



**Request for City Council Committee Action  
From the Department of Community Planning & Economic Development**

**Date:** October 26, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte.

**Prepared by:** Jim Forsyth, Senior Project Coordinator, Phone 612-673-5179

**Presenter in**

**Committee:** Jim Forsyth

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Business Subsidy agreement with Twin Star Medical Inc. for State Biotechnology and Health Science Industry Zone research and development credits.

**RECOMMENDATION:** Approve a Business Subsidy Agreement with Twin Star Medical Inc. for State Biotechnology and Health Science Industry Zone research and development credits attached.

**Previous Directives:** In Oct 2003 the City Council authorized Minneapolis' application for designation as a Bio-Science Sub-Zone and in May 2004 the City Council authorized execution of the State's bioscience zone agreement.

**Financial Impact** (Check those that apply)

- X** No financial impact - or - Action is within current department budget.  
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** 7

**Neighborhood Notification:** The Elliott Park Economic Development Committee will have reviewed this proposal at their Economic Development Committee meeting on October 20<sup>th</sup>.

**City Goals:** Goal 1: Increase the city's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents. C. Expand and diversify the Minneapolis economy.

**Comprehensive Plan:** Consistent

**Zoning Code:** Consistent

**Living Wage/Job Linkage:** Not applicable

## **Background/Supporting Information**

In 2003 the Legislature approved an act authorizing establishment of Bioscience Zones in order to promote the growth of biotechnology and health science industries in Minnesota. The Bioscience Zone program authorized various tax exemptions and credits for qualifying businesses. These include:

- Individual Income Taxes
- Corporate Franchise Taxes
- State and Local Sales Tax (no Minneapolis sales tax credits are requested)
- Wind Energy production tax
- Research and development tax credits
- Jobs Credits
- Tax benefits local governments are willing to provide. (no Minneapolis tax benefits are requested)

In October of 2003 the City of Minneapolis applied for designation of portions of the City as bioscience sub zones. In December of 2003 the State designated those portions of Minneapolis as bioscience sub zones and in May 2004 the City Council authorized execution of the designation agreement between the City and State. This designation makes the City the local administrator of the program. In this role the City is responsible for processing applications, reporting to the State and performing other administrative duties. For this effort the City is able to use the program to attract new businesses and retain or bring new jobs to the City.

The Bioscience sub zones in Minneapolis consist of a portion of the SEMI/University Research Park and the Life Science Corridor paralleling Chicago Avenue between HCMC and the Mid Town Exchange. Twin Star is located within the Life Science Corridor portion of the Minneapolis Bioscience sub zone.

Twin Star has an innovative and proprietary catheter technology that can treat patients suffering from tissue swelling due to injuries and various medical conditions. In 2004

and 2005 Twin Star anticipates incurring Health Science research and development expenditures resulting in \$14,625 of State credits.

The attached Business Subsidy Agreement commits Twin Star to those expenditures. By entering into the agreement Twin Star also agrees to remain in the sub-zone till 2016. In addition the agreement requires reporting by Twin Star and reimbursement to the State, should those expenses not be incurred.

Although Bioscience Zone designation authorizes local subsidies in the form of property tax relief and local sales tax reimbursement, these subsidies are not included in the agreement with Twin Star. In fact Minneapolis informed the State, at the time of its application for Bioscience sub zone designation, that it would not be authorizing property tax relief for any of its Bioscience Business Subsidy agreements.

Attached Exhibit: Model Biotechnology and Health Science Industry Zone Business Subsidy Agreement

JF:ta



**MODEL**  
**BIOTECHNOLOGY AND HEALTH SCIENCE INDUSTRY ZONE**  
**BUSINESS SUBSIDY AGREEMENT**

**I. PARTIES**

This agreement is made on «BusinessSubsidyApprovDate», the Approval Date, by and between the City of «CityName», Minnesota, local unit of government with offices at «CityAddress», (Telephone Number: «CityPhone»; (hereinafter “sub-zone administrator”) and «QualifiedBusinessName», a non-retail, non-commercial trade or business organized and operating under the laws of the State of Minnesota (hereinafter “qualified business”), with its principal offices at «QualifiedBusinessName», «QBAddr1», «QBAddr2», «QBAddr3» (Telephone Number: «QBTel»). This agreement shall become effective upon its Approval Date, the date on which the last person signs the agreement. In order to satisfy the provisions of the Biotechnology and Health Science Industry Zone statute (M.S. §§ 469.330 - 469.341) and the Business Subsidy Statute (M.S. §§ 116J.993 - 116J.995), the sub-zone administrator and a representative of the qualified business acknowledge and agree as follows:

