



**ECONOMIC DEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
OCTOBER 16, 2023
7:15 PM (IMMEDIATELY FOLLOWING THE HRA MEETING)**

Call to Order

John Young Oath of Office

Open Forum

Each speaker is to keep their comment period to three minutes to allow sufficient time for others. Comments are to be an opportunity to address the EDA. Please refer to the EDA agenda and minutes web page for additional ways to submit comments. You may also call 612-861-9764 or email ldubois@richfieldmn.gov with questions. Call into the open forum by dialing 1-415-655-0001 Use webinar access code: 2632 407 6388 and password: 1234.

Approval of the minutes of the Regular Economic Development Authority meeting of August 21, 2023.

AGENDA APPROVAL

1. Approval of the Agenda

RESOLUTIONS

2. Consider a resolution approving the Amended and Restated Business Subsidy Policy.
Staff Report No. 11

OTHER BUSINESS

3. Consider the creation of a Small Business Sewer Availability Charge Assistance Program for Richfield businesses.
Staff Report No. 12

EDA DISCUSSION ITEMS

4. EDA Discussion Items

EXECUTIVE DIRECTOR REPORT

5. Executive Director's Report

CLAIMS

6. Claims
7. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.



ECONOMIC DEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

August 21, 2023

CALL TO ORDER

The meeting was called to order by President Vrieze Daniels at 7:43 p.m. in the Council Chambers.

EDA Members Present: Erin Vrieze Daniels, President; Sean Hayford Oleary; Mary Supple; and Gordon Hanson

EDA Members Absent:

Staff Present: Melissa Poehlman, Executive Director; Julie Urban, Assistant Community Development Director; Dustin Leslie, City Clerk

OPEN FORUM

President Vrieze Daniels provided instructions to call in for the open forum and there were no participants.

APPROVAL OF THE MINUTES

M/Supple, S/Gordon to approve the regular Economic Development Authority meeting minutes of June 20, 2023.

Motion carried: 4-0

ITEM #1	APPROVAL OF THE AGENDA
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Commissioner Supple asked for the budget presentation to be given after item #3. There was consensus from the rest of the members.

M/Hayford Oleary, S/Supple to approve the agenda.

Motion carried: 4-0

ITEM #2	CONSIDERATION OF THE CONSENT CALENDAR
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Executive Director Poehlman presented the Consent Calendar:

- A. Consideration of a revised fee schedule for housing programs and loan administration.
(Staff Report No. 8)

M/Hanson, S/Hayford Oleary to approve the Consent Calendar.

Motion carried: 4-0

ITEM #3	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM THE CONSENT CALENDAR
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None.

ITEM #4	EDA BUDGET PRESENTATION
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Executive Director Poehlman gave the presentation to the Authority covering role of the EDA, EDA staff, budget details, and funding sources.

ITEM #5	CONSIDER RESOLUTIONS APPROVING PROPOSED PROPERTY TAX LEVY FOR PAYABLE 2024 FOR CERTIFICATION TO HENNEPIN COUNTY (STAFF REPORT NO. 9).
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M/Hayford Oleary, S/Supple to adopt the resolutions approving the 2024 Proposed Economic Development Authority Budget and Tax Levy and the 2023 Revised Economic Development Authority Budget.

Motion carried: 4-0

ITEM #6	CONSIDERATION OF THE APPROVAL OF CHANGES TO THE APARTMENT REMODELING PROGRAM GUIDELINES, EXPANDING PROGRAM ELIGIBILITY TO INCLUDE ONE TO THREE-UNIT RENTAL PROPERTIES (STAFF REPORT NO. 10).
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Assistant Community Development Director Urban gave the report.

M/Gordon, S/Supple to adopt an amendment to the Apartment Remodeling Program guidelines expanding the program eligibility to include one to three-unit rental properties.

Commissioner Supple stated she was pleased that short-term rental would not qualify for assistance.

Commissioner Hayford Oleary asked if the affordability requirement was a rule or just a guideline. Assistant Community Development Director Urban stated it was just a guideline at this time.

Motion carried: 4-0

ITEM #7	EDA DISCUSSION ITEMS
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Commissioner Supple spoke about the proposed Velodrome project.

ITEM #8	EXECUTIVE DIRECTOR'S REPORT
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No report.

ITEM #9	CLAIMS
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M/Hanson, S/Supple that the following claims be approved:

U.S. BANK	8/17/2023
EDA Checks # 23323-23340	32,797.84
TOTAL	\$32,797.84

Motion carried: 4-0

ITEM #10	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 8:02 p.m.

Date Approved: October 16, 2023

Erin Vrieze Daniels
President

Dustin Leslie
Secretary

Melissa Poehlman
Executive Director



STAFF REPORT NO. 11
ECONOMIC DEVELOPMENT AUTHORITY
MEETING
10/16/2023

REPORT PREPARED BY: Jan Youngquist, Economic Development Manager

EXECUTIVE DIRECTOR REVIEW: Melissa Poehlman, Executive Director
10/3/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider a resolution approving the Amended and Restated Business Subsidy Policy.

EXECUTIVE SUMMARY:

The Business Subsidy Act as defined in Minnesota Statutes regulates business subsidies and requires local units of government to adopt criteria for awarding business subsidies after conducting a public hearing.

The Business Subsidy Act states that:

- Business subsidies must meet a public purpose, which may include goals for job creation or retention, or other goals such as increasing the tax base, removing blight, or catalyzing future redevelopment.
- A business subsidy recipient must enter into a business subsidy agreement with the grantor. The business subsidy agreement must include the job and wage goals and the recipient's obligation if the goals are not met. However, after a public hearing, the wage and job goals may be set to zero if the creation or retention of jobs is determined not to be the primary goal.

The Housing and Redevelopment Authority (HRA) and the City Council (Council) adopted the Existing Business Subsidy Policy in 2002. The Economic Development Authority (EDA) was established in 2017 and is also subject to the Existing Business Subsidy Policy.

