

**CITY OF MELROSE
STEARNS COUNTY
STATE OF MINNESOTA**

BUSINESS SUBSIDY CRITERIA POLICY

Preface: The City of Melrose adopted its original Business Subsidy Criteria Policy following the proper public hearing on September 2, 1999 and then amended it on July 17, 2003. The Melrose Area Development Authority (MADA), an Economic Development Authority, also adopted the same policy following a public hearing on September 13, 1999 and amended it on June 23, 2003. Since that time, a number of different business assistance tools have been introduced which warrant different criteria be considered for their implementation and utilization. MADA is recommending that updates to the policy also be considered and that the amended Business Subsidy Criteria Policy consolidate all forms of assistance adopted by the City after a public hearing. In addition, MADA will utilize the City's Business Subsidy Criteria Policy for its recommendations to the Council thereby eliminating the need for the MADA Business Subsidy Criteria Policy and hereby rescinding it. The City's Business Subsidy Criteria Policy for Granting Subsidies under the JOBZ Program originally adopted May 19, 2004 is incorporated into this amended Business Subsidy Criteria Policy and the MADA Business Subsidy Criteria Policy for Granting Subsidies under the JOBZ Program adopted May 24, 2004 is rescinded. The following is the Amended City of Melrose Business Subsidy Criteria Policy as adopted on July 21, 2011, following a public hearing held July 21, 2011.

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GENERAL BUSINESS SUBSIDY CRITERIA POLICY

SECTION 1. PURPOSE AND AUTHORITY

- 1.1 The purpose of this policy is to establish the criteria for the City of Melrose, Minnesota (the "City") for the granting of business subsidies for private development. These criteria shall be used as a guide in the processing and reviewing of all applications requesting business subsidies.
- 1.2 The City's ability to grant business subsidies is governed by the limitations established in Minnesota Statutes, Sections 116J.993 through 116J.995 (the "Business Subsidy Law").
- 1.3 Unless specifically excluded by the Business Subsidy Law, business subsidies include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, 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.
- 1.4 These criteria are to be used in conjunction with other relevant policies of the Grantor.
- 1.5 The City may deviate from the criteria contained in this policy by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Minnesota Department of Employment and Economic Development (DEED) with the next annual report.
- 1.6 The City may amend this policy at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes. The City may waive provisions of the criteria in this policy without holding a public hearing.

SECTION 2. PUBLIC PURPOSE REQUIREMENT

- 2.1 All business subsidies must meet a public purpose. The creation of tax base shall not be the sole public purpose of a subsidy. See specific public purpose criteria in Section 4.
- 2.2 The creation or retention of jobs may be, but is not required to be, a public purpose for granting a subsidy. The determination that jobs are not a public purpose for the subsidy and that the related wage and job goals are zero shall be made following a public hearing.
- 2.3 Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The City shall document the information used to determine the nature of the job loss.
- 2.4 The wage floor for wages to be paid for the jobs created shall be the current State minimum wage, as may be adjusted from time to time, unless Minnesota Statutes require otherwise. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy.

SECTION 3. BUSINESS SUBSIDY APPROVAL

- 3.1 All new projects approved by the City should meet the following minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.
- 3.2 To be eligible to receive a business subsidy, the recipient must meet the following minimum requirements:
 - a. The subsidy must achieve a public purpose.
 - b. The project must comply with local plans and ordinances.
 - c. The recipient shall provide information demonstrating that granting the subsidy is necessary for the proposed development to occur.
 - d. The recipient must enter into an agreement pursuant to these criteria and the Statutes.
- 3.3 The business subsidy shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.
- 3.4 The project must be in accord with the City's Comprehensive Plan and Zoning Ordinance, or required changes to the Plan and Ordinance must be under active consideration by the City at the time of approval.
- 3.5 Business subsidies will not be provided to projects that have the financial feasibility to proceed without the benefit of the subsidy. In effect, business subsidies will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business subsidy request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.
- 3.6 Prior to approval of a business subsidy, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring data, information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with the independent underwriting.
- 3.7 Any developer requesting a business subsidy should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
- 3.8 The developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate repayment of the business subsidy, if applicable.
- 3.9 A recipient of a business subsidy must enter into a business subsidy agreement with the City as described in Section 4.
- 3.10 A recipient of a business subsidy must make a commitment to continue operations within the City for the greater of five years after the benefit date or the term of assistance.
- 3.11 Any business subsidy will be at the lowest possible level and for the least amount of time necessary, after the recipient first maximizes the use of private debt and equity financing.