**II. RECITALS**

- A. Whereas, the «QualifiedBusinessName» owned by «QualifiedBusinessOwnerName» is the **CHOOSE: fee owner / lessee** of the Property located at «SiteAddr1», «SiteAddr2», in the city of «City», «SiteCounty» County, Minnesota, with property tax identification number «SitePIN»; consisting of «#ofAcres» acres; and
- B. Whereas, the Property is located within a designated Biotechnology and Health Science Industry Zone, as described in the «ZoneName» Application; and is currently comprised of: **CHOOSE ONE from 1-5:**
1. Vacant land;
  2. Land with vacant buildings;
  3. Land with buildings currently containing operations adjacent to which the qualified business plans to expand
  4. Land with buildings containing an non-qualified operating business
  5. Other (specify)
- C. Whereas, the «QualifiedBusinessName» has been approved by the sub-zone administrator to be a non-retail, non-commercial: **CHOOSE ONE from 1-5:**
1. Trade or business located in and operating in a BIOSCIENCE ZONE at the time of Zone designation; **AND/OR**
  2. New trade or business start-up located with a Zone; **AND/OR**
  3. Business expansion in the sub-zone which is a business that maintains its current operations in its current location and is expanding its operations *and* its payroll within the «CityName» sub-zone; **AND/OR**

4. A business relocating from another state; **AND/OR**

5. A business relocating from another Minnesota non-Zone location; that:
  - a. Commits to signing a Relocation Agreement with DEED; and  
**CHOOSE ONE from b. or c.:**
  - b. Ceased one or more operations or functions at a non-Zone location and begins performing substantially the same functions inside the «CityName» Zone; or
  - c. Reduces employment at the non-Zone location starting one year before and ending one year after beginning operations in the Zone and its employees in the Zone are engaged in the same line of business as the employees at the location where it reduced employment; and  
**CHOOSE ONE or BOTH from d. and e.:**
  - d. Increases full time employment by 20% (measured relative to the operations that were relocated) within the first full taxable year of operation within the Zone and maintains the required level of employment during each year of zone designation; or
  - e. Makes a capital investment in the Zone equivalent to at least 10% of gross revenues for the taxable year immediately preceding relocation to the Zone;
- D. Whereas, the qualified business **CHOOSE: has begun / plans to begin** business operations in the sub-zone on «OperationStartDate».
- E. Whereas the Bioscience Zone Term shall be effective from the approval date until «ZoneTermEndDate». (*Note: In any case this date shall not be later than December 31, 2015.*)
- F. Whereas the qualified business will annually report requirements as identified in Section IV D. and Section IV I. to the sub-zone administrator by March 1 for the Tax Benefit Term.
- G. Whereas, the qualified business agrees to satisfy the provisions of the business subsidy reporting requirements under the business subsidy statute at (M.S. § 116J.993 -116J.995); and as required by M.S. § 469.341 Subd. 1. identified in Section IV. of this agreement.

### III. DEFINITIONS

- A. “Agreement” means this Biotechnology and Health Science Industry Zone Business Subsidy Agreement by and between “sub-zone administrator” and the “qualified business”.
- B. “Approval Date” means the date upon which the final execution of this agreement takes place; and after which a qualified business has been approved by the sub-zone administrator.
- C. “Benefit Date” is the date after which tax benefits shall begin to accrue to the qualified business; and shall mean the “Operations Start Date” for a qualified relocating business.
- D. “Business Subsidy” means tax exemptions or tax credits available to a qualified business located in a Bioscience Zone, and or 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, and as defined by the Business Subsidy statute.
- E. “Business Subsidy Report” means the annual report required to comply with M.S. § 116J.994 Subd. 7. (b).
- F. “Capital Investment” means any investment that is defined as depreciable for purposes of the U.S. Internal Revenue Service.
- G. “DEED” means Minnesota Department of Employment and Economic Development.
- H. “Bioscience Zone Term” shall mean stated period of time stated in Section II. E. of this agreement.