Much of the financial assistance provided by the HRA and EDA is not defined as a business subsidy by the Business Subsidy Act, such as assistance for housing development or assistance of \$150,000 or less. However, financial assistance of \$25,000 or more and business loans of \$75,000 or more are subject to the Business Subsidy Act's reporting requirements.

The State Legislature amended the Business Subsidy Act after the Existing Business Subsidy Policy was adopted. Staff worked with legal counsel to draft the Amended and Restated Business Subsidy Policy, which is updated to comply with the amended Business Subsidy Act. The substantive changes include:

- The wage floor requirements were increased from 110 percent of the Federal minimum wage in the Existing Business Subsidy Policy to 125 percent of the State minimum wage.
- The goals outside of job creation and retention were revised to include a project that results in redevelopment along priority commercial corridors or in the downtown area, to help meet the outcomes of the City's 2023-2026 Strategic Plan.
- A clause was added stating that all references to the Business Subsidy Act include any and all amendments made after the Amended and Restated Business Subsidy Policy is approved.

The Council held a public hearing on behalf of the City, HRA and EDA on September 12. One person spoke

at the public hearing; however, the comments were not specific to the Business Subsidy Policy. The Council adopted the Amended and Restated Business Subsidy Policy on September 26.

RECOMMENDED ACTION:

By motion: Adopt a resolution approving the Amended and Restated Business Subsidy Policy.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- In 1999, the State Legislature enacted a law (the Business Subsidy Act) that regulates business subsidies by state and local units of government and requires the government agency to adopt criteria for awarding business subsidies after conducting a public hearing.
- The HRA conducted a public hearing and adopted a Business Subsidy Policy on November 15, 1999.
- The Council conducted a public hearing and adopted the Business Subsidy Policy on November 22, 1999.
- In the 2000 State Legislative Session, the Business Subsidy Act was amended.
- The HRA conducted a public hearing and adopted the Existing Business Subsidy Policy on May 20, 2002.
- The Council conducted a public hearing and adopted the Existing Business Subsidy Policy on June 11, 2002.
- The EDA was established in 2017 to promote and provide incentives for economic development in Richfield and is subject to the Existing Business Subsidy Policy.
- The State Legislature made amendments to the Business Subsidy Act after the adoption of the Existing Business Subsidy Policy.
- The Council conducted a public hearing on the Amended and Restated Business Subsidy Policy on September 12.
- A clause was added to the Amended and Restated Business Subsidy Policy stating that the business subsidy agreement must include a requirement for the recipient to comply with labor laws. The Council adopted the Amended and Restated Business Subsidy Policy on September 26.

B. POLICIES (resolutions, ordinances, regulations, statutes, exc):

Minnesota Statutes, Sections 116J.993 through 116J.995, (the Business Subsidy Act) regulates business subsidies and requires state and local units of government to adopt criteria for awarding business subsidies after conducting a public hearing.

The Business Subsidy Act states that:

- Business subsidies must meet a public purpose, which may include goals for job creation or retention, or other goals such as increasing the tax base, removal or blight, or catalyzing future redevelopment.
- Some financial assistance is not considered a business subsidy, including assistance for housing, contamination cleanup, and certain redevelopment projects, as well as financial assistance of \$150,000 or less.
- A business subsidy recipient must enter into a business subsidy agreement with the grantor. The business subsidy agreement must include job and wage goals and the recipient's obligation if the goals are not met. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set to zero.
- Public hearings must be conducted for business subsidies that exceed \$150,000.
- The business subsidy recipient and the City are required to submit annual reports to the Minnesota Department of Employment and Economic Development (DEED) regarding the business subsidy.
- Reporting to DEED is also required for financial assistance of \$25,000 or more and business loans of \$75,000 or more.

C. CRITICAL TIMING ISSUES:

- The EDA is currently subject to the Existing Business Subsidy Policy. The Council conducted a public hearing on September 12 and adopted the Amended and Restated Business Subsidy Policy on September 26. The public hearing was also conducted on behalf of the EDA, which allows the EDA to consider adopting the Amended and Restated Business Subsidy Policy and be consistent with the Council's action.

D. FINANCIAL IMPACT:

None.

E. LEGAL CONSIDERATION:

- Legal counsel drafted the Amended and Restated Business Subsidy Policy to comply with Minnesota Statutes, Sections 116J.993 through 116J.995.
- A public hearing must be conducted prior to adopting criteria for awarding business subsidies.
- Notice that the Council would hold a public hearing was published in the Richfield Sun Current on August 31, 2023.
- The Council conducted a public hearing on behalf of the City, HRA, and EDA on September 12, 2023.

ALTERNATIVE RECOMMENDATION(S):

None.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
☐ Resolution	Resolution Letter
☐ Amended and Restated Business Subsidy Policy	Backup Material
☐ Existing Business Subsidy Policy 2002	Backup Material

RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. _____

RESOLUTION APPROVING AMENDED AND RESTATED BUSINESS SUBSIDY POLICY

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Richfield Economic Development Authority (the "Authority") as follows:

Section 1. Recitals.

1.01. The Authority was created pursuant to Minnesota Statutes, Sections 469.090 through 469.1082, as amended, and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of Richfield, Minnesota (the "City").

1.02. Before awarding any "business subsidy" as defined in Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the "Business Subsidy Act"), the Authority is required to adopt criteria regarding such subsidies after holding a public hearing.

1.03. The staff of the City, the Authority, and the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "HRA") have reviewed the existing business subsidy policy and have amended and restated the Business Subsidy Policy.

1.04. The Board has reviewed the Amended and Restated Business Subsidy Policy on file at the Municipal Center. On September 12, 2023, the City Council, on behalf of the City, the Authority, and the Housing and Redevelopment Authority, held a duly noticed public hearing, at which all interested persons were given an opportunity to be heard.

Section 2. Business Subsidy Policy Approved.

2.01. The Board approves the Amended and Restated Business Subsidy Policy on file at the Municipal Center, which criteria supersede any prior business subsidy policy or criteria adopted by the Authority.

