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INCENTIVES,
WORKFORCE
PROGRAMS
& FINANCING

GREATER
Fargo Moorhead
Economic Development Corporation

smart move  **FARGO
MOORHEAD**

INCENTIVES,
WORKFORCE PROGRAMS
& FINANCING

THIS DOCUMENT REVIEWED WITH:

NAME

/ /

DATE

COMPANY NAME

LOCATION

FINANCIAL REPRESENTATIVE

Upon review, your advisor will check the programs and funds that best apply to your needs and supply notes and action items to streamline the process.

Please contact the Greater Fargo Moorhead EDC for assistance with any incentives or programs. Our organization is happy to provide you with additional information or to act as the pass-through entity when applicable.

**51 Broadway Suite 500
Fargo, ND 58102**

www.smartmovefm.com

(701) 364-1900

Info@gfmedc.com

INCENTIVES,
WORKFORCE PROGRAMS
& FINANCING

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Most of North Dakota's economic development tools and incentives are targeted toward primary-sector businesses. Legislation for several of these incentives specifies that a business must be certified as a primary-sector business by the Economic Development & Finance Division of the N.D. Department of Commerce. Certification does not guarantee receipt of any incentive, but being certified as a primary-sector business can be an important first step in the process.

Primary-sector business means an individual, corporation, limited liability company, partnership, or association which through the employment of knowledge or labor adds value to a product, process, or service that results in the creation of new wealth. Primary-sector businesses typically include manufacturing, value-added ag/food processing, and technology-based services where a vast majority of revenue is generated from clients outside of North Dakota. The term may include some back office, corporate headquarters and tourism but does not include production agriculture.

Eligibility requirements for Minnesota's economic development tools and incentives will vary by program. A wide variety of businesses may qualify. Some state incentives are often tied to wage and job creation goals. Eligibility may be determined through the Minnesota Department of Employment and Economic Development (DEED) or the local governing municipality.

CASS COUNTY & NORTH DAKOTA TAX INCENTIVES

- Corporate Income Tax Exemption
- Property Tax Exemption
- Sales & Use Tax Exemption
- Automation Tax Credit
- Seed Capital Investment Tax Credit
- Angel Fund Investment Credit

CORPORATE INCOME TAX EXEMPTION

Newly established primary-sector businesses, or expansions of existing primary-sector businesses, are eligible for a five-year exemption from North Dakota state corporate income taxes. For business expansion, the exemption applies to the increase in corporate income attributable to the expansion project and related to North Dakota revenues.

PROPERTY TAX EXEMPTION

A qualifying project may receive a complete or partial exemption from ad valorem taxation for up to ten years on new or existing buildings or structures used in the qualifying project. Land is not exempted. Buildings in a Tax Increment Financing district are not eligible for the property tax exemption. As a new business to our community, you may be eligible for a 5 year 100% property tax exemption, which could be reflected in your lease rates with the building owner.

SALES & USE TAX EXEMPTION

North Dakota provides sales tax exemptions for equipment and materials used in manufacturing and other targeted industries. A new or expanding plant may be exempt from sales and use tax on purchases of machinery or equipment used for manufacturing, ag commodity processing or recycling.

An expanding primary-sector business may also be eligible for an exemption for purchases of computer and telecommunications equipment that is an integral part of the business. The exemption does not extend to the purchase of replacement equipment.

Other exemptions more narrow in scope are also available including the construction of ag processing or energy generating facilities as well as coal mine and biodiesel fuel equipment.

ITEMS AND INFO THAT WILL SPEED UP THE PROCESS:

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AUTOMATION TAX CREDIT

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for purchasing machinery and equipment for the purposes of automating a manufacturing process in North Dakota. The credit is equal to 20% of the cost of the machinery and equipment approved by the Department of Commerce Division of Economic Development and Finance. The business must be certified as a primary-sector business to be eligible for the credit. An unused credit may be carried forward up to five tax years. In the case of a pass-through entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

The credit allowed to a corporation included in a consolidated North Dakota income tax return may be used to reduce the aggregate tax liability of all corporations in the return. The total credits allowed for all qualifying purchases by all taxpayers are limited to \$2 million in 2015 and then \$500,000 in 2016 and 2017.

Note: This credit is allowed only for the 2015, 2016, and 2017 tax years.

SEED CAPITAL INVESTMENT TAX CREDIT

An individual, estate, trust, partnership, corporation or limited liability company is allowed an income tax credit for investing in a primary-sector business. The credit is equal to 45% of an investment with no more than \$112,500 allowed in any taxable year. The unused credit may be carried forward up to four years.

