CITY OF PEQUOT LAKES
COUNTY OF CROW WING
STATE OF MINNESOTA

RESOLUTION NO. 11-07

RESOLUTION ADOPTING A POLICY AND
CRITERIA FOR GRANTING BUSINESS SUBSIDIES

BE IT RESOLVED by the City Council (the "Council") of the City of Pequot Lakes, Minnesota (the "City"), as follows:

(1) Hearing. On February 1, 2011, the Council held a public hearing on the question of adopting a revised Business Subsidy Policy and Criteria (the "Policy"), and said hearing was preceded by published notice thereof.

(2) Adoption of the Business Subsidy Criteria; Filing. The Business Subsidy Policy attached hereto as Exhibit A is hereby adopted. The City Clerk is hereby authorized and directed to submit a copy of the Policy with the Department of Employment and Economic Development, along with the next annual report in accordance with Minnesota Statutes, Section 116J.994, Subdivision 2.

Adopted on February 1, 2011, by the Pequot Lakes City Council.

Nancy A. Adams
Mayor

Attest:

Sandra A. Lewis
City Clerk

Councilmember Malecha moved the adoption of the foregoing resolution, and said motion was duly seconded by Councilmember Sjoblad, and upon vote being taken thereon, the following voted in favor thereof:

Mayor Adams, Council Members Malecha, Ryan, Akerson, and Sjoblad

and the following voted against the same: None

whereupon said resolution was declared duly adopted.

CITY CLERK'S CERTIFICATE

I, the undersigned, being the duly qualified and acting City Clerk of the City of Pequot Lakes, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes of a duly called and regularly or specially held meeting of the City Council of said City held on February 1, 2011, with the original minutes thereof on file in my office and I further certify that the same is a full, true, and correct transcript thereof insofar as said minutes relate to adoption of a policy and criteria for granting business subsidies.

WITNESS my hand officially this 1st day of February, 2011.

Sandra A. Peine

City Clerk

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EXHIBIT A

City of Pequot Lakes
Business Subsidy Policy and Criteria

CITY OF PEQUOT LAKES

BUSINESS SUBSIDY POLICY AND CRITERIA

CITY OF PEQUOT LAKES
COUNTY OF CROW WING
STATE OF MINNESOTA

Public Hearing: February 1, 2011
Adopted: February 1, 2011

CITY OF PEQUOT LAKES
BUSINESS SUBSIDY POLICY AND CRITERIA
(As Modified February 1, 2011)

I. INTRODUCTION AND DEFINITIONS

This Business Subsidy Policy (the "Policy") is adopted for purposes of Minnesota Statutes, Sections 116J.993 through 116J.995 and as may be amended, (the "Business Subsidy Act").

Every potential business subsidy project within the City of Pequot Lakes (the "City") will be evaluated according to this Policy and the criteria set forth herein. Meeting all or a majority of the criteria, however, does not mean that a business subsidy will be awarded or denied by the City. The City maintains its ability to approve or reject a business subsidy at its discretion, based on the merits of the project and the overall benefit to the community, using the criteria as a means of measuring overall benefit.

II. BUSINESS SUBSIDY REQUIREMENTS

The requirements for a Business Subsidy herein described apply to any Business Subsidy. If the Act is amended to modify any of these requirements, then the requirement or requirements set forth in the Act shall replace the requirement or requirements set forth in this Section and are incorporated herein without amendment to this Policy or any type of action of the City.

A. **Public Purpose.** Every Business Subsidy must meet a public purpose as follows, which may include but must not be limited to increasing the tax base:

Enhance Economic Growth

1. Increase the tax base,
2. Foster economic and commercial diversity,
3. Stabilize the community,
4. Provide basic goods and services,
5. Fully utilize existing or planned infrastructure improvements,
6. Assist in the development of public improvements or facilities,

Create and Retain High Quality Jobs in Pequot Lakes

1. Create high quality jobs,
2. Retain high quality jobs,

Enhance the Value of Surrounding Properties

1. Prevent or eliminate blight,
2. Revitalize a neighborhood and/or community,
3. Remediate pollution,
4. Promote the retention or reuse of historically significant property

Consideration shall be given to requests that compete with existing businesses if they include redevelopment of blighted areas, anchors for expanded infrastructure, overall benefits for the community, or provide greater utilization of existing infrastructure.

B. **Job and Wage Goals.** Job creation is a high priority and assistance may be directly related to job creation. Except as provided in "Alternative to Job and Wage Goals" herein, every Business Subsidy Recipient must meet at least the job and wage goals described within two (2) years of the Benefit Date, unless an extension is granted pursuant to the Act or an amendment to the Acts extends this time. In cases where the public purpose of the Business Subsidy is the retention of existing jobs, the Business Subsidy Recipient must demonstrate that job loss is specific and demonstrable.

