

## **City of Lewiston, Minnesota Business Subsidies Policy**

Determining whether to grant a business subsidy is an inherently inexact process that greatly depends on individual situations. This policy is a general statement of guidelines. The City in adopting this policy retains the sole and absolute discretion to deny or grant any subsidy request for any reason.

### **I. Public Purpose**

This Policy is adopted by the City of Lewiston (“City”) in accordance with the Minnesota Business Subsidy Law (“Act”), Minnesota Statutes, Sections 116J.993 through 116J.995. Terms used in this Policy are intended to have the same meanings as used in the Act. Subd. 1 of the Act states: “A business subsidy must meet a public purpose other than increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is imminent and demonstrable.”

### **II. Business Subsidy / Community & Economic Development Tools**

The City of Lewiston shall continue its support of community and economic development projects by utilizing any and all available economic and development financing tools it deems appropriate, including, but not limited to revolving loan fund gap financing, Tax Increment Financing, and Tax Abatement. Policies that have been previously adopted for the City’s financing tools shall be incorporated herein as a part of this Business Subsidies Policy. Compliance with the General Business Subsidy Policy shall not automatically mean compliance with such separate policies. Business Subsidies may be granted to projects that would not otherwise occur “but for” the assistance being requested.

### **III. Community & Economic Development Goals & Objectives**

The City may use the available economic development financing tools to assist the City in satisfying its community and economic development goals and objectives. This specifically includes broadening and diversifying the tax base, and one or more of the following:

- A. To further develop and enhanced employment base.
- B. To encourage strong, viable growth and development for the commercial and industrial areas of the community.
- C. To stimulate the redevelopment of underutilized, blighted or obsolete land uses.
- D. To insure that publicly assisted economic development projects meet established criteria that guarantee public benefit.
- E. To promote and encourage a high quality of construction.
- F. To provide more and better services to the City residents.

### **IV. Administrative Authority for Lewiston Business Subsidies Policy**

The City of Lewiston has established an Economic Development Authority (“EDA”) that is responsible, contingent upon following City Council Approval, for the administration and issuance of all business subsidies. The EDA will consider business subsidy requests that meet

one or more of the City's stated development goals and objectives. The EDA is responsible for ensuring that the project would not otherwise occur "but for" the assistance being requested.

## **V. Job and Wage Goals**

While it is recognized that the creation of well paying jobs is a desirable goal which benefits the community, the City of Lewiston also recognizes that not all projects that may be assisted with subsidies will derive their public purposes and importance solely by virtue of job creation.

Whereas job creation is highly sought after as a traditional measure of a subsidy's public benefit, it is also recognized that job creation is by no means the only measurable benefit. In addition, the imposition of high job creation requirements and high wages levels may be unrealistic and counter-productive in the face of larger economic forces and the financial and competitive circumstances of an individual business.

Therefore, where no other criteria apply, job and wage goals under this policy shall be required of applicants on the basis of reasonable projections for comparable businesses, industries, or other organizations. The job and wage goals subsequently required under this policy shall be fulfilled by the end of the second full year of operation. "Job retention may only be used as a public purpose in cases where job loss is imminent and demonstrable."

## **VI. General Limitations & Criteria for all Business Subsidy Projects**

A. Business Subsidies shall be generally limited to projects within the City of Lewiston, in which:

1. The overall level of public financing necessary, as a percent of the total project cost, is no more than fifteen percent (15%) for economic development projects or twenty-five percent (25%) for redevelopment projects.

2. The City shall require at least as much private equity in the project as the level of public financing.

B. The following criteria will be considered for each Business Subsidy application:

1. Will the project increase the tax base, and if so, to what extent?
2. Will new jobs be created and if so, will these jobs constitute "head of household" opportunities?
3. Do project projections show that the proposed project will be financially feasible?
4. Are the proposed use(s) compatible with the City's comprehensive guide plan and zoning ordinance?

C. Criteria: "But For" Test

A key indicator for the use of all business subsidies shall be the "but for" analysis that says the proposed development project would not occur "but for" the business subsidy assistance. Therefore, the City and Authority will review each business subsidy application based on the following criteria:

1. Development obstacles (e.g., deteriorated/obsolete buildings; poor soil conditions).
2. Whether the site has been targeted by the City and/or Authority for redevelopment or development based on specified needs and policy

3. Whether the development project will locate or relocate to a different city and /or state without local public financing.

