

City of Eyota

General Revolving Loan Fund

Guidelines

INTRODUCTION

The purpose of these documents is to provide guidelines for the award and processing of loans under the City of Eyota Economic Development Authority (EDA) Revolving Loan Fund (RLF) Program. It is intended to be used as the procedure for the EDA to follow in the administration of the RLF. All loans are subject to final approval by the Eyota City Council.

The primary purpose of the RLF is to provide below market interest loans as a “gap” financing tool for business expansions, relocations, or startups that include the creation or retention of jobs. The RLF may also be used for improvements to upgrade the appearance and energy efficiency of commercial and industrial properties. The RLF will be used primarily to provide fixed asset financing but may also be used for limited working capital financing.

The form of the RLF’s involvement in the financing may be as a direct loan to the small business or as a guarantor to a conventional bank loan. It is a goal of the RLF to leverage its funds to the greatest extent possible. It is the intent of the RLF to primarily use its direct loan program for fixed asset subordinated mortgage financing and its loan guarantee component for working capital loans.

This loan fund will be administered by a seven-member loan committee of the City of Eyota Economic Development Authority. All seven members are voting members of the EDA. The City of Eyota may grant exemptions from Revolving Loan Fund Guidelines by documenting the reason in writing for the deviation. A clearly demonstrated public purpose will be included in the documentation.

APPLICATION AND REVIEW PROCESS

Application Process

Applications will be accepted from new or existing business owners in the City of Eyota. Applications may be completed with support by the EDA staff. Completed applications will be reviewed and acted upon by the EDA Board of Directors at their next regularly scheduled meeting. The EDA will submit funding recommendations to the Eyota City Council for final loan approval. Applications, which are determined to be incomplete by the EDA staff or EDA Board, will be held over until the loan package is complete. EDA staff is available to assist each borrower in the completion of the application package. Please contact Eyota City Hall at 507-545-2135

Application Packaging Process

The loan application process will focus on those projects, which are most likely to receive financing. The packaging process should consist of:

1. EDA Staff will respond to initial requests from applicants. Meetings and initial interviews may include:
 - a. Determine preliminary eligibility
 - b. Identify private sector participant
 - c. Determine overall debt service capacity
 - d. Identify potential loan structure
2. A copy of the Revolving Loan Fund Guidelines and Loan Application forms shall be provided. If appropriate, EDA staff will arrange to meet with private sector lender to:
 - a. Answer questions on RLF participation and give an overview of RLF program
 - b. Determine lender willingness to participate in project
3. Applicants may be directed to contact the Small Business Development Center (SBDC) for assistance in preparation of the loan package. EDA Staff may provide this service at no charge to the applicant. Preparation of loan documents will typically include the following information:
 - a. Loan application
 - b. Summary and overview of project (Business Plan)
 - c. History of business
 - d. Purchase agreements
 - e. Written cost estimates
 - f. Historical financial statement of business (and affiliates)
 - g. Current statement within 90 days
 - h. Projections
4. Applicants should be prepared to provide the following additional information and documents:
 - a. Personal financial statements
 - b. Resume(s)
 - c. Lender commitment letter(s) and interim loans
 - d. Agreement for Compensation of Services
 - e. Miscellaneous exhibits
5. Completed loan applications shall be reviewed and approved or denied by the EDA Board of Directors at their next regularly scheduled meeting with final approval by the Eyota City Council.
6. In the event of real estate being involved in the loan process, the City Attorney will conduct the real estate closing. Charges for the City Attorney's time will be paid by the borrower at the approximate cost of \$250.00 per loan closing. Loan applicants shall pay all fees for filing, recording and any other closing costs. The charge is payable to the City of Eyota.

