

KASSON ECONOMIC DEVELOPMENT AUTHORITY

Kasson City Hall
Tuesday, August 3rd, 2021
12:00 PM

- I. Call Meeting to Order**
- II. Approve Minutes of the Previous Meeting**
- III. Financial Report**
- IV. Old business**
 - a. Wetland delineation study**
- V. Coordinators Report**
- VI. City Administrators Report**
- VII. 2022 EDA Budget**
- VIII. Conflict of interest policy**
- IX. Other Business/Open Discussion**
 - a. ARPA Economic Adjustment Assistance/ DEED Main Street Revitalization program**
- X. Items for Sept. EDA Meeting**
- XI. Adjourn**

The next EDA Board meeting will be held on Tuesday September 7th, 2021.

KASSON ECONOMIC DEVELOPMENT AUTHORITY

MEETING Tuesday, July 7th, 2021

12:00PM

DRAFT MINUTES

Pursuant to due call and notice thereof, a regular meeting of the Kasson Economic Development Authority (EDA) was held at City Hall this 7th day of July 2021 at 12:00PM.

The following board members were present: Dan Egglar, Chris McKern, Tom Monson, Janice Borgstrom-Durst and Kathy O'Malley.

Absent: Michael Peterson and Matthew Hemker

The following staff members were present: Timothy Ibisch - City Administrator, Matt Durand - EDA Staff.

- I. Call Meeting to Order. Egglar called the meeting to order at 12:01PM.
- II. Approve Minutes of the Previous Meeting. Monson motioned to approve the May minutes. McKern seconded.

Ayes (5), Nays (0). Motion carried.
- III. Financial Report. Ibisch shared that the city is starting the budget process and EDA will receive a budget sheet at the next meeting. Durand shared that L&A has paid off their revolving loan 8 years ahead of schedule as they intend to sell the building.

Durand shared that the cost for the sign on the downtown lots was \$285.

McKern motioned to approve the bill. Borgstrom-Durst seconded.

Ayes (5), Nays (0). Motion carried.
- IV. Coordinators Report. Matt Durand, CEDA, presented the coordinator's report.

Old School Site

Pending purchase agreement for the property by a prospective buyer. Spoke with Jerry G. about various options that the EDA could discuss for property renovation. No other offers or buyers for the property at this time. KARE has invited the EDA Coordinator to speak at their July annual meeting.

Workforce Housing (Sand Companies)

Council Recommendation - City Council recommended reviewing alternative options for land to be the location of the Sand Company workforce housing. Original location of City owned property adjacent to the cemetery presented infrastructure cost concerns.

Vail Property – City has agreed to purchase 66 acres of land adjacent to Lyons Park for flood protection, park trails, and land for workforce housing. Sand Companies scored this site out and it is favorable. Infrastructure costs are very reasonable to be installed to the site. Sand Companies will proceed with application for Kasson

project.

Industrial Park

Wetland Delineation - Study has been approved by Carter Blaine to proceed. City has instructed WHKS to proceed with wetland delineation, cost will be \$2,000. Anticipate draft report in Aug.

Compeer Financial Grant – Draft narrative to ask for a feasibility grant from Compeer to further review the Industrial Park wetlands and hydrology. Data gathered will be used for planning of the property for future development. Grant to provide up to \$5,000 towards the costs incurred by WHKS.

Business Visits

Plaza 57 – Met with Brad Chambers, Key Builders, who owns Plaza 57. Discussed remaining spaces in the building and ways to help market the property to other businesses. Discuss the need for daycare facilities in the community. opportunities. Discussed business façade grants for business moving into the building.

Clem’s Cups & Cones – Spoke with Jay Clemens about the Business Façade program for store signage on the building and on the co-op signage near Hwy 57. Jay was provided an application; he will review and submit.

American Family Façade Grant – Travis Arment has applied for a Business Façade grant for exterior improvements to his business. Application is complete and conforms to the program criteria. Business owner seeking approximately \$1,500.

Downtown Lots

Trow Lot Purchase - Purchase agreement for the smaller lot south of Mr. Trow’s building has been sent to him. Followed up with Mr. Trow, he will sign Purchase Agreement and return. Seeking an Aug. 1 closing. City Attorney to facilitate the closing.

Lot Sale Signage – City crews installed sign posts at the remaining downtown lot. Abel Sign constructed and installed the sign. City EDA to pay for sign costs. No calls received on the lot yet. Will look to develop a flyer for the property as well.

- V. City Administrators Report. Ibisch presented his Administrators Report. Report included in meeting packet. Ibisch also shared that he may be out on paternity leave over the next month.

VI. Other Business/Open Discussion

American Family Business Façade application – Durand presented the loan application to install permanent landscaping and shrubs on the front of the building.

McKern motioned to approve the application. Monson seconded.

Ayes (5), Nays (0). Motion carried

O’Malley brought up a potential conflict of interest, highlighting the need for clarity on the relationship between real estate agents, developers, and the city. Ibisch stated that a formal conflict of interest policy would be presented at the August meeting.

- VII. Items for August meeting. Ibisch identified the 2022 budget worksheet and the conflict of interest policy as important agenda items.
- VIII. Adjourn. Borgstrom-Durst motioned to adjourn the meeting. Monson seconded.
- Ayes (5), Nays (0). Motion carried. Meeting adjourned at 12:40 PM.

The next meeting will be held at 12:00PM on Aug. 3rd, 2021.

Minutes Submitted by:

Robert Harris III, EDA Coordinator

Dan Egger, EDA President

08/02/21
09:27:40

CITY OF KASSON
Income Statement by Department
For the Accounting Period: 7 / 21

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Report ID: L140

225 EDA FED MIF

	Actual		Actual		Annual Budget	
	Period to Date	%	Year-To-Date	%		
Revenue						
Community/Economic Development						
3611 SPECIAL ASSESSMTS - PRINC	0.00		2,927.02		0.00	2,927.02
3612 SPECIAL ASSESSMT-PENALTY/	0.00		131.72		0.00	131.72
3621 INTEREST EARNED	190.07		2,015.64		0.00	2,015.64
Total Department	190.07		5,074.38			5,074.38
Total Revenue	190.07	100.00	5,074.38	100.00	0.00	5,074.38
Net Income(Loss)	190.07		5,074.38			

08/02/21
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CITY OF KASSON
Income Statement by Department
For the Accounting Period: 7 / 21

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226 EDA RLF

	Actual		Actual		Annual Budget	
	Period to Date	%	Year-To-Date	%		
Revenue						
Community/Economic Development						
3621 INTEREST EARNED	0.00		37.00		0.00	37.00
Total Department			37.00			37.00
Total Revenue	0.00	100.00	37.00	100.00	0.00	37.00
Net Income(Loss)	0.00		37.00			