Only the first \$500,000 of eligible investments in a certified business is eligible for the tax credit. The total amount of tax credits allowed for investments made in all certified businesses in any calendar year is limited to \$3.5 million.

ANGEL FUND INVESTMENT CREDIT

An individual, estate, trust, partnership, corporation or limited liability company is allowed an income tax credit for investing in an angel fund in North Dakota. The credit is equal to 45% of an investment, up to a maximum credit of \$45,000 per year. An unused credit may be carried forward up to four tax years.

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CASS COUNTY & NORTH DAKOTA WORKFORCE PROGRAMS

- Operation Intern
- Workforce Recruitment
- North Dakota New Jobs Training Grant
- Workforce 20/20 Program

OPERATION INTERN

A primary-sector business that employs interns is eligible for matching funds of up to \$30,000 per legislative biennium. A match of up to \$3,000 per intern is available.

Employers must select student interns that are:

- enrolled in a North Dakota college or university taking at least six credits during the internship or in the semester prior to the internship;
- a high school junior or senior; or
- a student enrolled in a registered apprenticeship program

A company may request to hire a student attending an institution that closely borders North Dakota if the company demonstrates the need for additional candidates.

WORKFORCE RECRUITMENT CREDIT

A business that employs extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota is eligible for a credit equal to five percent of the compensation paid during the first 12 consecutive months to an employee hired to fill a hard-to-fill employment position and is allowed in the first year following the year in which the employee completes the 12 consecutive month employment period.

To be eligible for the credit the employer must pay an annual salary that is at least 125 percent of North Dakota's average wage and must have employed all of the following recruitment methods for at least six months to fill a position for which the credit is claimed: contracted with a professional recruiter for a fee; advertised in a professional trade journal, magazine or other publication directed at a particular trade or profession; provided employment information on a website for a fee; paid a signing bonus, moving expense or atypical fringe benefits. In addition, if an employer claims the credit, an employee hired in a hard-to-fill position is allowed a deduction for a signing bonus, moving expenses, or atypical fringe benefits paid by the employer.

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NORTH DAKOTA NEW JOBS TRAINING GRANT

The North Dakota New Jobs Training Program captures the North Dakota state income tax withholding generated from individuals filling new job positions, identified in a New Jobs Training Agreement, for up to a ten-year period starting from the effective date of the Agreement. The program offers a cash grant, in the form of a refund of the employer's portion of an employee's state income tax withholding, to primary sector businesses locating or expanding in North Dakota. The refund is based on the number of jobs created and salaries of these jobs, and is projected over a period of 10 years. Funds are distributed on a quarterly basis. The contract can be updated to accommodate new hires above and beyond those in the initial contract. This program is easy to use and is popular among companies in the state.

WORKFORCE 20/20 PROGRAM -

This program provides matching grants to assist qualified North Dakota employers in training or upgrading their employees' skills. Qualified employers are those that are either : 1) new to the state, 2) expanding existing operations in the state, or 3) introducing new industry technologies or production methods. Application to the state, and its approval, must be completed before the training commences.

ITEMS AND INFO THAT WILL SPEED UP THE PROCESS:

GFMEDC will work with companies on these two initial key steps of the New Jobs Training Program.

1. Complete the New Jobs Training Worksheet to establish the eligibility date. Any jobs hired before this date are not eligible for the refund grants.

2. Complete Primary Sector Certification Application, if not currently certified.

NOTES:

CASS COUNTY & NORTH DAKOTA FINANCING

- North Dakota Development Fund
- Bank of North Dakota
- North Dakota Opportunity Fund
- Angel and Venture Funding

NORTH DAKOTA DEVELOPMENT FUND PROGRAMS

The North Dakota Development Fund, part of the North Dakota Department of Commerce, provides flexible gap financing for new or expanding primary sector businesses in the state.

	NORTH DAKOTA DEVELOPMENT FUND/RURAL REVOLVING LOAN FUND	NEW VENTURE CAPITAL FUND
borrower	Primary sector business	Primary sector business
funding limit	\$300,000 and based on job creation	\$300,000
interest rate	lower than market rate - subject to risk of project	Lower than market rate - subject to risk of project
term	working capital 1-3 yrs equipment 3-5 yrs real estate 7-10 yrs	working capital 1-3 yrs equipment 3-5 yrs real estate 7-10 yrs
min. equity	15%	15%
corp./pers. guarantees	Yes	Yes
qualifications	a North Dakota business	a North Dakota business
cost and fees	1% of original loan or equity balance	1% of original loan or equity balance
miscellaneous	Development Fund: for businesses located in cities with a pop. of 8,000 or more; job creation of one job per \$20,000 Rural Fund: for businesses located in cities of less than 8,000, job creation requirement of one job per \$30,000 Equity financing available	Does not have a job creation requirement Equity financing available

BANK OF NORTH DAKOTA PROGRAMS

The Bank of North Dakota (BND) is the only state-run bank in the United States. Its commercial lending program serves the credit needs of the state and are made on a sound and collectible basis. All business loans are made in participation with a lead lender. The lead lender completes and submits an application requesting BND's participation.

