



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

Date: May 4, 2004

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Scott Benson, Intergovernmental Relations Cmte

Prepared by: Jim Forsyth, Phone 612-673-5179

**Presenter in
Committee:** Mike Christenson

Approved by: Mike Christenson, Director, Strategic Partnerships _____

Subject: Biotechnology and Health Science Industry Zone Designation Agreement and status report.

RECOMMENDATION: Authorize the Appropriate City officials to Negotiate and Execute a Biotechnology and Health Science Industry Zone Designation Agreement with the State Department of Employment and Economic Development in the form of the attached exhibit.

Previous Directives: In October 2003 the City Council authorized the City to apply for State Bioscience Zone designation.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- 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

Ward: City wide

Neighborhood Notification: Not applicable

City Goals: Goal 1: Increase the City's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents. Objective A: Provide opportunities that create more living wage jobs in the city. Objective C: Expand and diversify the Minneapolis economy.

Comprehensive Plan: Not applicable

Zoning Code: Not applicable

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

In October 2003 the City Council authorized an application by CPED for designation of two areas of the City as Bioscience Sub-zones of the Minnesota Biotechnology and Health Science Industry Zone. These areas are the Minneapolis Lifesciences Corridor and the University Research Park and are depicted on the attached map as Exhibit #1. On December 31, 2003 Governor Pawlenty designated these areas as part of the Zone along with areas in St. Paul and Rochester.

The State requires that each Minnesota Biotechnology and Health Science Industry sub-zone designee enter into a designation agreement with the Department of Employment and Economic Development (DEED). The attached draft agreement provided by DEED identifies responsibilities of the State, the Sub-zone Administrator and Qualified Businesses entering into agreements with the City. The agreement also spells out remedies, amendment process, records requirements and inspection authorization.

As spelled out in the proposed agreement the responsibilities of the City as a Sub-zone administrator and the applicable staff activities are as follows:

1. Submit proper resolutions as indicated in the Special Conditions Section of this Agreement. *Staff will comply.*
2. Provide parcel property identification numbers (PIN) for approved Sub-zones to the State. *Staff is preparing this list and will submit it to the State.*
3. Enter into Business Subsidy Agreements with Qualified Businesses and submit, upon execution, to the State. In order for a business to begin operating in a Sub-zone, you must submit an executed Business Subsidy Agreement. *All agreements will be brought to the City Council for approval prior to submittal to the State*
4. Disburse and collect business survey forms, and submit the forms to the State. Forms should be submitted along with the Business Subsidy Agreements listed in #3, above. *Staff will require qualifying businesses to prepare and submit the form.*
5. Submit Minnesota Business Assistance Form (business subsidy annual report forms) to the State by April 1 of each year of Sub-zone designation. *Staff will comply.*

6. Request modification of the Sub-zone term or boundaries from the State. *Staff will submit all modifications to the City Council prior to making modification requests of the State.*
7. Ensure all properties in the Sub-zone are listed in the State property “MNPro” database, and the community profiles data is current and correct. *Staff will comply.*
8. Notify the Department of Revenue and the Department of Employment and Economic Development, in writing, when a business fails to meet goals outlined in a subsidy or developers agreement or when a business ceases to operate in a Sub-zone or ceases to be or is not a qualified business. *Staff will comply*
9. Other responsibilities provided in M.S. §§ 469.330 - 469.341, or under the “Special Conditions” section of this Agreement. *Staff will comply.*

This request of the City Council authorizes CPED to negotiate, with revisions if necessary, a Biotechnology and Health Science Industry Zone Designation Agreement based on the attached exhibit provided by DEED.

