

# ECONOMIC DEVELOPMENT INCENTIVES POLICY

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**DIVISION:** Administration  
**AUTHORITY:** Res. 99086; 2014-091

**EFFECTIVE:** 10-12-99  
**REVISED:** 06-03-14

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## **PURPOSE:**

Economic development incentives are financial tools that enable the County to provide opportunities and benefits for its businesses and residents. Incentives can take a variety of forms including but not limited to cash, debt financing, tax and fee waivers, credits and rebates. Scott County provides economic development incentives in order to achieve its long-range vision of creating a diverse and sustainable economic base (as adopted in the *Scott County Comprehensive Plan*). A sustainable economic base is achieved in part through the creation and retention of quality, higher paying jobs. A diverse and sustainable economy offers opportunity for improved quality of life for the residents of Scott County. 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. While job creation and retention goals will be required for any economic development project seeking incentives pursuant to this Policy, the County can require that a project seek to achieve additional goals. This Policy document sets forth a flexible framework for evaluating projects and proposals requesting economic development incentives.

## **LEGAL AUTHORITY:**

This Policy is adopted for purposes of the business subsidies act (the "Act"), which is Minnesota Statutes, Sections 116J.993 through 116J.995. Terms used in this Policy are intended to have the same meanings as used in the Act. A business subsidy, as defined in Minn. Stat. 116J.993(3), is herein referred to as an economic development incentive. This Policy shall apply only with respect to incentives granted under the Act if and to the extent required thereby.

The essence of this policy is to provide the legal and statutory framework for the County Board to utilize economic development incentives pursuant to requirements in law. The adoption of this policy is a prerequisite to determining the level of and extent of any Scott County participation in economic development incentives programs.

## **MEASURABLE OUTCOMES:**

Because most forms of economic development incentives involve taxpayer dollars, it is the responsibility of County government to evaluate the performance requirements of individual projects as well as the cumulative impact of all the incentives and agreements to ensure the the County's economic development objectives are being realized. This section of the Policy sets forth measurable outcomes for each individual project, as well as cumulative measurable outcomes the County shall track and report on over time.

**INDIVIDUAL PROJECTS.** The measurable outcome that individual projects must pursue to receive incentives under this policy shall meet one or more of the following:

- job creation/retention: a business shall be considered for public incentives if it creates or retains at least 10 full-time employees over the entire period of the agreement.
- living wages: a new business shall be considered for public incentives if the wages paid to all of its employees is at least 130 percent of the Federal Poverty Standard set by the U.S. Department of Health and Human Services for a family of four or, if the employer provides basic health insurance benefits then it is equal to 110 percent of the federal poverty rate for a family of four
- A second-stage growth company: a business shall be considered for public incentives if it is considered a “second-stage” growth company – a company that has advanced beyond the startup stage with the potential for additional growth, as defined by the Edward Lowe Foundation.
- public infrastructure investment: a business shall be considered for public incentives if the incentive is used to fund public infrastructure projects, including but not limited to local roads and streets, access roads, bridges, regional trails, water and sewer line extensions, water distribution and purification facilities, rail or water port improvements, public transit systems, and the development and improvement of publicly owned industrial and commercial sites.
- redevelopment and/or blight: a business shall be considered for public incentives if the incentive accomplishes the removal, rehabilitation or redevelopment of, or provision of development or spread of, a blighted area as defined by Minnesota Statutes, Section 469.002, Subdivision 11, or constitutes a cost of correcting conditions that permits designation of a redevelopment district or renewal and renovation district under Minnesota Statutes, Section 469.174 to 469.179.

With respect to incentives for individual projects, the following principles and criteria shall guide the determination of goal targets:

- Each project shall be evaluated on a case by case basis and must fall within the County’s risk tolerance for economic incentives, recognizing the proposed project’s importance and benefit to the community from all perspectives, including created or retained employment positions, infrastructure improvements, stabilization of communities, and industry type.
- In cases where the objective is the retention of existing jobs, the recipient of the subsidy shall be required to provide reasonably demonstrable evidence that the loss of those jobs is imminent.
- The County will not provide economic incentives for the relocation of jobs within the region unless there are compelling economic reasons indicating that the failure to relocate will lead to economic hardship to the area, or if the community losing the business does not have a viable site for relocation. Compelling economic reasons may include the potential loss of jobs and tax base to the area. This and any other evidence must be documented.

- The setting of wage and job goals must be sensitive to prevailing wage rates, local economic conditions, external economic forces over which neither the County or the recipient of the subsidy has control, the individual financial resources of the recipient and the competitive environment in which the recipient's business exists.

Specific outcomes for individual projects will be determined and agreed to between the County and the requestor prior to approval of the economic development incentives by the County Board.

**COMMUNITY IMPACTS:** The high-level community outcomes that the County shall track and report to the County Board from time to time shall include one or more of the following:

- actual to estimated assessed property values for all projects that received incentives over the reporting period,
- based on census data, the number of county residents with industry skills matched with the number of jobs available in the county, by industry type,
- based on census data, trends on the jobs to households balance in the county
- based on census data, trends on the employment residence ratio  
estimated number of spin-off businesses or support businesses directly or indirectly tied to public incentive recipients

**TARGET INDUSTRIES**

Scott County and its partner municipalities and townships are working cooperatively to achieve a shared vision supporting the County's Comprehensive Plan when there are enough jobs in the county to accommodate 50 percent of the resident labor force by 2030. To achieve this vision, this Policy has identified target industries eligible for County economic development incentives. These target industries were selected because they a.) build on the county's current cluster of industries, b.) most closely match the existing employment skills of the county's labor pool, or c.) represent the projected future market for economic development over the next 20 years.

