CITY OF RUSHFORD VILLAGE

BUSINESS SUBSIDY CRITERIA
AND
REVOLVING LOAN FUND (RLF) GUIDELINES

PART - A

Section A1.0 PUBLIC PURPOSE & AUTHORITY

A1.1 ADOPTION of POLICY. This Policy is adopted by the City of Rushford Village ("City") in accordance with the Minnesota Business Subsidy Law ("Act"), Minnesota Statutes, Sections 116J.993 through I 16J.995. Terms used in this Policy are intended to have the same meanings as used in the Act unless otherwise specified, and this Policy shall apply only with respect to business subsidies granted under the Act.

A1.2 PUBLIC PURPOSE. In addition to the criteria below, an economic development project shall be expected to protect the property values of the City and benefit the general public's health, safety, and welfare.

Section A2.0 BUSINESS SUBSIDY & ECONOMIC DEVELOPMENT TOOLS

A2.1 USE of FINANCIAL TOOLS. The City shall support community and economic development projects through the Economic Development Authority (EDA) by utilizing any and all available economic development financing tools, including, but not limited to revolving loan fund financing, Tax Increment Financing, Tax Abatement, JOBZ , and others that may exist from time to time. Policies that have been previously adopted for the City's financing tools shall be used in cooperation with this Business Subsidies Policy. Compliance with this Business Subsidy Policy shall not automatically mean compliance with such separate policies.

A2.2 RIGHT to AMEND, CANCEL, or MODIFY. The City reserves the right to announce when business subsidies will be available. The adoption of this policy is not a commitment by the City that a subsidy will be available at any certain time. The City reserves the right to cancel, amend, or modify this policy at any time.

Section A3.0 GENERAL BUSINESS SUBSIDY CRITERIA

A3.1. BUT-FOR TEST. Business Subsidies shall be available only to projects that would not otherwise occur without the assistance being requested. Therefore, the City and Authority will review each Business Subsidy application based on the following:

1. Whether development obstacles exist on the site (e.g., deteriorated/obsolete buildings; poor soil conditions).

2. Whether the site has been targeted by the City and/or Authority for redevelopment or development based on specified needs and policy.

3. Whether the development project will locate or relocate to a different city and/or state without local public financing.

4. Whether public infrastructure is necessary in order to serve a large area or targeted site.

5. Whether land acquisition assistance is required in order to address a specified public strategy or need.

6. Whether public financing fills an identifiable financing "gap" for the project due to such factors as inadequate lender financing or below-market return on investments.

A3.2. REDEVELOPMENT. The project will remove, prevent, or reduce blight or other adverse conditions of the property, thereby protecting the City's property values and the general public health, safety, and welfare.

A3.3. ENCOURAGE NEW / EXISTING BUSINESS. The project will attract or retain competitive and financially strong commercial and industrial businesses which offer a potential for significant growth in employment and tax base.

A3.4. HIGHEST and BEST LAND USE, COMPREHENSIVE PLAN. The use of the Business Subsidy will encourage a high quality of construction and promote the highest and best use of land, consistent with the City's Comprehensive Plan, zoning ordinance, and other local regulations.

A3.5. NEEDED SERVICES. The project will provide a needed service in the community, including health care, convenience and social services which are not currently available.

A3.6. UNMET HOUSING NEEDS. The project will provide housing alternatives the community currently needs which are not currently available.

A3.7. ECONOMIC FEASIBILITY. The recipient can demonstrate that it has experience, sufficient other financing for the project, and that the project can be completed in a timely manner.

A3.8. IMPACT on CITY SERVICES and INFRASTRUCTURE. The project will not significantly and adversely increase the demands for service needs in the City.

A3.9. TAX BASE. The project will increase the City's tax base and generate new property tax revenue.

Section A4.0 JOB & WAGE GOALS

A4.1 JOB and WAGE GOALS. To develop an improved employment base with desirable wages, Job and Wage Goals under this policy shall be required of applicants on the basis of reasonable projections for comparable businesses, industries, or other organizations with the potential to create high paying jobs in the future. The Job and Wage Goals required under this

policy shall be stated in a written development agreement between the City and the Applicant.

