



# **Business Subsidy Policy**

Public Hearing Held  
&  
Policy Adopted

**June 26, 2018**

## **I. Introduction**

This Policy is adopted for the purposes of the business subsidies act (the “Act”), which is Minnesota Statutes, Sections 116J.993 through 116J.995, as amended. Terms used in this Policy are intended to have the same meaning as 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.

While it is recognized that the creation of good paying jobs is a desirable goal that benefits the community, it must also be recognized that not all projects assisted with business subsidies derive their public purposes solely by virtue of job creation. In addition, the imposition of high job creation requirements and high wage levels may be unrealistic and counter-productive in the face of larger economic forces and the financial and competitive circumstances of an individual business.

The City further believes that each economic development opportunity offers its own unique benefit to the community. These benefits may be in the form of added tax base, new or retained jobs, higher incomes, overall investment in the area, business diversification and / or increased economic activity and vitality.

The Hutchinson Economic Development Authority was established in order to promote job creation, redevelopment and investment in the community as well as to expand the city’s tax base and diversify the city’s industrial, commercial and retail base.

To effectively promote economic development within the city, be competitive vis-à-vis other communities and meet the diverse needs of business and industry, the EDA must have use of all the economic development incentives and tools legally available to it. The use of these incentives and tools cannot be judged nor can they be provided by a single measure, but must rather be evaluated in terms of community need, market trends, job creation, capital outlay and / or technology.

## **II. Intent to Retain Flexibility**

Because it is not possible to anticipate every type of project that may provide benefit to the City, the City shall retain the option to amend or waive sections of this policy when it is determined to be necessary and / or appropriate. Minnesota Statute 116J.994, Subd. 2 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 the State.

## **III. Business Subsidy Public Purpose**

Business Subsidies may be provided in order to achieve the following public purposes:

1. Enhance the economic diversity of the city
2. Create high quality job growth
3. Provide for job retention
4. Stabilize the community
5. Increase the tax base

The public purpose(s) of the Business Subsidy may include, but not be limited to, increasing the tax base of the community.

Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable.

This policy is adopted in compliance with M.S. § 116J.994 Subd. 2.

#### **IV. Definitions**

**“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 M.S. §§ 116J.993 - 116J.995.

Business Subsidies **do not** include the following:

1. Assistance of less than \$150,000.
2. Business loans or loan guarantees of \$150,000 or less
3. Federal loan funds provided through the U.S. Economic Development Administration.
4. 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;
5. Public improvements to buildings or lands owned by the City of Hutchinson 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;
6. Property polluted by contaminants being redeveloped as defined in M.S. § 116J.552, subd. 3.
7. 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;
8. Assistance to provide job readiness and training services;
9. Assistance for housing;
10. Assistance for pollution control or abatement, including assistance from a TIF hazardous substances sub-district;
11. Assistance for energy conservation;
12. Tax reductions resulting from conformity with federal tax law;
13. Workers compensation and unemployment compensation;
14. Benefits derived from regulation;
15. Indirect benefits derived from assistance to educational institutions;
16. Funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501(c)(3) bonds;
17. Assistance for collaboration between a Minnesota higher education institution and a business;
18. Assistance from a tax increment financing soils condition district as defined under M.S.469.174, subd.19;

19. Redevelopment when the Recipients or Qualified Business' 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;
20. General changes in tax increment financing law and other general tax law changes of a principally technical nature;
21. Federal assistance until the assistance has been repaid to and reinvested by the local governmental unit;
22. Funds from dock or wharf bonds issued by a seaway port authority;

**“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 local government unit in order to comply with M.S. § 116J.994 Subd. 7. (b).

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

**“DEED”** means Minnesota Department of Employment and Economic Development.

**“Economic Development Agent”** means the city 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 City of Hutchinson. The Economic Development Agent for the *City of Hutchinson* shall be the Hutchinson Economic Development Authority (EDA), hereinafter “Agent”.

**“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 and beginning revenue generating operations and / or hiring employees.

**“Recipient”** means any business entity that receives a business subsidy as defined by M.S. § 116J.993, and that has signed a Business Subsidy Agreement with a city.

## **V. Business Subsidy Policies and Requirements**

The City of Hutchinson adopts the following:

1. Any time the *City of Hutchinson* provides a business subsidy to a 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 city.
2. The *City of Hutchinson* authorizes the Hutchinson Economic Development Authority to act as its Economic Development Agent for purposes of marketing the city, initiating & negotiating Business Subsidy Agreements, and executing Business Subsidy Agreements on its behalf.
3. Job Creation / Retention & Wage Requirements
  - A. Job Creation / Retention Requirement

If the City determines that job creation is a goal of the project, at least 1 full-time or full-time-equivalent job must be created for each \$100,000 of assistance provided.

Retention of existing jobs is acceptable, provided that the applicant can document that, absent the business subsidy, the job loss would be specific and demonstrable.

If the City determines that the creation or retention of jobs is not a goal of a specific project, the job creation goal may be set to zero (0).

#### B. Wage Requirement

Wages paid (exclusive of benefits) for jobs created as a result of the Business Subsidy must be at least equal to the U.S. Department of Health and Human Services Poverty Level for a family of four as of the date the business subsidy is approved.

4. The **City of Hutchinson** may deviate from the wage and job criteria in this section 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.
5. A public hearing shall be held by the City of Hutchinson as provided by M.S. § 116J.994, when the value of the subsidy exceeds or is expected to exceed \$150,000 from local sources.

The purpose of the hearing is to identify and define the criteria that the recipient shall meet in order to be eligible to receive a business subsidy. The hearing shall specify all information required to be included in the Business Subsidy Agreement as listed in section 7 (a) (below).

As provided by M.S. 116J.994, Subd. 5., a public notice shall be published in print and if possible, on the internet, at least 10 days prior to the hearing identifying the location, date, and time of the hearing and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.

#### 6. **Requirements of Businesses**

- a. The business must enter into a “**Business Subsidy Agreement**” with the City that includes:
  - (1) A description of the subsidy, including the amount and type of subsidy, and the type of district if the subsidy is tax increment financing;
  - (2) A statement of the public purpose(s) of the subsidy;
  - (3) Measurable, specific and tangible goals for the subsidy;
  - (4) A description of the financial obligation of the recipient if the goals are not met;

- (5) A statement of why the subsidy is needed;
  - (6) A commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date.
  - (7) The name and address of the parent corporation of the recipient, if any; and,
  - (8) A list of all financial assistance by all grantors for the project
- b. Businesses failing to meet the goals agreed to in the Business Subsidy Agreement must repay the assistance provided with interest, which is set at no less than the implicit price deflator as defined in the Business Subsidy Statute, M.S. §§ 116J.993 - 116J.995. Repayment may be prorated to reflect partial fulfillment of goals.

Adopted by the Hutchinson Economic Development Authority Finance Team on April 18, 2018.

Adopted by the Hutchinson Economic Development Authority, on April 25, 2018.

Public hearing held and policy adopted by the Hutchinson City Council on June 26, 2018.