2.02. Authority staff is authorized to transmit a copy of the Amended and Restated Business Subsidy Policy to the Minnesota Department of Employment and Economic Development in accordance with the Business Subsidy Act.

Adopted by the Board of Commissioners of the Richfield Economic Development Authority this 16th day of October, 2023.

Erin Vrieze Daniels, President

ATTEST:

Melissa Poehlman, Executive Director

**ECONOMIC DEVELOPMENT AUTHORITY OF RICHFIELD, MINNESOTA;
HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF
RICHFIELD, MINNESOTA;
AND CITY OF RICHFIELD, MINNESOTA**

AMENDED AND RESTATED BUSINESS SUBSIDY POLICY

I. Purpose

This document sets forth the business subsidy policies and specific criteria to be considered by the Richfield Economic Development Authority, the Housing and Redevelopment Authority and the City of Richfield, in evaluating requests for Business Subsidies, including Tax Increment Financing, Tax Abatement, or other financial assistance programs that may become available through the Grantor.

In adopting these criteria, it is the intent of the Grantor to comply with Minnesota Statutes, Sections 116J.993 through 116J.995, as amended. The governing bodies of each Grantor have adopted this policy and these criteria after a duly noticed public hearing held in accordance with the Business Subsidy Act.

II. Definitions

“Benefit Date” means the date that the recipient receives the Business Subsidy. If the Business Subsidy involves the purchase, lease, or donation of physical equipment, then the benefit date begins 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:

- a) When the improvements are finished for the entire project; or
- b) When a business occupies the property. If a business occupies the property and the subsidy Grantor expects that other businesses will also occupy the same property, the Grantor may assign a separate benefit date for each business when it first occupies the property.

“Business Subsidy” means a City, HRA, or EDA 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. Certain forms of financial assistance set forth in Section 116J.993, subd. 3 of the Business Subsidy Act are not considered a Business Subsidy.

“Business Subsidy Act” means Minnesota Statutes Section 116J.993 to 116J.995, as hereafter amended.

“Business Subsidy Agreement” means an agreement between a Grantor and a Recipient that meets the requirements of Section 116J.994, subd. 3 of the Business Subsidy Act. The Business Subsidy Agreement may be incorporated into a broader Development Agreement for a project.

“Business Subsidy Report” means the annual report submitted each year by a business receiving a Business Subsidy. The report is submitted by the local government unit in order to comply with Section 116J.994 Subd. 7 (b) of the Business Subsidy Act. Both the Recipient and the Grantor must comply with the business subsidy reporting and monitoring requirements of the Business Subsidy Act.

“City” means the City of Richfield, Minnesota.

“Criteria” means the standards upon which the Grantor will evaluate requests for a Business Subsidy to a private business or development project in the City of Richfield. Meeting the Criteria does not mean that a project will automatically be approved, nor does it create any contractual rights on the part of any applicant.

“EDA” means the Economic Development Authority of Richfield, Minnesota.

“Grantor” means the City, the HRA or the EDA, as defined herein.

“HRA” means the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota.

“Public Purpose” A Business Subsidy must meet a public purpose which may include, but may not be limited to, increasing the tax base. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable.

“Recipient” means any for-profit or nonprofit business entity meeting the requirements of Section 116J.993, subd. 6 of the Business Subsidy Act that receives a Business Subsidy.

III. Business Subsidy Criteria

The following criteria shall be used to evaluate a request for a Business Subsidy, although meeting these criteria does not create a contractual right to a Business Subsidy, and the Grantor may later modify these criteria, as permitted by the Business Subsidy Act.

An applicant who is not in good standing with the City regarding licenses, code violations, or delinquent taxes, bills, fines or other charges will not be considered for a Business Subsidy.

1. Public Purpose. Every Business Subsidy must meet a public purpose, which may include, but may not be limited to, increasing the tax base.

a. *Job and Wage Goals.* Unless job creation or retention is not a public purpose of the Business Subsidy, every Recipient must create or retain jobs, and these jobs must pay at least 125 percent of the existing state minimum wage per hour,

exclusive of benefits. Retained jobs may be included in job goals only if job loss is specific and demonstrable. Wage and jobs goals will be set forth in the Business Subsidy Agreement and must be met by the Recipient within two (2) years of the Benefit Date.

- b. *Goals Other Than Job Creation or Retention.* If, after a public hearing, it is determined by the governing bodies of the Grantor that creation or retention of jobs is not a goal, the wages and jobs required of a Recipient may be set to zero; however, the Recipient must achieve at least one of the following measurable, specific, and tangible goals:
- i. The project enhances the viability of other businesses in the City;
 - ii. The project provides a service or meets a consumer need not currently or adequately met in the City;
 - iii. The project results in revitalization and redevelopment in the downtown area or along priority commercial corridors as identified in adopted City policies and plans;
 - iv. The project removes blighted or substandard property;
 - v. The project stimulates additional capital investment and acts as a catalyst for future development and redevelopment;
 - vi. The project prevents the closure of an essential business in the City;
 - vii. The project promotes the retention or adaptive reuse of buildings of historical or architectural significance;
 - viii. The project results in improvements to public infrastructure or public facilities, including, without limitation; roads, pedestrian and bike infrastructure, transit, parks, and recreational facilities; or
 - ix. The project includes necessary environmental clean-up of the site for development or redevelopment.

The Grantor may deviate from these goal criteria in granting Business Subsidies if the reasons for the deviation are documented in writing and reported to the Minnesota Department of Employment and Economic Development, pursuant to the Business Subsidy Act.

- 2. Increase in Tax Base.** While the Business Subsidy Act provides that an increase in the tax base cannot be the sole grounds for granting a Business Subsidy, the Grantor gives a strong preference to proposed Business Subsidies that increase the tax base.