To be eligible for an economic development incentive of any kind, a business, industry or firm must be engaged in one or more of the following activities:

- Manufacturing
- Warehousing and Distribution
- Wholesale Trade
- Transportation and Logistics
- Data Centers
- Research and Development
- Corporate Headquarters
- Tourism and Entertainment

**MENU OF ECONOMIC DEVELOPMENT INCENTIVES**

Scott County offers a range of incentives to promote economic development for eligible firms, businesses or industries set forth in this Policy. Below is a brief description of each incentive. Table 1 shows which target industry is eligible for each development incentive.

- **Tax Abatement:** Tax abatement may be spent only for specified purposes permitted in the underlying development statutes. The Minnesota Tax Abatement Act is codified as Minnesota Statutes 469.1812 through 469.1815. The County Board will consider approval for Tax Abatement only if the Municipality or Township has also approved a similar Tax Abatement instrument. The Municipality or Township and the County will determine the share of the economic incentive borne by both jurisdictions.
- **County Loans or Financing:** Scott County may provide loans or financing as an incentive.
- **County Broadband Fiber Connection Discounts:** Scott County owns a fiber network, maintained by Access Communications, that runs throughout the County linking all cities, schools, major government facilities, and many planned and existing business parks. County staff will work closely with a business to evaluate their fiber needs and assess options which could result in significant long term operating savings.
- **County Property Discounts:** Scott County may negotiate the sale price of property wholly owned by the County or Scott County Community Development Authority (CDA) for new and expanding businesses, as well as for businesses relocating to Scott County.
- **County Permit Fee Waivers:** Scott County may waive building permit fees, lot fees, or zoning permit fees for new locations, facility expansions, or firms relocating to the County's unincorporated area where the County maintains zoning, platting and building code authority.
- **Transportation Infrastructure Assistance:** Scott County may financially assist new, expanding, or relocating businesses that do not qualify for state or federal transportation and economic development grants for transportation infrastructure development, site work, or right-of-way acquisition. Consideration for this type of assistance will be provided only upon the assurance that the pay back in increased real property tax revenues occurs within three (3) years.
- **Employment Training:** Scott County may work with firms to insure that all training resources are identified and will assist with connecting firms to the proper representatives
- **Economic Gardening:** Scott County recognizes the need for governmental collaboration to promote strategic, sustained growth of second stage growth companies and creation of jobs in the I-494/TH 169 corridor. The County may support a businesses' enrollment in Edward Lowe Foundation's Economic Gardening program as a means of assisting with such growth to provide practical tools and techniques designed specifically for growing regional second stage companies in the above mentioned corridor.

Table 1: Eligible Incentives by Target Industry Type

	Tax Abate	County Fiber	Loans, Financing	Property Discount	Fee Waivers	Transportation Infrastructure	Employment Training	Economic Gardening
Manufacturing	X	X	X	X	X	X	X	X
Warehousing Distribution	X	X	X	X	X	X	X	X
Wholesale Trade	X	X	X	X	X	X	X	X
Transportation and Logistics	X	X	X	X	X	X	X	X
Data Centers	X	X	X	X	X	X	X	
Research and Development	X	X	X	X	X	X	X	X
Corporate Headquarters	X	X	X	X	X	X	X	
Tourism and Entertainment		X				X		

**APPLICATION AND REVIEW PROCESS:**

- The applicant shall notify the County on their interest in applying for an economic development incentive. After any initial screening, the applicant shall submit a copy of the Municipality business subsidy application to obtain basic company information. If the following information is not already provided in the municipal application, the County will request the following information, including but not limited to: primary contacts, FIN or EIN, history/profile, prospectus, Form 10-K, and project description. This information will be evaluated by County risk management and County Administration during the application risk assessment process.
- Within seven (7) to ten (10) business days of submittal of the basic company information, staff will inform the applicant to proceed. There are no up-front application fees for any of the County economic incentive options. There is, however, a \$5,000 administrative fee associated with the Tax Abatement incentive, payable only after an agreement is executed. This amount will be withheld from the first settlement payment with the company.
- The requestor and the County will draft an economic development incentive agreement for consideration by the County Board. The incentive agreement will specify the terms and conditions of the agreement. The ultimate amount of the incentive may not be equivalent to the maximum amount allowable by this Policy.
- The agreement will include target goals that coincide to the economic development goals identified in this policy.
- The recipient, municipality and/or township will report on the progress in achieving agreement goals as prescribed by the business subsidies act. Reporting is critical to the County’s risk management process as well as tracking measurable outcomes. The agreement will provide for annual reports to the County Board for at least three years. These reports will be filed with the County no later than February 15 of each year identified in the contract and include:

- The type and amount of incentive and the public purpose served by it.
  - The number and hourly wage or salary of each job that has been created since receiving the incentive, with separate bands for full-time and part-time positions.
  - The date when the recipient expects to reach any job and wage goals.
  - An estimated count of the number of employees who reside in Scott County and the number who reside outside of Scott County before and after receiving the incentive.
  - Any future expansion or growth plans.
- Public hearing required

**FISCAL LIMITATIONS:**

- Total County contribution will be limited; the proposed project in addition to prior financial commitments made pursuant to this Policy or previous economic development policies is not to exceed three percent (3%) of the County's annual net spread levy at time of application.
- If the incentive is a tax abatement, the abatement will be on the taxes collected on the value of the new improvements (buildings) to the property; taxes collected on the value of the land will not be abated. The County reserves the right to cap the dollars of the value to be abated.

Because it is not possible to anticipate every type of project which may in its context and time present desirable community building or preservation goals and objectives, Scott County retains the right pursuant to statute in its sole discretion to approve projects and subsidies which may vary from the principles and criteria of the Policy.

Adopted by: Scott County Board of Commissioners

Date of adoption: October 12, 1999

Date of public hearing: October 5, 1999