City of Parkers Prairie, Minnesota
Business Subsidy Policy and Criteria

Adopted April 21, 2025

Table of Contents

1. Purpose and Authority
2. Public Purpose – Criteria
3. Valuation of a Business Subsidy
4. Evaluation of a Business Subsidy
5. Business Subsidy Agreement

Exhibits

A. Fee Schedule
B. Business Assistance Application
C. Tax Abatement Policy

1.0 PURPOSE AND AUTHORITY

1.1 The purpose of this document is to establish the criteria for the City of Parkers Prairie, Minnesota (the "Grantor") for granting business subsidies for private development. These criteria shall be used as a guide in the processing and reviewing of applications requesting business subsidies.

1.2 The City's ability to grant business subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995 (the "Statutes").

1.3 Unless specifically excluded by the Statutes, 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 these criteria by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Department of Employment & Economic Development (DEED) with the next annual report.

1.6 The Grantor may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes. The Grantor may waive provisions of these criteria without holding a public hearing.

2.0 PUBLIC PURPOSE REQUIREMENT - CRITERIA

2.1 All business subsidies must meet a public purpose. The City hereby expresses its support for the use of business subsidies that meet the below listed "Public Purpose" criteria.

a. "But-for" Test. There is a substantial likelihood that the project would not go forward without the business subsidy requested. These criteria must be supported by representations of the applicant for business subsidy.

b. Redevelopment. The project will remove, prevent or reduce blight or other adverse conditions of the property, thereby protecting the City's property values and the public health, safety, and welfare.

c. Attraction of New Business. The project will attract or retain competitive and financially strong commercial and industrial companies, which offer the potential for significant growth in employment and tax base.

d. Highest and Best Land Use. The use of the business subsidy will encourage quality construction and promote the highest and best use of land.

e. Needed Services. The project will provide a needed service in the community, which is not currently available. Examples are health care, convenience, or social services.

f. Unmet Housing Needs. The project will provide housing facilities that the community needs but are not currently available.

g. Economic Feasibility. The recipient can demonstrate that it has experience and adequate financing for the project, and that the project can be completed in a timely manner.

h. Impact on City Services and Infrastructure. The project will not significantly or adversely increase the demands for service needs in the City.

i. Job Creation. The project will create or retain jobs which pay at least the state or federal minimum wage, whichever is higher, as adjusted periodically.

j. Tax Base. The project will increase the City's tax base and generate new property tax revenue. The creation of a tax base shall not be the *sole* public purpose of a subsidy.

k. Linkage. The project has link to local business and will result in strengthening local business.

l. Promote Agricultural. Projects that support and strengthen agricultural opportunities.

m. Environmental. Projects that do not adversely affect the environment or recreational resources in and around the community.

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 specific subsidy being considered, and that the related wage and job goals are zero, shall be made following a public hearing.

a. 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.

b. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy.

3.0 VALUATION OF A BUSINESS SUBSIDY

3.1 The City will calculate the value of assistance provided to a business in the following manner:

a. If the subsidy is a contribution or sale of real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the City, less any amount paid.

b. If the subsidy is a loan, the amount of the subsidy will be the difference between market rate interest and the actual interest paid by the developer.

c. If the subsidy is a loan guarantee, the amount of the subsidy will be principal amount of the loan guaranteed.

d. If the subsidy takes the form of payments over time (such as pay-as-you-go tax increment) the amount of the subsidy will be the sum of projected payments, discounted to the present value using a discount factor determined by the City, which approximates the interest rate available to the business from a commercial lender.

4.0 EVALUATION OF A BUSINESS SUBSIDY

4.1 The City will evaluate each request for a business subsidy on a case by case basis. Applicants for assistance shall complete an application form and supply all additional information requested by the City.

4.2 The application fee must accompany the application to be considered complete and be placed on a meeting agenda. Upon approval to move forward with the project assistance, the Developer will be required to deposit funds with the City sufficient to cover legal, consultant and/or administrative costs associated with completing the assistance package. The City will provide an estimate of these costs, and any unused funds will be returned to the Developer. If additional costs are incurred, the Developer will be responsible for the costs.

