

Koochiching County

Business Subsidy Policy and Criteria

RESOLVED by the Koochiching County Board of Commissioners for the County of Koochiching that it shall adopt the following **Business Subsidy Policy and Criteria**:

Preamble. Whenever Koochiching County invests public funds or agrees to voluntarily forfeit tax or other revenue that benefit private development projects, those projects should create the greatest number of Full Time Equivalent (FTE) jobs that pay a living wage possible for the residents of the County. County policy makers and economic development agents must keep the critical need for living wage FTE jobs the priority whenever public dollars are invested in a private business or development project.

BUSINESS SUBSIDY POLICY AND CRITERIA

Public Purpose

The County shall target its Business Subsidy assistance to businesses that demonstrate a clear and ongoing commitment to the community by providing living wage jobs to their employees and to County residents, where applicable, by giving priority to those businesses over businesses that have not traditionally paid living wages.

The County agrees to require that a qualified business shall not compete with or displace local businesses currently operating within community.

The law allows abatements and business subsidies to be used for a broad range of projects and purposes, if the political subdivision finds that public benefits exceed the costs.

Koochiching County adopts the following: Any time Koochiching County provides a business subsidy to a Qualified Business or Recipient that business is subject to the wage levels, job creation and other criteria set forth in this policy and specified in the Business Subsidy Agreement made with the County. In the event of a conflict between the requirements of the Minnesota Statute §116J.993 - §116J.995 or this Policy, the most restrictive shall control.

DEFINITIONS

“Authorized Business Subsidy Signatory” means Koochiching County is authorized by this Policy to execute business subsidy agreements on behalf of Koochiching County, MN.

“Business Subsidy” means a state or local government agency grant, contribution 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 given to a business, and as defined by the Business Subsidy statute Minnesota Statute §116J.993 - §116J.995. Any grant must be structured as a forgivable loan. For any business subsidy other than a grant, the fair market value of the subsidy including the value of conveying property at less than a fair market price or other in kind benefit.

Business subsidies do not include the following:

1. Assistance of less than \$150,000.
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 the County 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 Minnesota Statute §116J.552, subdivision 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% 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 tax increment financing hazardous substances sub-district as defined under section 469.174, subdivision 23
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 Chapter 47A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) Internal Revenue Code of 1986, as amended through December 31, 1999.
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 Minnesota Statute §469.174, subdivision 19.

17. Redevelopment when the Recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years 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 \$150,000 or less.
22. Federal loan funds provided through the United States Department of Commerce, Economic Development Administration and
23. Property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, Chapter 8100.

"Abatement" includes a deferral of taxes with abatement of interest and penalties unless the context indicates otherwise.

"Business Subsidy Report" means the annual reports submitted each year for each business receiving a business subsidy in the community. The report is submitted by the LGU in order to comply with M.S. § 116J.994, subdivision 7(b).

"Benefit Date" means the date that the recipient receives the business subsidy. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date begins when the recipients 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:

1. When the improvements are finished for the entire project: or
2. When a business occupies the property. If a business occupies the property and the subsidy grantor expects that other businesses will also occupy the same property, the grantor may assign a separate benefit date for each business when it first occupies the property.

"Criteria" means the equitably applied, uniform standards by which the Economic Development Agency and /or the County bases its decision to award any business subsidy to a private business or development project establishing a business and creating jobs in the County.

"DEED" means Minnesota Department of Employment and Economic Development.

"Economic Development Agent" means the County department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form business subsidy agreements on behalf of the County. The Economic Development Agent for the County shall be the Koochiching Economic Development Authority (KEDA), hereinafter "Agent".

“Living Wage Job” shall mean a job which pays wages and health benefits that total at least the rate of 138% of the current poverty level for a family of four. Businesses that provide employer paid comprehensive health insurance may pay a living wage defined as 110% of the federal poverty level for a family of four.

“Local Governmental Unit” hereinafter LGU, means the Koochiching County.

“Operation Start Date” shall mean the date by which the business begins its operations as evidenced by constructing a facility or relocating to an existing building in a facility and beginning revenue generating operations and/or hiring employees.

“Qualified Business” means a person that carries on a trade or business at a place of business located within Koochiching County and shall also mean “Recipient” as defined by Business Subsidy law.

“Recipient” means any for-profit or nonprofit business entity that receives a business subsidy. Only nonprofit entities with at least 100 full-time equivalent positions and with a ratio of highest to lowest paid employee, that exceeds ten to one, determined on the basis of full-time equivalent positions, are included in this definition.

