

# HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

## AGENDA

Wednesday, March 23, 2022 at 11:30 a.m.  
Council Chambers  
Governmental Services Building

1. **ROLL CALL**
2. **MINUTES** – Approval or correction
  - A. February 16, 2022 HEDA Minutes
3. **RESOLUTIONS**
4. **WORK SESSION**
  - A. Discussion on **Business Subsidy Policy** related to Housing
  - B. Update on Comprehensive Planning Process
  - C. Update on Business Retention Survey
  - D. Update on Hwy 53 Business Park
5. **RECESS**

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

February 16, 2022

11:30 a.m.

**MEETING CONDUCTED IN PERSON**

**ROLL CALL:** Commissioners Geissler, Haapanen, Hauschild, Peterson, Ronchetti, Mayor Boucher (arrived 11:41 a.m.)

**CITY STAFF:** John Mulder, City Administrator; Jackie Dolentz, City Clerk; Eric Johnson, Community Development Director; Joe Wicklund, Communications and Community Engagement Director; Steve Overom, Attorney

**ABSENT:** Commissioner Nelson

**VISITORS:** None

**MINUTES**

Motion made by Commissioner Peterson, seconded by Commissioner Ronchetti, to approve the February 1, 2022 HEDA Minutes. Motion carried on a voice vote. Commissioner Nelson and Mayor Boucher, absent.

**RESOLUTIONS**

- A. **2022-02H**     Resolution Approving An Agreement For Professional Consulting Services with Braun Intertec Corporation For The Total Consideration of \$63,116.00

Motion made by Commissioner Geissler, seconded by Commissioner Hauschild to adopt Resolution 2022-02H Resolution Approving An Agreement For Professional Consulting Services with Braun Intertec Corporation For The Total Consideration of \$63,116.00. Motion carried on a voice vote. Commissioner Nelson and Mayor Boucher, absent.

**WORK SESSION**

- A. Update on Business Retention & Expansion Survey

John Mulder reviewed the Business Retention & Expansion Survey with the Commission. The Commission made a number of suggestions of other businesses to consider.

- B. Update on Budget/Projects for 2022

John Mulder provided an update on Budget/Projects for 2022 to the Commission. Joe Wicklund provided an update on the Hometown Campaign and Herman Beings project to the Commission.

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Next meeting scheduled for Wednesday, March 23<sup>rd</sup>, 11:30 a.m.

**RECESS**

Motion made by Commissioner Ronchetti, seconded by Mayor Boucher to recess at 12:14 p.m.  
Motion carried.

Recorded by:

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John Mulder, Executive Director

**TO:** HEDA Members  
**FROM:** John Mulder, Executive Director



**DATE:** March 17, 2022                      **Meeting Date:** 3/23/2022  
**SUBJECT:** Business Subsidy Policy                      **Agenda Item:** 4A

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**STRATEGIC DIRECTION:**      **SD5: ESTABLISHING A DIVERSE, LIVABLE COMMUNITY WITH A SENSE OF PLACE**

**ACTION STEP:**                      A3. Update business subsidy policy to reflect changes in market

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**REQUESTED ACTION**

No Action requested – Review and discuss

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**BACKGROUND**

Attached is the City’ Business Subsidy Policy with on suggested edit of deleting housing as ineligible business (See section 4.2.3)

We will discuss a couple of current projects, where HEDA and the City may want to consider providing assistance on the project.

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**SOURCE OF FUNDS (if applicable)**

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**ATTACHMENTS**

Business Subsidy Policy

**Hermantown Economic Development Authority**

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**HEDA’s mission is to intentionally lead economic growth, creating a vibrant and prosperous community.**

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## BUSINESS SUBSIDY POLICY

Section 1. Public Purpose. The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes, §§116J.993 through 116J.995 (the "Act"). The term "City" means both the City of Hermantown ("COH") and the Hermantown Economic Development Authority ("HEDA"). The term "project" means the property and/or activity with respect to which the business subsidy is provided. The City will use various tools to accomplish its goals of economic development. These goals include facilitating projects that result in the creation, retention, attraction, and expansion of business in the COH, and the increase of the tax base.

Section 2. Public Benefit. The public benefit of a project must be expected to exceed the costs to the City and the project must meet:

- 2.1 Increase or preserve the COH tax base; and/or
- 2.2 Provide or help acquire or construct public facilities; and/or
- 2.3 Help redevelop or renew blighted areas within the COH; and/or
- 2.4 Finance or provide public infrastructure.

Section 3. Minimum Requirements For All Projects. All projects must comply with all the following criteria in order to receive a business subsidy or other financial assistance (as defined in Section 8.1.6) ("OFA") from the City:

- 3.1 Eligibility The recipient must not have failed to meet the requirements of a previous business subsidy agreement from the City or some other location. The City must verify eligibility with the DEED.
- 3.2 Economic Feasibility. The project must demonstrate to the satisfaction of the City that it is adequately financed and that the project will be completed in a timely fashion.
- 3.3 Compliance with Act. The business subsidy or OFA from the City must satisfy all requirements of the Act and all other applicable laws, rules and regulations.
- 3.4 Wage Criteria: If a goal of the project is the creation or retention of jobs, the wage for each part-time and full-time job created or retained must be at least equal to the federal minimum wage.