Bioscience Related Activities

In addition to the preparation and submittal of the successful Bioscience Sub-zone application CPED, with authorization from the City Council, has also:

- Assisted the Mayor in establishing the Minneapolis Lifescience Consortium
- Entered into a partnership agreement with the University of Minnesota to promote bioscience and health care related industries in Minneapolis,
- Provided testimony (as has the Mayor and several Council members) before various Legislative committees for a number of bills that would aid in development of bioscience and health care industries in Minneapolis,
- Begun conversations with companies who may qualify for State Bioscience credits
- Issued a Request for Qualifications and received four responses, for developers of a research park in the University Research Park portion of the Minneapolis Bioscience Sub-zone
- Attended and made presentations at numerous meetings and conferences designed to promote Biosciences activity.

Exhibits:

1. Minneapolis Bioscience Sub-zone map
2. DEED Agreement Format

Exhibit 2



**BIOTECHNOLOGY AND HEALTH SCIENCE INDUSTRY ZONE
DESIGNATION AGREEMENT**

BETWEEN THE STATE OF MINNESOTA
DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT
BUSINESS AND COMMUNITY DEVELOPMENT DIVISION
BIOZ-04-XXXX-?-03

And _____ (Sub-zone Administrator)
of the _____ (Sub-zone Name)

This Agreement is made on _____ between the State of Minnesota, acting through the Department of Employment and Economic Development, hereinafter referred to as "State" and the _____, hereinafter referred to as "Sub-zone Administrator";

WHEREAS, the Sub-zone Administrator has made application to the State for designation of a Biotechnology and Health Science Industry Zone (Bioscience Zone) described in the sub-Zone Administrator's "Application."

WHEREAS, the 2003 legislature authorized the State to designate a Biotechnology and Health Science Industry Zone (Bioscience Zone) pursuant to M.S. § 469.334, Subd. 1;

WHEREAS, the Commissioner designated the Biotechnology and Health Sciences Industry Zone and three Sub-zones, which include the parcels listed in Appendix A to this Agreement

NOW, THEREFORE, in consideration of mutual promises set forth below, the parties agree as follows:

GENERAL CONDITIONS

Tax Exemptions and Credits

Effective January 1, 2004, qualified businesses, individuals that invest in qualified businesses, and properties located in the designated Zone during the Zone term qualify for the exemptions listed in M.S. § 469.330. The specific exemptions provided to qualified businesses will be identified in a Business Subsidy Agreement entered into between the business and the Sub-zone Administrator. Tax exemptions will not be provided to businesses that do not qualify for tax exemptions under M.S. § 469.330, Subd. 11.

Responsibilities of the State

1. Provide technical assistance to Zone Administrator, including, but not limited to, providing administrative forms, business subsidy policies, reporting requirements, Zone modification processes, and marketing assistance through the MNPro database.
2. Modify Zone boundaries pursuant to M.S. § 469.341, Subd. 3.
3. Enter into relocation agreements with Qualified Businesses pursuant to M.S. § 469.330, Subd. 11(b)(2).
4. Prepare annual reports to the legislature on Bioscience Zone performance measures.
5. Other responsibilities provided in M.S. §§ 469.330 – 469.341.

Responsibilities of the Sub-zone Administrator

10. Submit proper resolutions as indicated in the Special Conditions Section of this Agreement.
11. Provide parcel property identification numbers (PIN) for approved Subzones to the State.
12. Enter into Business Subsidy Agreements with Qualified Businesses and submit, upon execution, to the State. In order for a business to begin operating in a Sub-zone, you must submit an executed Business Subsidy Agreement.
13. Disburse and collect business survey forms, and submit the forms to the State. Forms should be submitted along with the Business Subsidy Agreements listed in #3, above.
14. Submit Minnesota Business Assistance Form (business subsidy annual report forms) to the State by April 1 of each year of Sub-zone designation.
15. Request modification of the Sub-zone term or boundaries from the State.
16. Ensure all properties in the Sub-zone are listed in the State property “MNPro” database, and the community profiles data is current and correct.
17. Notify the Department of Revenue and the Department of Employment and Economic Development, in writing, when a business fails to meet goals outlined in a subsidy or developers agreement or when a business ceases to operate in a Sub-zone or ceases to be or is not a qualified business.
18. Other responsibilities provided in M.S. §§ 469.330 - 469.341, or under the “Special Conditions” section of this Agreement.