08/02/21
09:27:40

CITY OF KASSON
Income Statement by Department
For the Accounting Period: 7 / 21

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290 Economic Development

	Actual		Actual		Annual Budget	
	Period to Date	%	Year-To-Date	%		
Revenue						
Community/Economic Development						
3101 CURRENT AD VALOREM TAXES	0.00		44,111.50	95.53	88,223.00	-44,111.50
3621 INTEREST EARNED	0.00		33.00	0.07	500.00	-467.00
Total Department			44,144.50	95.60	88,723.00	-44,578.50
Total Revenue	0.00	100.00	44,144.50	100.00	88,723.00	-44,578.50
Expenses						
Community/Economic Development						
Community/Economic Development						
101 FULL-TIME EMPLOYEES - REGULAR	971.84	7.49	7,264.77	15.73	11,700.00	4,435.23
121 EMPLOYER PERA CONTRIBUTIONS	72.90	0.56	544.90	1.18	878.00	333.10
122 EMPLOYER FICA CONTRIBUTIONS	58.18	0.45	435.89	0.94	725.00	289.11
123 EMPLOYER MEDICARE CONTRIBUTION	13.60	0.10	101.94	0.22	170.00	68.06
130 EMPLOYER PAID INSURANCE	178.54	1.38	1,269.11	2.75	5,500.00	4,230.89
150 WORKER'S COMPENSATION	0.00		70.19	0.15	100.00	29.81
210 OPERATING SUPPLIES	0.00		118.36	0.26	500.00	381.64
303 ENGINEERING FEES	0.00		0.00		1,500.00	1,500.00
304 LEGAL FEES	130.50	1.01	130.50	0.28	2,500.00	2,369.50
321 TELEPHONE	22.56	0.17	158.28	0.34	500.00	341.72
325 COMMUNICATION-OTHER	15.00	0.12	215.00	0.47	200.00	-15.00
333 STAFF MEETINGS & CONFERENCES	0.00		0.00		400.00	400.00
334 MEMBERSHIP DUES AND FEES	0.00		75.00	0.16	500.00	425.00
343 OTHER ADVERTISING	285.00	2.20	285.00	0.62	5,000.00	4,715.00
351 LEGAL NOTICES PUBLISHING	0.00		0.00		100.00	100.00
360 INSURANCE	0.00		305.70	0.66	400.00	94.30
414 COMMERCIAL PROGRAMS	0.00		375.00	0.81	10,000.00	9,625.00
430 OTHER SERVICE/CHARGES-MISC.	0.00		822.49	1.78	3,500.00	2,677.51
440 PROFESSIONAL SERVICES	0.00		300.00	0.65	800.00	500.00
444 OTHER CONTRACTUAL SERVICES	11,234.00	86.53	33,702.00	72.99	43,750.00	10,048.00
Account Total	12,982.12	100.00	46,174.13	100.00	88,723.00	42,548.87
Total Department	12,982.12	100.00	46,174.13	100.00	88,723.00	42,548.87
Total Expenses	12,982.12	100.00	46,174.13	100.00	88,723.00	42,548.87
Net Income(Loss)	-12,982.12	-100.00	-2,029.63	-4.40		

08/02/21
09:27:02

CITY OF KASSON
Balance Sheet
For the Accounting Period: 7 / 21

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225 EDA FED MIF

Assets

Current Assets

CASH-OPERATING	155,965.21
LOAN PRIN REC-WHITMARSH	2,289.28
LOAN PRIN REC- 1760 MILLWORK	71,959.34
SPECIAL ASSESSMENTS--DEFERRED	5,854.07

Total Current Assets	236,067.90
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Total Assets	236,067.90
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Liabilities and Equity

Current Liabilities

Deferred Revenue Assessments	5,854.59
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Total Current Liabilities	5,854.59
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Total Liabilities	5,854.59
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Equity

UNRESERVED FUND BALANCE	225,138.93
CURRENT YEAR INCOME/(LOSS)	5,074.38

Total Equity	230,213.31
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Total Liabilities & Equity	236,067.90
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08/02/21
09:27:02

CITY OF KASSON
Balance Sheet
For the Accounting Period: 7 / 21

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226 EDA RLF

Assets

Current Assets

CASH-OPERATING

79,999.00

Total Current Assets

79,999.00

Total Assets

79,999.00

Liabilities and Equity

Total Liabilities

Equity

UNRESERVED FUND BALANCE

79,962.00

CURRENT YEAR INCOME/(LOSS)

37.00

Total Equity

79,999.00

Total Liabilities & Equity

79,999.00

08/02/21
09:27:02

CITY OF KASSON
Balance Sheet
For the Accounting Period: 7 / 21

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290 Economic Development

Assets

Current Assets

CASH-OPERATING	66,638.98
DUE FROM OTHER FUNDS	81,677.89
PREPAID ITEMS	10.00

Total Current Assets	148,326.87
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Total Assets	148,326.87
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Liabilities and Equity

Current Liabilities

ACCRUED WAGE/SALARY PAYABLE	413.59
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Total Current Liabilities	413.59
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Total Liabilities	413.59
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Equity

UNRESERVED FUND BALANCE	149,942.91
CURRENT YEAR INCOME/(LOSS)	(2,029.63)

Total Equity	147,913.28
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Total Liabilities & Equity	148,326.87
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EDA Loans

Loan Name	Origination Date	Original Amount	Interest Rate	Monthly Payment	Term/ Due Date	12.31.20 Balance	Prin Recvd YTD	7.31.21 Balance
L & A(Main Street Fitness)	4/29/2009	\$ 75,000	3.0%	415.95	20 years 4/29/2029	36,762	36,762	0
Dollar Video	8/1/2009	\$ 50,000	3.0%	345.29	14 years 9/1/2024	14,370	14,370	0
Gibbs	10/14/2015	\$ 80,000	3.0%	772.49	10 years 1/1/2026	43,653	43,653	0
Millwork	7/1/2016	\$ 90,000	3.0%	499.14	20 years 6/1/2036	74,172	2,213	71,959
Whitmarsh	6/28/2018	\$ 5,000	4.75%	90	5 years 7/1/2023	2,847	558	2,289

Economic Development Authority Coordinators Report

**Robert Harris III
July**



CEDA transition

Matt and Robert spent two weeks together going over the status of ongoing projects and reviewing the overall processes in Kasson. Robert is now up to speed and the transition to Robert as the main contact is complete.

Old School Site

The school building has been sold to a developer, Paul Warshauer of Grande Venues. Grande Venues has an impressive background developing historic entertainment venues and developed the old school project in New Ulm. The developer has a work session in Kasson with his architect and business partners on Thursday, August 5th. They also will be attending the August 11th City Council meeting to introduce himself. Matt will be attending the August 5th work session as Robert will be out of town. Robert will be attending the August 11th council meeting and working with Mr. Warshauer moving forward.

Workforce Housing (Sand Companies)

Vail Property – City has agreed to purchase 66 acres of land adjacent to Lyons Park for flood protection, park trails, and land for workforce housing. Sand Companies scored this site out and it is favorable. Infrastructure costs are very reasonable to be installed to the site. Sand Companies will proceed with application for Kasson project.

All supporting materials from the city were submitted to Sand Companies for their tax credit application. The application was submitted and they should hear back in November. In the interim, Robert will be working on getting the land parcel split and coordinating with David Drown and Associates to open the TIF district.

Industrial Park

Wetland Delineation – WHKS thinks that delineating the wetland on this site during a drought will be difficult and has requested to postpone this until the spring.

Compeer Grant – The secondary hydrology work that this grant would fund is contingent upon the wetland delineation study.

Downtown Lots

Trow Lot Purchase - Purchase agreement for the smaller lot south of Mr. Trow's building has been sent to him. Robert followed up with Mr. Trow and requested that he return the purchase agreement in time for the August EDA meeting. Purchase agreement has not been received yet.

Entrepreneur assistance

Robert was contacted by a local entrepreneur that is exploring open a daycare facility. Robert is working with them on some site selection and determining start up costs. They may be planning to apply to the revolving loan fund.

SEMLM meeting

Robert attended the Southeastern MN League of Municipalities meeting on Thursday, July 29th to learn about the usage of ARPA funds and the DEED Mainstreet Revitalization Program.



To: City Council

Date: 7/14/2021

Agenda Heading: City Administrator's Report

“Do what we can, summer will have its flies.”
– **Ralph Waldo Emerson**

- **WPA Legacy grant approved.** The Governor signed the Legacy omnibus bill:
https://www.revisor.mn.gov/bills/text.php?number=hf%2013&version=latest&session=s92&session_year=2021&session_number=1

This was the text of our portion: **(O) Kasson WPA Restoration**

\$30,000 the first year is for a grant to the City of Kasson to restore the wall and pillars of the historical Works Progress Administration (WPA) project at Veterans Memorial Park.

I am very glad we were able to get this grant, and Ron Unger tells me that the work should start later this month. There will be a small interruption during Festival in the Park and the contractor is also going to be done for part of August, however he expects to complete the work before the end of the fall.

- **State Budget Complete with Passage of Tax Bill.** On June 30, the last day of the state's fiscal biennium, the House and Senate concluded work on the omnibus Education finance bill and the omnibus tax bill. Those two bills, along with 11 other omnibus appropriations bills, will comprise the state's fiscal year 2022-2023 biennial budget. Governor Walz signed the bills making up the new budget as well as a number of provisions of interest to Kasson.

