

City of Shakopee, Minnesota

BUSINESS SUBSIDY POLICY

1) POLICY PURPOSE

For the purposes of this document, the term “City” includes the Shakopee City Council, staff, the Economic Development Authority, advisory boards and commissions, financial consultants and legal counsel.

Economic development incentives are financial tools that enable the City to provide opportunities and benefits for its businesses and residents. Incentives can take a variety of forms, including, but not limited to, cash, debt financing, tax and fee waivers, credits and rebates. The City of Shakopee provides economic development incentives in order to achieve its long-range vision of creating a diverse and sustainable economic base. A sustainable economic base is achieved in part through the creation and retention of quality, high paying jobs. A diverse and sustainable economy offers opportunity for improved quality of life for the residents of Shakopee. Economic development projects may also achieve other worthwhile goals. For instance, some projects provide value to the community in the forms of infrastructure improvements, stabilization of business districts or neighborhoods, or concentration of selected industries.

This document sets forth the specific criteria the City uses to evaluate a request for Business Subsidy. In adopting these criteria, it is the intent of the City to comply with Minnesota Statutes, Sections 116J.993-116J.995 as amended (the Act). The City hereby adopts the definitions contained in the Act for application of the criteria, and they are incorporated herein by reference. The City has adopted this policy and these criteria after a public hearing in accordance with the Act.

The City reserves the right to approve or reject projects on a case-by-case basis, taking into consideration established policies, project criteria, and demand on City services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of business assistance to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

The City can deviate from this policy for projects that supersede the objectives identified herein. Any applicant who is not in good standing with the City, in regards to licenses, fees or other specific charges, will not be considered for business subsidies.

The City may charge a fee for requests under this policy, and these fees will be adopted annually during the fee schedule review.

2) BUSINESS SUBSIDY OBJECTIVES

As a matter of adopted policy, the City will consider offering a business subsidy to assist private development projects that achieve one or more of the following objectives:

- To increase the City's tax base.
- To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits. Preference will be given to higher paying jobs that also provide benefits such as health care coverage.
- To encourage new head of household job creation paying at least \$19.00/hour (200% of the state minimum wage), exclusive of benefits. Jobs to be retained are not required to meet the above wage standard. After a public hearing, the City may establish wage goals for new jobs to be created that vary from the above standard, and take into account these additional factors;
 - The size of the business and its potential to create higher paying jobs in the future;
 - Local economic conditions;
- To support projects that provide value in the forms of needed transportation and other utility infrastructure improvements that would be completed in conjunction with the project.
- To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
- To facilitate the development process and to achieve development on sites which would not otherwise be developed but for the use of a business subsidy.
- To remove blight and/or encourage redevelopment of commercial and industrial areas that will result in high-quality redevelopment and private reinvestment.
- To offset increased costs of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
- To create opportunities for affordable housing and/or a diversification of housing stock available within the community.
- To support a project that will improve the quality of life in the City by providing a desirable good or service and addressing an unmet demand in the community.
- To contribute to the implementation of other public policies, as adopted by the City from time to time, such as the promotion of quality urban or architectural design, energy conservation, and decreasing capital and/or operating costs of local government.
- To support the retention and/or adaptive re-use of buildings of historical or architectural significance.
- To promote revitalization and redevelopment in the Main Street Corridor.

3) ECONOMIC DEVELOPMENT INCENTIVE PROGRAMS

Criteria for these programs are at the discretion of the governing body and may include additional policies and procedures.

