ECONOMIC DEVELOPMENT AUTHORITY OF COLUMBUS, MINNESOTA
AND
CITY OF COLUMBUS, MINNESOTA

BUSINESS SUBSIDY CRITERIA

Purpose

This document sets forth the business subsidy policies and specific criteria to be considered by the Economic Development Authority of Columbus, Minnesota (the "Authority") and the City of Columbus, Minnesota (the "City," and together with the Authority, the "Grantor") in evaluating requests for business subsidies. In adopting these criteria, it is the intent of the Grantor to comply with Minnesota Statutes, Sections 116J.993 through 116J.995, as amended (the "Act"). The governing bodies of the Grantor have adopted this policy and these criteria (collectively, the "Policy") after a duly noticed public hearing held in accordance with the Act. All capitalized but undefined terms in this Policy shall be defined as in the Act.

Unless specifically excluded by the Act, "Business Subsidy" or "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.

Goals and Objectives

It is the Grantor's intent to advance the following goals and objectives in granting Business Subsidies:

a. A Business Subsidy may only be awarded to a Recipient for a public purpose.

b. Recipients must enter into a Business Subsidy Agreement with the Grantor that is consistent with the Act. In a Business Subsidy Agreement, the Recipient of a Business Subsidy must (i) commit to continue operations in the City for five (5) years after the Benefit Date of the Subsidy; (ii) meet a specific wage floor for the wages to be paid for the jobs created, as further defined in this Policy; and (iii) set and meet specific wage and job goals, unless the public purpose of the Business Subsidy is not the creation or retention of jobs, in which case after a public hearing before the governing bodies of the Grantor, wage and job goals may be set at zero, but the Business Subsidy Agreement must specify other tangible goals consistent with this Policy.

Business Subsidy Criteria

As stated in this Policy, every Business Subsidy must meet a public purpose, which may include, but may not be limited to, increasing the tax base. A Business Subsidy will not be provided to Recipients who have the financial feasibility to proceed without the benefit of the Business Subsidy. In effect, Business Subsidies will not be provided solely to increase a Recipient's profit margin on a project. The following criteria shall be used to evaluate a request for a Business Subsidy, although meeting these criteria does not create a contractual right to a Business Subsidy, and the Grantor may later modify these criteria, as permitted by the Act.

a. *Increase in Tax Base.* While the Act provides that an increase in the tax base cannot be the sole grounds for granting a Business Subsidy, the Grantor gives a strong preference to proposed Business Subsidies that increase the tax base.

b. *Jobs and Wages.* Except as provided in paragraph (c), every Recipient must create or retain the maximum number of jobs feasible for the proposed project, and these jobs must pay at least federal minimum wage per hour, exclusive of benefits. The jobs to be created by a Recipient may include jobs to be retained, but only if job loss is specific and demonstrable. The job and wage goals may also specify wage goals, consistent with the minimum wage floor described above, for any jobs to be enhanced through increased wages. The minimum number of jobs to be created by a project is 20 jobs or the minimum number of jobs retained is 5.

c. *Zoning.* Any project benefitted by a Business Subsidy must be consistent with the City's Comprehensive Plan and Zoning Ordinance.

d. *Other Goals.* If, after a public hearing, it is determined by the governing bodies of the Grantor that creation or retention of jobs is not a goal, the wages and jobs required of a Recipient may be set to zero. If creation of jobs is not a goal, the Recipient must achieve at least one of the following measurable, specific and tangible goals:

   (i) The Business Subsidy must result in improvements to public infrastructure or public facilities, including without limitation roads, parks, recreational facilities, and other City facilities; or

   (ii) The Business Subsidy must remove physical impediments to development of land, including without limitation poor soils, abundance of wet lands, hazardous materials, bedrock conditions, steep slopes, or similar geotechnical problems.

e. *Economic or Redevelopment.* Business Subsidies should promote one or more of the following goals within the City:

   (i) Creation of higher paying jobs, jobs with increased benefits, or jobs with available opportunities for career advancement and training;

   (ii) Provision of significant economic impact through the attraction of other business, jobs or investment;

   (iii) Encouragement of economic and commercial diversity, including through the range of goods and services available;

   (iv) Contribution to commercial development within a specific area in the City;

   (v) Provision of basic goods and services to residents within the City;

   (vi) Encouragement of fast-growing business;

   (vii) Promotion of redevelopment objectives and removal of blight;

(viii) Remediation of pollution; or

(ix) Use of existing or planned infrastructure improvements.

The Grantor may deviate from these criteria in granting Business Subsidies if the reasons for the deviation are documented in writing and reported to the Department of Employment and Economic Development, pursuant to the Act.

Compliance and Reporting Requirements

a. A public hearing is required for every Business Subsidy granted by the Grantor that exceeds $150,000. A public hearing is not required if a hearing on the Business Subsidy is otherwise required by law.

b. Every Recipient must enter into a Business Subsidy Agreement fulfilling the requirements of the Act.

c. Every Business Subsidy Agreement must be approved by the governing bodies of the Grantor, and if the Grantor is not the City, the City Council.

d. Both the Recipient and the Grantor must comply with the reporting and monitoring requirements of the Act.

e. If a Recipient fails to meet the goals as set forth in the Business Subsidy Agreement within two (2) years of the Benefit Date, the Business Subsidy assistance plus interest must be paid back to the Grantor, provided that repayment may be prorated to reflect partial fulfillment of the goals. Interest to be repaid must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the twelve-month period ending March 31 of the previous year.

f. A Recipient that fails to meet the terms of a Business Subsidy Agreement may not receive a Business Subsidy from any grantor for a period of five years from the date of failure or until the Recipient satisfies its repayment obligation under the Business Subsidy Agreement, whichever occurs first.

g. The Grantor may, after a public hearing, extend the time for compliance with Business Subsidy job and wage goals by up to one (1) year. The Grantor may extend the period of time for meeting other goals specified in the Business Subsidy Agreement by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the Department of Employment and Economic Development.

Process for Awarding Business Subsidies

The Business Subsidy applicant will enter into negotiations with the Grantor and may enter into a proposed Business Subsidy Agreement to be drafted by the Grantor and its consultants. The Grantor may in its discretion charge a fee for consideration of the Business Subsidy Agreement, which fee may be based on the type of Subsidy provided. The Business Subsidy applicant must agree to pay the fee, if any, and provide any other information as requested by the Grantor.

Prior to approval of a Business Subsidy, the Business Subsidy applicant shall provide any required market and financial feasibility studies, appraisals, soil boring analysis, information provided to private lenders, credit reviews, and other information or data that the Grantor or its consultants may require in order to proceed with the Business Subsidy application process. The Grantor may undertake such a review on its own accord, to be paid from the fee paid by the Business Subsidy applicant. A Business Subsidy applicant should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.

Before the Grantor signs a Business Subsidy Agreement with a proposed Recipient, the Grantor must check with the compilation and summary report compiled by the Department of Employment and Economic Development to determine if the proposed Recipient is eligible to receive a Business Subsidy.

After review of the Business Subsidy application, the governing bodies of the Grantor shall hold a public hearing pursuant to the Act and consider final approval of the granting of the Business Subsidy. All application and supporting materials shall become the property of the Grantor.

Adopted by the Board of Commissioners of the Economic Development Authority of Columbus, Minnesota, this 10th day of October, 2012.

Adopted by the City Council of the City of Columbus, Minnesota, this 10th day of October, 2012.