➤ **Fire protection districts**

The LMC-supported fire protection district provision provides a framework to allow local units of government to jointly provide fire protection or emergency medical service through the establishment of fire protection special taxing districts. Under the provision, two or more political subdivisions are permitted to establish, by resolution of their governing bodies, a special taxing district to provide fire protection or emergency medical services, or both. The framework of the bill requires that the district be overseen by a board consisting of representatives of each participating political subdivision in the proportions set out in the district's establishing resolution. Each representative must be an elected member of their respective political subdivision. I think this should be explored as part of a possible joint effort between Kasson and Mantorville.

➤ **4d housing class rate reduction**

During the regular legislative session, the League had expressed concerns about the Senate position to reduce the 4d class rate to a flat 0.25% due to the resulting property tax shifts to other property, including naturally occurring affordable housing. The provision in the special session tax bill, which will reset and freeze the tier break to \$100,000 for two years

beginning in assessment year 2022, would continue to result in property tax shifts; however, the impact will be smaller than the original Senate position. This will likely impact our project in the SW Housing corridor, however because no TIF is currently in place it should allow us to recalculate the overall impact without a problem.

➤ **Property tax process**

The special session tax bill includes parts of the original House proposal to modify the annual fall tax notification process known as “truth-in-taxation.” The final agreement removed the proposed “property taxpayer day,” where cities, counties, and schools would hold their annual notification hearings on one night. However, the bill does include substantial changes to the information required to be provided in the tax hearing and notification process by cities with populations of 500 or more. Essentially, we will be required to provide detailed summary budget information based on the information provided to the state auditor (under Minnesota Statutes, section 6.745) on their current year and proposed budget. The information will be sent to counties and distributed with the November proposed tax statement. This should have limited impact as we already prepare many of these items and present them during our regular meetings.

- **Worksession Feedback.** I thought that the financial WorkSession went very well. Thanks for all of the good questions, and Mr. Bubany was very helpful as always. You should have received the spreadsheets and if you have any questions, please let me know. Nancy has promulgated the budget worksheets to department heads and we will be running through those with them the first week of August. We plan to have a preliminary budget for Council review on August 11th. This is what I like to term the “wants” budget” and we can go from there rightsizing it as necessary. Additionally, Union negotiations will be underway and that will impact the numbers as well as the increases in healthcare costs and inflation. Let me know if there is anything that you would like to see before the meeting.
- **EDA Updates.** The EDA met and discussed a variety of items including the old school site. There is a pending purchase agreement for the property by a prospective buyer. The current owners have asked about various options that the EDA could discuss for property renovation. There are no other offers or buyers for the property at this time. KARE has invited the EDA Coordinator to speak at their July annual meeting. There was discussion of the Vail land acquisition that the Council authorized at their last meeting. We will be working to get the agreements all signed so that a good packet can be submitted to the State.

A Wetland Delineation Study has been approved by the adjoining property owner so the EDA has instructed WHKS to proceed with wetland delineation, cost will be \$2,000. Anticipate draft report in Aug. We’re looking at a Compeer Financial Grant to further review the Industrial Park wetlands and hydrology. Data gathered will be used for planning of the property for future development. The grant to provide up to \$5,000 towards the costs incurred by WHKS. I was able to attend 3 of 4 ribbon cuttings last Friday here in Kasson with the Chamber of Commerce. Great to see new businesses in the community.

- **Governor Signs Omnibus Transportation Bill.** The measure, passed with bipartisan support off the House floor on June 24 and off the Senate floor on June 25. Although the package does not contain the significant funding increases supported by transportation advocates, it does represent an agreement reached by House DFLers and Senate

Republicans, the majorities in both bodies, and Gov. Walz. It passed by a vote of 112-21 off the House floor on June 24, and a vote of 67-0 off the Senate floor on June 25.

The \$7.27 billion bill includes \$220.4 million in net general fund spending over base during the 2022-2023 biennium. The total appropriations by agency include \$6.49 billion for the Minnesota Department of Transportation, \$516.3 million for the Minnesota Department of Public Safety, and \$235.7 million for the Metropolitan Council. This means that the MSA dollars are available for us use in extension of our state aid roads i.e., 16th West and Commerce.

- **EMS Review.** The EMS Committee met to review the items from the past 2 months. They discussed the Body Camera Policy and deferred it until a time when cameras are implemented in Kasson. There is a push statewide to mandate this use. They also discussed the additional hires in the Police Department. Please see those included in the Council packet. Finally, they discussed at length the new Public Facilities programming and agreed that additional public input seems warranted. They want to move forward this summer. Councilmembers Ferris and Christensen will be point people for this process and they have a number of interested ideas that they have been reviewing including the expansion of the scope of the facility to include items that may appeal to a larger group in Kasson. More information to come.

Meetings and Events Attended or Planned to attend

June 16	CMPAS Solar Project Meeting
June 17	City Engineer Mike Bubany-David Drown ZED Groundbreaking Ceremony
June 21	Tantalus Update Personnel Committee
June 23	LMC Workers Comp Review Judisch Development Meeting Regular City Council
June 24	Technical Review Department Heads
June 28	Lion's Park Groundbreaking
June 29	Vale Property Finalization Meeting UB proposals review
June 30	Financial Council WorkSession
July 1	City Engineer Bubany TIF CMPAS-Diesel Generator Issues
July 2	Chamber of Commerce Ribbon Cuttings
July 6	EDA
July 7	Senjem-Bonding Bill EMS
July 8	P&Z Technical Review Hwy 57 Roundabouts-MnDOT
July 12	Planning Commission
July 14	Regular City Council

ECONOMIC DEVELOPMENT						thru 6/30			COMMENTS
COMMUNITY/ECONOMIC DE		BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	PROPOSED	
		2019		2020		2021		2022	
290.4650.101	FULL-TIME EMPLOYEES - REGULA	11,500	6,782	11,700	11,664	11,700	6,293	12,500	
290.4650.121	EMPLOYER PERA CONTRIBUTIONS	863	488	878	844	878	472	938	
290.4650.122	EMPLOYER FICA CONTRIBUTIONS	713	423	725	689	725	378	775	
290.4650.123	EMPLOYER MEDICARE CONTRIBU	167	99	170	161	170	88	181	
290.4650.130	EMPLOYER PAID INSURANCE	1,100	538	2,000	1,089	5,500	1,091	6,000	
Personnel Subtotal		14,342	8,330	15,473	14,447	18,973	8,322	20,394	
290.4650.150	WORKER'S COMPENSATION	300	(36)	100	48	100	70	100	
290.4650.210	OPERATING SUPPLIES	400	465	400	259	500	118	500	
290.4650.303	ENGINEERING FEES	3,000	-	3,000	3,443	1,500	-	1,500	
290.4650.304	LEGAL FEES	4,000	1,350	4,000	-	2,500	-	2,500	
290.4650.321	TELEPHONE	500	329	500	243	500	136	500	
290.4650.325	COMMUNICATION-OTHER	200	227	200	263	200	200	200	Postage
290.4650.333	STAFF MEETINGS & CONFERENCE	500	16	500	-	400	-	400	
290.4650.334	MEMBERSHIP DUES AND FEES	500	416	500	396	500	75	500	
290.4650.343	ADVERTISING	-	-	-	-	5,000	-	5,000	
290.4650.351	LEGAL NOTICES PUBLISHING	-	75	-	51	100	-	100	
290.4650.352	GENERAL NOTICE/PUBLIC INFO	-	-	-	-	-	-	-	
290.4650.360	INSURANCE	360	339	360	355	400	306	450	
290.4650.380	UTILITY SERVICES		-		-		-		
290.4650.414	PROGRAMS	20,000	2,000	20,000	7,969	10,000	375	10,000	Commercial Programs
290.4650.413	Rental Expenses	-	-	-	-	-	-	-	
290.4650.430	OTHER SERVICE/CHARGES-MISC.	4,500	1,265	4,500	2,007	3,500	822	3,500	includes \$500 SMIF
290.4650.440	PROFESSIONAL SERVICES	500	2,967	500	285	800	300	800	Marketing
290.4650.444	OTHER CONTRACTUAL SERVICES	42,500	42,355	42,500	43,628	43,750	22,468	46,500	CEDA
290.4650.720	OPERATING TRANSFERS				20,000		-		
Operations Subtotal		77,260	51,767	77,060	78,946	69,750	24,870	72,550	
Total ECONOMIC DEVELOPMENT		91,602	60,098	92,533	93,393	88,723	33,192	92,944	

KASSON ECONOMIC DEVELOPMENT AUTHORITY

BOARD OF DIRECTORS

POLICY ON CONFLICTS OF INTEREST

I. POLICY STATEMENT

The Kasson Economic Development Authority (EDA) Board of Directors expects its members to uphold the Directors oath of office and to maintain the highest standards of ethical conduct in order to ensure the public's confidence and respect. The avoidance of Director conflicts of interest, apparent or real, through the use of informed judgment and timely disclosures, is necessary in order to maintain this confidence and respect.