A4.2 MINIMUM JOB & WAGE REQUIREMENTS. Within two years after the date of a business subsidy development agreement (the "Compliance Date") and continuing from the Compliance Date until the Termination Date, the Developer shall cause to exist at least one (1) new Full-time Equivalent Job on the Development Property (excluding any jobs previously existing in the State as of the date of completion of construction of the Minimum Improvements and relocated to the Development Property) and shall cause the wages for all employees on the Development Property to be no less than the greatest of: (i) 105% of the minimum wage as established by federal law or (ii) 105% of the minimum wage as established by State law, in all cases exclusive of benefits.

A4.3 JOB OPPORTUNITY BUILDING ZONE (JOBZ). Minimum Job & Wage Requirements in order to satisfy the provisions of the Job Opportunity Building Zone (JOBZ) statute (M.S. 469.310-469.320) as follows:

(1) Any time the City of Rushford Village provides a JOBZ business subsidy to a qualified business or recipient, that business shall create within the subzone boundary, at least the number of new Full-time Equivalent (FTE) Jobs (excluding any jobs previously existing in the State as of the effective date of the JOBZ Business Subsidy Development Agreement) that when multiplied by the wages, including health insurance benefits, the total wages for said new FTE jobs shall be at least equal to or greater than the business subsidy received per year during the term of the JOBZ Agreement .

(2) The qualified business shall cause the wages, including health insurance benefits, for said job(s) created to be no less than 110% of the current poverty level for a family of four in the State of Minnesota, which job(s) shall be created not later than two years after the effective date of the JOBZ Business Subsidy Development Agreement, and shall be retained for the period of the JOBZ Agreement or until December 31, 2015, whichever is shorter.

(3) In the case of a JOBZ business subsidy that is non-quantifiable at the time of the Business Subsidy Agreement, the qualified business must create and retain for the period of the JOBZ Agreement or until December 31, 2015, whichever is shorter, at least the number of FTE job as described above for which the total wages, including health insurance benefits, shall be at least equal to or greater than the total estimated value of all tax exemptions and credits the business anticipates receiving per year during the term of the JOBZ Agreement .

(4) In the event of a conflict between the requirements of the Business Subsidy statute M.S. §§ 116J.993 - 116J.995 and the JOBZ statute M.S. §§ 469.310 - 469.320, the JOBZ statute shall supersede.

Section A5.0 ELIGIBILITY REQUIREMENTS FOR ALL BUSINESS SUBSIDIES

A5.1 AUTHORITY to INCUR DEBT. Applicants must have the authority to incur debt and carry out the proposed project purpose within the City. An applicant cannot be a lending institution or real estate developer.

A5.2 CITIZEN of the UNITED STATES. Applicants must be citizens of the United States or

reside in the United States after being legally admitted for permanent residence. In the case of an organization, more than 50% of the outstanding membership or ownership must be either citizens of the United States or reside in the United States after being legally admitted for permanent residence. An organization must have a registered agent in the State of Minnesota or must be a Minnesota corporation.

A5.3 LOAN FUND APPLICANTS. Loan Fund Applicants must be unable to finance the proposed project from their own resources or through commercial credit or other Federal or State programs at reasonable rates and terms.

A5.4 NO INFLUENCE WITHIN the CITY GOVERNMENT. An applicant must, along with its principal officers (including their immediate family) hold no legal or financial interest or influence within the City Government. The City Government and its principal officers (including their immediate family) must hold no legal or financial interest or influence in the applicant.

A5.5 DELINQUENT DEBT. Any delinquent debt to the Federal or State Government by the applicant or any of its principals shall cause the applicant to be ineligible to receive Business Subsidies in the City.

Section A6.0 MINIMUM STANDARDS for ALL BUSINESS SUBSIDY PROJECTS

A6.1 APPLICABLE LAWS, RULES, and REGULATIONS. At all times, policies and procedures related to the proposed or actual approval of the Business Subsidy Project shall comply with all applicable laws, rules, and regulations.