4.3 Meeting all, or a majority of, the criteria does not mean a subsidy will be awarded or denied. A decision to approve or reject a request for subsidy will be based on the merits of the project and the overall benefit to the community.

4.4 All new projects approved by the Grantor should meet the following minimum criteria. It should not be presumed, however, that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.

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 Minnesota State Statutes.

4.5 The business subsidy shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.

4.6 The project must be in accord with the City's Comprehensive Plan and Zoning Ordinances. Required changes to the plan must be under active consideration by the City at the time of approval.

4.7 Any developer requesting a business subsidy should be able to demonstrate the need for assistance, past successful development capability, and specific capability for the type and size of development proposed.

4.8 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.

4.9 A recipient of a business subsidy must enter into a subsidy agreement with the City as described in Section 5, and meet the requirements of Minnesota State Statutes.

4.10 The recipient of a business subsidy must make a commitment to continuing operations within the City for at least five years after the benefit date.

4.11 Any business subsidy will be at the lowest possible level and for the least amount of time necessary, after the recipient maximizes the use of private debt and equity financing first.

5.0 SUBSIDY AGREEMENT

5.1 In granting a business subsidy, the Grantor shall enter into a 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 Minnesota State Statutes.

5.2 The subsidy agreement may be incorporated into a broader development agreement for a project.

5.3 The subsidy agreement will describe the requirements for the recipient to provide the reporting information required by Minnesota State Statutes.

Adopted 21, 2025 following a properly published public hearing held on the same.

EXHIBIT A
FEE SCHEDULE

Application Fee = $ 250.00

The application must be complete and accompanied by the application fee before it may be placed on a meeting agenda.

*Application Fee does not include legal fees or closing costs.

TIF Creation or Tax Abatement Fee = Actual Cost (see below)

Applicants will be assessed 100% of the actual costs to create the District, including the actual cost of administrative or legal fees, and any fees related to required publishing and posting of notices incurred in connection with the preparation of the development agreement.

EXHIBIT B

City of Parkers Prairie Assistance Application

(See Attached)

CITY OF PARKERS PRAIRIE, MINNESOTA ASSISTANCE APPLICATION

BUSINESS NAME: _____

BUSINESS ADDRESS: _____

_____

CITY: _____ STATE: _____ ZIP: _____

CONTACT PERSON: _____

DAYTIME PHONE: _____

EMAIL: _____

OFFICE USE

Application # _____

Date Received _____

Development District _____

Finance District _____

Application Fee Paid $_____

TYPE OF ASSISTANCE REQUESTED (NOT ALL FORMS OF ASSISTANCE LISTED BELOW MAY BE AVAILABLE):

____TAX INCREMENT ____TAX ABATEMENT ____ LOW INTEREST LOAN ____OTHER (PLEASE SPECIFY)

AMOUNT OF ASSISTANCE REQUESTED: $ _____ (IF KNOWN) _____

PROJECTED START DATE: _____ PROJECTED COMPLETION DATE: _____

ESTIMATED COSTS (PLEASE ITEMIZE)

ACQUISITION	$ _____
DEMOLITION	$ _____
SITE IMPROVEMENTS	$ _____
UTILITIES	$ _____
EQUIPMENT	$ _____
FURNITURE/FIXTURES	$ _____
INVENTORY (NOT ELIGIBLE)	$ _____
WORKING CAPITAL (NOT ELIGIBLE FOR REVOLVING LOAN FUNDS)	$ _____
TOTAL COSTS	$ _____

FINANCING SOURCES (PLEASE ITEMIZE)

_____ $_____

_____ $_____

_____ $_____

_____ $_____

_____ $_____

_____ $_____

_____ $_____

_____ $_____

TOTAL FUNDS $ _____

PROJECT SITE: _____

PARCEL #'S: _____ _____ _____ _____

*PLEASE ATTACH A LEGAL DESCRIPTION OF THE PROPERTY.

IF THE ASSISTANCE IS FOR A BUILDING PROJECT:

ESTIMATED VALUE AFTER PROJECT COMPLETION $ _____ SIZE OF BUILDING _____SQ. FT.

