

City of Byron, MN
&
Byron Economic Development Authority
Business Subsidy Policy

Updated October 2016

I. Business Subsidy Policy Purpose:

The purpose of this policy is to encourage responsible and desirable development within the City of Byron in exchange for voluntarily forfeiting tax or other revenue in the form of business subsidies.

This policy is adopted to meet the requirements outlined in Minnesota Statutes §§ 116J.993 - 116J.995 (Business Subsidies Act), as well as determine appropriate criteria for business subsidies in the City of Byron. These criteria, in conjunction with other relevant policies, shall be used by the City of Byron and related entities (including the Byron Economic Development Authority) to determine the appropriateness of granting subsidies for private business or development purposes.

II. Definition of business subsidy:

Minnesota Statute §§ 116J.993 (Sub 3) defines "business subsidy" or "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.

These include, but are not limited to, the following business subsidies utilized by the City of Byron for economic development purposes:

- Tax abatement
- **Tax Increment Financing (TIF)**
- Grants
- Exemption of fees or assessments
- In-kind services

III. Authority and Statutory requirements:

1) The City of Byron, MN has the ability to grant business subsidies in accordance with the limitations established in Minnesota Statute M.S. §§ 116J.993 - 116J.995.

2) The “City of Byron” refers to the Byron City Council or Byron Economic Development Authority.

3) The City of Byron reserves the right to approve or reject subsidies. Approval must be based on the criteria outlined in this policy; Meeting these criteria does not guarantee approval.

3) This policy must be approved by the elected body of the City of Byron and submitted to the Minnesota Department of Employment and Economic Development (DEED).

IV. Objectives:

A) All business subsidies must meet a public purpose defined as meeting one or more of the following criteria.

1. Retain and/or enhance the economic base of the community which includes increasing the tax base or any other measurement defined by the elected body of the city.
2. Create or retain high quality jobs.
3. Protect or enhance a community asset identified by the Byron Economic Development Authority (BEDA)
4. Facilitate or create additional un-subsidized development as a result of the project
5. Remove, redevelop or rehabilitation “blighted areas” as defined by Minnesota Statute 469.002 subd. 11
6. Fund environmental cleanup, restoration, sustainable land use or Brownfield redevelopment
7. Improve upon or create new public infrastructure that is resilient and sustainable including but not limited to, stormwater management, water conservation, and public health.

B) The City of Byron will provide subsidies to business or development projects only in instances where the project would not go forward but for the existence of the subsidy.

C) The intent of any business subsidy provided by the city is to supply “Gap” financing, or the difference between the amount of the project that can be financed privately, and the amount that is required to ensure project completion.

D) The city will ensure that the benefits of any business subsidy will create benefits or greater to the amount of the subsidy. Benefits will be measured in relation to the criteria to determine public purpose.

V. Business Subsidy Approval Criteria:

1. **Public Purpose.** Any entity requesting a business subsidy must be able to reasonably exhibit the benefits of that subsidy in relation to a public purpose defined by the criteria in section IV.
2. **Job Creation and Retention.** The City of Byron shall have an overall goal of ensuring recipients of subsidies, create or retain jobs within the city. Additionally, recipients are encouraged to give priority to hiring residents of the City of Byron.
3. **Wage Floor.** Jobs created as a result of a business subsidy shall be living wage jobs. Paying wages equal to or greater than the “Cost of Living Hourly Wage” for Southeast Minnesota Region 10, for the current year as defined by Minnesota’s Department of Employment and Economic Development DEED. (\$17.78 in 2019)
4. **Private Investment and Financial Feasibility.** The city shall ensure that the amount of private investment is maximized. Additionally, business subsidies will not be provided to projects that are financially feasible without the granting of the subsidy by the city. Developer or business must provide any and all information that the city deems necessary to determine financial feasibility including market and financial feasibility studies, appraisals, audits, or any other information that the city requires in order to proceed.
5. **Zoning and Land Use.** The project is in compliance with zoning ordinances and constitutes the highest and best use of the available property, or an exemption is granted by the city, or required changes to the ordinance are under active consideration.
6. **Public Process.** Approval of any business subsidy requires a public hearing.
7. **Chamber/Community Involvement.** During the time period of the subsidy the Economic Development Authority encourages the business to hold a current membership with the Byron Chamber of Commerce to demonstrate the businesses willingness to participate with existing Byron businesses.

Generally business subsidy policy allows subsidized amounts of up to ten percent of the estimated total project cost. The suggested additions allow the EDA to state the findings of fact for approval or denial of subsidy request.

The City of Byron may deviate from wage and job criteria 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.

VI. Subsidy Agreements:

In accordance with the criteria outlined in M.S. §§ 116J.994 (sub 2), any entity receiving a business subsidy must enter into a subsidy agreement with the city of Byron. This agreement must contain the following:

- (1) a description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
- (2) a statement of the public purposes for the subsidy;
- (3) a outline listing the 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 expiration date of the subsidy benefit;
- (7) the name and address of the parent corporation of the recipient, if any; and a list of all financial assistance by all grantors for the project.
- (9) Business subsidies in the form of grants must be structured as forgivable loans. For other types of business subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
- (10) Specifically list the number of FTE jobs to be created or retained, if any, within two years of the subsidy benefit (or no later than one year after the commencement of construction of building in the case of JOBZ benefits) including wage goals for these jobs.
- (11) Set forth any required fees or costs to the applicant for services administered by the city/EDA.

VII. Additional Requirements Business Subsidy Benefits

The City of Byron shall require all businesses receiving a business subsidy through to comply with all statutory requirements in this document or otherwise.