3. **Zoning.** Any project benefited by a Business Subsidy must be consistent with the City's Comprehensive Plan and Zoning Ordinance. If required changes to the Comprehensive Plan and Zoning Ordinance are under active consideration by the City, the Grantor may conditionally approve a request for a Business Subsidy.
4. **Require Business Subsidy to Proceed.** Business Subsidies will only be provided to Recipients who would not be able to proceed with the stated project without the benefit of the Business Subsidy. Business Subsidies will not be issued to Recipients for the purpose of increasing Recipient's profit margin.
5. **Continued Operations.** Recipients must commit to continue operations of the business in the City for at least five (5) years following the Benefit Date of the Business Subsidy.

IV. Process for Awarding Business Subsidies

The Business Subsidy applicant will enter into negotiations with the Grantor and may enter into a proposed Business Subsidy Agreement to be drafted by the Grantor and its consultants. All applicants will be responsible for legal, financial, consultant and other costs associated with the review of the application and development of the Business Subsidy Agreement.

Prior to approval of a Business Subsidy, the Business Subsidy applicant shall provide any required market and financial feasibility studies, appraisals, soil boring analysis, information provided to private lenders, credit reviews, and other information or data that the Grantor or its consultants may require in order to proceed with the Business Subsidy application process. The Grantor may undertake such a review on its own accord, to be paid from the fee paid by the Business Subsidy applicant. A Business Subsidy applicant should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.

Before the Grantor signs a Business Subsidy Agreement with a proposed Recipient, the Grantor must check with the compilation and summary report compiled by the Department of Employment and Economic Development to determine if the proposed Recipient is eligible to receive a Business Subsidy.

1. **Business Subsidy Agreement.** The Recipient must enter into a Business Subsidy Agreement with the Grantor. The Business Subsidy Agreement must include:
 - a. A description of the Business Subsidy, including amount and type, and type of district if the Business Subsidy is Tax Increment Financing;
 - b. The public purpose(s) for the Business Subsidy;
 - c. Any measurable, specific, and tangible goals related to the Business Subsidy and the financial obligation of the Recipient if said goals are not met;
 - d. A statement of why the Business Subsidy is needed for the project;

- e. A commitment from the Recipient to continue operations in the City for at least five (5) years following the Benefit Date;
 - f. The name and address of any parent corporation of the Recipient; and
 - g. A list of all Business Subsidies received for the project.
 - h. A requirement for the Recipient to comply with labor laws.
2. **Public Hearing.** A publicly noticed public hearing is required for Business Subsidies in amounts over \$150,000, unless otherwise required by law.
 3. **Governing Body Approval.** A Business Subsidy of \$150,000 or less, must be approved by the governing body of the Grantor. For a Business Subsidy of \$150,000 or more, the governing body of the Grantor and the City Council must approve the Business Subsidy.

V. Compliance

1. **Reporting.** Both the Recipient and the Grantor must comply with the reporting and monitoring requirements of the Business Subsidy Act. Each Recipient must provide a report to the Grantor each March 1. The Grantor will provide the report to the Department of Employment and Economic Development on or before April 1.
2. **Failure to Meet Set Goals.** If a Recipient fails to meet the wage and job goals as set forth in the Business Subsidy Agreement within two (2) years of the Benefit Date, the Business Subsidy assistance plus interest must be paid back to the Grantor, provided that repayment may be prorated to reflect partial fulfillment of the goals. Interest to be repaid must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the twelve-month period ending March 31 of the previous year.
 - a. The Grantor may, after a public hearing, extend the time for compliance with Business Subsidy job and wage goals by up to one (1) year. The Grantor may extend the period of time for meeting other goals specified in the Business Subsidy Agreement by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the Department of Employment and Economic Development.
 - b. A Recipient that fails to meet the terms of a Business Subsidy Agreement may not receive a Business Subsidy from any grantor for a period of five (5) years from the date of failure or until the Recipient satisfies its repayment obligation under the Business Subsidy Agreement, whichever occurs first.

VI. FINANCIAL ASSISTANCE *NOT* CONSIDERED A BUSINESS SUBSIDY

Section 116J.993, subd. 3 of the Business Subsidy Act provides that the following forms of assistance are not a Business Subsidy within the meaning of the Business Subsidy Act:

1. A business subsidy of less than \$150,000.
2. Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria.
3. Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made.
4. Redevelopment property polluted by contaminants as defined in Minnesota Statutes Section 116J.552, subdivision 3.
5. Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost.
6. Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services.
7. Assistance for housing.
8. Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance sub-district as defined under Minnesota Statutes Section 469.174, subdivision 23;
9. Assistance for energy conservation.
10. Tax reductions resulting from conformity with federal tax law.
11. Workers' compensation and unemployment insurance.
12. Benefits derived from regulation.
13. Indirect benefits derived from assistance to educational institutions.
14. Funds from bonds allocated under Minnesota Statutes Chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999.
15. Assistance for a collaboration between a Minnesota higher education institution and a business.
16. Assistance for a tax increment financing soils condition district as defined under Minnesota Statutes Section 469.174, subdivision 19.
17. Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value.
18. General changes in tax increment financing law and other general tax law changes of a principally technical nature.
19. Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency.
20. Funds from dock and wharf bonds issued by a seaway port authority.
21. Business loans and loan guarantees of \$150,000 or less.
22. Federal loan funds provided through the United States Department of Commerce, Economic Development Administration.
23. Property tax abatements granted under Minnesota Statutes Section 469.1813 to property that is subject to valuation under Minnesota Rules, Chapter 8100.

However, Minn. Stat. Section 116J.994 states that notwithstanding Minn. Stat. Section 116J.993, subd. 3, clauses (1) and (21), Business Subsidies as defined under Minn. Stat. Section 116J.993 include the following forms of financial assistance: a business subsidy of \$25,000 or more; and business loans and guarantees of \$75,000 or more. The Grantor is required to provide reporting for these types of subsidies pursuant to Minn. Stat. Section 116J.994, subd. 7(c).

Requests for subsidies exempt from the Business Subsidy Act are still subject to review and approval of the Grantor. Such approval is at the sole discretion of the Grantor.

VII. AMENDMENTS TO BUSINESS SUBSIDY ACT

The references to the Business Subsidy Act in this Business Subsidy Policy shall include any and all amendments to the Business Subsidy Act that are made after this policy is adopted.

