

COHASSET BUSINESS SUBSIDY POLICY

The following business subsidy criteria within this Business Subsidy Policy (the "Policy") are intended to satisfy the requirements of Minnesota Statutes, Sections 116J.993 through 116J.995 (the "Act"). The term "City" means collectively, the City of Cohasset, Minnesota and the Cohasset Economic Development Authority, subject to approval by the City Council of the City as provided in Section 3 of the City resolution enabling the creation of the Cohasset Economic Development Authority. The term "Project" means the property and proposed development thereon, with respect to which a business subsidy is provided.

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.

The City maintains several policy documents which speak to the general goals and objectives for the provision of public assistance for private development or redevelopment activities, including the City's Comprehensive Plan. Nevertheless, every Project is subject to the requirements of the Act unless exempted pursuant to Section 115J.993, Subd. 3 of the Act. Every Project will be evaluated according to the following criteria, which shall apply to all potential recipients.

A. MANDATORY CRITERIA

Each Project, in order to be considered for a business subsidy, 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 (2) years of the date assistance is received (as defined in the Act), 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 business subsidy from the City must satisfy all requirements of the Act.
5. Public Purpose. Every Project must meet a public purpose which may include, but must not be limited to, increasing the tax base. Examples of public purpose include creation or retention of jobs, elimination or prevention of blight, neighborhood revitalization, and assistance in the development of public improvements or facilities. This list is not exclusive.

The City will consider public purposes that otherwise meet development and redevelopment goals. Retention of existing jobs will be a public purpose only in cases where job loss is specific and demonstrable.

6. All business subsidy recipients must enter into a business subsidy agreement with the City that complies with Minnesota Statutes, Section 116J.994, Subdivision 3.

B. PROJECT REVIEW AND EVALUATION POLICY

The City recognizes that the creation of livable-wage jobs is a desirable goal which benefits the community. Nevertheless, not every Project assisted with a business subsidy derives its 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 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 therefor will be guided by the following principles and criteria:

1. Except as provided in Section B3 below, each Project 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. 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.

2. Except as provided in Section B3 below, each Project must meet wage goals for the jobs created or retained. The wage goals will be specified in the business subsidy agreement, but in all cases the jobs created must pay at least 100% of the federal minimum wage requirement, or the prevailing wage for like or similar jobs within the area, or such amount as the City may require, whichever is greatest.

3. If it is determined by the City after a public hearing that 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 the Project fulfills another public purpose, such as redevelopment, improvement to public infrastructure, or public facilities, or removal of impediments to development such as poor soils, bedrock conditions, steep slopes or similar problem.

4. The setting of specific wage and job goals for a Project will be informed 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.

5. The requirements referenced in items 1-4 above must be expressed as specific, measurable and tangible goals in each business subsidy agreement.

6. Each recipient must agree to continue operation within the City for at least five (5) years after the benefit date. After a public hearing, the City may authorize the recipient to move outside the City within the five-year period.

7. 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 City. Any repayment may be prorated to reflect partial fulfillment of goals. The City may, after a public hearing, extend the period for meeting job and wage goals for up to one (1) year. The City may extend the period for meeting any other goals for any period specified by the City, by documenting in writing the reason for the extension and filing that explanation with the Department of Employment and Economic Development along with the City's next annual report on business subsidies.

8. When granting a business subsidy, the City 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 City's next annual report on business subsidies. The City will not approve a deviation from these criteria unless the applicant provides a written request describing why the deviation is needed to permit the Project to proceed, and the City determines in its sole discretion that such deviation is reasonable and necessary.

C. PROJECT REVIEW AND EVALUATION PROCEDURE

In addition to applying the Mandatory Criteria and the Project Review and Evaluation Policy set forth in Sections A and B herein, the City will consider one or more of the criteria listed below (Section C) 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 considered to be received under the Act. 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 the 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.

D. 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 Project for a period of at least two (2) years from the estimated benefit date.
- b. Payroll. The minimum annual net payroll (including employer contributions for health benefits) to be generated at the end of the third 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.

3. Land Use

- a. Compliance with Comprehensive or Other Plans. Whether, apart from any needed services to the community described in Section D5 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 toward 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 (5) 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 DI 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.

Adopted by: The City of Cohasset

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