GENERAL LOAN POLICIES

- ELIGIBLE BORROWERS:** Any legitimate (good business risk) business whose primary place of business is in the City of Eyota. Loans will be targeted to general service, retail businesses and manufacturing businesses.
- ELIGIBLE USE OF PROCEEDS:**
- TYPE "I" PROJECTS:** Business Startup or expansion that will add to the community job and/or tax base.
- TYPE "II" PROJECTS:** Building or store front renovations that will create an attractive environment for shopping/business.
- INELIGIBLE USE OF PROCEEDS:**
- Refinance debt
 - Pay delinquent taxes
 - Cover product development costs
 - Pay organizational costs of start-ups
 - Invest into residential real estate
 - Improvements completed prior to loan closing
- LOAN AMOUNTS:** The Eyota EDA will make loans with the following size parameters:
- Minimum EDA Loan - \$ 1,000
 - Maximum EDA Loan - \$ 10,000
- The EDA has Eyota Investment Funds (EIF) available for projects that require more assistance.
- TERMS OF LOANS:** The Eyota EDA will make loans with terms from two to ten (2-10) years. The typical loan will bear a fixed rate on a self-amortizing repayment schedule. The maximum loan discount shall be 4% points below the New York Prime Lending Rate in existence at the time of loan closing or a minimum of 2%, unless otherwise determined by the City Council. The EDA may set additional terms based upon the needs of the business. 2016 rate to be generally held at a lending rate of 2%.
- COLLATERAL & PERSONAL GUARANTEES:** Each loan will be secured by collateral adequate to safeguard the lender. If the EDA is the sole lender, it will take a first security interest in the assets financed. If the EDA is in partnership with another lending source, the EDA will take a subordinate interest in the assets being financed.

Personal guarantees will be required in all projects. Personal guarantees may be collateralized with personal assets where appropriate.

While the EDA will endeavor to secure each loan with adequate collateral, lack of hard collateral, by itself, will not be a reason to decline a loan.

OWNER PARTICIPATION:

Owner equity is generally 10%.

A ratio of 4/1 private/public financing (not applicable for TYPE II Projects)

Owner agrees to make arrangements to make monthly payments by auto payment to the city of Eyota depository.

OTHER:

Following funding of a project, periodic financial reporting and participation in a record keeping program or technical management assistance may be provided through the EDA.

The City will evaluate each request for a loan on a case-by-case basis. Applicants for assistance shall complete an application form and supply all additional information requested by the City. Meeting all or a majority of the criteria does not mean a loan will be awarded or denied. A decision to approve or reject a request for loan funds will be based on the merits of the project and the overall benefit to the community.

APPLICATION PROCESS:

Contact Eyota City Hall at 1-507-545-2135 to schedule an Initial Application Interview. Be prepared to provide Project Cost Estimates, Historical Financial Statements, and/or Revenue Projections.

**COMMERCIAL REVOLVING LOAN FUND
PRE-APPLICATION**

- 1. Business Name: _____
- 2. Owners: _____
- 3. Project Description: _____

- 4. Total Project Amount: \$ _____
- 5. Requested Loan Amount: \$ _____
- 6. Payment Schedule: \$ _____ Monthly \$ _____ Yearly
Other: \$ _____ Describe _____

- 7. Number of Jobs Created or Retained: _____

| 8. Source of Other Funds | Amount | Secured | Pending |
|--------------------------|--------|---------|---------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

- 9. Description of Collateral: _____

10. In connection with this application, the EDA is authorized to check my/our credit history and employment history or any other information deemed necessary.

Signature(s): _____

Date: _____

RLF Loan Review and Recommendation: _____

APPROVE _____

DENY _____

Date: _____

Chairperson: _____

SUMMARY OF MONEY NEEDED

1. Land/Building \$ _____

2. Machinery/Equipment \$ _____

3. Furniture/Office Improvement \$ _____

4. Inventory/Materials \$ _____

5. Consulting Fees or Miscellaneous Expenses

_____ \$ _____

_____ \$ _____

_____ \$ _____

6. Anticipated Operating Cash Required

(accounts receivable financing, wages or other)

_____ \$ _____

_____ \$ _____

_____ \$ _____

7. Total Project Cost \$ _____

8. Amount You or Others Anticipate Investing \$ _____

| Source of equity | Amount |
|------------------|--------|
|------------------|--------|

| | |
|-------|-------|
| _____ | _____ |
|-------|-------|

| | |
|-------|-------|
| _____ | _____ |
|-------|-------|

| | |
|-------|-------|
| _____ | _____ |
|-------|-------|

9. Amount of Loan requested (line 7 minus line 8) \$ _____

Criteria for Granting Business Subsidies in Excess of \$25,000

I. Legal Purpose:

Under Minn. Stat. § 116J.993 through § 116J.995, all granting agencies must develop criteria for awarding business subsidies after a public hearing. All business subsidy agreements must indicate a public purpose for issuing the assistance. Increasing the tax base shall not be allowed as the sole reason as serving a public purpose.