Permitted uses of a Business Subsidy include the following:

1. General economic development, such as increasing the tax base or the number of jobs in the area
2. Construction of public facilities or infrastructure
3. Redevelopment of blighted areas
4. Providing access to services for residents
5. Deferring or phasing in a large (over 50 percent) property tax increase
6. Stabilizing the tax base resulting from the updated utility valuation administrative rules
7. Providing relief for businesses with estimated market value of \$250,000 or less who have disrupted access due to public transportation projects
8. Enhance economic growth in this area
9. Create high quality job growth in this area
10. Stabilize the community

Minimum Criteria Requirements

All project 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 representation of the recipient of the business subsidy.
2. Jobs and Wage Goals – Full Time Equivalent (FTE) employees of a Business Subsidy Recipient shall be paid wages and health benefits that total at least the rate of 138% of the current poverty level for a family of four. Businesses that

- provide employer paid comprehensive health insurance may pay a living wage defined as 110% of the federal poverty level for a family of four.
3. Koochiching County may deviate from wage and job goal criteria by documenting the reason in writing for the deviation and attaching a copy of this reason to the next annual Business Subsidy Report submitted to DEED.
 4. The Koochiching County Board authorizes the Board Chair as representative of the County to sign as its Authorized Business Subsidy Signatory to execute business subsidy agreements on behalf of Koochiching County.
 5. The Koochiching County Board authorizes KEDA to act as its Economic Development Agent for purposes of initiating and negotiating Business Subsidy Agreements and/or executing Business Subsidy Agreements on the behalf the County.

Requirements of A Businesses Subsidy

Koochiching County shall require recipients of a business subsidy to comply with the following:

1. The qualified business shall attend a properly noticed public hearing held by the County as provided by M.S. §116J.994, when the value of the subsidy does or is expected to exceed \$150,000 from local sources. The purpose of the hearing shall be held to identify and define the criteria that the qualified business or recipient shall meet in order to be eligible to receive a business subsidy. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the subsidy, and shall specify the measurable, specific, and tangible goals committed to by the qualified business as provided by Minnesota Statute §116J.994, subdivision 5. A public notice shall be published in print, at least 10 days prior to the hearing, identifying the location, date, time and place of the hearing and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.
2. A recipient must provide annual information by March 1 for the previous year regarding goals and results for two years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information on the subsidy until the subsidy is repaid. The information must be filed on forms developed by the commissioner in cooperation with representatives of local government and the report must include:
 - a. The type, purpose, and amount of the subsidies and type of district, if the subsidy is tax increment financing;
 - b. The hourly wage of each job created with separate bands of wages;
 - c. The sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
 - d. The date the job and wage goals will be reached;
 - e. The statement of goals identified in the subsidy agreement and an update on achievement of those goals;
 - f. The location of the recipient prior to receiving the business subsidy;

- g. The number of employees who ceased to be employed by the recipient when the recipient relocated to become eligible for the business subsidy
 - h. Why the recipient did not complete the project outlined in the subsidy agreement at their previous location, if the recipient was previously located at another site in Minnesota;
 - i. The name and address of the parent corporation of the recipient, if any;
 - j. A list of all financial assistance by all grantors for the project;
 - k. Other information the commissioner may request
3. Recipients failing to meet the goals agreed to in the Business Subsidy Agreement must repay the assistance provided with interest, which is set at not less than the implicit price deflator as defined in the Business Subsidy Statute, Minnesota Statute 116J.993-116J.995. Repayment may be prorated to reflect partial fulfillment of goals.
4. If the business is qualified to receive Business Subsidy benefits that business shall agree to continue to operations in the jurisdiction where the subsidy is used for the duration of the business subsidy term and for at least five years after the benefit date.
5. The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin. The date when business operations begin is called the “operation start date”.
6. A recipient must enter into a subsidy agreement with the grantor of the subsidy that includes:
 - a. description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
 - b. statement of the public purposes for the subsidy;
 - c. measurable, specific, and tangible goals for the subsidy;
 - d. description of the financial obligation of the recipient if the goals are not met;
 - e. a statement of why the subsidy is needed;
 - f. a commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date;
 - g. the name and address of the parent corporation of the recipient, if any;
and
 - h. a list of all financial assistance by all grantors for the project.
7. Business subsidies in the form of grants must be structured as forgivable loans. For other types of business subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
8. If a business subsidy benefits more than one recipient, the grantor must assign a proportion of the business subsidy to each recipient that signs a subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.