- 3.12 Business subsidy assistance will typically be provided from the City on a "pay-as-you-go" note method, to the developer if the business subsidy is tax increment financing or tax abatement. Requests for up-front financing will be considered on a case-by-case basis.

SECTION 4. GENERAL BUSINESS SUBSIDY CRITERIA

- 4.1 All business subsidies must meet at least one of the following public purpose criteria. The creation of tax base shall not be the sole public purpose of a subsidy.
- a. Provide employment opportunities within the political subdivision;
 - b. Provide or help to acquire or construct public facilities;
 - c. Increase or preserve the tax base;
 - d. Help redevelop or renew blighted areas;
 - e. Help to provide access for services for residents of the political subdivision;
 - f. Finance or provide public infrastructure; and/or
 - g. Phase in a property tax increase for a parcel resulting from a one-year increase of 50% or more in the estimated market value of the parcel, other than the increase in estimated market value attributable to improvements made to the parcel.

SECTION 5. APPLICATION

- 5.1 Prior to consideration by the MADA and the City, the applicant must deliver to the City the following:
- a. Letter formally requesting a business subsidy from MADA and the City;
 - b. Completed and signed Business Subsidy Application, provided by MADA/City, prior to placement on an agenda for recommendation/action by MADA to the City; and
 - c. A processing fee may be charged. The developer will be notified of such fee in advance of MADA/Council consideration of an application.

SECTION 6. BUSINESS SUBSIDY AGREEMENT

- 6.1 In granting a business subsidy, the City shall enter into a business subsidy agreement with the recipient that provides the information, wage and job goals, commitments to provide necessary reporting data, and recourse for failure to meet goals required by the Business Subsidy Law, as amended.
- 6.2 The business subsidy agreement will describe the requirements for the recipient to provide the reporting information required by the Business Subsidy Law, as amended.
- 6.3 The business subsidy agreement may be incorporated into a broader development agreement for a project.
- 6.4 Business Subsidy Agreements are not transferable or assignable without the approval by the City, upon the recommendation of MADA. The City will not consider the transfer or assignment of an Agreement without sufficient documentation for the need for continued assistance.

Adopted by: The City Council of the City of Melrose, Minnesota

Originally Adopted: September 2, 1999

Amended: July 17, 2003

Proposed Amendment:

Date of public hearing: July 21, 2011

Date of adoption: July 21, 2011

EXHIBIT A

CITY OF MELROSE BUSINESS SUBSIDY CRITERIA POLICY FOR GRANTING SUBSIDIES UNDER THE JOBZ PROGRAM

Preamble. Whenever the City of Melrose invests public funds or agrees to voluntarily forfeit tax or other revenue that benefit private development projects in a Job Opportunity Building Zone (JOBZ), those projects should create the greatest number of jobs possible that pay a living wage for the residents of the City and the surrounding region. City policy makers and economic development agents must keep the critical need for living wage full-time equivalent (FTE) jobs as a priority whenever public dollars are invested in a private business or development project.

SECTION 1. PURPOSE AND AUTHORITY

- 1.1 The City of Melrose has received approval from the Minnesota Department of Employment and Economic Development for designation and participation in the State's Job Opportunity Building Zone Program. The Purpose and Authority shall be consistent with that of the General Business Subsidy Criteria Policy.
- 1.2 The purpose of this document is to establish specific JOBZ-related criteria for the City of Melrose (the "City" or "Grantor") for the granting of business subsidies for private development under the JOBZ Program. The criteria shall be used as a guide in the processing and reviewing of applications requesting business subsidies under the JOBZ Program.
- 1.3 Any benefit or incentive provided pursuant to Minnesota Statutes, Sections 469.310 through 469.320 (the "JOBZ Law") shall be deemed a business subsidy for purposes of the Business Subsidy Law and this policy.
- 1.4 The City of Melrose shall target its JOBZ business subsidy assistance to businesses that demonstrate a clear and ongoing commitment to the community by providing living wage jobs to their employees and to City residents, where applicable, by giving priority to those businesses over businesses that have not traditionally paid living wages.