Exemptions:

Business subsidies do not include the following:

1. assistance of less than \$25,000.
2. assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria;
3. public improvements to buildings or lands owned by the City that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
4. property polluted by contaminants being redeveloped as defined in M.S. § 116J.552, subd. 3.
5. assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development;
6. assistance to provide job readiness and training services;
7. assistance for housing;
8. assistance for pollution control or abatement, including assistance from a TIF hazardous substances subdistrict;
9. assistance for energy conservation;
10. tax reductions resulting from conformity with federal tax law;
11. workers compensation and unemployment compensation;
12. benefits derived from regulation;
13. indirect benefits derived from assistance to educational institutions;
14. funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501©(3) bonds;
15. assistance for collaboration between a Minnesota higher education institution and a business;
16. assistance for a tax increment financing soils condition district as defined under M.S.469.174, subd.19;
17. redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value;
18. general changes in tax increment financing law and other general tax law changes of a principally technical nature;

Eligible Projects

Assistance must be evaluated on the existence of the following conditions:

- 1.) Creation of new jobs or retention of existing jobs, or improvements in the quality of existing jobs as measured by the wages, skills, or education associated with those jobs;
- 2.) Increase in the tax base;
- 3.) The project can demonstrate that investment of public dollars induces private funds;
- 4.) The project can demonstrate an excessive public infrastructure or improvement cost

beyond the means of the affected community and private participants in the project;

5.) The project provides higher wage levels to the community or will add value to current workforce skills;

6.) Whether assistance is necessary to retain existing business; and

7.) Whether assistance is necessary to attract out-of-state business.

The grant or loan cannot be made based solely on a finding that the conditions in clause 6.) or 7.) exist. A finding must be made that a condition in clause 1.), 2.), 3.), 4.), or 5.) also exists.

Eligible Activities

RLF's may be used for the following activities:

- 1.) Acquisition of land
- 2.) Construction or rehabilitation of manufacturing facilities
- 3.) Site improvements
- 4.) Utilities or infrastructure
- 5.) Machinery and Equipment
- 6.) Housing development when a business cannot find employees due to a shortage of housing.

Ineligible Activities

RLF assistance may not be used for the following:

- 1.) Operation or expansion of a casino.
- 2.) Operation or expansion of a store which is used solely or principally for retail sales.
- 3.) For a project related to a sports facility. "Sports facility" means a building that has a

professional sports team as a principal tenant.

Wage Goals

Businesses receiving RLF assistance must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 % of the federal poverty level for a family of four, which as of 2011 is \$11.82 per hour. The federal poverty level changes annually.

Other Eligible Uses of the Funds

1. The city has the authority to loan or grant Eyota Investment Funds to a regional development commission, other regional entity, or a state wide community capital fund as determined by the commissioner of the DEED to capitalize or to provide the local match required for capitalization of a regional or statewide Revolving Fund. **The city must request permission from the DEED before it can commit to providing funds to any of these organizations.** The city **does not** have the authority to turn over to another entity, such as Port Authority, Economic Development Authority, Housing Authority, etc. revolving loan funds for any purpose.

Process for Application:

1. Applicant must fill out application form in its entirety, sign it and submit it to the Economic Development Authority for review.
2. If the request is for an amount over \$100,000, the EDA must hold a public hearing which has been posted and published for at least ten days.
3. All applicants will be required to enter into a “subsidy agreement” with the EDA, laying out the goals of the assistance. All such agreements shall be available for public inspection.
4. All applicants will be given two years to meet the goals set forth in the subsidy agreement. (one year extensions may be applied for thru the public hearing process to follow Stat. § 116J.993 through § 116J.995)
5. City Council must give final approval for all business subsidies over \$25,000 or loans and loan guarantees in excess of \$75,000 and are not one of the listed exemptions above.

Economic Development Assistance Guidelines:

1. The Eyota EDA will require applicant to invest equity of 15% of the total cost to ensure “ownership” and to deter benefactors from leaving a project at a later date.
2. Any Revolving Loan money provided will be done so at a loan to collateral ratio of 1:1. The EDA will assume a first position on items used for collateral purposes. In situations where there

are several funding sources, the EDA may take a second position on the appropriate collateral. The typical rate for all loans made by the EDA will be one half percent higher than the average prime interest rate for Eyota financial institutions at the time of the application. The rate may be negotiable if it can be demonstrated that a lower rate is required to make the proposed project work.

Criteria:

Job Growth

Increasing the number of jobs within the city limits of Eyota definitely serves as a public purpose. However, the number of jobs created must be in proportion with the amount of assistance to be given based upon: When lending in the amount of \$25,000 or more in assistance. The jobs created follow state mandated wage goals, which in 2011 are \$11.82/hour or greater.

