in the face of larger economic forces influencing, and the financial and competitive circumstances of, an individual business. In determining the requirements for a project under consideration for a business subsidy, the determination of the number of jobs to be created and the wage levels therefore will be guided by the following principles and criteria:

a. Each project will be evaluated on a case-by-case basis. The evaluation will take into consideration the project's importance in and benefit to the community from all perspectives, including created or retained jobs.

b. If a particular project does not involve the creation of jobs, but is nonetheless found to be worthy of support and subsidy, assistance may be approved without any specific job or wage goals if permitted by applicable law.

c. In cases where the objective is the retention of existing jobs, the recipient of the subsidy will be required to provide evidence which demonstrates that the loss of those jobs is imminent.

d. The setting of wage and job goals will be influenced by (i) prevailing wage rates, (ii) local economic conditions, (iii) external economic forces over which neither the EDA nor the recipient of the subsidy has control, (iv) the financial resources of the recipient and (v) the competitive environment in which the recipient's business exists.

2. Because it is not possible to anticipate all the needs and requirements of every type of project and the ever-changing needs of the community and in order to retain the flexibility necessary to respond to all proposed projects, the EDA retains the right to approve projects and business subsidies which may vary from the principles and criteria set forth herein.

B. PROJECT REVIEW AND EVALUATION PROCEDURE

The EDA will consider one or more of the criteria listed in Section C below in determining whether to provide financial or other assistance to a project as a business subsidy. In applying the criteria to a specific project, the following will apply:

1. The EDA may consider the requirements of any other business subsidy received, or to be received, from a grantor other than the EDA.
2. If the business subsidy is a guaranty, the amount of the business subsidy may be valued at the principal amount of the guaranteed payment obligation.
3. If the business subsidy is real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the EDA.
4. If the business subsidy is received over time, the EDA may value the subsidy at its present value using a discount rate equal to an interest rate which the EDA determines is fair and reasonable under the circumstances.

As used herein "benefit date" means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either: when the improvements are finished for the entire project; or when a business occupies the property.

C. PROJECT REVIEW AND EVALUATION CRITERIA

The project review and evaluation criteria are the following:

1. Jobs and Wages.
 - a. New Jobs. The minimum net number of direct full time equivalent jobs to be created or retained by the proposed project for a period of at least two years from the estimated benefit date.
 - b. Payroll. The minimum net payroll (including employer contributions for health benefits) to be generated at the end of the first anniversary date and second anniversary date of the estimated benefit date. In addition, an estimate or goal of the minimum annual net payroll to be generated for each year ending on the fifth anniversary date of the estimated benefit date.

2. Tax Base.

a. Increase in Tax Base. The net increase in property taxes estimated to be generated by the project in the first full year of operation, payable in the following year.

3. Land Use.

a. Compliance with Comprehensive or Other Plans. Whether, apart from any needed services to the community described in section 5 below, the project is more compatible with the comprehensive plan than other permitted uses for the property. For example, the project may involve a "clean" industry such as a technology or service business which is preferred over other permitted uses.

b. Marginal Property. Whether the project is located on property which needs but is not likely to be developed or redeveloped because of blight or other adverse conditions of the property. For example, property may be so blighted that the cost of making land ready for redevelopment exceeds the property's fair market value.

c. Design and/or Other Amenities. Whether, as a result of the business subsidy, the project will include design and/or amenity features not otherwise required by law. For example, the project may, at the request of the EDA, include landscaping, open space, public trails, employee work out facilities or day care facilities which serve a public purpose but are not required by law.

4. Impact on Existing and Future Public Investment.

a. Utilization of Existing Infrastructure Investment. Whether and to what extent (a) the project will utilize existing public infrastructure capacity and (b) the project will require additional publicly funded infrastructure investments.

b. Direct Monetary Return on Public Investment. Arrangements made or to be made for the EDA to receive a direct monetary return on its investment in the project. For example, the business subsidy may be in the form of an interest bearing loan or may involve a project sharing arrangement.

5. Economic Development.

a. Leveraged Funds. For every dollar of business subsidy to be provided for the project, the minimum amount of private funds which will be applied towards the capital cost of the project.

b. Spin Off Development. The dollar amount of non-subsidized development the project is expected to generate in the surrounding area and the need for and likelihood of such spin off development.

c. Growth Potential. Based on recipient's market studies and plans for expansion, whether and to what extent the project is expected within five years of its completion, to be expanded to produce a net increase of full time equivalent jobs and of payroll, over and above the minimum net increase in jobs and payroll described in section 1 above.

