

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;
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.

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.

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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. The business or individual(s) requesting assistance from the EDA must have at least 15% 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.

\$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.

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