Although not required, applicants who show that there is opportunity for new employees to further their careers with education and training shall be given higher regard. Also, applicants which demonstrate that fringe benefits will be offered to new employees (such as child care, health care, and pensions) shall also be given more consideration for assistance.

II. Providing Job Retention, Where Loss is Imminent and Demonstrable

If a company is facing involuntary closure, or if a company has received an offer from another location which is attractive enough to expect that a reasonable person would move the business for financial reasons, then providing assistance to that firm shall be considered serving a public purpose.

If a company is facing a possible shut down, documentation will need to be provided to adequately demonstrate that the closure is imminent. Such documentation may include financial statements, a profit/loss statement prepared by a qualified person, or other paperwork as may be required by the Eyota Economic Development Authority. The applicant will be required to submit a plan that is intended to prevent such possible shut downs in the future.

If a company has received an offer to relocate from another location, then the details of that offer must be provided to the Eyota Economic Development Authority. The Eyota EDA shall confirm the veracity of the offer before awarding assistance to provide job retention.

In serving the purpose of job retention, the EDA will lend up to \$10,000 for every one job created, and up to \$5,000 for every one job retained equal to or greater than 110% of the federal poverty level.

III. Stabilizing the Community

Business assistance in an amount of \$25,000 or greater will be considered serving a public purpose if the assistance constitutes an investment in an area that (1) historically has not received similar investments; (2) is a blighted area (determined by resolution of the Eyota EDA Board); or (3) is an economically depressed area (also determined by resolution of the Eyota EDA Board). Also, if it can be demonstrated that the assistance shall stimulate further investment or spin-off businesses and jobs in the area, the assistance shall be deemed as a stabilizing factor.

IV. Enhancing Economic Diversity

By enhancing economic diversity, a community is protecting itself from the loss of a dominating industry. Much like a diversified investment portfolio, an economically diverse community is in better position to sustain itself than one that relies on the continued existence of one dominant industry.

Higher consideration will be given to applicants who will;

1. allow the area to participate in fast-growing industries;
2. protect the area from adverse economic consequences caused by slow growth or declining areas that are dominant in the area; and
3. provide essential consumer services or develop a network of local suppliers to businesses within the community where they would not otherwise exist.

Eyota

ECONOMIC DEVELOPMENT AUTHORITY

Next page is the application page

CITY OF EYOTA, MINNESOTA

Business Subsidy Application

Business Name: _____

Business Address: _____

Contact Person: _____

Phone #: _____ Fax #: _____

Type of assistance requested:

- _____ Tax Increment _____ Tax Abatement
- _____ Loan _____ Other (please specify)
- _____ JOBZ

Amount of assistance requested: \$ _____

Projected start date: _____ Projected completion date: _____

PROJECT INFORMATION

(please attach a description of the proposed project and explain why the assistance is needed. Be specific)

Estimated Costs (please itemize)

Financing Sources (please itemize)

| | | | |
|--------------------|-----------------|--------------------|-----------------|
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| TOTAL COSTS | \$ _____ | TOTAL FUNDS | \$ _____ |

** Financial statements for the past two years are to be submitted with this application. Businesses without financial statements will be required to submit personal tax returns for all principals of the business for the previous two years. The applicant must submit information on all current business related installment debts, contracts, notes, or mortgage payables. A bank reference letter will be requested.*

Banker's information:

Name of Bank: _____ Contact Name: _____

Address: _____ Phone Number: _____

If the assistance is for a building project:

Estimated value *after* project completion: \$ _____

Size of Building _____ sq. ft. Building Type _____

Function of Building: _____

Provide a sketch plan and/or site plan for the project

PUBLIC PURPOSE & JOB CREATION INFORMATION

What benefits will the City and its residents gain if assistance is provided?

_____ Job Creation* _____ Job Retention _____ Job Training _____ Land Clean Up

_____ Tax Base _____ Blight Removal _____ Redevelopment _____ Other (please list)

**If job creation is part of your proposal, please list:*

of full-time jobs created _____ # of part-time jobs created _____

Avg. full-time salary \$ _____ Avg. part-time salary \$ _____

OWNERSHIP / COMPANY INFORMATION

Type of company (corporation, etc.): _____

Owner(s) name(s): _____ Address: _____

Phone #: _____ Is there a parent company? _____

If there is a parent company, please describe the relationship in detail.

Has the business, owners or parent company ever declared bankruptcy? Yes or No

If yes, you must include information about the bankruptcy.

Has your business or parent company received a business subsidy, for this or any other project, from another Minnesota unit of government during the past 5 years? Yes or No

If yes is checked, please attach a description of the subsidy and by whom it was provided.