II. CONFLICTS OF INTEREST: REPORTING

Directors shall avoid any conduct or activity which might result in or create the appearance of a conflict of interest, including but not limited to:

- A. Improperly using public office for private gain.
- B. Improperly giving preferential treatment to any organization or person.
- C. Compromising the independence or integrity of the Authority or any employee.
- D. Impairing the EDA's efficiency or economy.
- E. Adversely affecting the confidence of the EDA employee(s) or the public in the integrity of the EDA.

III. CONTRACTS

When the EDA contracts with individuals or firms, Directors shall avoid the appearance of conflicts of interest such as those listed above. In some cases, the appearance of a conflict of interest may prevent the EDA from contracting with a particular individual or firm. This might occur if a Director has a direct financial interest in the contracted business.

The following factors should be considered:

- A. The extent of the Director's involvement in the business. Is the Director a part or sole owner, part-time employee? Does the Director have a stake in the business personally or through an immediate family member? If the Director is directly involved in the business or is closely related to a person who has a significant financial interest in the business, the appearance of a conflict of interest is greater and the facts must be disclosed.
- B. The size of contract and the contract award process including but not limited to the following:
 - Informal bid
 - Purchase order
 - Formal bid and award
 - Emergency award

Subcontracts

Consulting contracts (design, testing, services, etc.)

The more formal the bidding and award process, the less likely it is that a Director's interest in an outside firm could influence the award process. Nevertheless, if a Director has a close personal or family relationship with an individual who has a significant financial stake in the business, a conflict of interest could be found. Such situations shall be disclosed, and avoided to the extent reasonably possible.

- C. If a Director transacts non-EDA business with an individual or firm who also contracts with the EDA, or which bids on EDA work, an appearance of a conflict may arise. The potential conflict is that the Director, the contractor or third parties may believe that the Director can or will exert improper influence over the EDA contracting process to gain some personal advantage in the non-EDA contract. The factors listed above should be considered to determine whether it is proper for the Director to conduct non-EDA business with the contractor, and whether disclosure is required. If the contractor is aware of the Director's relationship with the EDA, the Director shall explain to the contractor that no preferential treatment is expected or permitted.

IV. DISCLOSURES

- A. To protect the EDA and its Directors, Directors shall disclose any potential conflicts of interest at least annually, or when necessary as changes occur which require reporting, and at the time when a potential conflict arises or may arise. Both the Director's own business relationships which create the conflict and those immediate family members (at least spouse, parent, minor/adult child, and sibling) shall be disclosed. The Director shall explain all relevant facts in writing:
 - 1. Within 48 hours of a Director's discovery of a conflict of interest, the Director shall prepare a written statement disclosing the conflict of interest.
 - 2. The Director shall deliver a copy to the EDA Executive Director and the President of the Board. (If the President has a conflict of interest, she/he shall deliver the statement to the Vice-President).
 - 3. If a conflict of interest presents itself and there is insufficient time to deliver a written statement as required herein, the Director shall verbally advise the Board, the President or the Executive Director of the potential conflict. A written statement shall then be delivered to the Executive Director and the President within one week after the conflict of interest presents itself.
 - 4. The completed disclosure forms and statements shall be retained in the Executive Secretary's Board of Directors file.
- B. The Director who has a conflict of interest as defined in Paragraph A of this section shall refrain from voting on or otherwise participating in the action or decision with which there is a conflict of interest. A Director is specifically exempted from the prohibitions of this paragraph when the action to be taken or the decision to be rendered is one which is solely advisory.

V. GIFTS, GRATUITIES AND OTHER FINANCIAL TRANSACTIONS

No Director shall, by reason of his or her appointment to the Board, whether on behalf of the Director or a relative of the Director, solicit or receive any gift, gratuity or any other item with a monetary value from any person or entity, including a business which contracts with the EDA.

VI. VIOLATIONS

Because of the importance to the EDA of upholding the public trust by avoiding conflicts of interest, a Director who violates this policy by failing to fully disclose a situation which presents a significant conflict of interest shall be subject to censure or other action by the Board. In consultation with legal counsel and the Executive Director, the President or Vice-President or other Directors shall recommend to the full Board appropriate action. Such action might include a recommendation to the Mayor for removal from office.

Any Director who believes that another Director has not adequately disclosed a significant conflict of interest, should report the matter to the EDA Board President, Vice-President or Executive Director, who may then consult with legal counsel to determine an appropriate course of action.

VII. ADMINISTRATION OF POLICY

The Executive Director shall issue appropriate forms and procedures to implement this policy.

**KASSON ECONOMIC DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS
POLICY ON CONFLICTS OF INTEREST
ANNUAL REPORTING FORM**

Director: _____
(Please Print Full Name)

Date: _____

CONFLICTS OF INTEREST DISCLOSURE

I have read the Kasson Economic Development Authority's policy for Directors on Conflicts of Interest.

Neither I nor my immediate family¹ have any financial interest which may violate this Conflicts of Interest policy other than the following: (If none, write none.)

I will promptly notify the Board President or Executive Director if I or any member of my immediate family will acquire a financial interest in a business which may contract with the EDA, or if I or an immediate family member becomes involved in any other transaction which may appear to be a conflict of interest.

¹ *Immediate family members include at least spouse, minor or adult child, and siblings*

Signature

Date Signed

City of Kasson
Economic Development Authority
Policy and Procedures Manual
2020
DRAFT

Guide:

- **New Content**
- ~~Deleted Content~~

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THE AUTHORITY

KASSON ECONOMIC DEVELOPMENT AUTHORITY

The name of the Authority shall be the "Kasson Economic Development Authority" (which may sometimes be referred to as the "EDA", "Kasson EDA", or the "Authority"), and its governing body shall be called the Kasson Economic Development Authority Board (the "EDA Board" or the "Board"). The EDA Board shall be the body responsible for the general governance of the Kasson EDA and shall conduct its official business at meetings thereof. The Kasson EDA shall consist of seven Board members, of which two members are constituted by the Mayor of Kasson and a member of the Kasson City Council.

As required by Minnesota Statutes, Section 469.097, Subdivision 1, the Authority shall use the official seal of the City of Kasson as the Authority's official seal.

The offices of the Kasson EDA shall be located at Kasson City Hall, 401 5th Street SE, Kasson MN, 55944.

OFFICERS

The officers of the Kasson EDA Board shall be a President, Vice-President, and a Secretary. The President, Vice-President, and Secretary shall be elected annual, and no Board Member may be both the President and Vice-President simultaneously. The Secretary does not need to be a member of the Board.

The President shall preside at all meetings of the EDA Board. Except as otherwise authorized by resolution of the Board, the President and Secretary, (the Vice-President in the President's or Secretary's absence), shall sign all contracts, deeds, and other instruments made or executed by the Authority. At each meeting, the President shall submit such recommendations and information they consider proper concerning the business, affairs, and policies of the Authority.

The Vice-President shall perform all of the duties of the President in the absence or incapacity of the President. In the case of the resignation of the President, the Vice-President shall perform such duties as are imposed on the President until such time as the Board shall elect a new President.

The Secretary shall keep minutes of all the meetings of the Board and shall maintain all records of the Authority. The Secretary shall also have such additional duties and responsibilities as the Board may from time to time and by resolution prescribe.

The officers of the Board shall perform such other duties and functions as may from time to time be required by the board or the bylaws or rules and regulations of the Authority.

Should the office of President, Vice-President, or Secretary become vacant, the Board shall elect a successor at the next regular meeting, or at a special meeting called for such purpose, and such election shall be for the unexpired term of said officer.