A6.2 FINANCIAL PARTICIPATION. A minimum of fifty percent (50%) of the total project cost shall be funded privately or through a private lender. Ten percent (10%) of the total project cost shall be funded by the business owner/applicant in cash or owner equity. The remaining forty percent (40%) "gap financing" may be provided by a Business Subsidy.

A6.3 POSITIVE CASH FLOW. The applicant can produce a cash flow projection based on reasonable industry averages that indicate a positive cash flow.

A6.4 CONSTRUCTION START. Construction of the project shall not begin until the City and the EDA have approved the applicable business subsidy documents, and a Development Agreement has been executed.

A6.5 DOCUMENTS and DATA / DATA PRIVACY. All applications and supporting documents shall become the property of the City, and the classification, retention, destruction, and/or disclosure of the data shall be governed by the Minnesota Data Practices Act, M.S.13.01 et.seq., and other Minnesota Statutes as appropriate.

A6.6 THIRD PARTY ASSISTANCE. The City and EDA reserve the right to select and retain, at the expense of the applicant, a third party to assist in the evaluation of the proposed development project and corresponding documents and agreements.

A6.7 PERMITS and FEES. The applicant shall pay all permits and fees normally charged by the City as part of the approval process unless otherwise approved by the City.

A6.8 REIMBURSEMENT by APPLICANT and/or DEPOSIT for PROJECTED COSTS. The City and EDA may be reimbursed by the applicant for costs associated with contract professionals for reviewing the business subsidy application, approving required documents, and executing the agreement. The applicant may be required to deposit with the City an administrative fee equal to 100% of the projected costs for such documents and agreement which will be applied to costs incurred by the City in conjunction with the proposed project. In the event such costs exceed the deposit, the applicant may be required to pay the additional costs as billed by the City.

Section A7.0 BUSINESS SUBSIDY and FUNDING APPLICATIONS

A7.1 APPLICATION FORMS. The City staff shall prepare appropriate forms for applicants to use when submitting an application for a subsidy. The forms shall require the applicant to submit all information required by this policy and all other agencies having authority over this subsidy. Prior to any consideration by the City and the EDA, the applicant must deliver to the City the following:

A7.2 PRE-APPLICATION REQUIRED. A Pre-application (Appendix A, Part I) shall be required to determine preliminary eligibility, financing needed and to explore all available financing options. Upon acceptance of the Pre-application, a Full application shall be requested. Pre-applications and Full applications may be completed with support from the EDA staff.

A7.3 PRE-APPLICATION PROCESS. Completed Pre-applications can be submitted at any time, and will be reviewed by the Rushford Village EDA at their next regularly scheduled meeting. Applicant(s) should be present for Pre-application review. Applications determined incomplete by the EDA will be held over until their next regularly scheduled meeting.

A7.4 FULL APPLICATION REQUIREMENTS. This information gives the Rushford Village EDA Project Review Committee a better understanding of your company and provides them with the basic tools for an analysis of your business. The Full application package (Appendix A, Part II) shall include but is not limited to the following – Applicant may grant permission for access to information provided by applicant to his/her primary lender as partial fulfillment of these requirements:

1. Business Subsidy / Economic Development Funding Full Application
2. A Letter of Agreement re: administrative and legal costs (see attached); and
3. A fee deposit as prescribed for the projected costs of the subsidy being requested according to the guidelines applicable to that subsidy.
4. Job Creation / Retention Documentation, Job Creation Timetable and Signed Assurance of Jobs Created and Benefits.
5. The applicant shall agree to allow the City and the EDA to check the backgrounds and financial history of the applicant, applicant's officers and major owners, if requested.

