



City of Norwood Young America Business Subsidy Guidelines

Amended February 22, 2021

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General Purpose

Economic development incentives are financial tools that enable the City of Norwood Young America and the Norwood Young America Economic Development Authority to provide opportunities and benefits for its businesses and residents. All references in this document to the "City of Norwood Young America" or "City of NYA" shall be understood to include the Norwood Young America Economic Development Authority. Incentives can take a variety of forms, including, but not limited to: grants, tax increment financing, tax abatement and sewer access credits. The City of Norwood Young America provides economic development incentives in order to achieve its long-range vision of creating a diverse and sustainable economic base. This 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 Norwood Young America. 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.

The City of Norwood Young America reserves the right to approve or reject subsidies for 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 the guidelines in this document 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 of Norwood Young America can deviate from these guidelines for projects that supersede the objectives identified herein. Any applicant who is not in good standing with the City, in regard to licenses, fees or other specific charges, will not be considered for business subsidies.

Objectives

The City of Norwood Young America may consider offering a business subsidy of more than \$150,000 to new or existing development with certain requirements. The City may also offer financial incentives or programs at a lesser amount with specific guidelines for that program. In order for a project to qualify for a \$150,000 or more business subsidy, it must 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 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 cost of redevelopment (i.e. contaminated site clean-up) over and above the costs normally incurred in development.
- To create opportunities for 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 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.

Economic Development Incentive Programs

The application and subsequent use of these programs is at the discretion of the NYA City Council, and may include additional applications, policies and procedures.

1. MN DEED Programs: There are a variety of programs available through the State of Minnesota DEED division. They include the Job Creation Fund and Minnesota Investment Fund, among others. In order for a business to utilize these programs it is typical for MN DEED to ask for support and cooperation from the city. NYA has worked with MN DEED in the past on projects and would consider the use of these programs in the future on a case-by-case basis.
2. Tax Increment Financing: The City of NYA is granted the power to utilize tax increment financing (TIF) by the State of Minnesota. The fundamental purpose of TIF 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.
3. Tax Abatement: The City of NYA is granted the power to utilize tax abatement by the State of Minnesota. The fundamental purpose of tax abatement 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.
4. Other: State or local programs

Guidelines for Subsidies

Municipal

- Municipal subsidies may be used for on-site retail or service businesses if the project demonstrates that it will result in a substantial increase in tax base and a significant improvement in quality employment.
- The project must be consistent with the City's Zoning and Comprehensive Plan.
- The project must result in the retention of existing jobs that would be lost "but for" the proposed development or result an increase and diversification in local jobs. Specific wage and job goals will be determined by the City on a case-by-case basis giving consideration to the nature of the development, the purpose of the subsidy, local economic conditions and similar factors.

Project Type	Commercial	Industrial
Job Creation Goal	At least 3 FT or FTE	1 FT or FTE for each \$25,000 in assistance provided
Wage Goal	At least 125% of State or Federal Minimum Wage*	At least 150% of State or Federal Minimum Wage*

*Whichever is higher

- Municipal subsidies will not be used for speculative non-owner-occupied projects that have letters of intent or pre-leasing agreements for less than 80 per cent of the available leasable space.
- Municipal subsidies will not be used for commercial/industrial projects that have a history of inconsistent compliance with applicable environmental rules and regulations.
- The developer shall be responsible for all costs incurred by the City.
- A recipient of a municipal subsidy must make a commitment to continue in the City for at least five years after the benefit date.

Housing

- Municipal subsidy may be utilized to assist the city in meeting its commitment, to the Met Council Livable Communities Initiatives for new housing units developed to meet defined long-term affordability requirements.
- Projects must meet Minnesota Housing Finance Agency (MHFA) tax credit development requirements.
- The management company must be approved by the City for the length of the district.
- A change in project ownership requires prior written approval by City for the length of the district.
- Municipal subsidy may be utilized only to leverage MHFA tax credits or similar assistance.
- Minimum of 30% equity investment in the project by the owner is required.
- Payment of a non-refundable application will be required.
- Reserve requirement for long-term capital improvements -\$300 per unit/per year.
- A developer must have previous favorable experience developing and operating affordable housing developments.
- Maximum term of 10 years to 15 years dependent on rent requirements (e.t the lower the rent, the longer the term).
- The developer shall be responsible for all costs incurred by the City.

Application Process

1. Applicant should retain and be assisted by qualified financial consultants and/or underwriters, and legal counsel.
2. Prior to approval of a business subsidies financing plan, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring, 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 an independent underwriting.
3. Construction of the project shall not be commenced until the City has given preliminary approval to the application for financing. Any advanced planning or construction completed will be done at the sole risk of the applicant.

4. Applicants should complete the appropriate planning application, and include a plan and/or narratives that outline the following:
 - a. The specific request (program, amount)
 - b. The reasoning and need for assistance
 - c. Description of the company
 - d. A concept plan and description of the project
 - e. The number of jobs created and total compensation (breakdown of wages and benefits)
 - f. Impact to the tax base
 - g. Other impacts to the community
 - h. Traffic demands
 - i. Infrastructure demands and/or needs
 - j. Any additional information that would be helpful to staff and City Council
5. Development must be of the highest quality with high quality building materials and landscaping as agreed between the City of the Developer.
6. If establishing a TIF district, the developer must pay all costs of establishing the district unless the City agrees to allow costs to come out of the district.
7. All projects must be consistent with NYA's Comprehensive Plan and any other similar plan or guide for development of the community.
8. The City reserves the right to:
 - a. Request additional information
 - b. Deny any application
 - c. Select a third-party administrator to assist in the management of the process.

Additional Information

1. City staff will review the data and make preliminary recommendations to the City Council as to compliance of the application and proposed project with City objectives, and business subsidy criteria, and Comp Plan.
2. After evaluation of the formal recommendation, the City Council will consider approval of the establishment of the Business Subsidy and hold the appropriate hearings.
3. All applications and the supporting materials and documents shall become the property of the City.