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Section 4. Eligible/Ineligible Projects.

- 4.1 Eligible projects include:
  - 4.1.1 Retail
  - 4.1.2 Manufacturing
  - 4.1.3 Assembly plants
  - 4.1.4 Professional Offices
  - 4.1.5 Restaurants
- 4.2 Ineligible business include
  - 4.2.1 Speculative Real Estate
  - 4.2.2 Agriculture
  - 4.2.3 ~~Housing~~

Section 5. Allowable Uses.

- 5.1 Land and building acquisitions
- 5.2 Building renovation or demolition
- 5.3 New building construction
- 5.4 Land improvements (infrastructure, wetland mitigation, stormwater controls)

Section 6. Preliminary Screening Process.

6.1 The proponent of the project must make an application for a business subsidy to the City of Hermantown on a form provided by the City.

6.2 All applications shall be submitted to the City Administrator or be initially reviewed by the City Administrator. The City Administrator will preliminary determine the ability of the applicant to comply with the requirements of this Business Subsidy Policy. If the City Administrator reasonably believes that the applicant will be able to comply with the requirements, the application will be presented to the Fast Track Review Committee.

6.3 The Fast Track Review Committee will fully consider any applications presented to it by the City Administrator. The applicant will provide, if reasonably possible, to Fast Track Review Committee:

- 6.3.1 A comprehensive business plan, including an initial sources and uses of funds, three (3) years projections of the activities of the business, including pro forma balance sheets and income statements;
- 6.3.2 Financial Statements for the immediate past three (3) years, including a balance sheet and profit-and-loss statement current to the most recent calendar quarter. Where available, audited financial statements (including footnotes) should be provided for the past three (3) years. If the project will be a new business, then financial information shall be provided for the principal owners of the new business and if individual(s), current personal financial statement(s).

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- 6.3.3 If the Fast Track Review Committee determines that the requirements of this Business Subsidy Policy will be able to be met by the applicant it shall give due consideration to the items in Section 3 of this Business Subsidy Policy and make findings with respect to each such requirements.
- 6.3.4 If the Fast Track Committee makes positive findings with respect to the requirements of this Business Subsidy Policy, then the City Administrator will determine whether to proceed further with the consideration of a business subsidy for the project.
- 6.3.5 A determination by the City Administrator to proceed further with the consideration of a business subsidy for a project does not constitute an approval of any other permits required for the development of the project or an approval of a business subsidy agreement for the project, but only constitutes the preliminary determination that the City Administrator will continue to work with the project proponent with respect to the City considering providing a business subsidy for the project. The City will then typically require that the applicant enter into an Inducement Agreement with the City with respect to further work on the project.
- 6.3.6 Nothing herein shall require the City to approve the application of a business that meets the requirements of this Business Subsidy Policy. The City need not approve the application of an applicant that meets all the requirements of this Business Subsidy Policy unless the City in its sole discretion determines that it is in the best interests of the City to provide a business subsidy for the project. The approval or denial of one project does not act as a precedent for approval or denial of another project even if it is the same or similar.
- 6.3.7 Neither the City Administrator nor the Fast Track Committee can make any binding obligations on the City. Only the City Council is authorized to approve contracts and agreements on behalf of the City.

## Section 7. Evaluation Policy.

7.1 Because it is not possible to anticipate all the needs and requirements of every type of project and the ever-changing needs of the City and in order to retain the flexibility necessary to respond to all proposed projects, the City retains the right to approve projects and business subsidies which may vary from the principles and criteria set forth herein. The reason for any deviation from the principles set forth herein will be documented in writing by the City and will be submitted to the Department of Employment and Economic Development (“DEED”) in accordance with the Act.

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Section 8. Evaluation Procedure.

8.1 The City will consider one or more of the criteria listed in Section 9 of this Business Subsidy Policy in determining whether to provide financial or other assistance to a project as a business subsidy. In order for a project to receive financial or other assistance as a business subsidy, it must satisfy the minimum requirements of Section 3. In applying the criteria in Section 9 to a specific project, the following will apply:

- 8.1.1 The City may consider the requirements of any other business subsidy received, or to be received, from a grantor other than the City.
- 8.1.2 If the business subsidy is a guaranty, the amount of the business subsidy may be valued at the principal amount of the guaranteed payment obligation.
- 8.1.3 If the business subsidy is real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the City.
- 8.1.4 If the business subsidy is to be paid over time, the City may value the subsidy at its present value using a discount rate equal to an interest rate which the City determines is fair and reasonable under the circumstances or it may use the gross amount of the stream of payments or any combination of the foregoing.
- 8.1.5 If the business subsidy amount exceeds \$150,000.00, a public hearing must be held. A public notice must be printed in the legal newspaper of the City and include: the date, time and place of hearing, and where printed information on the business subsidy, including a summary of the terms of the subsidy is available and otherwise be in compliance with the provisions of the Act.
- 8.1.6 Reports by the City to DEED are required for financial assistance of \$25,000.00 and greater that is excluded from the definition of “business subsidy” by Section 116J.993, Subd. 3, clause (1) and of \$75,000.00 and greater that is excluded from the definition of “business subsidy” by Section 116J.993, Subd. 3, clause (21). The report is specified in 116J.994, Subd. 8(b).