Responsibilities of the Qualified Business located in a Bioscience Zone

1. Enter into a Business Subsidy Agreement with the Sub-zone Administrator.
2. Fill out Bioscience Zone Survey and submit to Sub-zone Administrator to forward to the State.
3. If the business is relocating from another Minnesota Community enter into a Relocation Agreement with the State pursuant to M.S. § 469.330, Subd. 11(b)(2).
4. Submit proper forms to the Department of Revenue to claim appropriate tax exemptions under M.S. § 469.336.
5. Provide information to Sub-zone administrator for completion of the Minnesota Business Assistance Form (annual business subsidy reports).

Zone Performance Remedies of Boundaries or Term

If the commissioner determines, based on business subsidy reports filed under M.S. § 469.341, Subd. 1 or other available information, that a Sub-zone is failing to meet its performance goals, the commissioner may take any actions the commissioner determines appropriate, including modification of the boundaries of the Sub-zone termination of the Sub-zone.

Requests for Sub-zone modifications must be submitted in writing by the Sub-zone Administrator, following policies and procedures identified by the State.

Unless otherwise modified under M.S. § 469.341, Subd. 1, the designation of the Bioscience Zone shall be effective January 1, 2004 to December 31, 2015.

Amendments

Any amendments to this agreement must be in writing, and shall be executed by either the same parties who executed the original agreement, their successors in the office, or by those parties authorized by the Sub-zone Administrator through a formal resolution by its governing body.

Inspection of Records

The State of Minnesota, Department of Employment and Economic Development, Department of Revenue, the Legislative Auditor, and State Auditor's Office, through any authorized representatives, are authorized to examine all records, books, papers, and documents related to the grant, for a minimum of six years from the end of the term of this Agreement.

No Discrimination

There shall not be any discrimination against any person performing any services required by this Agreement or against any applicant for employment and the Sub-zone Administrator certifies that it shall be in compliance with Minnesota Statute 363.03.

Liability

Sub-zone Administrator agrees to indemnify and save and hold State, its agents and employees harmless from any and all claims or causes of action arising from the performance of the Bioscience Zone by the Sub-zone Administrator or its agents or employees. This clause shall not be construed to bar any legal remedies the Sub-zone Administrator may have for the State's failure to fulfill its obligations pursuant to this Agreement.

Severability

If any term or provision of this Agreement is finally judged by any court to be invalid, the remaining terms and provisions shall remain in full force and effect, and they shall be interpreted, performed, and enforced as if said invalid provision did not appear herein.

SPECIAL CONDITIONS

The Sub-zone Administrator must provide tax identification numbers for the approved parcels listed in Appendix A before this agreement is in full force and effect.

All appropriate resolutions from local taxing jurisdictions must be submitted to the State before a qualified business may locate in that Sub-zone area. This includes a resolution agreeing to consider providing local tax exemption under M.S. § 469.336 pursuant to M.S. § 469.333, Subd. 2 (3) and a resolution Sub-zone Administrator the authority to enter into this agreement with the State.

A Sub-zone community shall not actively recruit businesses from other Minnesota Bioscience Zone communities. It is appropriate, however, to encourage businesses located outside of a Bioscience Zone area to expand onto a Bioscience Zone parcel.

Sub-zones may be eligible for aid under M.S. § 477A.08.

The State and Sub-zone Administrator acknowledge their assent to this Agreement and agree to be bound by its terms through their signatures entered below.

SUB-ZONE ADMINISTRATOR: I have read and I agree to all of the above provisions of this Agreement.

By _____

Title _____

Date _____

STATE OF MINNESOTA by and through the Department of Employment and Economic Development

By _____

Title _____

Date _____

By _____

Title _____

Date _____

Zone Name:
Zone Administrator:
Agreement #: