



Exhibit A

Amended: September , 2025

Last Amended: February 20, 2001

Business Subsidy Policy

For the purposes of this document, the term “city” includes the Pine Island City Council, the Pine Island Economic Development Authority (EDA), city staff, financial consultant, and legal counsel.

I PURPOSE

The purpose of the Pine Island Business Subsidy Policy is to establish criteria for the granting of business subsidies, including financial assistance, through Tax Increment Financing (TIF), Tax Abatement, or other programs that may become available through the city or the Minnesota Department of Employment & Economic Development (DEED).

This policy will be used as criteria for providing subsidies, in addition to the requirements and limitations set forth by provision of Minnesota Statutes Section 116J.993 through 116J.995, as amended, the Business Subsidy Act (the act). Any applicant who is not in good standing with the city regarding licenses, fees, code violations, or other city issues will not be considered for a business subsidy.

The criteria set forth in this Business Subsidy Policy shall be used as a guide in processing and reviewing the application and will be used in conjunction with other relevant policies of the city. The city reserves the right to approve or reject projects on a case-by-case basis, taking into consideration current policies, project criteria, and demand on city services or infrastructure in relation to the potential benefits from the project. Meeting this policy criteria does not guarantee the award of business assistance for the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

The City may amend this policy at any time. Amendments are subject to public hearing requirements contained in the act. The city also has the right to deviate from this policy at any time.

II TYPES OF BUSINESS SUBSIDY

A Business Subsidy, as further defined herein and in the Act shall include, but not be limited to one of the following types of subsidies provided by the City and/or DEED:

1. Loan
2. Grant
3. Tax Abatement*
4. Tax Increment Financing (TIF) or other tax reduction or deferral*
5. Guarantee of payment
6. Contribution of property or infrastructure
7. Preferential use of governmental facilities
8. Land contribution, or
9. Another specified subsidy

*If TIF or Tax Abatement is the selected tool, pay-as-you-go assistance will be the assumed method of subsidy. Up front assistance may be considered, but will require additional security provisions by the developer, such as personal guarantees, minimum market value assessment agreements, letter of credit, etc. The EDA makes no representation that up front assistance will be approved.

III. BUSINESS SUBSIDY CRITERIA

The following criteria will be utilized in evaluating a request for a business subsidy.

1. *Public Purpose.* A business subsidy must be used to meet a public purpose. The public purpose 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.
2. *Increase Tax Base.* The act provides that an increase in tax base cannot be the sole basis for generating a business subsidy. However, the city considers an increase in tax base to be a critical factor in granting a business subsidy.
3. *Wage & Job Creation.* The project provided with a business subsidy must create a minimum of one full-time equivalent job paying at least 200% of the State minimum wage in effect at the time the subsidy is granted. If, after a public hearing, the city determines that the creation or retention of jobs is not a goal of the project, the job creation goal may be set at zero (0).
4. *"But-For" Test.* When there is a substantial likelihood that the project would not go forward or would not go forward in the same capacity without the business subsidy. This criterion may be met based solely on representation of the recipient of the business subsidy.
5. *Other Economic or Redevelopment Goals.* If the creation of jobs is determined not to be a goal of a project (and by extension wages) the proposed business subsidy must achieve specific, tangible, and measurable goals related to one or more of the following:
 - a. To encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development.
 - b. To remove blight and/or encourage development of commercial and industrial areas in the city that result in higher quality development and private investment.
 - c. To support a project that will improve the quality of life in the city by providing a

desirable good or service and addressing an unmet demand in the community.

- d. To promote revitalization and redevelopment within the city.
- e. Focus on the creation of wealth through “high value investment” rather than on the number of jobs created.

In granting a business subsidy, the city may deviate from the criteria outlined above if:

- a. The reason for the deviation is documented in writing, and
- b. Reported to DEED pursuant to the act.

IV. APPLICATION PROCESS

The applicant will complete and submit the city's Business Subsidy Application, the required application fee (refer to the current year's adopted fee schedule), and any additional information requested by the city pertaining to the project. The application fee covers the cost of the city's outside financial analysis and the development of a business subsidy agreement by legal counsel. The applicant will be liable for any additional costs beyond the initial application fee. All materials submitted to the city in connection with a business subsidy application shall become the property of the city and are subject to data privacy law. The review process shall involve at least the following:

1. The city shall review the application materials to ensure:
 - a. The completeness of the application, and
 - b. Whether the application meets the goals and criteria of this policy.
2. If the city determines the application is complete, a public hearing will be set.
3. At the time of the scheduled public hearing, staff will make a final recommendation to the city regarding the approval or denial of the business subsidy application. This recommendation will be based on:
 - a. Applicable credit analysis.
 - b. Financial structure of the proposed project/application.
 - c. Legal compliance of the project/application.
4. Land Use. The City will consider:
 - a. Compliance with Comprehensive or other Plans. Whether, apart from any needed services to the community described in Section D.2.d, the project is more compatible with the comprehensive plan than other permitted uses for the property. For example, the project may involve a "clean" industry such as a technology or service business which is preferred over other permitted uses.
 - b. Compliance with Zoning and Land Use Regulations. Whether the proposed use of the site complies with the regulations of the City Zoning Ordinance and Land Use Regulations.
 - c. Marginal Property. Whether the project is located on property which needs but is not likely to be developed or redeveloped because of blight or other adverse conditions of the property. For example, property may be so blighted that the cost of making land

ready for redevelopment exceeds the property fair market value.

