

CITY OF AUSTIN, MINNESOTA CRITERIA FOR AWARDING BUSINESS SUBSIDIES

The following criteria are adopted for purposes of the business subsidies act (the “Act”), which is Minnesota Statutes, Sections 116J.993 through 116J.995. Terms used in this criteria policy statement are intended to have the same meanings as used in the Act, and these criteria shall apply only with respect to business subsidies granted under the Act if and to the extent required thereby.

A business subsidy is defined 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 on deferral of any tax or any fee, any guarantee of any payment under any loan, lease or other obligation, or any preferential use of governmental facilities given to a business.” To be subject to the criteria a business subsidy must be \$25,000 or more. Twenty-two exceptions to these requirements are set out in the legislation and are attached hereto as Appendix A.

Any project for which the City grants a business subsidy shall meet the following mandatory minimum criteria.

A. Job Creation and Wage Requirements:

- ◆ Where the public purpose of a project is the creation of additional jobs in the City, such jobs shall pay a wage of at least the rate of 110% of the current poverty level for a family of four (currently \$9.75/hour, \$10.07/hour as of July 2004). A minimum of one (1) fulltime equivalent or two (2) part-time jobs shall be created. Where the public purpose of a project is the retention of jobs, the job loss must be specific and demonstrable, a minimum of one (1) fulltime equivalent or two (2) part-time jobs shall be retained.

While the creation of good paying jobs is a desirable goal, which benefits the community, it must be recognized that not all projects assisted with subsidies derive their public purposes and importance solely by virtue of job creation. Therefore, where creation or retention of jobs is not a goal of the project, the job and wage goals may be set at zero after a public hearing.

The following are additional criteria that will be considered in determining whether a project is worthy of a business subsidy.

B. Enhancing Economic Diversity:

- ◆ The project’s potential to improve the mix of businesses in the area so as to allow it to participate in fast-growing industries and protect it from adverse economic consequences caused by slow growth or declining industries that are dominant in the area.

- ◆ The possibility of the project generating a high level of secondary spin-off economic effects through purchases and/or subcontracts offered to local vendors.

C. Retaining Jobs Where Loss Is Imminent and Demonstrable:

- ◆ Where there is substantial evidence that the company will have to shut down involuntarily.
- ◆ In cases where substantial evidence is provided that – unless there is some intervention – the business will move to another state or community.

D. Stabilizing the Community:

- ◆ The project will constitute a significant investment in an area that is economically depressed.
- ◆ The project addresses slum and blight conditions in an area.
- ◆ The project's potential to stimulate additional capital investment in real property, equipment and/or public infrastructure in an area.

E. The Project's "Risk-Reward" Ratio:

- ◆ Examination of the type of assistance requested and the current status of that specific tool or program.
- ◆ The other forms of financing, the private versus public finance ratio (high levels of private capital leverage are preferred) and the potential of the full financing package being realized.
- ◆ The project's potential for any negative effect on competitive businesses.

Because it is not possible to anticipate every type of project which may in its context and time present desirable community development and/or preservation goals and objectives, the governing body must retain the right in its discretion to approve projects and subsidies which may vary from the principles and criteria of this Policy.