SECTION 2. PUBLIC PURPOSE REQUIREMENT

- 2.1 All JOBZ Projects must meet the public purpose requirements outlined in the General Business Subsidy Criteria Policy of the City.
- 2.2 Specific JOBZ Criteria which supersede the General Business Subsidy Criteria Policy of the City include:
 - a. The creation of at least 1 FTE job is a minimum requirement for consideration for inclusion in the JOBZ Program.
 - b. The living wage floor for wages and health benefits to be paid for the jobs created shall be 110% of the most current national Poverty Guideline for a family of four, as established in the Federal Register by the US Department of Health and Human Services. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy.

SECTION 3. BUSINESS SUBSIDY APPROVAL CRITERIA

- 3.1 All new projects approved by City should meet the minimum approval criteria as established in the General Business Subsidy Criteria Policy of the City. Meeting these criteria does not guarantee approval of the project and creates no contractual rights on the part of any potential developer.
- 3.2 To be eligible to receive a business subsidy, the recipient must meet the minimum requirements identified in the General Business Subsidy Criteria Policy of the City in addition to the following:
- a. If the recipient's business is relocating from another Minnesota location, the recipient shall enter into a relocation agreement with the State.
 - b. The recipient shall enter into an agreement committing to meeting the requirements of these criteria, the Business Subsidy Law, the development plan for the Job Opportunity Building Zone, and the JOBZ Law.
 - c. The recipient shall enter into an agreement committing to creating the jobs required by Section 2.2, above, and creating any additional jobs or making any capital investment required under the JOBZ Law.
 - d. The recipient shall be responsible for submitting appropriate forms to the Department of Revenue to claim appropriate tax exemptions.
 - e. The City may require that the recipient agree to and commit to paying administrative costs for initial review and participation in the program as well as annual fees for monitoring and reporting as required by statute. The amount of these fees will be determined based upon the complexity of the project and corresponding requirements for administrative services.
- 3.3 If JOBZ benefits are to be provided, the City shall conduct a public hearing and may authorize execution of a binding development agreement with the business.

SECTION 4. DEFINITIONS

- 4.1 "Authorized Business Subsidy Signatory" means the Mayor and the Administrator, or its designee, who are authorized by this Policy to execute business subsidy agreements on behalf of the City of Melrose.
- 4.2 "JOBZ Business Subsidy" means tax exemptions or tax credits available to a Qualified Business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute Minnesota Statutes, Sections 469.310 - 469.320 which include all of the following:
- a. Exemption from individual income taxes as provided under Minnesota Statutes, Section [469.316](#); and
 - b. Exemption from corporate franchise taxes as provided under Minnesota Statutes, Section [469.317](#); and
 - c. Exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in Minnesota Statutes, Section [297A.68](#), subdivision 37; and

- d. Exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under Minnesota Statutes, Section [297B.03](#); and
 - e. Exemption from the property tax as provided in Minnesota Statutes, Section [272.02](#), subdivision 64; and
 - f. Exemption from the wind energy production tax under Minnesota Statutes, Section [272.029](#), subdivision 7; and
 - g. The jobs credit allowed under Minnesota Statutes, Section [469.318](#).
- 4.3 “Business Subsidy” means 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, and as defined by the Business Subsidy statute Minnesota Statutes, Sections 116J.993 - 116J.995 (the "Business Subsidy Law").
- 4.4 “Business Subsidy Report” means the annual reports submitted each year by the business receiving a business subsidy in the community. The report is submitted by the City in order to comply with Minnesota Statutes, Section 116J.994 Subd. 7. (b).
- 4.5 “Criteria” means the equitably applied, uniform standards by which the City bases its decision to award any business subsidy to a private business or development project establishing a business and creating jobs in the City as outlined in the General Business Subsidy Criteria Policy of the City.
- 4.6 “DEED” means Minnesota Department of Employment and Economic Development.
- 4.7 “Economic Development Agent” means the City department, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate and form business subsidy agreements on behalf of the City of Melrose. The Economic Development Agents for the City of Melrose shall be the Melrose Area Development Authority and its staff, hereinafter referred to as “Agent”.
- 4.8 “Exemption from the property tax” means exemption from property tax based upon the increase in market value over the existing market value as of the date of the business subsidy agreement.
- 4.9 “Health Insurance” means basic health insurance, which shall include employer subsidized single coverage and/or family coverage.
- 4.10 “Living Wage Job” shall mean each full time equivalent (FTE) job which pays wages of at least 110% of the most current national Poverty Guideline for a family of four, as established in the Federal Register by the US Department of Health and Human Services.
- 4.11 “Qualified Business” means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in Minnesota Statutes, Section 469.310 Subd. 11; and complies with the reporting requirements specified by Minnesota Statutes, Section 469.313 Subd. 2. (5); and shall also mean “Recipient” as defined by Business Subsidy Law. A Qualified Business shall not include a business that pays less than the living wage defined in this policy.