Adopted by the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, this ____ day of _____, 2023.

Adopted by the Board of Commissioners of the Richfield Economic Development Authority of Richfield, Minnesota, this ____ day of _____, 2023.

Adopted by the City Council of the City of Richfield, Minnesota, this ____ day of _____, 2023.

Housing and Redevelopment AUTHORITY

Business Subsidy Criteria

I. Purpose

1.01 This document includes the criteria to be considered by the Housing and Redevelopment Authority (the "Authority") in and for the City of Richfield to evaluate requests for business subsidies.

It is the intent of the Authority in adopting these criteria to comply with Minnesota Statutes, Sections 116J.993-116J.995 (the "Act"). The Authority hereby adopts the definitions contained in the Act for application in the criteria.

1.02 The Authority shall have the option to amend or waive sections of these criteria when doing so is determined necessary or appropriate. Amendments to these criteria are subject to public hearing requirements of the Act.

1.03 These criteria are intended to set specific minimum requirements which grantees must meet to be eligible to receive business subsidies. The Authority will not adopt business subsidy criteria on a case-by-case basis.

II. Statutory Limitations

2.01 In accordance with the Act, all business subsidy requests must comply with the Act and other applicable Minnesota statutes. The Authority's ability to grant business subsidies is governed by the limitations established in the Act.

III. Goals and Objectives

3.01 It is the Authority's intent to advance the following goals and objectives in granting business subsidies:

- a. All projects, by not later than the benefit date, must be consistent with Richfield's Comprehensive Plan and any other plan or guide for development of the community or a sub-area of the community.
- b. Business subsidies must be justified by evidence that the project cannot proceed without the benefit of the subsidy. Potential grantees shall be required to provide such studies, reports, appraisals, information or other data as may be requested by the Authority prior to consideration of a request for business subsidy. If tax increment financing is used to grant a subsidy, the grantee must demonstrate compliance with all statutory requirements of the TIF Act, including the "but for" test. The potential grantee will be required to provide all documentation necessary to make the requisite findings under the TIF Act and the Act.
- c. Grantees will be required to enter into an agreement with the Authority that is consistent with statutory requirements, and which contains measurable, specific and tangible goals. The Agreement shall include a commitment to continue in operation within the City for a minimum of five years after the benefit date, unless waived by the Authority and shall comply with the specific job and wage goals established for the project, if any.

IV. Business Subsidy Criteria

4.01 The Authority recognizes that every proposal is unique. Nothing in these criteria shall be deemed to be an entitlement or shall these criteria establish a contractual right to a subsidy. The Authority reserves the right to modify these criteria from time to time and to evaluate each project as a whole.

4.02 A business subsidy must meet a public purpose. The following criteria shall be utilized in evaluating a request for a business subsidy:

- a. Increase in tax base. While an increase in the tax base cannot be the sole grounds for granting a subsidy, the Authority believes it is a preferred condition for any subsidy.
- b. Jobs. It is the Authority's intent that the grantee maximize the number of jobs at the site. This may include jobs to be retained but only if job loss is specific and demonstrable.
- c. Wage Floor. The jobs created as a result of any business subsidy approved by the Authority shall pay wages at an hourly rate not lower than 110 percent of the Federal minimum wage for full-time and part-time employees. Any deviation from the established wage floor must be documented in conformity with the requirements set forth in the Act. The provisions regarding wage floor do not apply in an instance in which the Authority, following a hearing, determines that job creation or retention is not part of the public purpose of the subsidy.

4.03 Economic Development. In addition to the criteria in Section 4.02, projects should promote one or more of the following:

1. Encourage economic and commercial diversity within the community;
2. Contribute to the establishment of a critical mass of commercial development within an area;
3. Provide basic goods and services, increase the range of goods and services available or encourage fast-growing or high technology business location or expansion;
4. Promote redevelopment objectives and removal of blight, including pollution cleanup;
5. Promote the retention or adaptive reuse of buildings of historical or architectural significance;
6. Promote additional or spin-off development within the community; or
7. Encourage full utilization of existing or planned infrastructure improvements.

V. Compliance and Reporting Requirements

5.01 Any subsidy granted by the Authority will be subject to the requirement of a public hearing, if necessary, and must be approved by the Authority.

5.02 It will be necessary for both the grantee and the Authority to comply with the reporting and monitoring requirements of the Act.



STAFF REPORT NO. 12
ECONOMIC DEVELOPMENT AUTHORITY
MEETING
10/16/2023

REPORT PREPARED BY: Jan Youngquist, Economic Development Manager

EXECUTIVE DIRECTOR REVIEW: Melissa Poehlman, Executive Director
10/9/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider the creation of a Small Business Sewer Availability Charge Assistance Program for Richfield businesses.

EXECUTIVE SUMMARY:

In 2022, the Economic Development Authority (EDA) contracted with John Stark of Enduring Cities to evaluate the previous and existing business assistance programs offered by the EDA and make recommendations for programs moving forward. Mr. Stark's work resulted in the Business Assistance Analysis and Recommendations Report (Report), which was accepted by the EDA in April 2023.

One of the desired outcomes for business assistance identified in the Report is to:

“Provide small and emerging businesses with a source of technical assistance (and possibly fee relief) to help them launch and grow.”

Technical assistance: Staff shares information with small and emerging businesses about the Elevate Hennepin program that is sponsored by Hennepin County with financial support from the EDA. Elevate Hennepin has more than 30 expert advisors who provide free technical assistance for businesses. In the 2nd quarter of 2023, 12 Richfield businesses received a total of 124 hours of free services through Elevate Hennepin. Since its inception in late 2020, Elevate Hennepin has served 54 businesses in Richfield with 470 hours of technical assistance.

Fee relief: Staff is proposing that the EDA establish a Small Business Sewer Availability Charge Assistance Program (Program) to assist new or expanding small businesses with fees associated with connecting to the regional sewer system.