9. The state or local government agency and the recipient must both sign the subsidy agreement and, if the grantor is a local government agency, the agreement must be approved by the local elected governing body, except for the St. Paul Port Authority and a seaway port authority.
10. Notwithstanding the provision in paragraph (6), clause (f), a recipient may be authorized to move from the jurisdiction where the subsidy is used within the five-year period after the benefit date if, after a public hearing, the grantor approves the recipient's request to move. For the purpose of this paragraph, if the grantor is a state government agency other than the Iron Range Resources and Rehabilitation Board, "jurisdiction" means a city or township.
11. The political subdivision must add to its levy amount for the current year under sections [275.065](#) and [275.07](#) the total estimated amount of all current year abatements granted. If all or a portion of an abatement levy for a prior year was uncollected, the political subdivision may add the uncollected amount to its abatement levy for the current year. The tax amounts shown on the proposed notice under section [275.065, subdivision 3](#), and on the property tax statement under section [276.04, subdivision 2](#), are the total amounts before the reduction of any abatements that will be granted on the property.
12. The total property taxes shall be levied on the property and shall be due and payable to the county at the times provided under section [279.01](#). The political subdivision will pay the abatement to the property owner, lessee, or a representative of the bondholders or will retain the abatement to pay public infrastructure costs, as provided by the abatement resolution.

Property Tax Abatement Authority

Koochiching County may grant a current or prospective abatement, by contract or otherwise, of the taxes imposed by the County on a parcel of property, which may include personal property and machinery, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply if:

1. it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase, as provided in clause (2)(g); and
2. it finds that doing so is in the public interest because it will:
 - a. increase or preserve tax base;
 - b. provide employment opportunities in the political subdivision;
 - c. provide or help acquire or construct public facilities;
 - d. help redevelop or renew blighted areas;
 - e. help provide access to services for residents of the political subdivision;

- f. finance or provide public infrastructure;
 - g. phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or
 - h. stabilize the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.
3. Abatement resolution - The County can grant an abatement only by adopting an abatement resolution, specifying the terms of the abatement. The resolution must also include a specific statement as to the nature and extent of the public benefits which the County expects to result from the agreement. The resolution may provide that the County will retain or transfer to another political subdivision the abatement to pay for all or part of the cost of acquisition or improvement of public infrastructure, whether or not located on or adjacent to the parcel for which the tax is abated. The abatement may reduce all or part of the property tax amount for the County on the parcel. A County's maximum annual amount for a parcel equals its total local tax rate multiplied by the total net tax capacity of the parcel.
4. The County may limit the abatement:
- a. to a specific dollar amount per year or in total;
 - b. to the increase in property taxes resulting from improvement of the property;
 - c. to the increases in property taxes resulting from increases in the market value or tax capacity of the property;
 - d. in any other manner the governing body of the subdivision determines is appropriate; or
 - e. to the interest and penalty that would otherwise be due on taxes that are deferred.
 - f. the County may not abate tax attributable to the area wide tax under chapter 276A or 473F, except as provided in this subdivision.
5. An abatement granted under this section is not an abatement for purposes of state aid or local levy under sections 127A.40 to 127A.51.
6. Property located in tax increment financing districts. The governing body of a political subdivision may not enter into a property tax abatement agreement under sections 469.1812 to 469.1815 that provides for abatement of taxes on a parcel, if the abatement will occur while the parcel is located in a tax increment financing district.
7. Notice and public hearing.

- a. The County Board of the County division may approve an abatement under sections 469.1812 to 469.1815 only after holding a public hearing on the abatement.
- b. Notice of the hearing must be published in a newspaper of general circulation in the political subdivision at least once more than ten days but less than 30 days before the hearing. The newspaper must be one of general interest and readership in the community, and not one of limited subject matter. The newspaper must be published at least once per week. The notice must indicate that the governing body will consider granting a property tax abatement, identify the property or properties for which an abatement is under consideration, and the total estimated amount of the abatement.

8. Duration limit.

- a. The County may grant an abatement for a period no longer than 15 years, except as provided under paragraph (b). The abatement period commences in the first year in which the abatement granted is either paid or retained in accordance with section 469.1815, subdivision 2. The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement. Economic abatement agreements for real and personal property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this prohibition and may be granted successively.
- b. A County may request, in writing that the other political subdivisions in which the parcel is located grant an abatement for the property. If one of the other political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel by the requesting political subdivision and any other participating political subdivision is increased to 20 years. If the political subdivision which declined to grant an abatement later grants an abatement for the parcel, the 20-year duration limit is reduced by one year for each year that the declining political subdivision grants an abatement for the parcel during the period of the abatement granted by the requesting political subdivision. The duration limit may not be reduced below the limit under paragraph (a).

9. In any year, the total amount of property taxes abated by the County under this section may not exceed (1) ten percent of the net tax capacity of the County for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater. The limit under this subdivision does not apply to:
- a. an uncollected abatement from a prior year that is added to the abatement levy; or
 - b. a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.
 - c. When this statute is applied or utilized with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100, the provisions of this section and sections 469.1814 and 469.1815 shall apply only to property specified or described in the abatement contract or agreement.

This policy is adopted in compliance with M.S. §116J.993 through 116J.995. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report.

Signed

Date

Kevin Adee
Koochiching County

Jenny Herman
Koochiching County Administration Director