1. *Job Goal.* For all Business Subsidies, the Business Subsidy Recipient must create and retain at least: 1 FTE job.
2. *Wage Goal.* For all Business Subsidies, the Business Subsidy Recipient must create: 1 FTE job that pays at least: 175 % of the federal minimum wage, which can be fulfilled as an hourly wage or some combination of hourly wage and employer paid health insurance benefits equal to 175% of federal minimum wage.

The City may deviate from job and wage goals 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.

C. **Alternative to Job and Wage Goals.** The City may determine, after a public hearing, that job creation or job retention is not a goal. In such cases, the Business Subsidy Recipient must meet at least one of the following minimum requirements:

1. The Business Subsidy accomplishes the removal, rehabilitation, redevelopment, prevention, or spread of a blighted area as defined by Minnesota Statutes, Section 469.002, Subdivision 11, or constitutes a cost of correcting conditions that permits designation of a redevelopment district or renewal and renovation district under Minnesota Statutes, Section 469.174 to 469.179; or

2. The Business Subsidy improves public infrastructure or public facilities, including without limitation streets, sewers, storm sewers, streets, parks, recreational facilities, and other City facilities; or

3. The Business Subsidy removes physical impediments to development of land, including without limitation poor soils, bedrock conditions, steep slopes, or similar geotechnical problems.

The above requirements must be expressed as specific, measurable and tangible goals in each Business Subsidy Agreement. The job and wage goals that would otherwise be required may be set at zero.

D. **Business Subsidy Implementation.** A Business Subsidy Recipient, must:

1. Comply with the City's comprehensive plan and any other approved plans created by the City to guide development,

2. Enter into a Business Subsidy Agreement with the City that complies with the Act,

3. Agree to comply with annual reporting as required by the Act,

4. Meet a public purpose and either achieve job and wage goals or other goals as described,

5. Meet all of the additional policies set forth below, including holding a public hearing if required and complying with payback provisions.

E. **Business Subsidy Generally.** A Business Subsidy, as further defined herein and in the Business Subsidy Act shall include, but not be limited to one of the following types of subsidies provided by the City:

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. Reduced or abated sewer and water availability fees,
8. Reduced or abated permit or development fees,
9. Preferential use of governmental facilities,
10. Land contribution, or
11. Other specified subsidy.

A Business Subsidy does not include a business subsidy of less than $150,000, business loans or loan guarantees of $150,000 or less, assistance generally available to all businesses, housing assistance, or any other type of assistance specifically excluded in the Business Subsidy Act.

F. **Further Definitions.** The following defined terms apply to business subsidies. Any terms not defined herein shall have the meanings set forth in the Acts. If the Acts are amended to affect any of these defined terms, then the definition or definitions set forth in the Acts shall replace the definition or definitions set forth within this Section and be incorporated herein without amendment to this Policy or any type of action of the City.

"Benefit Date" means the Benefit Date as defined in the Business Subsidy Act.

"Business Subsidy" means a Business Subsidy as defined by the Business Subsidy Act.

"Business Subsidy Agreement" means the agreement between the Recipient as defined herein and the City entered into pursuant to the Business Subsidy Act **describing the subsidy, specific tangible goals (i.e., create number of jobs, establish minimum wage rates and time periods in which goals will be achieved) and providing remedy for failure to achieve goals and providing for reporting to the State of Minnesota.**

"Business Subsidy Recipient" means a Recipient as defined by the Business Subsidy Act.

"Business Subsidy Report" means the annual reports submitted by the City each year for each business receiving a Business Subsidy in the City in order to comply with the Business Subsidy Act.

"DEED" means the Minnesota Department of Employment and Economic Development or a successor entity.

"Full-Time Equivalent (FTE)" means a job requiring 2,080 hours per year.

G. **Additional Policies.** All businesses receiving a general Business Subsidy or a JOBZ Business Subsidy shall also comply with the following:

1. *Public Hearing.* When a Business Subsidy exceeds $150,000, a properly noticed public hearing shall be held pursuant to the Business Subsidy Act, at which the amount of subsidy provided, the public purpose(s), and the specific, measurable, and tangible goals to be achieved shall be made known.

2. *Length of Operation.* All Business Subsidy Recipients must agree to continue operation within the City for at least 5 years after the benefit date as described in the Business Subsidy Act. Thereafter, following a public hearing, the City may allow the Business Subsidy Recipient to move outside the City within the first five years of operation.