The Metropolitan Council assesses a Sewer Availability Charge (SAC) when a property connects to the regional sewer system for the first time. The SAC fee is based on the amount of wastewater flow generated by activities on the site, such as food preparation, dishwashing, and restroom use. This fee contributes to the construction and maintenance of the regional sewer system and sanitary sewage treatment facilities. The Metropolitan Council may also charge SAC when a business grows or changes the use of its space, which may create more demand on the sewer system.

The one-time SAC fee is collected by the City and paid to the Metropolitan Council when a building permit is issued. Businesses contact the Metropolitan Council for a SAC determination letter, which includes a calculation of the number of SAC units due. Businesses are required to submit their SAC

determination letter to the City when applying for a building permit.

Currently, the Metropolitan Council's fee for one SAC unit is \$2,485. It is not uncommon for a business to be assessed multiple SAC units when there is a change in the use of a building resulting in more wastewater being generated, like a retail building converting to a restaurant. Two small restaurants that recently opened in Richfield were each assessed 8 SAC units, which resulted in fees of \$19,880 for each business owner. These fees can create a financial hurdle for new and expanding businesses.

Under the proposed Program, an eligible business may qualify to receive financial assistance for up to 50 percent of the SAC fees assessed by the Metropolitan Council, with a maximum of 4 SAC units paid by the EDA. Eligible businesses must be located in Richfield, be independently owned, have 25 or fewer full-time equivalent (FTE) employees, and have a SAC determination letter from the Metropolitan Council with an assessment for at least 2 SAC units.

Funds through the Program would be awarded to qualifying applicants on a first-come, first-serve basis. Approvals would be granted by the EDA Executive Director and processed by the City's Permits and Inspection Division for payment and reporting to the Metropolitan Council. A business owner whose application was denied by the EDA Executive Director may appeal the decision to the EDA.

Staff is proposing to budget \$20,000 annually for the Program, which is anticipated to provide financial assistance for 8 SAC units.

RECOMMENDED ACTION:

By motion: Approve the Small Business Sewer Availability Charge Assistance Program and the use of \$20,000 of Economic Development Authority funds for its implementation.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The EDA was formed in 2017 to promote and to provide incentives for economic development in Richfield.
- In 2022, the EDA contracted with John Stark of Enduring Cities to evaluate Richfield's business assistance services.
- The EDA and Hennepin County entered into an agreement to cooperate in the implementation and promotion of the Elevate Hennepin program on March 22, 2023. The agreement is in effect until December 31, 2024.
- At its meeting on April 17, 2023, the EDA accepted the Richfield Business Assistance Analysis and Recommendations Report prepared by Enduring Cities.
- The EDA's revised 2023 budget includes \$30,000 for business assistance and \$5,000 for Elevate Hennepin.
- The EDA's 2024 budget includes \$60,000 for business assistance and \$5,000 for Elevate Hennepin.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- Minnesota Statutes 469.090 through 469.1082, the enabling legislation for economic development authorities, allows an EDA to create business assistance programs.

C. CRITICAL TIMING ISSUES:

N/A.

D. FINANCIAL IMPACT:

- Staff recommends that the EDA set aside \$20,000 for the Program in both 2023 and 2024. The EDA budget for business assistance includes \$30,000 in 2023 and \$60,000 in 2024.
- The EDA and Hennepin County have a signed agreement to cooperate on the implementation and promotion of the Elevate Hennepin program, which includes an EDA contribution of \$5,000 in both 2023 and 2024.

E. LEGAL CONSIDERATION:

- Legal counsel reviewed and signed off on the Program guidelines.

ALTERNATIVE RECOMMENDATION(S):

- Approve a modified version of the Small Business Sewer Availability Charge Assistance Program.
- Do not approve.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A.

ATTACHMENTS:

	Description	Type
□	Richfield Small Business SAC Assistance Program	Backup Material
□	Metropolitan Council SAC Information	Backup Material
□	Elevate Hennepin Richfield Snapshot	Backup Material



Richfield Economic Development Authority Small Business Sewer Availability Charge (SAC) Assistance Program

I. Purpose:

This program aims to reduce the barriers to starting or expanding a small business in Richfield by providing financial assistance to help offset the costs of Sewer Availability Charge (SAC) units for eligible businesses.

II. Background:

- The Metropolitan Council's Environmental Services division (MCES) provides sanitary sewer treatment for wastewater generated from properties in the Twin Cities metropolitan area. A Sewer Availability Charge (SAC) is collected from each property based on the amount of wastewater that it is anticipated to generate. This fee contributes to the construction and maintenance of the regional sewer system and sanitary sewage treatment facilities.
- The one-time SAC fee is collected by the City of Richfield and paid to the Metropolitan Council when a building permit is issued for either a new building or a remodel, or when a connection permit is issued for an existing building connecting to the sanitary sewer system for the first time. One SAC unit equals 274 gallons of maximum potential daily wastewater flow. In 2023, the Metropolitan Council's fee for one SAC unit is \$2,485. It is not uncommon for a business to be assessed multiple SAC units.
- SAC fees can create a financial hurdle for new or expanding businesses. While the fee is typically collected up front, the business will use the local and regional sewer systems over time. If the business is not successful, the fees are not returned to the business; SAC credits remain with the property for future use.

III. Definitions:

City: the City of Richfield.

EDA: Richfield Economic Development Authority.

Eligible Business: a business that meets the eligibility criteria outlined in Section IV.

Sewer Availability Charge (SAC): a one-time fee that is paid to the Metropolitan Council when a residence or business connects to the regional wastewater (sewer) system for the first time. The Metropolitan Council may also assess SAC when a business grows or changes the use of its space, which may create more potential demand on the wastewater system.

SAC Determination: calculation made by the Metropolitan Council of the amount of maximum potential wastewater capacity needed for the site created by the activities at the location (such as food preparation, dishwashing, floor cleaning, manufacturing, restroom use, etc.).

SAC Unit: one SAC unit equals 274 gallons of maximum potential daily wastewater flow capacity. Commercial buildings pay a SAC fee based on the estimated maximum potential demand on the wastewater system.