- I. “BIOSCIENCE ZONE” means Biotechnology and Health Science Industry Zone as defined in M.S. § 469.330.
- J. “Local Government Unit” means a statutory or home rule charter city, county, town, iron range resources and rehabilitation agency, regional development commission, or federally designated economic development district.
- K. “Person” includes an individual, corporation, partnership, Limited Liability Company, association, or any other entity.
- L. “Property” means the parcel or parcels located within a sub-zone on which a qualified business is or will be operating, that excludes any building footprint of a business operating in a sub-zone prior to January 1, 2004; and as identified in Section II.A. of this agreement.
- M. “Qualified Business” means a person that carries on a trade or business at a place of business located within a Biotechnology and Health Science Industry Zone as referenced in M.S. § 469.330 Subd. 11; and complies with the reporting requirements specified by M.S. § 469.333 Subd. 2. (5); and shall comply with the criteria in Section II.C. of this agreement; and shall also mean “Recipient” mean any business entity that receives a business subsidy as defined by M.S. § 116J.993, and that has signed a Business Subsidy Agreement with a designated sub-zone administrator. A qualified business shall not include a retail, low-wage service, or provide less than the minimum wages provided in section IV.D.4. of this agreement.
- N. “Relocation Agreement” means a binding written agreement between a relocating qualified business and the commissioner of DEED pledging that the qualified business will either: (a) increase full-time for full-time equivalent employment in the first full year of operation within the Biotechnology and Health Science Industry Zone by at least 20 percent, *or* (b) make a capital investment on the property equivalent to 10% of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.
- O. “Sub-zone” means the parcel or parcel of land designated by the Commissioner of Employment and Economic Development within a Biotechnology and Health Science Industry Zone within the boundaries of «CityName» to receive certain tax credits and exemptions specified under M.S. § 469.330-469.341.
- P. “Sub-zone Administrator” means the legal representative designated by the Local Governmental Unit to administer the sub-zone and shall also mean “Grantor” as defined by the business subsidy statute M.S. § 116J.993 Subd. 4.
- Q. “Zone” means a Biotechnology and Health Science Industry Zone designated by the commissioner of Employment and Economic Development under M.S. § 469.334.
- R. “Tax Benefit Term” means length of time the qualified business receives the tax benefit plus one year.

#### **IV. BUSINESS SUBSIDY REQUIREMENTS**

Whereas, compliance with provisions of the Minnesota business subsidy statutes (M.S. §116J.993 - 116J.995) require the following, the parties agree that:

- A. The Biotechnology and Health Science Industry Zone business subsidy shall include all tax exemptions, job credits or other business subsidies provided from the Approval Date until the last date of the Bioscience Zone Term, including but not limited to:
  - (1) Exemption from individual income taxes as provided under M.S. § 469.336; and
  - (2) Exemption from corporate franchise taxes as provided under M.S. § 469.337; and
  - (3) Exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in M.S. § 297A.68, subdivision 37; and
  - (4) Exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under M.S. § 297B.03; and

- (5) Exemption from the property tax as provided in M.S. § [272.02](#), subdivision 64; and
- (6) Exemption from the wind energy production tax under M.S. § [272.029](#), subdivision 7; and
- (7) The jobs credit allowed under M.S. § [469.338](#).
- (8) The research and development tax credit allowed under M.S. § 469.339
- (9) List of tax benefits the Local Government Unit will provide the qualified business permitted under M.S. § 469.336.

B. Other business subsidies provided to the qualified business, as described in the Business Subsidy statute at M.S. § 116J.993 - 116J.995, shall be identified, including the amounts and type of subsidy provided, specifically: ***CHOOSE THOSE THAT APPLY AND PROVIDE AN APPENDIX TO THIS AGREEMENT OUTLINING THE TERMS OF ANY OF THESE ADDITIONAL SUBSIDIES:***

- (1) Loan
- (2) Grant
- (3) Tax abatement
- (4) 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
- (9) Other specified subsidy.