6. Summary and Overview of Project / Business Plan Narrative
    a. Brief History or Narrative of Company
    b. Markets and Marketing Strategies (Market Research)
    c. Detail intended use of capital required and written cost estimates

d. Purchase agreements from vendors
e. Personal and business references

7. Financial Projections
   a. Monthly Cash Flow Analysis for the next twelve (12) months
   b. Profit and Loss Statement for the last three (3) years, the current year (within 90 days), and for three (3) future years
   c. Balance Sheet for the last three (3) years, the current year, and for three (3) future years

8. Schedule of Business Debts
9. Statement of Collateral, a detailed listing to secure loan; evidence of marketable title for property.
10. Resume(s) and Personal Financial Statements of all Principals
11. Lender commitment letter(s) and interim loans; Credit review summary or bank credit report.

12. Affiliates per Appendix B
13. Appraisals /Proposed Lease/Purchase Options or Agreements
14. Partnership Certificate of Authorization or Corporate Certificate of Authority and Incumbency
15. Articles of Incorporation and By Laws

A7.5 CITY STAFF REVIEW. The City staff will review the application and provide a preliminary recommendation to the EDA and City as to the compliance of the proposed project with the City's economic development goals. Other required project approvals may proceed simultaneously with the business subsidy approval process.

A7.6 PROJECT REVIEW CRITERIA. The EDA Project Review Committee (PRC) shall review all information which will provide decision making assistance as to the viability of business applicants. The following checklist shall be used in reviewing business subsidy applications to determine that the proposed business subsidy is deemed necessary or appropriate:

1. Eligibility with Business Subsidy Criteria and other applicable guidelines
2. Economic benefits of the proposed project to include tax base increase and job creation or retention to improve the employment base with desirable wages
3. Innovative technology or product
4. Proposed marketing plan
5. Equity commitment
6. Leveraging of other funding
7. Management capability and skills
8. Balance sheet, profit and loss, ratio analysis
9. Repayment ability
10. Collateral and lien position
11. Credit risk of applicant
12. Need for special requirements, e.g., Environmental review
13. Insurance naming City as loss payee

Section A8.0 PROJECT APPROVAL or DENIAL

A8.1 APPROVAL or DENIAL. The City will approve or deny the application based upon information presented as to whether the proposed project is consistent with the Business Subsidy Law, Minnesota Statutes, Sections 116J.993 through 116J.995 and other applicable statutes, rules, and regulations, and this Policy.

A8.2 APPLICATION DENIAL. The City and the EDA reserve the right to deny any application that does not meet the standards of this Policy for the following reasons:

1. Failure of the applicant to properly supply the information requested by this Policy.
2. Failure of the applicant to provide satisfactory evidence that the project is financially viable.
3. Lack of funds by the City to fund a subsidy.
4. Failure of the applicant to submit any additional information requested by the City.
5. Failure of the project to meet requirements of this policy.

A8.4 DEVIATION from CRITERIA. Due to the inherent inability to fully anticipate future situations and projects, this granting body retains the right to grant subsidies to projects that are deemed in the public interest, yet may deviate from the above criteria. Such decisions shall be supported by findings that explain the deviation.

Section A9.0 CLOSING, RECORD KEEPING, QUARTERLY & ANNUAL REPORTING

A9.1 AGREEMENTS REQUIRED. All contracts and agreements executed pursuant to this policy shall be on forms approved by the City. Following Council approval, the Applicant(s) shall proceed with signing of a business subsidy development agreement, personal guarantees, and other documents required for the business subsidy. Failure of the Applicant progress toward closing with the required documents within sixty (60) days shall result in canceling the business subsidy for the project.

A9.2 CERTIFICATE of OCCUPANCY / PROJECT COMPLETION. The Applicant's property shall comply with all applicable code, permit and license requirements, and shall have a current certificate of occupancy and/or project completion.

A9.3 RECORD KEEPING, REVIEW, QUARTERLY and ANNUAL REPORTING. Following funding of a project, periodic review, semi-annual, and annual reporting will be required to meet State Standards.