4. Whether public infrastructure is necessary in order to serve a large area or targeted site.

5. Whether land acquisition assistance is required in order to address a specified public strategy or need.

6. Whether public financing fills an identifiable financing “gap” for the project due to such factors as inadequate lender financing or below-market return on investments.

## **VII. Minimum Standards for All Business Subsidy Projects**

A. Construction of the project shall not begin until the Council and the Authority have approved the applicable business subsidy documents, and executed with the applicant, a corresponding development agreement/ contract for private development, or other appropriate agreements.

B. The City and Authority shall be reimbursed by the applicant for costs associated with contract professionals for reviewing the business subsidy application, preparing and approving required documents, and executing the agreements. The applicant will deposit with the City an administrative fee equal to 100% of the projected costs which will be applied to costs incurred by the City in conjunction with the proposed project. In the event such costs exceed the deposit, the applicant may be required to pay the additional costs as billed by the City or Authority.

C. All applications and supporting documents shall become the property of the City, and the classification of the data shall be governed by the Data Practices Act.

D. The Council and Authority reserve the right to select and retain, at the expense of the applicant, a third party to assist in the evaluation of the proposed development project and corresponding documents and agreements.

E. The applicant shall pay all permits and fees normally charged by the City as part of the approval process unless otherwise approved by the City.

## **VIII. Business Subsidy Application Procedure**

### **A. Pre-application**

1. Prior to any consideration by the City Council and the EDA, the applicant must deliver to the City a completed Business Subsidy Application.

2. City Staff and/or a third party will review the application and provide a recommendation to the Authority and Council for a full application based on compliance of the proposed project with the City’s community and economic development goals.

### **B. Full Application**

The applicant must provide all supplementary information and attachments as required for the business subsidy being requested; and:

1. A “but for” letter as set forth in Section VIII of this Policy and financial analysis demonstrating need for public financing assistance.

2. Letter of feasibility from a bank, lender, or financial advisor, including the following (where applicable):

- Letter of commitment for bank/ private financing;

- Retail or office market analysis;
  - Property appraisal for the proposed project;
  - Pro forma analysis.
3. Release Authorization(s) and Letter of Agreement substantially in the form attached.
  4. A statement addressing environmental review requirements and evidence of compliance with applicable requirements.
  5. A fee deposit as prescribed for the projected costs of the subsidy being requested according to the guidelines applicable to that subsidy.
  6. Building and site plans.
  7. Property information, including legal description, tax parcel ID number, size of parcel(s), current market value and estimated market value upon completion (land and improvements).
  8. Statement of property ownership or control (e.g., purchase agreements and contracts).
  9. Historic information on company and Business Plan.
  10. Business financial statements including past three years of profit/loss statements and balance sheets.
  11. Resumes and personal financial statements of all principals with 20% or more ownership in the business
  12. List of other development projects the applicant has completed. List the value, debt load, and lender(s) of each project and note if the applicant has ever defaulted on any loan commitment, development or redevelopment agreement, or other subsidy for any of the projects listed.

## **IX. Application Review and Project Approval**

### **A. Preliminary Approval**

City Staff and/ or a third party will review the full application and provide a recommendation for preliminary approval to the Authority and Council. Other required project approvals may proceed simultaneously with the business subsidy approval process.

The City will make a finding based upon information presented as to whether the proposed project is consistent with this Policy. If deemed appropriate, the City may direct staff and consultants to prepare the required documents and agreements.

### **B. Final Approval**

Final Approval of a business subsidy shall occur with the approval and signing of all required documents and agreements.

## **X. Follow-up Reporting Requirements**

The Act requires follow-up reporting on the part of the business to the City of Lewiston and from the City to the State of Minnesota or other funding entity. The City shall provide a description of the information required and the forms/ format for such reporting.

## **XI. City of Lewiston Retains the Right of Ultimate Review**

Due to the fluctuating nature of businesses and communities, this policy must remain able to accommodate the changing needs of the community. The expectations set forth in the area of

creation and wage goals must remain reasonable to the context, situation, and individuals to which they are applied.

Due to the inherent inability to fully anticipate future situations and projects, this granting body retains the right to grant subsidies to projects that are deemed in the public interest, yet may deviate from the above criteria.