BUILDING TYPE_____

*PLEASE PROVIDE DESCRIPTION OF THE PROPOSED PROJECT ALONG WITH A SKETCHED PLAN AND/OR SITE PLAN FOR THE PROJECT.
*PLEASE ATTACH A DETAILED DESCRIPTION OF WHY THE ASSISTANCE IS NEEDED, BE SPECIFIC.

Public Purpose and Job Creation Information

What benefits will the City and its residents gain if assistance is provided?

_____ Job Creation _____ Job Retention _____ Job Training _____ Land Clean Up
_____ Tax Base _____ Removal of Blight _____ Redevelopment

_____ Other (please list) _____

If job creation is part of your proposal please list:

# of full-time jobs created _____ # of part-time jobs created _____

Average full-time salary $_____ Average part-time salary $_____

Bank Information

Name of Bank: _____ Contact Name: _____

Address: _____ Phone Number: _____

Name of Bank: _____ Contact Name: _____

Address: _____ Phone Number: _____

Ownership/Company Information

Type of company (corporation, etc): _____

Owner(s) name(s): _____

Address: _____

Phone number: _____ Is there a parent company? _____

Has the business, owners or parent company ever declared bankruptcy? Yes No
*If yes is checked, you must include information about the bankruptcy.

Has your business or parent company received a business subsidy, for this or any other project, from another Minnesota unit of government during the past 5 years? Yes No
*If yes is checked, please attach a description of the subsidy and by whom it was provided.

Applicant Signature(s) and Fee

This application must be accompanied by a $ 250.00 application fee. Depending upon the type of assistance requested, you may also be required to provide the City with a deposit to cover administration and consulting expenses associated with your project. Unused funds will be returned upon completion of this process. The applicant agrees to provide additional information if requested by the City.

_____ _____ _____
Applicant Signature Title Date

_____ _____ _____
Co-Applicant Signature Title Date

The following information is used for tracking and reporting purposes only:

Applicant's gender: Male Female Non-binary Prefer not to answer

Applicant's ethnicity: White Black Hispanic Asian Native American Pacific Islander 2 or more races

The City of Parkers Prairie is an Equal Opportunity Employer.

City of Parkers Prairie
102 North Otter Avenue PO Box 70
Parkers Prairie, MN 56361

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

GUIDELINES

Use of funds: Acquisition, construction, machinery & equipment.

Types of businesses: New or expanding businesses including manufacturing, service, retail, and commercial entities.

Financing: Direct/low interest loans, loan guarantees:
The revolving loan fund (RLF) allows the City to assist businesses for growth and success. The fund will enhance conventional lender's ability to make adequate and affordable credit available to businesses through a public/private partnership. The city will receive dividends of a healthier business community, more jobs for its residents, and an expanded, diverse tax base.

Goals and Objectives:
- Collaboratively make credit more readily available to small businesses in the Parkers Prairie community- Provide gap financing for "good deals" which may not be conventionally bankable through structure of terms, interest rates, and type of participation.
- Create jobs for the Parkers Prairie community
- Expanded employment opportunities for residents of Parkers Prairie
- Expand and continue to diversify the tax base- Assisting businesses to remain and expand in Parkers Prairie and to provide tax base diversity.
- Manage the portfolio- Assure repayment so the capital base of the loan fund can grow over time. To have a permanent impact the funds must be available to future borrowers using funds repaid by earlier borrowers.

Service Area:
The Parkers Prairie EDA will operate, and service loans are made to companies located within the city of Parkers Prairie.

Types of Financing:
- Direct loans up to 50% of total project cost, not to exceed **$25,000 (minimum of $2,500).** Minimum of 15% owner equity investment in the project required. The term and rate of each loan will be determined by needs of each project based on:
· Term of other lenders and the economic life of the asset being financed. The rate of interest will be negotiable as determined by project need and will be tied to the prime rate.

Eligible Borrowers:
The program will be open to any eligible legitimate business whose primary place of business is in the City of Parkers Prairie. Proposals will be reviewed by the EDA loan committee, EDA, and staff.