IV. Program Guidelines:

An eligible business may qualify to receive financial assistance for up to 50 percent of the SAC fees assessed by the Metropolitan Council, with a maximum of 4 SAC units paid by the EDA.

Example:

Scenario	SAC units assessed by the Metropolitan Council	SAC units paid by the EDA	*EDA Financial Assistance (based on the 2023 rate of \$2,485 per SAC unit)
1	3	1.5	\$3,727.50
2	6	3	\$7,455.00
3	10	4	\$9,940.00

*Actual financial assistance will be calculated based on the SAC rate that is in effect at the time of the award.

Eligibility:

To be considered for the program, the business must:

- Be located within the City of Richfield.
- Be an independently owned business. *Independently owned businesses are defined as businesses that have no corporate headquarters and do not include franchises of chain brands.*
- Have 25 or fewer full-time equivalent (FTE) employees.
- Have a current SAC determination letter from the Metropolitan Council that includes an assessment for at least 2 SAC units.

The EDA encourages all eligible Richfield small businesses to apply for assistance under the program, especially:

- Women owned businesses.
- Black, Indigenous or Person of Color (BIPOC) owned businesses.
- Businesses owned by Richfield residents.

Ineligibility:

The following are ineligible for the program:

- Residential projects.
- Home occupations.
- Businesses located on sites with delinquent property taxes, regardless of whether the business owns the property.
- Businesses that are not in good standing with the Minnesota Secretary of State.
- Businesses or properties that are in violation of the Richfield City Code, or have delinquent bills, fines, or other charges due to the City.
- Sexually oriented businesses, pawn shops, tobacco or marijuana shops, gun shops, or check cashing businesses.

V. Terms and Conditions:

1. Funds for this program are limited and shall be awarded to qualifying applicants on a first-come, first-serve basis.
2. Business owners may only apply once per year for financial assistance through the program.
3. The EDA may consider granting the funds for SAC assistance on a case-by-case basis. At any time, the EDA may discontinue the option to provide any assistance for these fees and approval is contingent upon funding.
4. Approvals are granted by the EDA Executive Director and processed by the City's Permits and Inspections Division for payment and reporting purposes. An application that was denied by the EDA Executive Director may be appealed by the business owner to the EDA.
5. The EDA reserves the right to determine and limit the amount of SAC assistance that is granted to any one applicant, allowing for the maximum utilization and benefit of the program. Nothing herein shall imply or suggest that the EDA is under any obligation to provide incentives to any business owner or property owner.

VI. Data Privacy:

The EDA is subject to Minnesota Statutes Chapter 13 (the "Minnesota Government Data Practices Act"). Under the Minnesota Government Data Practices Act, the names and addresses of applicants for or recipients of assistance under this program and the amount of assistance received under this program are public data.



What is SAC?

SAC is an easier way to say Sewer Availability Charge.

The Metropolitan Council charges this one-time fee when a residence or business connects to the regional wastewater (sewer) system for the first time. The Council may also charge SAC when a business grows or changes the use of its space, which may create more potential demand on the system.

The Council charges SAC to local governments, who pass it on to business or property owners. Some local governments also charge an additional fee.

You will pay any SAC owed to your local government.



Why do I have to pay SAC?

Wastewater pipes and treatment plants are expensive. We borrow money to build them large enough to serve current AND future customers. SAC helps pay off the debt.

How does the Council determine the SAC I will pay?

SAC is charged in units.

One single-family home = 1 SAC unit = \$2,485 (2023)



Non-residential properties require a “determination” (calculation) of the amount of maximum potential wastewater capacity needed for the site. Depending on your business, you could pay more than one SAC unit. For example, a restaurant will pay 1 SAC for every 300 gross square feet.



SAC is determined based on the maximum potential wastewater flow created by the activities at the location (food preparation, dishwashing, floor cleaning, manufacturing, restroom use, etc.)