The Board may from time to time employ such personnel as it deems necessary to exercise its powers, duties, and functions. The selection and compensation of such personnel shall be determined by the board.

MEETINGS

Regular meetings of the Kasson EDA shall be held on the first Tuesday of each month at 12:00 noon in the City Council Chambers at Kasson City Hall. Four members of the Board shall constitute a quorum for the purpose of conducting the business and exercising the powers of the Authority, as well as for all other purposes. If a quorum is not obtained, the meeting may be adjourned and rescheduled for a time when a quorum is obtained. ~~At least four members of the EDA must be present in order to form a quorum and transact any business.~~

The Agenda for each EDA meeting shall be prepared and distributed by EDA staff. Agenda items, other than those standard items defined below, may be proposed by staff or any member of the Authority or City Council. If not self-explanatory, each agenda item shall be accompanied by a memorandum from the EDA staffer detailing the item, its source, and a review of the item's impact on EDA policies.

The Agenda packet for each EDA meeting shall be distributed by mail, e-mail, or by hand to the members no later than Friday prior to the meeting. All agenda items and supporting documents shall be due to staff by noon Wednesday prior to the distribution of the Agenda packet. Incomplete items shall be held until all documents are received.

Each Agenda packet shall contain the following standard items:

1. Agenda for the meeting;
2. Minutes of the previous meeting;
3. A financial report, presented on a quarterly basis, showing the fund and loan balances and payment information for the previous financial quarter.

Commented [N01]: Quarterly financials are not updated each month, they are presented at the end of each quarter.

The President of the EDA, Secretary, or any other two members of the EDA may request a special meeting of the EDA. Upon such a request, staff shall immediately contact the members to ascertain that a quorum will be present. If a quorum indicates their ability to attend, the EDA staff shall set a meeting for at least three days later and distribute the Agenda packet as soon as practicable.

Commented [N02]: Updated to reflect "Officers" section

An applicant or other member of the public may request a Special meeting of the EDA upon written notice. The fee for such a meeting shall be \$200, payable before the meeting is called. The procedure for calling such a Special Meeting such as described in this paragraph shall be the same as if called by the President, Secretary, or any two members of the EDA.

MISCELLANEOUS

The policies and procedures of the Kasson EDA may be amended by a majority vote of all Board members, provided that any such amendment shall first have been delivered to each Board member at least five days prior to the meeting at which such amendment is considered.

Commented [NO3]: Provision for amendments to the EDA policy and procedures.

The fiscal year of the Authority shall coincide with the fiscal year of the City of Kasson. Checks of the Authority may be signed by members of the City of Kasson.

Commented [NO4]: Just to note the EDA's fiscal calendar.

BUSINESS SUBSIDY CRITERIA POLICY

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes 11K.993 through 11J.995, as amended (the “Act”). The term “City” means collectively the City of Kasson and the Kasson EDA. The term “project” means the development or property with respect to which the business subsidy is provided. The term “business subsidy” means all financial assistance deemed to be a “business subsidy” pursuant to Section 11J.993, Subdivision 3, of the Act.

CRITERIA

To broaden the tax base, encourage quality construction, develop an enhanced employment base, promote the highest and best use of the land and provide more and better services to the citizens of Kasson. It is the policy of the City of Kasson and the Kasson EDA to encourage strong, viable growth and development for the residential, commercial, and industrial areas of the city.

The City of Kasson and Kasson EDA have a broad range of powers to assist community development; including tax increment financing, tax abatement, various grant opportunities, and bonding. Therefore, when appropriate, the City and EDA will use their authority to financially participate in a project to accomplish community goals.

Commented [N05]: Originally, only the City had been listed.

Financing from the City of Kasson and/or Kasson EDA is not intended as a “first dollar” investment or as a bid in competing with another City, but as a gap financing tool designed to enhance the viability of strong businesses with a sound reason to be in Kasson.

The City of Kasson or Kasson EDA’s participation in a project can benefit the community by attracting development, creating employment opportunities, providing housing opportunities, and assisting in financing redevelopment to remove blight.

The City will consider and give preference to the following criteria when considering the approval of business subsidies.

1. But-for Test. The City, in its sole discretion, will determine whether or not there is substantial likelihood that the project would not move forward without the assistance requested. It is acceptable for this test to be supported solely on the representations of the applicant. Projects that do not meet the “But-for” test will not be granted business subsidies.
2. Redevelopment. Projects that remove, prevent, or reduce blight or other adverse conditions of the property, thereby protecting the City’s property values and the general health, safety, and welfare of the public.
3. Attraction of New Business. Projects that attract or retain competitive and financially strong commercial and industrial companies, which off the potential for significant growth in employment and tax base.

4. Highest and Best Land Use. The use of the business subsidy will encourage quality construction and promote the highest and best use of land, consistent with the City of Kasson Comprehensive Plan.
5. Needed Services. Projects that provide a needed service in the community, including health care, convenience, and social services.
6. Unmet Housing Needs. Projects that provide housing needs not currently available in the community.
7. Economic Feasibility. The applicant must demonstrate that they have the experience and financing necessary for the project and that the project can be completed in a timely manner.
8. Impact on City Services and Infrastructure. Projects that do not significantly and adversely increase the demand for City services.
9. Job Creation. Projects that create and/or retain jobs which pay at least the higher of the current Federal Minimum Wage or State of Minnesota Minimum Wage, plus appropriate benefits.

Whenever the City or EDA invest public funds or agree to voluntarily forfeit tax or other revenue that benefits private development projects, those projects should create and/or retain the greatest number of Full-Time Equivalent (FTE) jobs that pay a livable wage possible for the residents of the City and the surrounding region. The City may take into account the special needs of small or growth-phase businesses with potential to create high paying jobs in the future.

10. Tax Base. Projects that will directly and indirectly increase the City's tax base and generate new property revenue.
11. Incentive for Additional Future Development. Proposed projects that are compatible with the City's overall development plans and objectives and are compatible with the neighborhood in which they will be located.
12. Compatibility with Development Plans and Neighborhood. Proposed projects that are compatible with the City's overall development plans and objectives and are compatible with the neighborhood in which they will be located.

GUIDELINES & EVALUATION

1. Construction of a project shall not commence until the appropriate City approvals have been given to the application for financing.

2. The City will evaluate each request for a business subsidy on a case-by-case basis and reserves the right to deny and application at any stage of the proceedings prior to adoption of the final approval authorizing the financing.
3. For assistance, applicant shall complete an application form and supply all additional information requested by the City.
4. The City shall be reimbursed by the Applicant for all costs incurred by the City in connection with the proposed or actual use of the financial assistance including, but not limited to, legal fees, filing fees, engineering fees, development consultation fees, administrative expenses, and/or tax increment financing consultation fees. At the time preliminary procedures are initiated, the applicant will deposit with the City and administrative fee to cover all anticipated costs to be incurred by the City in connection with the proposed project. The amount of the administrative fee will be based upon the type of financial assistance being requested.
 - a. The fact that the City accepts the Applicant's deposit is not to be construed as a guarantee that the City will authorize the project that is under consideration.
 - b. The City may request and receive from the Applicant additional administrative fees in an amount to be determined by the City should associated costs exceed the initial deposit.
5. At all times, procedures and policies related to the proposed or actual approval of the City's financial assistance will comply with the laws of the State.
6. All applications and supporting materials and documents shall become the property of the City and, as such, are public records.

VALUATION OF A BUSINESS SUBSIDY

The City and EDA will calculate the value of assistance provided to a business in the following manner:

1. If the subsidy is a contribution or sale of real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the City, less any amount paid.
2. If the subsidy is a loan, the amount of the subsidy will be the principal amount of the loan.
3. If the subsidy is a loan guarantee, the amount of the subsidy will be the principal amount of the loan guaranteed.
4. If the subsidy takes the form of payments over time, (e.g. pay-as-you-go tax increment financing), the amount of the subsidy will be the sum of projected payments, discounted to a present value using a discount factor determined by the City.

The following are not business subsidies:

- any assistance provided that meets a statutory exemption as defined by the Act.