Use of Loan Proceeds:

Eligible uses:
· Land Acquisition
· Site Improvements
· New Building Construction or Rehabilitation
· Renovation and Modernization of Interior & Exterior of Buildings
· Machinery, Equipment, and Fixtures
· Inventory

Workforce Development:
· Utilities or Public Infrastructure
The City has the authority to grant RLF funds to a regional or state pool to provide the local match required for capitalization of a regional or state revolving loan fund.

Ineligible uses:
· Taxes (except for Sales & Use Tax when paid in connection with the purchase of eligible items
· Refinancing Debt (Unless Debt is current RLF Loan)
· Residential Real Estate
· Professional Fees
· Construction and/or Renovation of Residential Units
· Organization Expenses
· Financing of Speculative Product Development

Other Criteria to be considered:
· Creation of new jobs or retention of existing jobs
· Increase in the tax base
· The project can demonstrate that investment of public dollars induces private funds
· The project can demonstrate an excessive public infrastructure or improvement cost beyond the means of the affected community and private participants in the project
· The project provides higher wage levels to the community or will add value to current workforce skills
· Whether assistance is necessary to retain existing businesses
· Whether assistance is necessary to attract out-of-state business

Credit Policies:
Loan decisions will be based on demonstrated ability to repay debt, firm project costs, demonstrated need for financing, and financial statements of the company. Equity investment and collateral will be determined on a case-by-case basis. Subordinated positions will be accepted.

Application Process:
An Interested loan applicant will meet with Staff to obtain information about the loan program, discuss the proposed project and obtain application forms. A completed application, together with a loan origination fee of $250 must be submitted with the application prior to review and consideration. This fee is used to pay the costs associated with the preparation and structuring of applications and related costs such as accounting to conduct an appropriate review of such applications and legal fees. If the the loan is not approved; the fee is not refunded. Borrowers are also responsible for any additional associated fees relating to the closing of the RLF loan. Staff will prepare recommendations to be presented to the Loan Committee based on their review of the application. Staff may pull credit reports and verify all background information. If the applicant is working with commercial or other lenders, the EDA will work together with those lenders to determine credit worthiness and the best financial package for the applicant. The Loan Committee reviews full applications, staff recommendations and makes a decision on the application. The Loan Committee will then make a recommendation to the EDA. *The EDA reviews the recommendation of the Loan Committee. If the loan is approved for $25,000 and above, the Parkers Prairie City Council will make the final credit decision. Any loan approved for $25,000 and under will be approved by the EDA and does not need to go to City Council for approval. Staff will then inform the applicant of the decision.*

Application Review Process:
When a completed application is received, EDA staff will conduct a thorough review of the application. Items to be considered:
· Applicability of the project to the goals of business subsidy policy
· Benefits of the proposed project to the city
· Compliance with all City ordinances, policies, and restrictions.
· Availability and applicability of other governmental grants and/or loan programs.

Ratio of private funds to loan funds:
· Financial feasibility – availability of funds, private involvement, financial packaging and cost effectiveness.
· Project design
· Repayment ability and sufficient cash flow to cover proposed debt service.

Balance sheet/ratio analysis:
· Letter of commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
· Letter of commitment from regulated financial institutions stating terms and conditions of their participation in the project, if applicable. Or turn down letters.

Management skills:
· Sufficient collateral and lien position

Other Policies:
Loan closing will be handled by EDA staff and other appropriate City staff. Staff will notify EDA of any account delinquencies. Any modifications of loan terms and conditions must be requested in writing by

the applicant and approved by the EDA. Defaults will be handled on a case-by-case basis. Specific action will depend on the nature and circumstances, amount and availability of collateral and costs versus benefit of liquidating assets or other collateral. Any action taken will be handled by EDA staff and in the direction of the EDA.

Conflict of Interest:
A loan application must stand on its own merits. A voting member of the EDA or City Council may not vote or otherwise influence other voting members on measures regarding a loan request where they or their immediate family stand to benefit either personally, or financially.