- 4.12 “Recipient” means any business entity that receives a business subsidy as defined by Minnesota Statutes, Section 116J.993, and that has signed a Business Subsidy Agreement with a city.
- 4.13 “Relocating Business” means a business relocating from another Minnesota non-Job Opportunity Building Zone location to a designated Minnesota Job Opportunity Building Zone location.
- 4.14 “Relocation Agreement” means a binding written agreement between a relocating Qualified Business and the Commissioner of the Department of Employment and Economic Development (DEED) pledging that the Qualified Business shall increase full-time equivalent employment in the first full year of operation within the Job Opportunity Building Zone by a minimum of five jobs or 20 percent, whichever is greater, measured relative to the operations that were relocated and maintain the required level of employment for each year the Zone designation applies. The agreement must also provide for the repayment of all tax benefits if the requirements are not met.
- 4.15 “Subzone” means the parcel or parcel of land designated by the Commissioner of DEED within a Job Opportunity Building Zone within the boundaries of the City of Melrose to receive certain tax credits and exemptions specified under Minnesota Statutes, Sections 469.310-469.320.
- 4.16 “Zone” means a Job Opportunity Building Zone or an Agricultural Processing Facility Zone designated by the Commissioner of Employment and Economic Development under Minnesota Statutes, Section [469.314](#).

SECTION 5. BUSINESS SUBSIDY REQUIREMENTS

- 5.1 Any time the City of Melrose provides a business subsidy to a Qualified Business or Recipient, the business is subject to the wage levels, job creation and other criteria set forth in this policy and specified in the Business Subsidy Agreement made with the City. In the event of a conflict between the requirements of the Business Subsidy statute Minnesota Statutes, Section 116J.993 - 116J.995 and the JOBZ statute Minnesota Statutes, Section 469.310 - 469.320, the JOBZ statute shall supersede.
- 5.2 The recipient, in the case of a JOBZ business subsidy, shall create and retain for the JOBZ duration a negotiated number of jobs that pay a living wage. These jobs shall be created not later than 24 months after a Business Subsidy Agreement has been executed and be maintained for the duration of the assistance term.
- 5.3 ALL jobs located within a Zone must pay wages equal to at least the definition of “living wage” as defined above.
- 5.3 The City of Melrose reserves the discretion to evaluate each request for assistance on a case by case basis according to job creation, wages and the level of capital investment and 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.