BUSINESS SUBSIDY PROGRAMS

LAND SALES

Purpose

The City of Kasson owns residential, commercial, and industrial land in the City. It is the intent of the EDA to return the lands not necessary for the operation of the City of Kasson to the private sector tax rolls through either market rate or discounted sales. Any discount from the appraised price shall be considered a subsidy and shall be required to meet the established Business Subsidy Criteria.

All commercial and/or industrial property owned by the City of Kasson shall be maintained in its highest and best condition. Vacant property shall be mowed and maintained as if it were a residential lot. Access will be maintained at all times. Municipal use of the property shall be allowed only by express authorization of the City Council upon recommendation of the EDA.

Vacant commercial or residential property shall be maintained by the City in a condition as required by the Municipal Code. In extraordinary circumstances, property may be leased to private operations or persons at either subsidized or market rates. Any subsidized leases must meet the Subsidy Criteria. Upon recommendation by the City Building Inspector that a property be demolished, the EDA Staff shall present quotes for such demolition to the City Council and, upon approval, arrange for required permits and the immediate demolition of the property.

Requirements

Their market rate or subsidized sales shall be considered, according to their ability to serve in the public interest in that:

1. The proposed purchaser has identified and committed to an immediate use of the property;
2. The proposed purchaser has evidence of ability to finance both the purchase, development, and operation of the proposed re-use of the property;
3. The proposed re-use is compatible with the Zoning Code and all other appropriate plans adopted by the City of Kasson;
4. All sales shall be considered final at closing. The EDA shall exert no future control over the property other than what is required and/or authorized in the Municipal Code for all private properties.

Staff Responsibility

The EDA staff shall be responsible for marketing city owned property to prospective buyers. This marketing shall be undertaken according to the best judgement of the staff and may include the maintenance of a complete profile of the property on the City's website.

The City Administrator shall be the initial contact for all sales of land. Any contact made to any other official or staff member of the City shall be immediately referred to the City Administrator. No other official or staff member shall have the authority or responsibility to discuss terms or conditions of sales.

Initial contacts with each potential purchaser shall include providing:

1. The property description and detailed information;
2. A request for a written offer on the property;
3. A copy of the business subsidy criteria policy, if applicable;
4. A request for documentation required by subsidy criteria policy, if applicable.

The staff shall inform the EDA Board members of all contacts at the next regularly scheduled meeting of the Authority. Updates on all contacts shall be made at each subsequent EDA meeting until, in the opinion of staff or the Board the contact is no longer viable. If a project is determined to be no longer viable, the staff shall inform the EDA of that determination and the reason for it.

Committee Responsibility

Upon notification of the contact, the **President** of the EDA may appoint a committee of two EDA Board members to assist the staff in the pursuit of the contact. If no such committee is appointed, the contact with the potential purchaser shall be the sole responsibility of the Staff and further action shall be at their discretion.

Commented [NO6]: Original text said "Chairman", changed to reflect "Officers" section.

Upon notification by the EDA staff that all required documentation is available, the Chair shall appoint a Committee of two EDA members to assist staff in negotiating a final sale recommendation to the EDA, if a business subsidy is applicable.

EDA Authority

Upon recommendation of EDA staff and the negotiating committee, the entire EDA shall vote upon a recommendation to the City Council. This recommendation shall include:

1. A positive or negative recommendation regarding the proposed sale;
2. A proposed sale price;
3. Any conditions to be met prior to the sale.

At any time of the recommendation to City Council occurs, the responsibility of the EDA for the project ceases. Upon action on the recommendation by the City Council, the project becomes strictly a staff responsibility.

Use of Sale Proceeds

Upon the sale of any property, the proceeds, less any costs incurred by the City in executing the sale, shall be used to pay off any debts on the property; pay off any other obligations of the EDA. or; fund accounts as determined by the City Council.

REVOLVING LOAN FUND

Commented [N07]: Previous versions of the EDA P&P included the MIF RLF program guidelines and policies, so the new program has now been added to the 2020 EDA P&P.

RLF – I. INTRODUCTION – SOURCE AND PURPOSE OF FUNDS

The purpose of this policy is to provide written guidelines for the processing and award of loans under the City of Kasson 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 granting and administration of the RLF Program. The City of Kasson EDA maintains a RLF to assist in retaining and expanding existing businesses, assist new start-up companies, assist companies relocating to Kasson, and promote job creation or retention.

The initial capitalization for the RLF will be funded by the City of Kasson EDA. The RLF will be used primarily to provide fixed asset financing to businesses in the City of Kasson. The RLF 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 business or as a guarantor to a conventional bank loan. It is the goal of Kasson's RLF to leverage its funds to the greatest extent possible. It is the intent of the RLF program to primarily use its direct loan program for fixed asset subordinated mortgage financing and its loan guarantee component for working capital loans.

The Revolving Loan Fund Program is a "gap financing" tool used to assist in the financing of business projects, in combination with local private sector financing (banks), which would otherwise lack the required funding. Non-Profits may apply for RLF assistance if certain requirements are met. Applicants must first explore opportunities to obtain funds for their projects from commercial lenders or other private sources before consideration for a RLF loan.

The Revolving Loan Fund Program is administered by the seven-member City of Kasson Economic Development Authority, subject to final approval by Kasson City Council. The following is an overview of the RLF program, general guidelines for eligibility, application guidelines, and the criteria and process for evaluation of applications.

RLF – II. GENERAL GUIDELINES

- A. Applicant/Project Eligibility, Private/Equity Participation, and RLF repayment terms shall follow the City of Kasson EDA Business Subsidy Criteria Policy.
- B. Applicants may be individual owners, partnerships, corporations, tenant operators, or contract for deed purchasers of any legitimate business whose primary place of business is located in Kasson (or within 2,000 feet of City boundaries). Loans are limited to one per year to any Borrower/Applicant. Lending institutions, real estate brokers, and media businesses are ineligible. While the RLF is intended to service the private sector, non-profit applicants may be considered if their project is considered beneficial to the Kasson economy, has a firm source of revenue for repayment, and other requirements are met.

- C. At least sixty percent (60%) of the total project cost shall be funded privately or through a private lender, with no less than ten percent (10%) of the project provided by the businessowner/applicant in cash or owner equity. **The remaining forty percent (40%), recognized as the financing gap, may be provided by the Kasson Revolving Loan Fund.**

If denied for conventional financing, the applicant may increase the gap financing request no greater than sixty percent (60%) the total project costs, up to \$20,000.

- D. All loans shall be secured by collateral adequate to safeguard the lenders. If the Kasson EDA is the sole lender, it will take a first security interest in the assets financed.
- E. Following the funding of a project, periodic financial reporting, record keeping, and other similar requirements are necessary. Failure to abide by City requirements and approved plans will result in the recall of a loan at the City's request.
- a. Each loan must document job creation or retention, which is the purpose of the RLF program. The expected number of jobs to be created or retained will be contingent on the size and purpose of the loan.
- F. Construction of a project shall not commence until the appropriate City approvals have been given to the application for financing.
- G. Applicants for RLF funds shall complete an application form and supply all additional information requested by the EDA.
- H. At all times, procedures and policies related to the proposed or actual approval of the City's financial assistance will comply with the laws of the State.
- I. Applicants should not make any legally binding commitments to third parties based on the assumptions that an EDA RLF loan will be approved or issued by a specific date. The EDA will not accept responsibility for premature commitments inappropriately made by applicants.
- J. All applications and supporting materials and documents shall become the property of the City and, as such, are public records. Classification of the data shall be governed by the Minnesota Data Practices Act, M.S. 13.01 et seq., and other Minnesota Statutes as appropriate.

RLF – III. ELIGIBILITY, LIMITATIONS, INTEREST AND TERM

- A. Interest Rate & Term policy for Revolving Loan Fund loans are as follows:
1. For loans of less than \$10,000: an interest rate of the U.S. prime rate minus 2% (no lower than 3%) for a term of five years or less;

2. For loans of \$10,000 to \$30,000: an interest rate of the U.S. prime rate minus 1% (no lower than 4%) for a term of 5-10 years;
3. For loans of \$30,000 or greater and/or a term longer than 10 years: an interest rate equal to the U.S. prime rate (no lower than 5%).

U.S. prime rate will be determined by the rate published in the Wall Street Journal one business day prior to the loan closing date.