This application must be accompanied by a \$_____ application fee. Depending upon the type of assistance requested, you may also be required to provide the City with a deposit to cover administration and consulting expenses associated with your project. Unused funds will be returned upon completion of this process. The applicant agrees to provide additional information if requested by the City.

The undersigned does hereby certify that the information provided within and attached to this application is true and correct to the best of his/her knowledge.

Applicant(s)

Title

Date

**GENERAL FINANCIAL REQUEST GUIDELINES
FOR THE EYOTA REVOLVING LOAN FUNDS**

Definition:

1. **Eyota Investment Fund** (Originally Minnesota Investment Fund Flood Dollars)
2. **Revolving Loan Fund (RLF)**
3. Whenever an individual, group of individuals, business or firm would like the Eyota EDA to provide funds or assistance thru the Eyota Investment Fund (revolving loan funds) to help them in their business plans the following steps will be followed:

Guidelines:

1. The people or firm seeking assistance must contact the Economic Development Director and/or the City Manager.
2. As a general rule, individuals or businesses seeking financial assistance from the EDA and/or from a Revolving Loan Fund should have at least 10% -15% (ten to fifteen percent) equity in the proposed project. The 10-15% figure will be based on the total project cost. Loans to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought.
3. As a general rule, businesses seeking assistance shall be located within the Eyota City limits, or be relocating to Eyota from another location.
4. As a general Rule the business seeking financial assistance will have paid in full or be seeking refinancing of previously approved financial assistance that was provide by the City of Eyota.
5. Those seeking financial assistance must first complete the attached "Application for EDA Assistance" form and return it to the Economic Development Director. No assistance will be considered until the application is completed fully and accurately. The EDA will confer with other agencies and individuals to determine what type or types of business assistance match the needs of the proposed project. As a condition for financial assistance, the EDA may require that the individual(s) agree to work with the Small Business Development Center (SBDC) or the Service Corps of Retired Executives (SCORE). These groups can provide existing business and start-ups with technical assistance that they may require in order to ensure a successful business venture.
6. The EDA may provide assistance in any or all of the following manners: Loans made through the Revolving Loan Fund, or loans made thru the Eyota Investment Fund; consideration will be given to requests for tax increment financing, tax abatement and or Job Z.
7. Assistance in amounts over \$25,000 using State DEED grant funds, are subject to the business subsidy criteria adopted by the EDA after a public hearing held October 13, 2011. Those criteria are attached to this packet.

**EYOTA INVESTMENT FUND (EIF)
REVOLVING LOAN FUND GUIDELINES AND APPLICATION**

Definition:

- 1. Eyota Investment Fund (EIF – revolving loan fund)**
- 2. Revolving Loan Fund (RLF)**

1. The “Application for EDA Assistance” and an interview with the party seeking assistance will be used as the Eyota Investment Fund application when assistance is requested.
2. The money in the Eyota Investment Fund will be used only for loans and will be used as “gap financing” where other lenders are involved. The Eyota Investment Fund is designed to assist individuals or businesses established themselves or expand their current business in Eyota, including those businesses relocating. Any money obtained through private, state, or federal grants for a project and placed into the Eyota Investment Fund will be subject to the respective funding agency’s guidelines (state statute MS.116J.8731) and not to those contained herein (see attached state statute). However, money paid back to the Eyota Investment Loan Fund from these projects will follow these guidelines.
3. Eyota Investment Fund capital can be used for individual, commercial, industrial, or retail business ventures. The funds can be used to help an existing business expand, to help a local business purchase additional equipment, and can be used to help a new business become established within the community.
4. Any Eyota Investment Funds provided will be done at a loan collateral ratio of 1:1. The EDA will assume a first position on items used for collateral purposes. In situations where there are many funding sources, the EDA will assume a subordinate position on the appropriate collateral. The typical rate will be fixed at one half percent higher than the prime interest rate at the time of the application. The rate may be negotiable if it is determined that a lower rate is required to make the proposed project work.
5. Loans being made will follow accepted banking procedures (Including a 90 day expiration period for all commitments) The terms, however, can be altered in order to structure a deal that will best match the applicant’s needs and make the project financially feasible.
6. The Eyota Investment Fund will not be used to help an existing or new business compete with another like business already located in Eyota. The exception to this rule would be when a market survey, compiled by a reputable source, shows that the market for the new business or for the business planning expansion was adequate to allow the business venture to take place.
7. Money loaned for “working capital” cannot be used for salary purposes.
8. As a general rule, the business or individual(s) requesting assistance from the EDA must have at least 10% of their own equity invested into the project. Exceptions may be made if it is determined by the EDA and the EDA Board that the project would work well with less equity investment.