CRV REVOLVING LOAN FUND (RLF) GUIDELINES

(Use of 2007 Flood Loan Repayments for Business-Economic Development)

PART - B

Section B1.0 INTRODUCTION AND PURPOSE

B1.1 INTRODUCTION. These guidelines are intended to be used as the procedure for the EDA to follow in granting and administration of the revolving loan funds. These guidelines are subject to change at the discretion of the EDA with City Council approval. The Rushford Village Economic Development Authority shall act as the EDA Project Review Committee (PRC) and shall administer the Rushford Village Economic Development Revolving Loan Fund (RV RLF).

B1.2 PURPOSE. The purpose of these guidelines is to provide written procedures for the award and processing of loans under the City of Rushford Village Economic Development Authority (EDA). All loans are subject to final approval by the Rushford Village City Council. The purpose of the Rushford Village Revolving Loan Fund (RLF) is to provide, if possible 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 also exists to provided for improvements to upgrade the appearance and energy efficiency of commercial and industrial properties and the commercial area as a whole. Generally the purpose of the RLF is to provide for the improvement of Rushford Village's economic climate, diversifying the economic base, and providing for increased community growth.

Section B2.0 GENERAL POLICIES

B2.1 ELIGIBLE BORROWERS. Applicants may be individual owners, partnerships, corporations, tenant operators, a not-for-profit institution (limited to $75,000 or less – cannot be a business subsidy), or contract for deed purchasers of any legitimate business whose primary place of business is located within the City of Rushford Village. An applicant cannot be a lending institution or real estate developer. Loans shall be limited to one (1) per year for any borrower or related activity.

B2.2 PARTICIPATION. A minimum of fifty percent (50%) of the total project cost shall be funded privately or through a private lender. Ten percent (10%) of the total project cost shall be funded by the business owner/applicant in cash or owner equity. The remaining forty percent (40%) "gap financing" may be provided by the Rushford Village Revolving Loan Fund. The Rushford Village Loan Fund shall not exceed 50% of funds available to a maximum of $100,000.00 per project. Any RLF Loan of $75,000 or more is considered and treated as a business subsidy.

B2.3 INTEREST RATE. The interest rate shall be determined by the Rushford Village EDA Project Review Committee and may relate to the prime lending rate. A service fee of one percent (1%) shall be charged on the City RLF portion, as well as all fees for filing, recording, and any other closing costs, which shall be paid at loan closing by the applicant.

B2.4 TERM OF LOAN. The Loan Review Committee shall determine length of term based on useful life of assets. No loan period shall exceed ten (10) years. A general guideline for term length is as follows:

1. Acquisition of Land	20 year financing terms
2. Acquisition of Building	20 year financing terms
3. New Construction	20 year financing terms
4. Machinery and Equipment	7 year financing terms
5. Building Renovation	15 year financing terms
6. Working Capital/Inventory	1-5 year financing terms

B2.5 COLLATERAL. Each loan shall be secured by collateral adequate to safeguard the lender(s). If the RLF is the sole lender, it will take a first security interest in the assets financed. If the RLF is in partnership with another lending source, the RLF may take a subordinate interest in the assets being financed.

B2.6 PERSONAL GUARANTEES. Personal guarantees will be required in all projects and may be collateralized with personal assets where appropriate. Hazard insurance, life insurance, and workmen's compensation are required for each loan. Loan recipients will assign as appropriate, security interests naming the Revolving Loan Fund as beneficiary. Flood insurance required in floodplain areas.

B2.7 LATE PAYMENT FEES. The borrower will be charged four percent (4%) of the payment due of principal and/or interest if payment is not received within fifteen (15) calendar days following the due date. The late charge shall be considered unpaid if not received within thirty (30) calendar days of the missed due date for which it was imposed. Any unpaid late charge shall be added to the principal and be due as an extra payment at the end of the term.

B2.8 RECORD KEEPING, REVIEW, QUARTERLY and ANNUAL REPORTING. Following funding of a project, periodic review, semi-annual and annual reporting will be required to meet State Standards.

B2.9 FAILURE OF APPLICANT. Failure to abide by the City guidelines, laws, and approved plans shall result in the calling of the loan at the City's request.

B2.10 LOAN DUE. Any RLF loans shall become immediately due and payable upon cessation or sale of the business for which a note was drawn.