- 5.4 The City of Melrose shall require all businesses receiving a business subsidy to comply with the following:
- a. The business shall attend a properly noticed public hearing which shall be held by the City as provided by Minnesota Statutes, Section 116J.994 when the value of the subsidy exceeds or is expected to exceed the threshold requiring a hearing (currently \$150,000). The purpose of the hearing shall be to identify and define the criteria that the Qualified Business or Recipient shall meet in order to be eligible to receive a business subsidy or become a Qualified Business for purposes of the JOBZ statute. The hearing shall specify the subsidy provided, public purpose(s) that shall be achieved by offering the business subsidy and shall specify the measurable, specific, and tangible goals committed to by the Qualified Business. As provided by Minnesota Statutes Section 116J.994, Subd. 5., a public notice shall be published in print, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing; and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.
 - b. The Qualified Business shall enter into a business subsidy agreement with the City. If the business is qualified to receive JOBZ tax benefits, the business shall agree to maintain the jobs created at the wages specified, according to the business subsidy agreement, and continue operations in the City for the duration of the Job Opportunity Building Zone term. The agreement may not be assigned without the written consent of the City of Melrose and shall be drafted in recordable form.
 - c. If the Qualified Business or Recipient is a relocating business under the definition in this agreement, the business shall be required to enter into a binding written "Relocation Agreement" between the Qualified Business and the Commissioner of DEED pledging that the qualified relocating business shall:
 - (1) Increase full-time equivalent employment by a minimum of five jobs or 20 percent, whichever is greater measured relative to the operations that were relocated and maintain the required level of employment for each year of the Zone designation; and
 - (2) Repay all tax benefits, according to statute, if the requirements are not met.

Adopted by: City Council of the City of Melrose, Minnesota

Originally Adopted: May 19, 2004

Business Subsidy Criteria Policy for Granting Subsidies under the JOBZ Program added to the General Business Subsidy Criteria Policy through the Proposed Amendment:

Date of public hearing: July 21, 2011

Date of adoption: July 21, 2011

EXHIBIT B

CITY OF MELROSE BUSINESS SUBSIDY CRITERIA POLICY FOR TAX ABATEMENT

SECTION 1. INTRODUCTION

Since the property tax reform of 2001, local governments have been forced to develop new local financing tools for economic development. Tax abatement is one such financing tool set forth by the Minnesota Statutes, Sections 469.1812 to 469.1815. The City of Melrose (the "City") with the recommendation of the Melrose Area Development Authority ("MADA") will consider tax abatement requests on a case-by-case basis. This Tax Abatement Policy will set forth the basic information for persons involved regarding the eligible use, application process, and annual reporting process for anyone requesting abatement. For the benefit of interested parties, this policy will also outline the general procedure which needs to be followed to create tax abatement. It is the intent of this Policy to serve as both a procedural and informational guide for all interested persons.

SECTION 2. INTENT

- 2.1 The purpose of this Tax Abatement Policy is to provide a uniform set of standards and procedures for the City with MADA to follow when utilizing tax abatement in conjunction with Minnesota Statutes, Sections 469.1812 to 469.1815. Generally, tax abatement is a technique which allows cities to rebate a property tax to the property owner, reallocates taxes to pay bondholders, reallocates the taxes to pay for public infrastructure costs, or defers the property taxes.
- 2.2 An abatement can be requested from any of the following "political subdivisions":
- a. A City
 - b. A County
 - c. A Town
 - d. A School District

SECTION 3. CONDITIONS FOR GRANTING AN ABATEMENT

- 3.1 According to Minnesota Statutes, abatement can be granted if:
- a. The governing body (1) expects the benefits to the political subdivision of the proposed abatement to at least equal the cost of the abatement, OR, (2) intends the abatement to phase in a property tax increase as provided in (b)(vii) below; AND
 - b. It finds that the abatement will be in the public interest because it will accomplish at least one of the following purposes:
 - (i) Provide employment opportunities within the political subdivision;
 - (ii) Increase or preserve the tax base;
 - (iii) Provide or help to acquire or construct public facilities;
 - (iv) Help redevelop or renew blighted areas;
 - (v) Help to provide access for services for residents of the political subdivision;
 - (vi) Finance or provide public infrastructure; and/or

- (vii) Phase in a property tax increase for a parcel resulting from a one-year increase of 50% or more in the estimated market value of the parcel, other than the increase in estimated market value attributable to improvements made to the parcel.

3.2 Abatements may not be granted to property located within an active tax increment financing district unless the parcels for which abatement is proposed are removed from the active TIF District.

