

# Business Subsidy Agreements

Planning and Economic Development  
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# What is a Business Subsidy?

- Per MN State Statute Sections 116J.993-.995 and Saint Paul City Council Resolution #99-742, Business Subsidy law applies when qualifying projects receive state or local government assistance for \$150,000 or more
  - Assistance can be a grant, a loan, a loan guarantee, or a combination of those sources
  - Business subsidy projects must have a defined public purpose
  - Projects receiving \$150,000 must report annually on project progress for 5 years
- Any business or project receiving a subsidy of \$150,000 or more must hold a public hearing
  - All public hearings must be noticed for at least 10 days prior to the date of the hearing



# What is a defined public purpose?

- The Business Subsidy statutes consider the following as an acceptable public purpose:
  - Improvements to real property
  - Removal of vacant or blighted property
  - Increases to the tax base
  - Job creation and/or retention
- In the case that job creation is not the main goal of a project and the related subsidy, job creation goals can be set at zero so long as the project can demonstrate another public purpose and benefit



## **Are all projects that receive \$150,000 or more considered a business subsidy?**

- No, the business subsidy statute outlines a number of project types that do not need to follow the business subsidy process.
  - Some common exemptions to this rule include:
    - Housing development projects
    - Projects on state or locally owned land
    - Contamination clean up projects
    - Tax Increment Financing funded projects



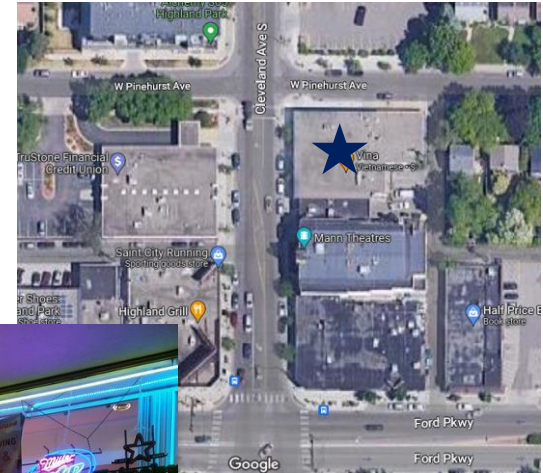
# **Business Subsidy Projects**



# Vina Highland

**Project:** Expansion and remodel of existing restaurant space including kitchen renovations and ADA upgrades

- **Location:** 756 Cleveland Ave S
- **Total City funding:** \$250,000 (\$150,000 loan, \$100,000 grant)
- **Total project cost:** \$470,000
- **Public purpose:** real property improvements and tax base increase
- **Timeline for completion:** 3-6 months
- **Anticipated job creation:** 5 part time positions

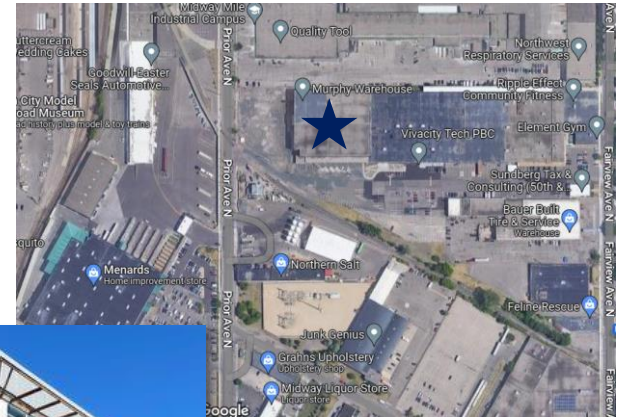




# Shanghai Wholesale

**Project:** Build out of a grocery and distribution including installation of new refrigeration equipment

- **Location:** 640 Prior Ave N
- **Total City Funding:** \$250,000 (\$150,000 loan, \$100,000 grant)
- **Project cost:** \$500,000
- **Public purpose:** real property improvements and tax base increase
- **Timeline for completion:** 3- 6 months
- **Anticipated job creation:** 10 full time, 10 part time





# The Lowlands

**Project:** Exterior improvements to formerly vacant building that will operate as a new event venue

- **Location:** 160 Wabasha St S
- **Total City funding:** \$200,000 (\$100,000 loan, \$100,000 grant)
- **Project cost:** \$364,000
- **Public purpose:** removal of vacant building, real property improvements, and tax base increase
- **Timeline for completion:** 6-9 months
- **Anticipated job creation:** 2 full time, 2 part time





## STAR program Business subsidy process/next steps

1. A project applies for and receives approval for funding of \$150,000 or more
2. City staff schedules a public hearing and publicly notices the hearing for at least 10-days
3. **A public hearing is held at the scheduled City Council meeting**
4. **City Council considers the subsidy request after the public hearing**
5. If approved, the City enters into a Business Subsidy Agreement with the business
6. The Business provides an annual report on the project to the City annually for 5-years

*Note: Most projects do not go through this two step approval process– this is unique to STAR funded projects. A majority of projects get their funding approved and the business subsidy agreement approved at the same time*



# Thank you!

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