	BUSINESS DEVELOPMENT LOAN	PACE & FLEX PACE	MATCH
borrower	Any business	Primary sector business	Primary sector business
funding limit	\$1,000,000	up to BND lending limit	up to BND lending limit
BND participation requirements	Lead lender required - averages 50-60% of total loan	Lead lender required - BND must participate at 50%-80% of total loan	Lead lender required
use of proceeds	working capital, equipment, real property, refinancing	term working capital, equipment, real property	real property and equipment
interest rate	Variable rate: prime less 0.50%, or Fixed rate: comparable FHLB rate plus 2.25%	5% below yield rate and not less than 5% below Prime with a floor of 1%	BND's share - equal terms U.S. T-Note rate plus .25%-.75%. May be adjusted periodically
term	Averages: working capital 1-5 yrs, equipment 5-7 yrs, real estate 12-15 yrs	Averages: working capital 1-5 yrs, equipment 5-7 yrs, real estate 12-15 yrs	Averages: working capital 1-5 yrs, equipment 5-7 yrs, real estate 12-15 yrs
collateral	First security interest on acceptable business assets	First security interest on acceptable business assets	First security interest on acceptable business assets and corporate guarantee
equity requirements	No minimums, based on project and management	Based on project and management	No minimums, based on project and management
personal guarantee	Yes	Yes	Corporate guarantee from parent if borrower is a subsidiary
credit criteria	Based on borrower and project	Based on borrower and project	Borrower must have a long-term credit rating of "A" or better, or its equivalent.
qualifications	N.D. business	N.D. business that creates at least one job for every \$100,000 of loan proceeds for PACE. Flex PACE loans have different qualifications.	Project must demonstrate a significant impact on the state's economy.
cost and fees	Assessed on a loan-by-loan basis.	Minimum of \$250, assessed on a loan-by-loan basis.	Assessed on a loan-by-loan basis.
miscellaneous	Available for refinancing.	Maximum buydown is \$300,000 per loan per biennium.	Bank line of credit may be substituted for "A" credit rating.

NORTH DAKOTA OPPORTUNITY FUND

The North Dakota Opportunity fund is a loan participation program developed out of the State Small Business Credit Initiative, which was created by the Small Business Jobs Act of 2010. The program offers rates ranging from 4% to market rate. Eligible uses include construction, equipment, term working capital, real estate, and interim SBA 504 loans. Loan proceeds will not exceed \$1 million and must not exceed more than 50% of the proposed project costs. This fund is typically used as a gap financing tool to lower the borrower equity portion and/or the lead lender's total loan exposure. The program is administered by Lewis & Clark Regional Development Council.

ANGEL & VENTURE FUNDING

Whether through the N.D. Development Fund, Bank of North Dakota Venture Capital Program or other local & regional angel investors and venture capitalists, a growing business has options to explore with equity funding. With available state income tax credits of 45% for angel fund investments, some of the risk to investors is mitigated. For more information, please go to our website or contact our office.

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CLAY COUNTY & MINNESOTA TAX INCENTIVES

- Border Cities Enterprise Zone- Dilworth & Moorhead
- Property Tax Incentives
- Sales Tax Exemptions
- Angel Tax Credit
- Seed Capital Investment Program
- Minnesota Job Expansion Program (JEP)
- Minnesota Job Creation Fund
- Greater Minnesota Business Development Infrastructure Grant Program
- Research and Development Tax Credits

BORDER CITIES ENTERPRISE ZONE

Qualifying businesses that locate or expand in Dilworth or Moorhead are eligible for tax reductions under the Border Cities Enterprise Zone legislation. Potential tax reductions are determined at the city level and may include: refundable sales tax credit for the tax paid on construction materials, supplies and equipment consumed in the zone; corporate income tax credit; new job credit; property tax exemption and disparity reduction credits; and credits to offset workers compensation costs.

PROPERTY TAX INCENTIVES

Local or county government agencies may use a property tax abatement/exemption or tax increment financing to help finance certain economically beneficial projects. A qualifying project and the level of abatement will vary depending on the community.