9. As a general rule, one full-time job or equivalent must be created or retained for every \$10,000 requested. This requirement is based on 24 months from the time the assistance was approved (closing date). Additional requirements must be met for amounts over \$25,000 (see adopted business subsidy criteria).
10. Depending on the circumstances of the business venture and the financial status of the City, the EDA can request the City Council to transfer money into the Eyota Investment Fund to be used for project financing.
11. The suggested terms for different types of loans are as follows:
 - a. Machinery & Equipment – 5 to 10 years
 - b. Permanent Working Capital – 1 to 5 years
 - c. Land & Buildings – 15 to 20 years
12. All loan requests will be kept confidential until such time that they need to be brought to the EDA board for approval. The EDA holds open, public meetings and as such all information brought before the board becomes public. If confidentiality is an issue, it will be necessary for the applicant to inform the EDA so that he/she can take appropriate measures.
13. When requesting amounts of over \$25,000, all such requests are subject to the attached criteria for granting business subsidies over \$25,000.

Eyota
ECONOMIC DEVELOPMENT AUTHORITY
Updated 2/2013, 2015
No updates required in 2016

Eyota Investment Fund
Criteria for Granting Business Subsidies in Excess of \$25,000 using the
previous Minnesota Investment Funds.

I. Legal Purpose:

Under Minn. Stat. § 116J.993 through § 116J.995, all granting agencies must develop criteria for awarding business subsidies after a public hearing. All business subsidy agreements must indicate a public purpose for issuing the assistance. Increasing the tax base shall not be allowed as the sole reason as serving a public purpose.

Exemptions:

Business subsidies do not include the following:

1. assistance of less than \$25,000.
2. assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria;
3. public improvements to buildings or lands owned by the City that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
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5. assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development;
6. assistance to provide job readiness and training services;
7. assistance for housing;
8. assistance for pollution control or abatement, including assistance from a TIF hazardous substances subdistrict;
9. assistance for energy conservation;
10. tax reductions resulting from conformity with federal tax law;
11. workers compensation and unemployment compensation;
12. benefits derived from regulation;
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14. funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501©(3) bonds;
15. assistance for collaboration between a Minnesota higher education institution and a business;
16. assistance for a tax increment financing soils condition district as defined under M.S.469.174, subd.19;
17. redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value;
18. general changes in tax increment financing law and other general tax law changes of a principally technical nature;

Eligible Projects

Assistance must be evaluated on the existence of the following conditions:

- 1.) Creation of new jobs or retention of existing jobs, or improvements in the quality of existing jobs as measured by the wages, skills, or education associated with those jobs;
- 2.) Increase in the tax base;
- 3.) The project can demonstrate that investment of public dollars induces private funds;
- 4.) The project can demonstrate an excessive public infrastructure or improvement cost beyond the means of the affected community and private participants in the project;
- 5.) The project provides higher wage levels to the community or will add value to current workforce skills;
- 6.) Whether assistance is necessary to retain existing business; and
- 7.) Whether assistance is necessary to attract out-of-state business.

The grant or loan cannot be made based solely on a finding that the conditions in clause 6.) or 7.) exist. A finding must be made that a condition in clause 1.), 2.), 3.), 4.), or 5.) also exists.

Eligible Activities

RLF's may be used for the following activities:

- 1.) Acquisition of land
- 2.) Construction or rehabilitation of manufacturing facilities
- 3.) Site improvements
- 4.) Utilities or infrastructure
- 5.) Machinery and Equipment
- 6.) Housing development when a business cannot find employees due to a shortage of housing.

Ineligible Activities

RLF assistance may not be used for the following:

- 1.) Operation or expansion of a casino.
- 2.) Operation or expansion of a store which is used solely or principally for retail sales.
- 3.) For a project related to a sports facility. "Sports facility" means a building that has a professional sports team as a principal tenant.

I. Wage Goals

Businesses receiving RLF assistance must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 % of the federal poverty level for a family of four, which as of 2011 is \$11.82 per hour. The federal poverty level changes annually.

II. Other Eligible Uses of the Funds

4. The city has the authority to loan or grant Eyota Investment Funds to a regional development commission, other regional entity, or a state wide community capital fund as determined by the commissioner of the DEED to capitalize or to provide the local match required for capitalization of a regional or statewide Revolving Fund. **The city must request permission from the DEED before it can commit to providing funds to any of these organizations.** The city **does not** have the authority to turn over to another entity, such as Port Authority, Economic Development Authority, Housing Authority, etc. revolving loan funds for any purpose.