3.3 In general, the City with MADA have set forth additional conditions which the abatement must meet. They are as follows:

- The project must increase the employment opportunities in the City of Melrose for permanent positions.
- The abatement will adhere to the Business Subsidy Criteria Policy the City of Melrose has set forth regarding job and wage criteria.
- With any abatement, the only abated portion of the property tax will consist of the increase in property tax based on the new construction, renovation, or redevelopment of the property.
- For each abatement application presented, the City with MADA may consider the adoption of an abatement plan that will set forth the minimum increase in market value wholly attributable to improvements in order to request tax abatement for that designated abatement area in order to meet the needs of applicants. The minimum increase in market value may vary depending upon the abatement area needs, unless special circumstances are presented.
- The abatement must be approved prior to any new construction or improvements being made to the proposed property.
- The average duration of an abatement will be commensurate with the public benefits identified, not to exceed the term allowed by Minnesota Statutes.
- Neither the City nor MADA will issue bonds to provide advance payment of abatements.

3.4 The total abatements in any one year cannot exceed 10% of the property tax levy or \$200,000.00, whichever is greater, in accordance with Minnesota Statutes.

3.5 Property tax subject to abatement shall be based on the net tax capacity tax generated by the increase in market value of real property including land and buildings. Market Value Homestead Credit based taxes and special assessments are not eligible for abatement under this law.

SECTION 4. TYPES OF ABATEMENT

- 4.1 The City may "abate" all or a portion of its share of property tax on one or more parcels of real property for economic development purposes subject to a duration limit and a limit on the amount of abatements. The "abatement" can be:
- a. A rebate of property taxes to the property owner; OR
 - b. A reallocation of taxes to pay for public infrastructure costs.
- 4.2 The type of abatement for a parcel can be changed with a modification to the abatement resolution.

SECTION 5. APPROVAL PROCESS

- 5.1 MADA will make a finding, based upon information presented, as to whether the proposed project is consistent with Minnesota Statutes, Sections 469.1812 to 469.1815 and if the Conditions for Granting an Abatement described in Section 3 of this policy statement are met. If deemed appropriate, MADA may direct staff and its consultants/advisors to prepare the abatement resolution for City Council consideration.
- 5.2 The City Council may grant abatement only by adopting an abatement resolution. The contents of an abatement resolution should contain the following:
- a. Terms of the abatement
 - b. Type of tax abatement (only one type may be stated)
 - c. Amount of the abatement
 - d. Method of annual determination
 - e. Duration in years of the abatement
 - f. Effective starting date or the first payable year for the abatement
 - g. Nature and extent of public benefits
- 5.3 The City may approve an abatement resolution only after holding a public hearing on the proposed abatement. All public notification and public hearing laws apply to the abatement approval process.
- 5.4 The City Council will grant final approval of the abatement resolution. The City will retain an annual maintenance fee from each abatement which will be negotiated and included in the abatement resolution and/or development agreement for each project.

SECTION 6. ANNUAL REPORTING

- 6.1 All projects granted a tax abatement must report annually to the City/MADA by March 1 the following information:
- a. Number of jobs created or retained
 - b. Annual wage per job created with the abatement project
 - c. Any information the City or MADA deem necessary to meet the requirements of the Business Subsidy Laws.

SECTION 7. RECAPTURE OF ABATEMENT

- 7.1 Imposition of any recapture is at the sole discretion of the taxing authority and will be reviewed/considered on a case-by-case basis. Reasons for the recapture of benefits may include the following:
- a. Sale or closure of the business facility and departure of the company from the jurisdiction.
 - b. Significant change in the use of the business facility and/or the business activities of the company.
 - c. Significant employment reductions not reflective of the company's normal business cycle and/or local and national economic conditions.
 - d. Failure to achieve the minimum number of net new jobs and wage levels as specified in the application and the Business Subsidy Criteria Policy for the City.
 - e. Failure to comply with the annual reporting requirements.

Business Subsidy Criteria for Tax Abatement Policy added to the General Business Subsidy Criteria Policy through the Proposed Amendment:

Date of public hearing: July 21, 2011

Date of adoption: July 21, 2011

EXHIBIT C

**CITY OF MELROSE
BUSINESS SUBSIDY CRITERIA POLICY
FOR TAX INCREMENT FINANCING**

Business Subsidies utilizing Tax Increment Financing (TIF) shall follow the requirements of Minnesota Statutes, Sections 469.174 - 469.1744, collectively the "TIF Act".

