CITY OF ST. CLOUD

BUSINESS SUBSIDY CRITERIA

ADOPTED MAY 9, 2011

The following business subsidy criteria satisfy the requirements of Minnesota Statutes, §§ 1161.993 through 116J.995 (the "Act"). In accordance with the Act, the City caused due notice to be given and held a public hearing on May 9, 2011 allowing all persons attending the public hearing to address the City Council. The City Council adopted these criteria on May 9, 2011 to be applied by the City in determining whether to make grants, loans or provide other assistance to a business.

A. BUSINESS SUBSIDY PURPOSE AND RECITALS

1. The Act. The Minnesota State Legislature has enacted the Business Subsidy Act, set forth in Minnesota Statutes Sections 116J.993 through 116J.995, as amended (the "Act").

2. City. The term "City" means the City of St. Cloud, Minnesota.

3. Requirements. The City is subject to the requirements of the Act for business subsidies granted. The City may not grant a business subsidy until the City has adopted criteria, after a public hearing, for awarding business subsidies that comply with the Act.

4. Business Subsidy. The Act defines a business subsidy as 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.

5. Recipient. The Act defines a recipient as any for-profit and certain nonprofit business entities that receive a business subsidy.

6. Project. The term "project" means the property with respect to which the business subsidy is provided.

B. BUSINESS SUBSIDY POLICIES

1. The fundamental purpose of business subsidies in the City is to encourage desirable development or redevelopment that would not otherwise occur "but for" the assistance. Business subsidies do not exist to enhance the return on investment for projects that would otherwise occur, but to facilitate development that would not otherwise occur.

2. Any developer that applies for business subsidy assistance may look to these criteria for guidance regarding the City's evaluation of an application. The City will work to maximize the subsidies to those projects that, in the City's judgment, will address the most pressing public purpose. The ability to demonstrate that the project will most likely achieve its stated goals and therefore address the most pressing public purpose will be the primary factor in determining whether a project receives a business subsidy.

3. 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 criteria set forth herein. The reason for any deviation from the principles set forth herein will be documented in writing by the City and will be submitted to the Department Employment and Economic Development in accordance with the Act.

C. *BUSINESS SUBSIDY CRITERIA*

The City will consider providing business subsidies to projects in an attempt to achieve one or more of the following public purposes, which shall serve as the evaluation criteria:

1. Jobs and Wages. Whether the project will retain local jobs and/or increase the number and diversity of jobs offering stable employment and/or attractive wages and benefits.

a. *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 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.

c. *Wage.* The setting of wage and job goals based on (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. Tax Base. Whether the project will enhance and diversity the City's property tax base.

a. Property Tax. The net increase in property taxes estimated to be generated by the project after it is fully operational.

3. Land Use. Whether the project will assist in the orderly growth of the community and/or foster a greater sense of community.

a. *Compliance with Comprehensive or Other Plans.* The project/use is more compatible with the comprehensive plan's goals and objectives than other uses of the property allowed by its zoning.

b. *Marginal Property.* The project is located on property which needs, but is not likely, to be developed or redeveloped because of blight or other adverse conditions making site preparation costs exceed the property's fair market value.

c. *Design and/or Other Amenities.* The business subsidy will result in a project including site design, architectural detail, and/or functional amenities not otherwise required by law.

4. Impact on Existing and Future Public Investment. Whether the project provides a return on past public investments or creates opportunity for further public investment in economic development.

a. *Utilization of Existing Infrastructure Investment.* To what extent the project will utilize existing public infrastructure capacity or assist in funding additional public infrastructure necessary to meet the City's economic development objectives.

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 from an interest bearing loan or other revenue sharing arrangement.

5. Economic Development. Whether the project will encourage additional unsubsidized private development in the area of strengthen existing businesses.

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. Whether the project will provide professional, personal, retail, and/or social services needed in the community.

7. Other. 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. BUSINESS SUBSIDY REQUIREMENTS

All recipients/projects must comply with all the following criteria in order to receive assistance as a business subsidy from the City:

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 for a period of two years from the date assistance is received (as defined in the Act) be at least equal to the federal minimum wage 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 MN 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.