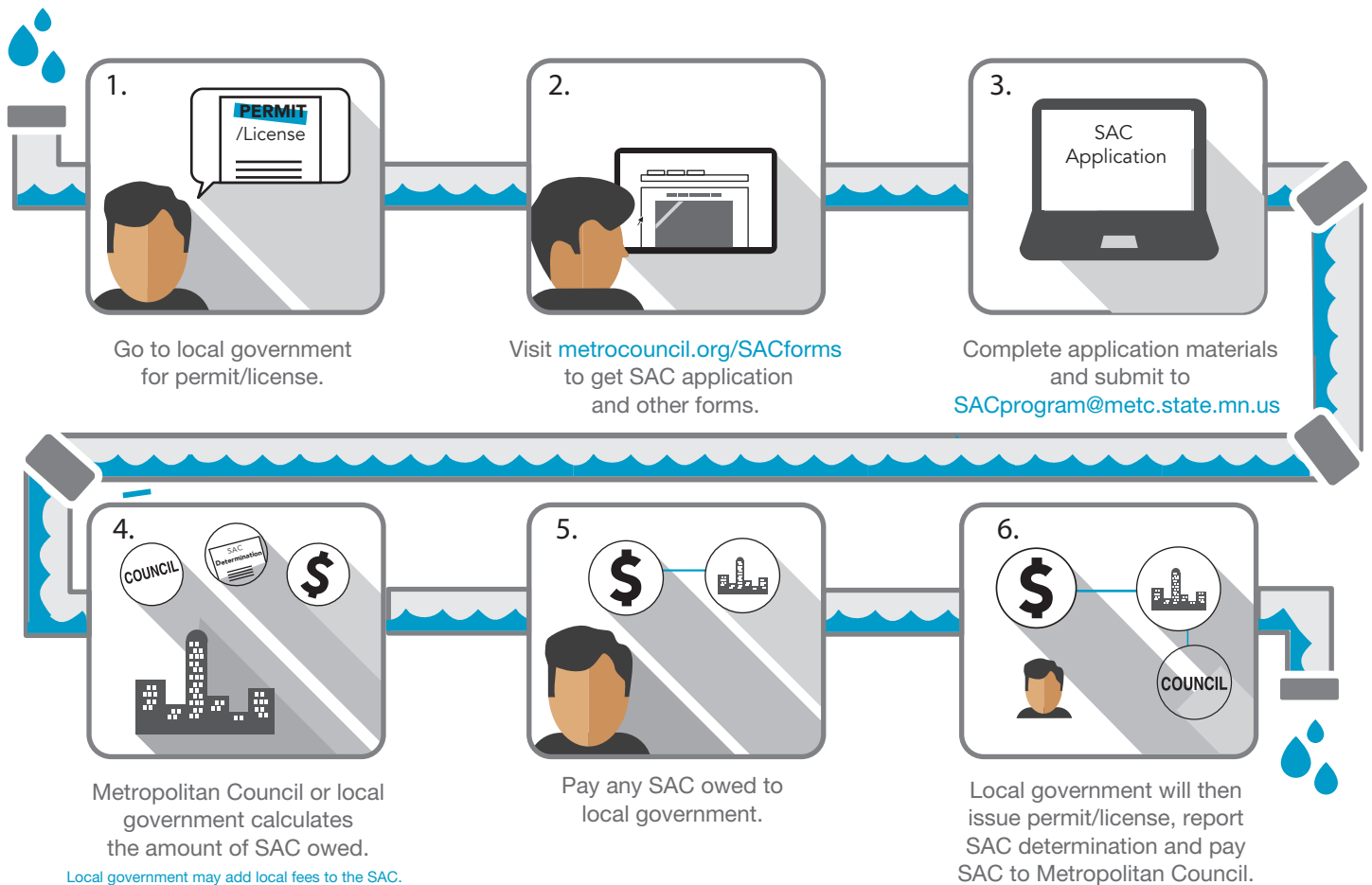


Let’s say you buy or open a business that is similar in kind and size to what existed in the same space before. If SAC was paid, you may not be charged additional SAC. Before signing a lease, contact the Council to see if there are SAC credits on the site and how to submit for a determination.

Visit metro council.org/SACmanual for guidance on how much SAC you might pay.

Did you KNOW?

How do I submit for a SAC determination?



Metropolitan Council staff will contact you within one business day after receiving your application materials to confirm whether the materials are complete or not. The Council can usually complete a determination in two to three weeks once it receives all the necessary forms and documents. **You pay any SAC owed to your local government, usually as part of a permit or business license.**

Are payment options available?

If you cannot afford to pay your SAC fee to your local government:

- You may be able to get a small business loan to spread out the cost of SAC and other local government fees. Check with your local bank or lending agent.
- Your local government may also be able to delay a portion of your SAC fee. Ask your local government if they participate in the SAC Deferral Program.

Questions?

Email SACprogram@metc.state.mn.us or call 651-602-1770 to speak with a SAC representative.

Elevate Hennepin snapshot (Q2 2023)

Richfield

Businesses receiving service

12

2023 Q2

Hours of assistance

124

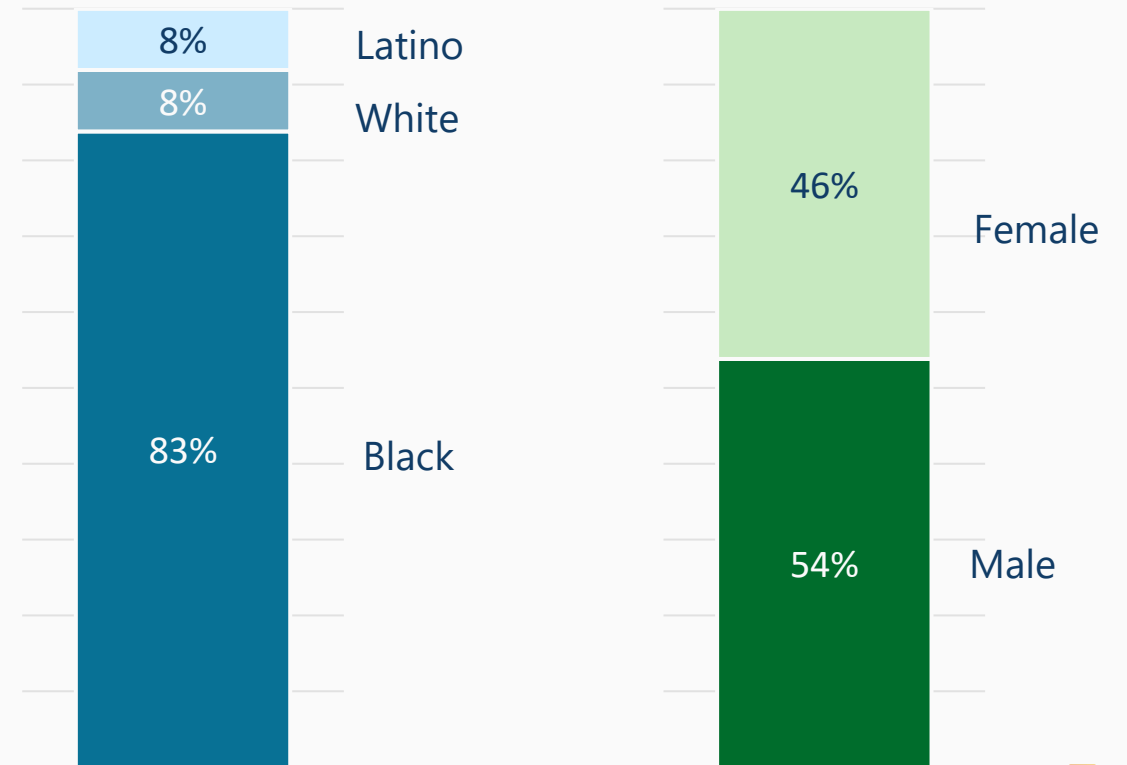
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2020 Q4 - 2023 Q2

470

Characteristics of Participants

2023 Year to Date



n = 12 / 3 didn't provide

n = 13 / 2 didn't provide