C. The public purpose(s) for the Biotechnology and Health Science Industry Zone business subsidy agreed to by the Parties shall include, but not be limited to: ***CHOOSE ALL THOSE APPLICABLE THAT APPLY:***

- (1) The enhancement of economic diversity
- (2) The creation of high quality job growth
- (3) Job retention
- (4) Stabilizing the community
- (5) Linking with a research institution
- (6) Other specified purpose

D. The measurable, specific, and tangible goals for the Bioscience Zone subsidy shall include: ***CHOOSE ALL THOSE APPLICABLE THAT APPLY:***

- (1) The qualified business shall create «NumNewFTEJobs» new FTE jobs by «NewJobCreationDate» by and retained by the qualified business during the Bioscience Zone Term and within the sub-zone boundary.
- (2) The qualified business shall maintain «NumNewFTEJobs» the new FTE jobs during the Bioscience Zone Term and within the sub-zone boundary.
- (3) The qualified business shall provide an average wage and benefit level for the new FTE jobs of at least «AvgHourlyWageNewFTE» per hour, during the Bioscience Zone Term and within the sub-zone boundary.
- (4) The qualified business shall provide a specific wage and benefit floor for the wages and benefits to be paid for the new jobs created. The wage and benefit floor may be stated as a specific dollar amount or may be stated as a formula that will generate a specific dollar amount: ***INSERT WAGE AND BENEFIT FLOOR GOALS FOR NEW JOBS.***

*Suggested floor: 110% of 2003 poverty level for a family of four in the state of Minnesota is \$9.73 per hour.*

(5) Where area job loss in a zone has been specific and demonstrable, «NumRetainedJobs» jobs shall be retained during the Bioscience Zone Term and within the sub-zone boundary; and wage and benefit goals for retained jobs are stated here: **INSERT WAGE AND BENEFIT GOALS OR ENHANCEMENTS FOR RETAINED JOBS.**

(6) Notwithstanding M.S. § 116J.994 Subd.4 (3) wage and benefit and job goals for Bioscience Zone business subsidy recipients shall not be set at zero.

(7) A capital investment in the zone of not less than \$«AmtCapitalInvestment» during the first year of business operation in the zone.

(8) Other specified measurable goals and objectives as follows:

**INSERT ALL THAT APPLY**

- E. A properly noticed public hearing shall be held by the sub-zone administrator as provided by M.S. § 116J.994. The purpose of the hearing shall be held to identify define the criteria that a qualified business must meet in order to be eligible to receive a Biotechnology and Health Science Industry Zone business subsidy. The hearing may also specify the public purpose(s) that shall be achieved and the measurable, specific, and tangible goals committed to by the qualified business. A business subsidy may not be granted until the sub-zone administrator has adopted criteria as required by M.S. § 116J.994 Subd. 2. A copy of the criteria shall be submitted to the Department of Employment and Economic Development along with the first annual report. As provided by M.S. 116J.994, Subd. 5., a public notice shall be published in print and if possible, on the internet, at least 10 days prior to the hearing, identifying the location, date time and place of the hearing; and providing information about the business subsidy proposed, including a summary of the terms of the subsidy.
- F. A description of the financial obligation(s) of the qualified business to repay all Bioscience Zone related tax benefits obtained if it does not meet the goals identified in this agreement, and as defined in M.S. § 469.340.
- G. A description of the financial obligation(s) of the qualified business related to other business subsidies provided to the qualified business, as governed by the Business Subsidy statute at M.S. § 116J.993 - 116J.995, and to repay tax benefits obtained if it does not meet the goals identified in this agreement, and as defined in and in M.S. § 116J.994 Subd. 6.
- H. A commitment to continue operations in the jurisdiction where the subsidy is used for the duration of the Bioscience Zone term.
- I. A qualified business agrees to furnish to the sub-zone administrator, on or before March 1 in each year, an annual business subsidy report required in M.S. § 116J.994, Subd. 7., on a form developed and made available by DEED.

IN WITNESS WHEREOF, the sub-zone administrator and the qualified business have acknowledged their assent to this agreement and agree to be bound by its terms through the signatures entered below:

**QUALIFIED BUSINESS:** I have read and I agree to all of the above provisions of this agreement; By and through the Representative of the «QualifiedBusinessName»:

By \_\_\_\_\_

Title \_\_\_\_\_

**SUB-ZONE ADMINISTRATOR:** I have read and I agree to all of the above provisions of this agreement; By and through the Representative of the City of «CityName»,

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

Final Draft: Model Business Subsidy Agreement  
Department of Employment and Economic Development  
1/15/04