- a. **Tax Abatement:** The City of Shakopee is granted the power to utilize tax abatement by Minnesota Statutes 469.1812 through 469.1816 as amended and the City of Shakopee Tax Abatement Policy approved on March 18, 2014, authorized by EDA Resolution No. 2014-3 and City Council Resolution No. 7435. The fundamental purpose of tax abatement in Shakopee is to encourage desirable development or redevelopment that would not otherwise occur *but for* the assistance provided through the tax abatement. The City utilizes “Pay-As-You-Go” Tax Abatement, which relies on the developer to pay for the up-front project costs with reimbursement from tax abatement.
- b. **Tax Increment Financing:** The City of Shakopee is granted the power to utilize TIF by the Minnesota Tax Increment Financing Act, Minnesota Statutes 469.174 through 469.1794 as amended and the City of Shakopee Tax Increment Financing Policy approved on March 18, 2014, authorized by EDA Resolution No. 2014-2 and City Council Resolution No. 7434. The fundamental purpose of tax increment financing in the City of Shakopee is to encourage desirable development or redevelopment that would not otherwise occur *but for* the assistance provided through TIF. The City utilizes “Pay-As-You-Go” TIF, which relies on the developer to pay for the up-front project costs with reimbursement from tax increment.
- c. **Metropolitan Council Sewer Availability Charge (SAC) Credit:** When new construction or a change in use of a property requires additional sanitary sewer capacity, a fee is charged by the Metropolitan Council-Environmental Services. The fee is based on the Metropolitan Council’s determination of the number of sewer availability charge (SAC) units.
- d. **City of Shakopee Sanitary Sewer Availability Charge (SAC) Credit:** In 1994, the City adopted access fees for the sanitary sewer system (SAC). Those fees are used for construction of other MCES interceptors and long-term maintenance of the City sanitary sewer system. For any construction project or change in use, the City SAC is the same as the number of units determined by the Metropolitan Council. However, City fees will be imposed only for the units resulting from an expansion or a change of use that requires additional charges.
- e. **Minnesota Investment Fund:** The City of Shakopee is granted the power to utilize the Minnesota Investment Fund Program by Minnesota Statute 116J.8731 as amended.
- f. **Commercial Exterior Improvement Program:** The City of Shakopee is granted the power to utilize the Commercial Exterior Improvement Program by the Municipal Commercial Rehabilitation Loan Program, Minnesota Statute 469.184 as amended.

- g. **Property Sales:** The City of Shakopee may negotiate the sale price of property owned by the City or EDA for new or expanding businesses and/or multi-family housing developments.
- h. **Bonds:** The City of Shakopee, Minnesota (the “City”) has the authority to issue revenue bonds pursuant to Minnesota Statutes, Sections 469.152 to 469.1651 (the “Industrial Development Act”), Minnesota Statutes, Chapter 462C (the “Housing Act”) and the City of Shakopee Private Activity Revenue Bond Policy approved on June 18, 2013, authorized by City Council Resolution No. 7318. The City Council of the City will consider the issuance of private activity bonds (both taxable and tax-exempt) to finance the following types of projects; manufacturing/industrial facilities, multifamily housing, health care facilities, other projects on behalf of 501(c)(3) organizations and other projects authorized by state statutes and federal law. In extraordinary circumstances, the City Council of the City may consider and approve the issuance of Private Activity Bonds by the Economic Development Authority for the City of Shakopee (the “EDA”).

4) APPLICATION PROCESS

- a. The applicant will complete and submit the City's Application for Business Subsidy along with the required application fee (refer to the current year's adopted fee schedule). The application fee covers the City's outside legal counsel review and financial analysis costs. The applicant will also provide any additional information requested by the City. The applicant will be liable for any additional costs beyond the initial deposit. All materials submitted to the City in connection with a business subsidy application shall become the property of the City and is subject to data privacy law.
- b. City staff or the City's agent shall review the application materials and make a preliminary recommendation to the City regarding the completeness of the application, whether the application meets the goals of this policy, and whether the application complies with the criteria established in the incentive program's policy.
- c. When necessary, Public Hearing Notices are published and sent to the county and/or school board.
- d. In the event that the City concurs with the recommendation above, the City will consider the application during a public meeting. The City will grant final approval or denial of the proposal.
- e. Additional agreements and program requirements (including annual reporting) may be necessary depending on the form of business subsidy and/or the value of the award, as defined in Minnesota Business Subsidy Statute, Sections 116J.993-116J.995 as amended (the Act).