Business Subsidy Criteria Policy for Tax Increment Financing added to the General Business Subsidy Criteria Policy through the Proposed Amendment:

Date of public hearing: July 21, 2011

Date of adoption: July 21, 2011

EXHIBIT D

CITY OF MELROSE BUSINESS SUBSIDY CRITERIA POLICY FOR THE MELROSE REVOLVING LOAN FUND (RLF)

PURPOSE

It is the purpose of this policy to establish a revised Revolving Loan Fund Program for the City of Melrose to provide gap financing to eligible creditworthy businesses for the expansion or modernization of existing facilities or for the construction of new ones. The Melrose Public Utilities Commission continues to commit Demand Side Management Set-aside Funds to finance this Revolving Loan Fund Program. Interest income earned on Revolving Loan Fund loans to businesses as well as the principal repayments shall revolve in the Program for future use.

POLICY STATEMENT

The City recognizes the need to stimulate private sector investment which will strengthen and diversify the economy of the City by increasing employment opportunities and expanding the tax base. The Revolving Loan Fund Program will strive to give consideration to assist the business ventures of minority and low and moderate income persons/businesses.

PROJECT ELIGIBILITY

Revolving Loan Funds can be used for land acquisition, building construction, machinery, equipment, fixtures, inventory and the renovation and modernization of buildings as well as the public infrastructure needed for economic development expansions. Manufacturing, industrial, commercial, and retail businesses within the City are eligible to apply for Revolving Loan Fund Program assistance.

Ineligible uses of Program funds include working capital, equity position, housing and the refinancing of existing debt.

LOAN AMOUNT AND SECURITY

An applicant must demonstrate the financial means to repay the loan as determined by the Revolving Loan Fund Program Committee. All loans will be made only in the form of a bank/financial institution participation with a lead lending institution to minimize loan closing costs and ongoing administrative expenses. The maximum loan amount shall be \$150,000. Additional criteria include:

- A minimum of 10% owner equity will be required.
- The City will consider a subordinate security position, if necessary.
- The interest rate for each loan will be negotiated. The interest rate will be commensurate with the security offered.
- Financing terms will not exceed 10 years.
- Assets securing the loan must be insured for no less than the amount of the total outstanding loans.
- Personal guarantees of all owners will be required for all loans.

REGULATIONS FOR IMPROVEMENTS

All building construction or renovation must be brought into conformance with the City's building code.

TIMING OF PROJECT EXPENSES

No project may commence until the City has approved the loan application. Any costs incurred before the loan application has been approved are not eligible expenditures. No building construction may commence until the required City permits have been obtained.

PROCEDURES

An applicant considering the use of Revolving Loan Fund Program assistance should contact the City's Planning and Development Director. The applicant should provide the Director with preliminary estimates for land, buildings, equipment, and working capital, along with employment projections on the Pre-Application Form. In addition, the following information may be requested:

- a) financial statements (three-year history)
- b) financial projections for three years
- c) bank/financial institution reference
- d) letter of commitment from the bank/financial institution which will serve as the lead/participating lender
- e) applicant letter of commitment specifying amount of investment and jobs to be created
- f) anticipated project expenditures
- g) information which the applicant has submitted to the lead lending institution.

The Director and the lead lending institution will assist the applicant in structuring the total financing package. The Pre-Application shall be submitted to the Revolving Loan Fund Program Committee for review. The Committee will evaluate the proposal from a financial perspective providing for reasonable assurance that the loan will be repaid. The Committee will also make a determination that the proposed project is consistent with this Policy.

The Committee will:

- a) recommend the project to the Melrose Area Development Authority (MADA) for final review before it is forwarded to the City Council for final approval;
- b) recommend project revision and encourage the project to be resubmitted; or
- c) recommend to MADA that the request for project assistance be denied.

The Committee and MADA shall make recommendation to the City Council for action. If approved, the City and the applicant will enter into the appropriate participation loan and related agreements with the lead bank/financial institution. When all the documentation and agreements are in place, the City will then disburse the Revolving Loan Funds in the applicant's behalf to the lead bank/financial institution.

Business Subsidy Criteria Policy for Revolving Loan Fund Program added to the General Business Subsidy Criteria Policy through the Proposed Amendment:

Date of public hearing: July 21, 2011

Date of adoption: July 21, 2011