SALES TAX EXEMPTION

Minnesota provides opportunities for sales and use tax exemptions for the purchase of capital equipment and utilities used in a production process. Specific qualifying capital equipment may be eligible for an exemption of the sales tax on the equipment. Electricity, gas, steam or water used or consumed in agricultural or industrial production is exempt from sales and use tax. The exemption does not apply to space heating, lighting or water used or consumed in non-production areas, such as office or administrative areas.

ANGEL TAX CREDIT

Minnesota's Angel Tax Credit provides incentives to investors or investment funds that put money into startup and emerging companies focused on high technology or new proprietary technology. Qualifying businesses must be headquartered in Minnesota and have fewer than 25 employees, with at least 51% of the workers and total payroll based in the state. Businesses must have been operating for more than 10 years. Their primary business activities must include one or more of the following: Using proprietary technology to add value to a product, process or service in a qualified high-technology field; researching or developing a proprietary product, process, or service in a qualified high-technology field; researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation.

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SEED CAPITAL INVESTMENT PROGRAM

The Seed Capital Investment Program provides tax incentives for investing in innovative business located in the Minnesota border cities including Dilworth and Moorhead. Investors may receive a 45 percent tax credit on their investment, up to \$112,500 per year. The credit is non-refundable and may be carried forward up to four years.

MINNESOTA JOB EXPANSION PROGRAM (JEP)

The program will provide sales tax exemptions of up to 12 years to eligible existing businesses located in Greater Minnesota that meet eligibility requirements including specified job creation and wage level, and are approved by DEED.

MINNESOTA JOB CREATION FUND

The Fund may provide up to \$1 million in grants to approved businesses after specified job creation and capital investment goals are achieved (10 jobs and \$500,000 capital investment are minimum levels for participation). Actual job creation and capital investment rebates are based on project parameters.

GREATER MINNESOTA BUSINESS DEVELOPMENT INFRASTRUCTURE GRANT PROGRAM

The Greater Minnesota Business Development Infrastructure Program helps stimulate new economic development through investments in public infrastructure. It provides grants to cities of up to 50 percent of the capital costs of the public infrastructure necessary to expand jobs in the area and create new capital investments in greater Minnesota communities. \$500,000 in grants may be provided to the host community for public infrastructure improvements assisting in this project.

RESEARCH AND DEVELOPMENT TAX CREDITS

The State of Minnesota offers businesses tax credits based upon their R&D expenditures. The tax credit for R&D expenditures is 10 percent, up to the first \$2,000,000 in eligible expenses. The credit is 2.5 percent for eligible expenses above \$2,000,000.

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CLAY COUNTY & MINNESOTA WORKFORCE PROGRAMS

- Minnesota Job Skills Partnership
- West Central Initiative Workforce 2020
- Minnesota Pathways Program
- Low Income Worker Training Program
- Greater Minnesota Internship Credit

MINNESOTA JOBS SKILLS PARTNERSHIP

The Minnesota Job Skills Partnership (MJ SP) program was created to join Minnesota businesses and schools in developing a competitive workforce. The program provides grants to one or more education institutions to supply new job training or retraining to existing employees. Funds awarded by the program may be allocated to training-related costs or educational infrastructure improvements to assist current businesses or businesses interested in locating operations in Minnesota. Participating businesses must match grant amounts with equal or greater amounts of in-kind contributions.

WEST CENTRAL INITIATIVE WORKFORCE 2020

Workforce 2020 grants help address problems created by a mismatch between the skills needed by the region's manufacturing and industrial businesses, and the skills readily available in the labor force or among current employees. The goal of the program is to assist workers in attaining skills that enable them to earn a living wage while strengthening the region's economy by addressing long-term shortages and gaps in the availability of skilled labor to meet the needs of employers.

MINNESOTA PATHWAYS PROGRAM

The Pathways Program is designed to act as a catalyst between business and education in developing cooperative training projects that provide training, new jobs and career paths for individuals making the transition from public assistance to the workforce. Grants are awarded to educational institutions with businesses as partners. Preference will be given to projects that provide employment with benefits and/or with defined career paths. All projects must have at least one educational institution and one business working together. Funds may be used for educational infrastructure improvements necessary to support businesses located or intending to locate in Minnesota. Requests for wage subsidies and tuition reimbursements are ineligible. A cash or in-kind contribution from the contributing business must match Pathway funds on at least a one-to-one ratio.