- B. The terms of the loan shall be determined by the Kasson Economic Development Authority's Loan Review Committee as informed by the following details. Eligible uses and length of term shall be based on the useful life of assets, and the following guide:

- | | |
|---|--------------------------------------|
| 1. Land acquisition | - Limited to 20-year financing terms |
| 2. Building acquisition | - Limited to 20-year financing terms |
| 3. New construction* | - Limited to 20-year financing terms |
| 4. Building renovation* | - Limited to 15-year financing terms |
| 5. Site improvements* | - Limited to 15-year financing terms |
| 6. Machinery, equipment, and fixtures** | - Limited to 7-year financing terms |
| 7. Working capital/Inventory*** | - Limited to 1-year financing terms |

* Owners or contractors are required to pay prevailing wages to any employees involved in construction, renovation, or site improvement work.

** The remaining effective life on equipment, machinery, and/or fixtures must be equal to, or exceed, the life of the loan, determined through IRS Publication 946.

*** Working capital loans are limited to the value for two (2) months of operating costs for the business. Inventory loans are limited to \$5,000.

- C. Use of RLF funds to guarantee a conventional bank loan are subject to certain limitations. The RLF may be used to guarantee up to fifty percent (50%) of outstanding principal balance for a conventional bank loan, with the amount not to exceed \$10,000.

The EDA's criteria for underwriting loans resemble those used by lending institutions in business loan evaluation. The EDA has a focus on economic and community development, as such, the underwriting criteria will include considerations regarding economic impact and community benefit.

- D. Ineligible uses and businesses:

- | | |
|---|---------------------------------------|
| 1. Refinance debt | 6. Residential real estate investment |
| 2. Pay delinquent taxes | 7. Gambling |
| 3. Professional offices | 8. Media businesses |
| 4. Product development costs | 9. Agricultural businesses |
| 5. Organizational costs for start-up businesses | 10. Speculative investments |
| | 11. Owner distribution |

RLF – IV. APPLICATION PROCEDURE

A. Prior to any consideration, the pre-application procedure must be completed as follows:

1. The applicant must deliver the following documents to the EDA:

- a. Completed Revolving Loan Fund Preliminary Application.
- b. Release Authorization(s).
- c. The EDA does not charge any application processing or loan servicing fees. However, fees may be required from applicants if the EDA incurs any third part charges for document filing, credit checks, appraisals, or loans that require a consultant. *

*The fact that the City accepts an applicants' fees is not to be construed as a guarantee that the City will authorize the project under consideration.

2. The EDA Loan Review Committee and EDA Staff, as an ex-officio member of the committee, will review the pre-application and provide a recommendation to the Authority and Council whether a full application should be considered, based on consideration of the proposed project in accordance with the EDA's Business Subsidy Criteria.

B. Full Application. The Applicant must provide all supplementary information and attachments as required for the RLF funds being requested, and:

1. A "but for" letter documenting the need as set forth in the *Business Subsidy Criteria Policy* section of the City of Kasson Economic Development Authority Policy and Procedures Manual.
2. The following may be requested from the Applicant, where applicable:
 - a. Letter of commitment for bank/private financing;
 - b. Retail or office market analysis;
 - c. Property appraisal for the proposed project;
 - d. Pro forma analysis; and/or,
 - e. A credit check.
3. A statement addressing environmental review requirements and evidence of compliance with applicable requirements.
4. Balance of fee deposit incurred for any third part charges for document filing, credit checks, appraisals, or loans that require a consultant.
5. Building and site plans.

6. Property information, including legal description, tax parcel ID number, size of parcel(s), current market value, and estimated market value upon completion (land and improvements), and survey map showing exact boundaries of proposed development (if applicable).
7. Statement of property ownership or control (e.g. purchase agreements and contracts).
8. Historic information on the business, and a copy of the Applicants business plan.
9. Business financial statements including the past three years of profit/loss statements and balance sheets. (See RLF – II. I)
10. Resumes and personal financial statements of all principals with twenty percent (20%) or more ownership of the business. (See RLF – II. I)
11. List any other development projects the Applicant has completed. List the value, debt load, lender(s) of each project, and note whether the Applicant has ever defaulted on any loan commitment, development or redevelopment agreement, or other subsidy for any of the projects listed.
12. Any other information deemed necessary or desirable by the EDA or City Council. Should the EDA or City Council request a background check, the applicant must agree to a background check before one may be conducted.

RLF – V. APPLICATION REVIEW AND PROJECT APPROVAL

A. Preliminary Approval.

The EDA Loan Review Committee and EDA Staff, as an ex-officio member of the committee, and/or a third party will review the full application and provide a recommendation for preliminary approval to the EDA and City Council.

The EDA will make a finding based upon information presented as to whether the proposed project is consistent with the City of Kasson EDA Business Subsidy Criteria Policy and RLF guidelines outlined in this document. If deemed appropriate, the EDA/City Council may direct staff and/or consultants to prepare the required documents and agreements.

B. Final Approval.

Final approval of a RLF Loan shall occur with the approval and signing of all required documents and agreements including, but not limited to, the following:

1. Business Subsidy/Development Agreement.
2. Loan Agreement.

3. Promissory Note.
4. Collateral adequate to safeguard the RLF Loan, with the understanding that the City interest in the assets financed may be subordinate to the primary lender.
5. Personal Guarantees may be required in any project at the sole discretion of the EDA and/or City Council. Personal Guarantees may be collateralized with personal assets when appropriate.
6. Certificate of Insurance Coverage listing the City as a loss payee each year of the loan.
7. Disclosure of all Federal, State, and Local tax liens and payables from all Principals.

RLF – VI. LOAN SERVICING AND FOLLOW-UP REPORTING REQUIREMENTS

- A. Loans may be closed by the EDA President/City of Kasson Finance Director. General closing procedures are as follows:
 1. When the loan closing is completed and funds are disbursed, the Economic Development Staff will establish a loan servicing file to contain:
 - a. All closing documents;
 - b. A log of all conversations and correspondence relating to the loan; and,
 - c. A master follow-up file to ensure loan monitoring functions are performed on a timely basis.
 2. An Amortization Schedule including the calculation of principal and interest, and monthly payment reports will be executed at the time of the loan closing and will be forwarded to the City of Kasson Finance Department for payment collection.
- B. Loan accounting will be a part of the City of Kasson Finance Department's responsibility. The Borrower or Borrowing Entity will be responsible for providing the Finance Department with loan accounting reports. The Finance Department will be responsible for collecting and maintaining evidence of ongoing compliance with any loan requirements. The EDA Staff will be responsible for collecting and maintaining evidence of ongoing compliance with respect to job creation and retention, insurance, financial reporting, and any special conditions in the initial agreement. Reports may be requested for individual loans including principal, interest, fee payments, etc.
- C. Delinquency will be handled by the EDA Staff in a firm, yet flexible way, with provision for modifying or restructuring consistent with program objectives and responsible money management. Any modifications of loan terms and conditions must be requested in writing by the applicant and approved by the EDA Board.
- D. Defaults will be handled on a case-by-case basis by the EDA Staff. In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the City of Kasson EDA's option, by acceleration or otherwise, become due and payable. To exercise this option, the City of

Kasson Attorney shall prepare a written notice to the business. The notice shall specify the following:

1. The default;
2. Action(s) required to cure the default;
3. A date, not less than thirty (30) days from the date of the notice, by which the default must be secured to avoid foreclosure or other correction action(s); and,
4. Any penalties incurred as a result of the default, inability to create jobs, etc.

The City of Kasson EDA shall use its discretion in terms of when and how to collect and liquidate secured collateral.

- E. Any total or partial sale, assignment, conveyance, lease or transfer with respect to the loan and security interest is not allowed without prior review and written approval by the EDA Board, which approval shall not be unreasonably withheld.
- F. Compliance with Minnesota Business Subsidy Law. Each business receiving assistance with the principal amount over \$75,000 from the Revolving Loan Fund shall be subject to the provisions and requirements set forth by Minnesota Business Subsidy Statute 116J.994 and the City of Kasson EDA Business Subsidy Policy. All Revolving Loan Fund Loans

RLF – VII. USE OF LOAN REPAYMENTS

The Kasson RLF is a self-replenishing fund. Interest and principal payments on previous loans will be used to issue new loans in accordance with the RLF guidelines and policies.