Process for Application:

1. Applicant must fill out application form in its entirety, sign it and submit it to the Economic Development Authority for review.
2. If the request is for an amount over \$100,000, the EDA must hold a public hearing which has been posted and published for at least ten days.
3. All applicants will be required to enter into a “subsidy agreement” with the EDA, laying out the goals of the assistance. All such agreements shall be available for public inspection.
4. All applicants will be given two years to meet the goals set forth in the subsidy agreement. (one year extensions may be applied for thru the public hearing process to follow Stat. § 116J.993 through § 116J.995)
5. City Council must give final approval for all business subsidies over \$25,000 or loans and loan guarantees in excess of \$75,000 and are not one of the listed exemptions above.

Economic Development Assistance Guidelines:

1. The Eyota EDA will require applicant to invest equity of 15% of the total cost to ensure “ownership” and to deter benefactors from leaving a project at a later date.
2. Any Revolving Loan money provided will be done so at a loan to collateral ratio of 1:1. The EDA will assume a first position on items used for collateral purposes. In situations where there are several funding sources, the EDA may take a second position on the appropriate collateral. The typical rate for all loans made by the EDA will be one half percent higher than the average prime interest rate for Eyota financial institutions at the time of the application. The rate may be negotiable if it can be demonstrated that a lower rate is required to make the proposed project work.

Criteria:

III. Job Growth

Increasing the number of jobs within the city limits of Eyota definitely serves as a public purpose. However, the number of jobs created must be in proportion with the amount of assistance to be given based upon: When lending in the amount of \$25,000 or more in assistance. The jobs created follow state mandated wage goals, which in 2011 are \$11.82/hour or greater.

Although not required, applicants who show that there is opportunity for new employees to further their careers with education and training shall be given higher regard. Also, applicants which demonstrate that fringe benefits will be offered to new employees (such as child care, health care, and pensions) shall also be given more consideration for assistance.

II. Providing Job Retention, Where Loss is Imminent and Demonstrable

If a company is facing involuntary closure, or if a company has received an offer from another location which is attractive enough to expect that a reasonable person would move the business for financial reasons, then providing assistance to that firm shall be considered serving a public purpose.

If a company is facing a possible shut down, documentation will need to be provided to adequately demonstrate that the closure is imminent. Such documentation may include financial statements, a profit/loss statement prepared by a qualified person, or other paperwork as may be required by the Eyota Economic Development Authority. The applicant will be required to submit a plan that is intended to prevent such possible shut downs in the future.

If a company has received an offer to relocate from another location, then the details of that offer must be provided to the Eyota Economic Development Authority. The Eyota EDA shall confirm the veracity of the offer before awarding assistance to provide job retention.

In serving the purpose of job retention, the EDA will lend up to \$10,000 for every one job created, and up to \$5,000 for every one job retained equal to or greater than 110% of the federal poverty level.

III. Stabilizing the Community

Business assistance in an amount of \$25,000 or greater will be considered serving a public purpose if the assistance constitutes an investment in an area that (1) historically has not received similar investments; (2) is a blighted area (determined by resolution of the Eyota EDA Board); or (3) is an economically depressed area (also determined by resolution of the Eyota EDA Board). Also, if it can be demonstrated that the assistance shall stimulate further investment or spin-off businesses and jobs in the area, the assistance shall be deemed as a stabilizing factor.

IV. Enhancing Economic Diversity

By enhancing economic diversity, a community is protecting itself from the loss of a dominating industry. Much like a diversified investment portfolio, an economically diverse community is in better position to sustain itself than one that relies on the continued existence of one dominant industry.

Higher consideration will be given to applicants who will;

1. allow the area to participate in fast-growing industries;
2. protect the area from adverse economic consequences caused by slow growth or declining areas that are dominant in the area; and
3. provide essential consumer services or develop a network of local suppliers to businesses within the community where they would not otherwise exist.