Business Subsidy Law:
The project must conform to the Minnesota Business Subsidy Law, MS § 116J.994. Government Data Practices Information contained in the application for assistance will become a matter of public record with the exception of those items protected under the Minnesota Government Data Practices Act, MS § 13.

Right of Ultimate Review:
Due to the fluctuating nature of business and communities, this policy must remain able to accommodate the changing needs of the city. Due to the inherent inability to fully anticipate future situations and projects, this granting body retains the right to grant loans to projects that are deemed in the public interest yet may deviate from the above criteria.

EXHIBIT C

CITY OF PARKERS PRAIRIE
Tax Abatement Policy
Adopted April 21, 2025

SECTION 1. TAX ABATEMENT POLICY

Due to the 2001 property tax reform, local governments have developed new local financing tools for economic development. Tax abatement is one such financing tool set forth by the Minnesota State Statutes § 469.1812 to § 469.1815. The City of Parkers Prairie (the "City") will consider tax abatement requests on a case-by-case basis. This policy will set forth 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 to be followed to establish a tax abatement. It is the intent of the Policy to serve as both a procedural and informational guide for all interested persons.

SECTION 2. INTENT

The purpose of the Tax Abatement Policy Statement is to provide a uniform set of standards and procedures for the City to follow when utilizing tax abatement in conjunction with Minnesota State Statutes § 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 taxes to pay for public infrastructure costs, or defers the property taxes.

SECTION 3. CONDITIONS FOR GRANTING AN ABATEMENT

3.1 According to Minnesota State Statutes, abatement can be granted if:

a. The governing body (a) expects the benefits to the political subdivision of the proposed abatement to at least equal the cost of the abatement, *OR*, (b) intends the abatement to phase in a property tax increase.

b. The governing body finds that the abatement will be in the public's interest because it will accomplish at least one of the criteria set forth in the City's adopted Business Subsidy Policy.

c. Abatements may not be granted to property located within an active tax increment-financing (TIF) district.

3.2 In general, the City has set forth some additional conditions the request for abatement must meet:

- The project must increase the permanent employment opportunities in the City.
- The abatement will adhere to the Business Subsidy Policy the City regarding job and wage criteria.
- On 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 considered, the City 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, so as 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 a tax abatement will be commensurate with the public benefits identified, not to exceed the term allowed by Minnesota State Statutes.

3.3 The total abatements in any one year cannot exceed 10% of the property tax levy, or $200,000.00, whichever is greater, as per Minnesota State Statutes.

SECTION 4. APPROVAL PROCESS

4.1 The City will make a finding, based upon information presented, as to whether the proposed project is consistent with Minnesota State Statutes § 469.1812 to § 469.1815 and if the *Conditions of Granting an Abatement* per Section 3 of the policy statement, are met. If deemed appropriate, the City may direct staff and consultant/advisors to prepare the Abatement Resolution for City Council consideration.

4.2 The City Council may grant abatement only by adopting an abatement resolution. The contents of the resolution should contain the following:

- Terms of the Abatement
- Only one type of tax abatement can be stated
- Amount of the abatement
- Method of Annual Determination
- Number of Years
- Effective starting date or the first payable year for the abatement
- Nature and extent of public benefits

4.3 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 approval process.

4.4 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 5. ANNUAL REPORTING

Projects granted tax abatement that will be equal to or greater than $25,000 in total must report annually to the City by March 1 the following information:

1. Number of Jobs Created or Retained
2. Annual wage per employee created with the abatement project
3. Any information the City deems necessary to meet the requirement of the Business Subsidy Laws.

SECTION 6. REPAYMENT OF ABATEMENT

Failure of the recipient to meet the terms of the Abatement Resolution and/or associated Development Agreement may trigger repayment of the assistance. Imposition of any repayment is at the sole discretion of the taxing authority and will be reviewed/considered on a case-by-case basis. Reasons for the repayment of benefits may include the following:

- Sale or closure of the facility and departure of the company from the jurisdiction.
- Significant change in the use of the facility and/or the business activities of the company.
- Significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic conditions.
- Failure to achieve the minimum number of net new jobs and wage levels as specified in the application and the City Business Subsidy Policy.
- Failure to comply with the annual reporting requirements.