Section B3.0 ELIGIBLE AND INELIGIBLE CRITERIA

B3.1 ELIGIBLE BUSINESSES / PROJECTS. The following are eligible businesses or projects:

1. Manufacturing Assembly
2. Retail
3. Service (see ineligible businesses for exceptions)
4. Technology
5. Innovative Projects
6. Community Development Projects
7. A media business located within the community

8. Other local business start-ups or expansions that will retain existing jobs and/or create living wage jobs that meet or exceed Minnesota State Economic Development Assistance standards.

B3.2 ELIGIBLE USES. The following are eligible uses:

1. Business acquisitions.
2. Business construction, expansion, repair, or development.
3. Purchase and development of land, easements, Rights-of-Way, building, facilities, leases, or materials.
4. Purchase of equipment, leasehold improvements, machinery or supplies
5. Pollution control and abatement and environmental fees.
6. Transportation services.
7. Startup Operating Costs and Working Capital/Inventory as long as the Equity Requirement is met by other means.
8. Feasibility Studies.
9. Loan packaging
10. Hotels, motels, tourist homes, and Convention Centers
11. Tourist, Recreation or Amusement Centers

B3.3 INELIGIBLE BUSINESSES/PROJECTS. The following are ineligible business and projects:

1. Agricultural Crop / Livestock Production
2. Community antenna television services or facilities
3. Media, except a media business located within the community
4. Speculative Real Estate
5. Construction or maintenance of utilities

B3.4 INELIGIBLE USES. The following are ineligible uses:

1. Refinance existing debt
2. Investment in residential Real Estate

Section B4.0 APPLICATION, REVIEW PROCESS & REVIEW CRITERIA

B4.1 PRE-APPLICATIONS & FULL APPLICATIONS REQUIRED. As further outlined and on the forms prescribed in the Rushford Village Business Subsidy Criteria, a pre-application shall be required to determine preliminary eligibility, financing needed and to explore all available financing options. Upon acceptance of the Pre-application, a Full application shall be requested. Pre-applications and Full applications may be completed with support from the EDA staff.

B4.2 LOAN REVIEW CRITERIA. The EDA Project Review Committee shall review all information which will provide decision making assistance as to the viability of business applicants. The following checklist shall be used in reviewing loan applications to determine that the proposed loan is deemed necessary or appropriate:

1. Eligibility with RLF guidelines and Business Subsidy Criteria

2. Economic benefits of the proposed project to include tax base increase and job creation or retention
3. Use to the maximum extent possible labor of low-income persons, farm families, and displaced farm families
4. Innovative technology or product
5. Proposed marketing plan
6. Equity commitment
7. Leveraging of other funding
8. Management capability and skills
9. Balance sheet, profit and loss, ratio analysis
10. Repayment ability
11. Collateral and lien position
12. Credit risk of applicant
13. Need for special requirements, e.g., Environmental review
14. Insurance naming City as loss payee

B4.3 AGREEMENTS REQUIRED. Following Council approval, the Applicant(s) shall proceed with signing of a loan agreement, promissory notes, mortgages, and/or other documents required for the loan closing. Failure of the Applicant to progress toward closing of the loan within sixty (60) days shall result in canceling the loan for the project.

B4.4 CERTIFICATE OF OCCUPANCY / PROJECT COMPLETION. The Applicant's property shall comply with all applicable code, permit and license requirements, and shall have a current certificate of occupancy and /or project completion. Loan repayments shall be according to the amortization schedule included in the loan documents.

==========

BUSINESS SUBSIDY CRITERIA & REVOLVING LOAN FUND GUIDELINES Original Adoption:
Date of Public Hearing: **April 11, 2012** Council Adoption: **April 11, 2012**

==========

By: Dale Schwanke — 5/29/2012
Dale Schwanke, Mayor — Date

Joyce Iverson — 6-1-2012
Joyce Iverson, Accounting Officer — Date

Attest: Judy A Graham — 6-1-2012
Judy Graham, Clerk — Date