8.2 As used herein "benefit date" means the date the business subsidy is received. If the business subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date occurs when the recipient puts the equipment into service. If the business subsidy is for improvements to property, then the benefit date refers to the earliest date of either: when the improvements are finished for the entire project; or when a business occupies the property.



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Section 9. Evaluation Criteria. The project review and evaluation criteria are the following:

9.1 Tax Base, Development Features.

- 9.1.1 Increase in Tax Base. The net increase in property taxes estimated to be generated by the project in the first full year of full property taxes on the project.
- 9.1.2 Compliance with Comprehensive or Other Plans. Whether the project is more compatible with the comprehensive plan than other permitted uses for the property. For example, the project may involve a "clean" industry such as a technology or service business which is preferred over other permitted uses.
- 9.1.3 Marginal Property. Whether the project is located on property which needs but is not likely to be developed or redeveloped because of blight or other adverse conditions of the property. For example property may be so blighted that the cost of making land ready for redevelopment exceeds the property's fair market value.
- 9.1.4 Design and/or Other Amenities. Whether, as a result of the business subsidy, the project will include design and/or amenity features not otherwise required by law. For example, the project may, at the request of the City, include landscaping, open space, public trails, or day care facilities which serve a public purpose but are not required by law.

9.2 Impact on Existing and Future Public Investment.

- 9.2.1 Utilization of Existing Infrastructure Investment. Whether and to what extent (a) the project will utilize existing public infrastructure capacity and (b) the project will require additional infrastructure improvements.
- 9.2.2 Direct Monetary Return on Public Investment. Arrangements made or to be made for the City to receive a direct monetary return on its investment in the project. For example, the business subsidy may be in the form of an interest bearing loan or may involve a profit sharing arrangement.

9.3 Economic Development.

- 9.3.1 Leveraged Funds. The ratio of every dollar of business subsidy to be provided for the project to, the amount of private funds which will be applied towards the cost of the project should be considered.

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9.3.2 Spin Off Development. The dollar amount of non-subsidized development the project is expected to generate in the surrounding area and the need for and likelihood of such spin off development.

9.4 Quality of Life.

9.4.1 Community Services. Whether the project will provide services in the COH that are needed in the COH. For example, the project may provide health services, retail convenience services such as a nearby grocery store, or social services needed in the COH.

9.5 Other

9.5.1 Other Factors. Depending on the nature of the project, such other factors as the City may deem relevant in evaluating the project and the business subsidy proposed for it.

Section 10. Requirements After Approval of Projects.

10.1 Business Subsidy Agreement The City and the recipient must enter into a written agreement before the City grants the business subsidy. The agreement is to be drafted by the City Attorney. The agreement must contain the terms and provisions required by the Act and such other terms and provisions as are necessary to protect the interests of the City. A business subsidy agreement is required even for financial assistance of \$25,000.00 and greater that is excluded from the definition of “business subsidy” by Section 116J.993, Subd. 3, clause (1) and of \$75,000.00 and greater that is excluded from the definition of “business subsidy” by Section 116J.993, Subd. 3, clause (21).

10.2 Monitoring and Annual Reports.

10.2.1 The business must complete a report on forms developed by the DEED and submit those forms to the City by March 1 for the previous year. The City must submit these reports to DEED by April 1 of each year.

10.2.2 The City must submit a businesses’ report to the DEED by April 1 of each year. If a business fails to submit its report to the City, the City must mail a warning to the business. After 14 days, the City must impose an administrative penalty of \$100.00 per day until it receives the report, with a maximum administrative penalty of \$1000.00

10.2.3 The City must submit its own report (“Annual Report”) to the DEED by April 1 of each year, which will include a list of those businesses that did

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not complete reports, and a list of those businesses that have not met wage and job goals within two years, and what the City is doing in response and whatever other information is required by the Act.

Section 11 Amendments. Amendments to this Business Subsidy Policy are subject to the public hearing requirements in Minnesota Statutes §116J.994.

Section 12 Action of the City of Hermantown and Hermantown Economic Development Authority. City, when used herein, means both the City of Hermantown (“COH”) and Hermantown Economic Development Authority (“HEDA”). The COH and HEDA can act independently of one another, subject to the applicable laws, rules and regulations, in providing business subsidies and financial assistance to or for projects.