3. *Pay Back Provisions and Extensions.* Any Business Subsidy Recipient must pay back assistance received if the job and wage goals or other specified goals are not met within two (2) years of the Benefit Date or such time as permitted by the Acts as they may be amended. For all Business Subsidies, assistance provided by the City must be paid back, with interest as determined in the Business Subsidy Act, to the City, or at the City's request, to the account created under the Business Subsidy Act. Any repayment may be prorated by the City 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 year and may pursuant to the procedure in the Act, extend the period for meeting other goals for any period specified by the City.

4. *Modification.* The City reserves the right to modify this Policy from time to time in accordance with the Act.

5. *Development Agreements.* The City Council will review and approve all Development Agreements.

6. **A copy of this policy shall be submitted to the Minnesota Department of Employment and Economic Development or a successor entity ("DEED") along with the first annual report. The City shall have the option of amending or waiving sections of this policy and criteria when determined necessary or appropriate. The Business Subsidy Act allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to DEED.**

For more information please contact:

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CITY OF PEQUOT LAKES

JOBZ BUSINESS SUBSIDY POLICY AND CRITERIA ADDENDUM

POLICY AND CRITERIA

JOBZ BUSINESS SUBSIDY POLICY AND CRITERIA

(As Modified February 1, 2011)

I. INTRODUCTION AND DEFINITIONS

This JOBZ Business Subsidy Policy (the "Policy") is adopted for purposes of Minnesota Statutes, Sections 469.310 through 469.320 and as may be amended (the "Job Opportunities Building Zone Act" or "JOBZ Act," and with the Business Subsidy Act, the "Acts"). Terms used in this Policy are intended to have the same meanings as if used in the Act, and any amendments or modifications to the Act shall amend or modify the definitions and terms of this Policy without any further action of the City. This Policy shall apply only with respect to subsidies granted under the Act if and to the extent required thereby.

A copy of this policy shall be submitted to the Minnesota Department of Employment and Economic Development or a successor entity ("DEED"). The City shall have the option of amending or waiving sections of this policy and criteria when determined necessary or appropriate. The Business Subsidy Act allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to DEED.

Every potential business subsidy project within the City of Pequot Lakes (the "City") will be evaluated according to this Policy and the criteria set forth herein. Meeting all or a majority of the criteria, however, does not mean that a business subsidy will be awarded or denied by the City. The City maintains its ability to approve or reject a business subsidy at its discretion, based on the merits of the project and the overall benefit to the community, using the criteria as a means of measuring overall benefit.

A. **Job Opportunities Building Zone (JOBZ) Business Subsidy.** Under the JOBZ Act, a Business Subsidy includes the subsidy provided through the following set of tax benefits to certain qualified businesses:

1. Exemption from individual income taxes,
2. Exemption from corporate franchise taxes,
3. Exemption from state sales and use tax and any local sales and use taxes on qualifying purchases,
4. Exemption from state sales tax on motor vehicles and any local sales tax on motor vehicles,
5. Exemption from property tax,
6. Exemption from wind energy production tax, and
7. Jobs credit.

B. **Further Definitions.** The following defined terms apply to JOBZ business subsidies. Any terms not defined herein shall have the meanings set forth in the Act. If the Act is amended to affect any of these defined terms, then the definition or definitions set forth in the Act shall replace the definition or definitions set forth within this Section and be incorporated herein without amendment to this Policy or any type of action of the City.

"Benefit Date" means the Benefit Date as defined in the Business Subsidy Act.

"Business Subsidy" means a Business Subsidy as defined by the Business Subsidy Act.

"Business Subsidy Agreement" means the agreement between the Recipient as defined herein and the City entered into pursuant to the Business Subsidy Act **describing the subsidy, specific tangible goals (i.e., create number of jobs, establish minimum wage rates and time periods in which goals will be achieved) and providing remedy for failure to achieve goals and providing for reporting to the State of Minnesota.**

"Business Subsidy Recipient" means a Recipient as defined by the Business Subsidy Act, including a Qualified Business receiving a JOBZ Business Subsidy as defined herein.

"Business Subsidy Report" means the annual reports submitted by the City each year for each business receiving a Business Subsidy in the City in order to comply with the Business Subsidy Act.

"DEED" means the Minnesota Department of Employment and Economic Development or a successor entity.

"JOBZ Business Subsidy" means tax exemptions or tax credits available to a Qualified Business located in a Zone, as defined by the JOBZ Act, and as modified by amendments to these Acts.

"Qualified Business" means a Qualified Business as defined in the JOBZ Act.

"Full-Time Equivalent (FTE)" means a job requiring 2,080 hours per year.

"Relocating Business" means a person that Relocates as defined in the JOBZ Act.

"Relocation Agreement" means a binding written agreement between a Relocating Business and the Commissioner of DEED in accordance with Section 469.310 Subd. 11(d) of the JOBZ Act.

"Subzone" means the parcel or parcels of land within the Region V Zone in the City which the Commissioner of DEED has now, or at any time in the future shall designate to receive certain tax credits and exemptions specified under the JOBZ Act.