LOW INCOME WORKER TRAINING PROGRAM

The Low-Income Worker Training Program helps workers whose incomes are at or below 200 percent of the federal poverty guidelines gain new skills necessary to move up the career ladder to higher paying jobs and greater economic self-sufficiency. The program provides grants of up to \$200,000 to public, private, or nonprofit entities that provide employment services to low-income individuals. Grant funds may be used to pay for job-specific skills training, and may also be

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used for training-related materials and supplies and for training-related certification or test fees. When a need is adequately demonstrated, up to 10% of the direct training costs may be requested for operating costs directly related to project coordination. Allowable operating costs include costs associated with recruitment, screening and referral of program participants, along with costs for completing program reporting requirements.

GREATER MINNESOTA INTERNSHIP CREDIT

The Greater Minnesota Internship Credit provides up to \$2,000 available to businesses in Greater Minnesota to hire students through internships. Program is made available through the Minnesota Office of Higher Education.

CLAY COUNTY & MINNESOTA FINANCING

- Minnesota Investment Fund
- Small Business Development Loan Program
- West Central Initiative Access to Capital
- West Central Initiative Business and Industry Loan Fund
- West Central Initiative Community-Based Component Funds
- West Central Initiative Small Enterprise Loan Fund (SELF)
- Angel and Venture Funding

MINNESOTA INVESTMENT FUND

The Minnesota Investment Fund provides grants that create and retain high-quality jobs, with a focus on industrial, manufacturing and technology-related industries. Grants are awarded to local units of government who provide loans to assist expanding businesses. All projects must meet minimum criteria for private investment, number of jobs created or retained, and wages paid. There is a maximum of \$500,000 per grant, and only one grant per state fiscal year can be awarded to any individual governmental unit. At least 50 percent of the total project costs must be privately financed through owner equity and other lending sources, and most applications that are actually selected for funding have around 70 percent privately financed. Grant terms are for a maximum of 20 years for land and buildings and 10 years for machinery and equipment. Interest rates are negotiable.

SMALL BUSINESS DEVELOPMENT LOAN PROGRAM

The Small Business Development Loan Program provides loans for business expansions that result in the creation of new jobs. Small business loans up to \$5 million are made by the Minnesota Agricultural and Economic Development Board (MAEDB) through the issuance of industrial development bonds. Manufacturing and industrial companies located or intending to locate in Minnesota and meet the federal definition of a small business (generally those with 500 or fewer employees) are eligible.

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WEST CENTRAL INITIATIVE ACCESS TO CAPITAL

The Access to Capital program makes it easier for banks to work with WCI for certain small business financing. WCI will match bank loan amount up to \$75,000; 100 percent LTV subordinated financing is available; 4 percent fixed rate, 5-year balloon, amortization to match the bank; 3-day approval based on bank write up.

WEST CENTRAL INITIATIVE BUSINESS AND INDUSTRY LOAN FUND

The Business and Industry Loan Fund is used for loans from \$20,000 to \$300,000. Most of the loans in this fund are given to manufacturing businesses. WCI receives funds from several different sources for this loan program, and they all have different qualifying criteria for projects, businesses, startups and some retail businesses.

WEST CENTRAL INITIATIVE COMMUNITY-BASED COMPONENT FUNDS

A number of Clay County communities offer their own community-based revolving loan funds through the West Central Initiative. They include Barnesville, Hawley and Moorhead; for more information on eligibility and funding, please contact our office.

Clay County also operates the Clay County Loan Fund to assist businesses that demonstrate a financing gap and that most likely would not succeed without the fund's support. Specific use of loan funds could include machinery or equipment, real estate, working capital, inventory and related expenses and professional fees. The maximum loan amount is \$20,000 or ten percent of the net assets of the fund, whichever is greater, and can not surpass 50 percent of the total project cost.

WEST CENTRAL INITIATIVE SMALL ENTERPRISE LOAN FUND (SELF)

SELF provides loans from \$1,000 to \$35,000, and includes smaller loans to businesses in the manufacturing or service sectors. A small number of loans are made to retail businesses that do not compete with others in their immediate trade area.

ANGEL & VENTURE FUNDING

Through local & regional angel investors and venture capitalists, a growing business has options to explore with equity funding. With available state income tax credits of 25% for qualified investments, some of the risk to investors is mitigated. For more information, please go to our website or contact our office.

Please note: While the information provided reflects a majority of the incentives and programs available, it does not list every program and incentive available in North Dakota and Minnesota. For a complete list of programs and incentives, including community-specific programs and incentives, please contact the GFMEDC at (701) 364-1900.



51 Broadway Suite 500
Fargo, ND 58102

www.smartmovefm.com

(701) 364-1900

Info@gfmedc.com