6. Quality of Life.

a. Community Services. Whether the project will provide services in the community and the need for such services. For example, the project may provide health services, retail convenience services such as a nearby grocery store, or social services needed in the community.

7. Other.

a. Other Factors. Depending on the nature of the project, such other factors as the EDA may deem relevant in evaluating the project and the business subsidy proposed for it.

D. CRITERIA REQUIRED FOR ALL PROJECTS.

All projects must comply with the following criteria:

1. But For Test There is a substantial likelihood that the project would not go forward without the business subsidy. This criterion may be met based solely on representations of the recipient of the business subsidy.

2. Wage Policy. If the project results in the creation of any jobs, the wage for each part-time and full-time job created must be, within two years of the date assistance is received (as defined in the Act), at least equal to the Federal minimum wage for full-time and part-time employees, with a strong emphasis and preference of wages at least equal to the prevailing wage for like or similar jobs within the area, or such greater amount as the EDA may require for a specific project.

3. Economic Feasibility. The recipient must demonstrate to the satisfaction of the EDA that it has adequate financing for the project and that the project will be completed in a timely fashion.

4. Compliance with Act. The recipient of the business subsidy from the EDA must satisfy all requirements of the Act.

5. Reporting. The recipient, regardless of the size of that subsidy, shall be subject to the subsidy reporting requirements set forth by the Minnesota Business Subsidy Law and summarized below:

a. Responsibility to Report. The recipient will provide information regarding the goals and results for two years after the subsidy is granted, or until the goals are met, whichever is later. If the goals go unmet beyond two years, then the recipient will provide reports until the subsidy is fully repaid.

b. Public Purpose. The recipient will restate in each report the public purpose of the subsidy.

c. Wages. The recipient will report on the hourly wage of each job created by the subsidy.

d. Benefits. The recipient will report on the sum of hourly wages and any health insurance provided by the developer.

e. Goal Date. Each year the recipient will reassess the date it expects to meet its specific job and wage goals and report what that date is.

f. Update. Each year the recipient will provide an informal update on the likelihood that the goals will be achieved and indicate the progress made during the year toward achieving the stated goals.

g. Recipient information. Each year the recipient will report its name, address of itself and any parent corporation. Furthermore, the report will include a summary of all financial assistance received from the Authority or any other organization and any other information the Commissioner of Employment and Economic Development may request.

Dated: February 20, 2013

**CITY OF BABBITT
RESOLUTION 2013-2**

A RESOLUTION ADOPTING BUSINESS SUBSIDY CRITERIA

THEREFORE, BE IT RESOLVED, that the attached is approved by the Babbitt City Council as business subsidy criteria for economic development projects in the City of Babbitt.

Adopted this 20th day of February, 2013.

Ayes: Councilors Niss, Marinaro, and Acting Mayor Lassi

Nays: None

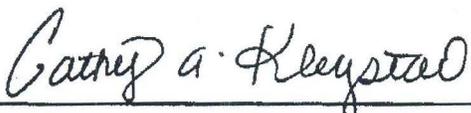
Abstain: None

Absent: Councilor Zupancich and Mayor Norregaard



Jim Lassi, Acting Mayor

Attest:



Cathy A. Klegstad, Clerk-Treasurer

**BABBITT ECONOMIC DEVELOPMENT AUTHORITY
RESOLUTION 2013-1A**

A RESOLUTION ADOPTING BUSINESS SUBSIDY CRITERIA

THEREFORE, BE IT RESOLVED, that the attached is approved by the Babbitt Economic Development Authority as business subsidy criteria for economic development projects in the City of Babbitt.

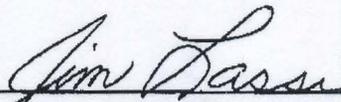
Adopted this 20th day of February, 2013.

Ayes: Members Niss, Marinaro, and Acting President Lassi

Nays: None

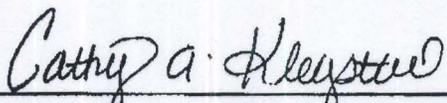
Abstain: None

Absent: Member Zupancich and President Norregaard



Jim Lassi, Acting President

Attest:



Cathy A. Klegstad, BEDA Secretary