"Zone" means a Job Opportunity Building Zone or an Agricultural Processing Facility Zone designated by the Commissioner of DEED under the JOBZ Act.

II. BUSINESS SUBSIDY REQUIREMENTS

The requirements for a Business Subsidy herein described apply to any JOBZ Business Subsidy. If the Act is amended to modify any of these requirements, then the requirement or requirements set forth in the Act shall replace the requirement or requirements set forth in this Section and be incorporated herein without amendment to this Policy or any type of action of the City.

A. **Business Subsidy Implementation.** A Qualified Businesses receiving a JOBZ Business Subsidy, must:

1. Comply with the City's comprehensive plan and any other approved plans created by the City to guide development,

2. Enter into a Business Subsidy Agreement with the City that complies with the Business Subsidy Act and the requirements set forth herein,

3. Agree to comply with annual reporting as required by the Business Subsidy Act and the JOBZ Act,

4. Meet a public purpose as described below and either achieve job and wage goals below or meet the goals described below,

5. Meet all of the additional policies set forth below, including holding a public hearing if required and complying with payback provisions.

B. **Public Purpose.** Every Qualified Business receiving a JOBZ Business Subsidy, must meet a public purpose as follows, which may include but must not be limited to increasing the tax base:

1. Increase the tax base,
2. Create high quality jobs,
3. Retain high quality jobs,
4. Foster economic and commercial diversity,
5. Stabilize the community,
6. Provide basic goods and services,
7. Fully utilize existing or planned infrastructure improvements,

C. **Job and Wage Goals.** Every Qualified Business receiving a JOBZ Business Subsidy, must meet at least the job and wage goals described herein within two (2) years of the Benefit Date, unless an extension is granted pursuant to the Act or an amendment to the Act extends this time. Every Qualified Business receiving a JOBZ Business Subsidy must meet at least the JOBZ Job Goal and JOBZ Wage Goal set forth in below.

D. **JOBZ Wage Goal set forth below:**

1. *JOBZ Job Goal.* For all JOBZ Business Subsidies, the Qualified Business must create and retain at least: 3 FTE jobs.
2. *JOBZ Wage Goal.* For all JOBZ Business Subsidies, the Qualified Business must create 3 FTE jobs that pay at least: 175 % of the federal minimum wage, which can be fulfilled as an hourly wage **or** some combination of hourly wage and employer paid health insurance benefits equal to 175% of federal minimum wage.

The City may deviate from job and wage goals 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.

E. **Additional Policies.** All businesses receiving a JOBZ Business Subsidy shall comply with the following:

1. *Public Hearing.* When a Business Subsidy exceeds $150,000, a properly noticed public hearing shall be held pursuant to the Business Subsidy Act, at which the amount of subsidy provided, the public purpose(s), and the specific, measurable, and tangible goals to be achieved shall be made known.

2. *Length of Operation.* All Business Subsidy Recipients must agree to continue operation within the City for at least 5 years after the benefit date as described in the Business Subsidy Act. After a public hearing, the City may authorize the Business Subsidy Recipient to move outside the City within the first five years of operation.

3. *JOBZ Length of Operation.* JOBZ Business Subsidy Recipients must further agree to continue to operations in the Subzone for the duration of the JOBZ term determined for the Subzone pursuant to the JOBZ Act.

4. *JOBZ Relocation Requirement.* A JOBZ Business Subsidy Recipient does not qualify as a Relocating Business unless the business is qualified to enter and enters into a Relocation Agreement according to the JOBZ Act.

5. *Pay Back Provisions and Extensions.* Any general or JOBZ Business Subsidy Recipient must pay back assistance received if the job and wage goals or other specified goals are not met within two (2) years of the Benefit Date or such time as permitted by the Acts as they may be amended. For all general and JOBZ Business Subsidies, assistance provided by the City must be paid back, with interest as determined in the Business Subsidy Act, to the City, or at the City's request, to the account created under the Business Subsidy Act. Any repayment may be prorated by the City 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 year and may pursuant to the procedure in the Acts, extend the period for meeting other goals for any period specified by the City. For JOBZ Business Subsidies, state tax exemptions must be paid back to the State of Minnesota and property tax exemptions paid back to the Subzone City, all pursuant to the JOBZ Act. The Commissioner of DEED may waive, without a hearing, the necessity of such state and city repayment if in consultation with City officials the Commissioner determines that requiring repayment is not in the best interest of the state or City and the business ceased operating as a result of circumstances described in the JOBZ Act.

6. *Modification.* The City reserves the right to modify this Policy from time to time in accordance with the Acts.

CITY OF PEQUOT LAKES

For more information please contact:

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