Eyota
ECONOMIC DEVELOPMENT AUTHORITY

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Next page is the application page

CITY OF EYOTA, MINNESOTA

Business Subsidy Application

Business Name: _____

Business Address: _____

Contact Person: _____

Phone #: _____ Fax #: _____

Type of assistance requested:

- _____ Tax Increment _____ Tax Abatement
- _____ Loan _____ Other (please specify)
- _____ JOBZ

Amount of assistance requested: \$ _____

Projected start date: _____ Projected completion date: _____

PROJECT INFORMATION

(please attach a description of the proposed project and explain why the assistance is needed. Be specific)

Estimated Costs (please itemize)

Financing Sources (please itemize)

| | | | |
|-------|----------|-------|----------|
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |
| _____ | \$ _____ | _____ | \$ _____ |

TOTAL COSTS \$ _____ TOTAL FUNDS \$ _____

** Financial statements for the past two years are to be submitted with this application. Businesses without financial statements will be required to submit personal tax returns for all principals of the business for the previous two years. The applicant must submit information on all current business related installment debts, contracts, notes, or mortgage payables. A bank reference letter will be requested.*

Banker's information:

Name of Bank: _____ Contact Name: _____

Address: _____ Phone Number: _____

If the assistance is for a building project:

Estimated value *after* project completion: \$ _____

Size of Building _____ sq. ft. Building Type _____

Function of Building: _____

Provide a sketch plan and/or site plan for the project

PUBLIC PURPOSE & JOB CREATION INFORMATION

What benefits will the City and its residents gain if assistance is provided?

_____ Job Creation* _____ Job Retention _____ Job Training _____ Land Clean Up

_____ Tax Base _____ Blight Removal _____ Redevelopment _____ Other (please list)

**If job creation is part of your proposal, please list:*

of full-time jobs created _____ # of part-time jobs created _____

Avg. full-time salary \$ _____ Avg. part-time salary \$ _____

OWNERSHIP / COMPANY INFORMATION

Type of company (corporation, etc.): _____

Owner(s) name(s): _____ Address: _____

Phone #: _____ Is there a parent company? _____

If there is a parent company, please describe the relationship in detail.

Has the business, owners or parent company ever declared bankruptcy? Yes or No

If yes, you must include information about the bankruptcy.

Has your business or parent company received a business subsidy, for this or any other project, from another Minnesota unit of government during the past 5 years? Yes or No

If yes is checked, please attach a description of the subsidy and by whom it was provided.

This application must be accompanied by a \$ _____ application fee. Depending upon the type of assistance requested, you may also be required to provide the City with a deposit to cover administration and consulting expenses associated with your project.

Unused funds will be returned upon completion of this process. The applicant agrees to provide additional information if requested by the City.

The undersigned does hereby certify that the information provided within and attached to this application is true and correct to the best of his/her knowledge.

Applicant(s)

Title

Date

**GENERAL FINANCIAL REQUEST GUIDELINES
FOR THE EYOTA REVOLVING LOAN FUNDS**

Definition:

1. **Eyota Investment Fund** (Originally Minnesota Investment Fund Flood Dollars)
2. **Revolving Loan Fund (RLF)**
3. Whenever an individual, group of individuals, business or firm would like the Eyota EDA to provide funds or assistance thru the Eyota Investment Fund (revolving loan funds) to help them in their business plans the following steps will be followed:

Guidelines:

1. The people or firm seeking assistance must contact the Economic Development Director and/or the City Manager.
2. As a general rule, individuals or businesses seeking financial assistance from the EDA and/or from a Revolving Loan Fund should have at least 10% -15% (ten to fifteen percent) equity in the proposed project. The 10-15% figure will be based on the total project cost. Loans to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought.
3. As a general rule, businesses seeking assistance shall be located within the Eyota City limits, or be relocating to Eyota from another location.
4. As a general Rule the business seeking financial assistance will have paid in full or be seeking refinancing of previously approved financial assistance that was provide by the City of Eyota.
5. Those seeking financial assistance must first complete the attached "Application for EDA Assistance" form and return it to the Economic Development Director. No assistance will be considered until the application is completed fully and accurately. The EDA will confer with other agencies and individuals to determine what type or types of business assistance match the needs of the proposed project. As a condition for financial assistance, the EDA may require that the individual(s) agree to work with the Small Business Development Center (SBDC) or the Service Corps of Retired Executives (SCORE). These groups can provide existing business and start-ups with technical assistance that they may require in order to ensure a successful business venture.
6. The EDA may provide assistance in any or all of the following manners: Loans made through the Revolving Loan Fund, or loans made thru the Eyota Investment Fund; consideration will be given to requests for tax increment financing, tax abatement and or Job Z.
7. Assistance in amounts over \$25,000 using State DEED grant funds, are subject to the business subsidy criteria adopted by the EDA after a public hearing held October 13, 2011. Those criteria are attached to this packet.