- d. Design and/or Other Amenities. Whether, as a result of the business subsidy, the project will include design and/or amenity features not otherwise required by law. For example, the project may, at the request of the City, include landscaping, open space, public trails, employee work out facilities or day care facilities which serve a public purpose but are not required by law.
 - e. Highest and Best Use. Whether the project will encourage and promote the highest and best use of land.
 - f. Appropriateness. Whether the project is an appropriate land use for the location.
5. Impact on Existing and Future Public Investment. The City will consider:
- a. Utilization of Existing Infrastructure Investment. Whether and to what extent (i) the project will utilize existing public infrastructure capacity and (ii) the project will require additional publicly funded infrastructure investments.
 - b. Direct Monetary Return on Public Investment. Arrangements made or to be made for the City to receive a direct monetary return on its investment in the project. For example, the business subsidy may be in the form of an interest bearing loan or may involve a project sharing arrangement.
6. Economic Development. The City will consider:
- a. Leveraged Funds. The amount of the business subsidy to be provided for the project as compared to the amount of private funds which will be applied towards the capital cost of the project.
 - b. Spin Off Development. The dollar amount of nonsubsidized development the project is expected to generate in the surrounding area and the need for and likelihood of such spin off development.
 - c. Growth Potential. Based on the recipient's market studies and plans for expansion, whether and to what extent the project will produce a net increase of full-time equivalent jobs and of payroll, over and above the minimum number of jobs and wages set forth in Section B above.
7. Quality of Life. The City will consider:
- a. Community Services. Whether the project will provide services in the community and the need for such services. For example, the project may provide health services, retail convenience services such as a nearby grocery store, or social services needed in the community.
 - b. Unmet Housing Needs. Whether the project will provide housing the City currently needs but which is not available.
8. Other.
- a. Other Factors. Depending on the nature of the project, the City will consider such other factors as the City may deem relevant in evaluating the project and the business subsidy proposed for it.
9. The city will conduct the public hearing, during which they will take citizen comments on the issuance of the business subsidy. After the public hearing is closed, the city will either approve

or deny the business subsidy request. If the subsidy is approved, the business and the city will enter into a Business Subsidy Agreement.

V. BUSINESS SUBSIDY AGREEMENT

The following terms are specified under MN Statute 116J.994, Subd.3 Subsidy Agreement:

1. A recipient must enter into a subsidy agreement with the grantor of the subsidy that includes:
 - a. A description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing.
 - b. A statement of the public purposes for the subsidy.
 - c. Measurable, specific, and tangible goals for the subsidy.
 - d. A description of the financial obligation of the recipient if the goals are not met.
 - e. A statement of why the subsidy is needed.
 - f. A commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date.
 - g. The name and address of the parent corporation of the recipient, if any.
 - h. A list of all financial assistance by all grantors for the project.
2. A business subsidy in the form of grants must be structured as a forgivable loan. For other types of business subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
3. If a business subsidy benefits more than one recipient, the grantor must assign a proportion of the business subsidy to each recipient that signs a subsidy agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.
4. The city and the recipient must both sign the subsidy agreement, and the agreement must be approved by the local elected governing body.
5. Notwithstanding the provision in V.1. clause f. of this agreement which states:

A commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date

A recipient may be authorized to move from the jurisdiction where the subsidy is used within the five-year period after the benefit date if, after a public hearing, the grantor approves the recipient's request to move.

VI. COMPLIANCE AND REPORTING

1. Any assistance that does not meet the definition of a “business subsidy” will be excluded from the requirement of holding a public hearing prior to granting a business subsidy. All assistance that meets the definition, or utilizes Tax Increment Financing or Tax Abatement, shall be subject to the requirement of a public hearing.
2. Every recipient of a business subsidy must enter into a business subsidy agreement with the city. This agreement must fulfill the requirements of the act.
3. Both the recipient and the city must comply with the business subsidy reporting and monitoring requirements of the act.
4. If a recipient fails within two (2) years of the benefit date as defined in the act to meet the job and wage goals set forth in the business subsidy agreement, the recipient or its successors and assigns shall be liable to repay the city the assistance plus interest. The city may prorate repayment to reflect partial fulfillment of the goals set forth in the business subsidy agreement. The rate of interest charged must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce.
5. The city may, after holding a public hearing, extend the time for compliance with the business subsidy agreement job and wage goals by up to one (1) year.

VII. 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” or “Subsidy” means a state or local government agency 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.

“The Act” means the Business Subsidy Act, Minnesota Statutes Section 116J.993 through 116J.995, as amended.

“Business Subsidy Report” means the annual reports submitted each year for each business receiving a business subsidy in the community. The report is submitted by the local government unit in order to comply with M.S. §116J.994 Subd. 7. (b).

“Criteria” means the equitably applied, uniform standards by which the City bases its decision to

award any business subsidy to a private business or development project establishing a business and creating jobs in the City of Pine Island.

“DEED” means Minnesota Department of Employment and Economic Development.

“Full-Time Equivalent Job” The number does not reflect headcount, but rather all annual hours recorded by the employer divided by 40 hours per week.

“Grantor” means the city department, city attorney, local or regional economic development agency or other authorized entity that is empowered to solicit, negotiate, and form business subsidy agreements on behalf of the City of Pine Island.

“High Value Investment” will create jobs for highly skilled workers to operate the facility and often includes expensive equipment that is very difficult and costly to move and often requires customized buildings and building designs.

“Local Government Agency”: Includes a statutory or home rule charter city, housing and redevelopment authority, town, county, port authority, economic development authority, community development agency, nonprofit entity created by a local government agency, or any other entity created by or authorized by a local government with authority to provide business subsidies

“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 incases where job loss is specific and demonstrable.

“Recipient” means any for-profit or nonprofit business entity that receives a business subsidy. Only nonprofit entities with at least 100 full-time equivalent positions and with a ratio of highest to lowest paid employee, that exceeds ten to one, determined on the basis of full-time equivalent positions, are included in this definition.