RLF – VIII. COVENANTS

- A. Use of proceeds. The Borrower and/or business will use the proceeds of the Loan in the manner outlined by this document and stipulated in the loan closing documents. Failure to satisfy this covenant may result in Material Adverse Effect.
- B. Compliance with Laws. The Borrower and/or Business will be required to maintain good standing with the States, Counties, and Cities where they exist. Failure of the Borrower and Business to maintain compliance with laws may result in Material Adverse Effect.
- C. Taxes. The Borrower and/or Business are required to pay their obligations with respect to all tax liabilities, assessments, and government charges. The failure to make payment of tax liabilities, assessments, and governmental charges may result in Material Adverse Effect.
- D. Job Creation and Retention. The Borrower and/or Business will be required to create and maintain the number of jobs as decided by the EDA Board and outlined in Loan Closing documents. Failure to comply with this covenant may result in Material Adverse Effect.

- E. Insurance. The Borrower and/or Business will be required to maintain adequate policies for the Business and properties associated with the Business after the Loan Closing date.
- F. Maintaining Records and Reporting. The Borrower and/or Business will be required to maintain and deliver records to the lender for review on an annual basis. Failure to provide adequate records and access to properties may result in Material Adverse Effect. The required documents are as follows:
- i. Taxes. A statement from a Banking Institution verifying the Borrower and/or Business have filed annual taxes.
 - ii. Job Creation and Retention. The Borrower and/or Business will maintain a record of employment figures.
 - iii. Insurance. The Borrower and/or Business will submit proof of insurance for the Business and properties associated with the Business.
- G. Site Visit. The Borrower and/or Business will be required to allow access to, and inspections of, properties associated with the Loan by an agent of the EDA (i.e. Board Member, Staff, etc.). These site visits are to be carried out on an annual basis. Failure by the Borrower and/or Business to allow EDA access to properties associated with the Loan may result in Material Adverse Effect.

RLF – IX. DEFINITIONS

As used in this document, the following terms shall have the following meanings:

“Amortization Schedule” shall mean a complete table of periodic loan payments, showing the amount of principal and the amount of interest that comprise each payment until the loan is paid off at the end of its term.

“Assignment” shall mean the transfer of property, benefits, interests, liabilities, rights under a contract, by one party to another.

“Borrower” shall mean the approved Applicant for a Revolving Loan Fund loan.

“Business Plan” shall mean a document setting out a business’s future objectives and strategies for achieving them.

“Business Subsidy” shall have the meaning assigned to such term in Minnesota Business Subsidy Law, Minnesota Statutes Section 116J.993 through 116J.995.

“But-for” shall mean the analysis that determines whether a proposed project would not occur, but for the Revolving Loan Fund assistance.

“Certificate of Insurance Coverage” shall mean a certificate issued by an insurance company or broker that verifies the existence of an insurance policy held by the Borrower.

“Collateral” shall mean something pledged as security for repayment of a loan, to be forfeited in the event of a default.

“Default” shall mean the failure to fulfill the obligation to repay the loan.

“Delinquency” shall mean when the Borrower or Business, with a contractual obligation to make loan payments against the debt of the RLF loan, does not make those payments on time or in a regular, timely manner.

“Development Agreement” shall mean a voluntary contract between a local jurisdiction and a person who owns or controls property within the jurisdiction, detailing the obligations of both parties and specifying the standards and conditions that will govern development of the property.

“Economic Development Authority” shall refer to the City of Kasson Economic Development Authority (EDA), a professional and confidential agency whose goal is to help develop and support economic growth within the city of Kasson.

“Environmental Review” shall refer to the assessment of the environmental consequences of a plan or project prior to the decision to move forward with the proposed action.

“Ex-Officio” shall refer to the Economic Development Staff, who is part of the EDA by virtue of their position as an employee of the EDA.

“Financial Statement” shall refer to the formal record of the financial activities of the Borrower or Business.

“Fixed Assets” refers to assets which are purchased for long-term use and are not likely to be converted quickly into cash, such as land, buildings, and equipment.

“Gap Financing” shall refer to the sum of money lent by the City of Kasson EDA to cover the difference between secured financing and the financing needed to carry out a project.

“Guarantor” shall mean the City of Kasson EDA, which is providing the RLF Loan.

“Interest” shall mean:

- a. the fee rate for the use of RLF funds, determined by the amount and length of the loan.
- b. the amount of ownership a stakeholder has in a company.

“Legal Description” shall mean a geographical description of a property which identifies location, boundaries, and any existing easements on the property.

“Letter of Feasibility” shall refer to a letter which includes the background of the project and provides an assessment of the practicality of the proposed project.

“Material Adverse Effect” shall mean a material adverse change to the business, operations, property, or financial condition of the Borrower and/or Business, taken as a whole, the validity or enforceability. The Lender, or EDA, is allowed to cancel the transaction if a material adverse change occurs.

“Partnership” shall refer to a business or firm owned and run by two or more partners.

“Personal Guarantee” shall mean a promise made by an individual or entity to accept responsibility for some

“Prime Rate” shall mean the rate of interest last quoted by The Wall Street Journal as the “Prime Rate” in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board.

“Principal” shall, in the context of borrowing, refer to the initial size of the loan, and/or the subsequent remaining balance.

“Principal Owner” shall mean any person or entity who, now or hereafter, directly or indirectly owns a twenty percent (20%) or greater interest in the business.

“Promissory Note” shall mean a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date.

“Pro Forma” shall mean an analytical projection of the potential financial position of a company based on a review of historical information, operating metrics, and potential costs associated with anticipated changes.

“Resume” shall mean a brief account of a person’s education, qualifications, and previous experience.

“Revolving Loan Fund” shall mean a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing fund, utilizing interest and principal payments on previous loans to issue new ones.

“Security Interest” refers to an enforceable legal claim or lien on collateral that has been pledged to obtain a loan.

“Subordinate Financing” is debt financing that is ranked behind that held by secured lenders in terms of the order of which the debt is repaid.

“Tax Parcel ID” shall refer to the identification number assigned by Dodge County to a certain plot of property.

“Term” refers to the length of time a borrower has to make payments on a loan.

“Underwriting” shall refer to the criteria and process of the City of Kasson EDA used to determine whether a borrower’s loan application is an acceptable risk.

“Working Capital” shall mean the capital of a business which is used in its day-to-day operations.

RLF – X. PROVISION FOR AMENDMENTS

The City of Kasson Revolving Loan Fund Policies may be amended by the Kasson City Council after a public hearing on such amendment(s) and, in accordance with Minnesota Business Subsidy Law, Minnesota Statutes Section 116J.993 through 116J.995, upon recommendation by the Kasson Economic Development Authority.

Economic Adjustment Assistance Program

What does the Economic Adjustment Assistance (EAA) program do?

The EAA program provides a wide range of technical, planning, and public works and infrastructure assistance in regions experiencing adverse economic changes that may occur suddenly or over time. These adverse economic impacts may result from a steep decline in manufacturing employment following a plant closure, changing trade patterns, catastrophic natural disaster, a military base closure, or environmental changes and regulations.

Who may benefit from EAA and what will such funding do to promote economic development?

The EAA program can assist state and local entities in responding to a wide range of economic challenges through:

- **Strategy Grants** to support the development, updating or refinement of a Comprehensive Economic Development Strategy (CEDS).
- **Implementation Grants** to support the execution of activities identified in a CEDS, such as infrastructure improvements, including site acquisition, site preparation, construction, rehabilitation and equipping of facilities. Specific activities may be funded as separate investments or as multiple elements of a single investment.

Why is it advantageous to apply for EAA funding?

The EAA program is EDA's most flexible program. Under the EAA program, EDA can fund market and environmental studies, planning or construction grants, and capitalize or recapitalize revolving loan funds (RLFs) to help provide small businesses with the capital they need to grow.

What criteria are used in determining which projects receive EAA grants?

- The ability of the proposed project to realistically achieve the desired results and catalyze additional resources;
- The ability of a project to start quickly and create jobs faster;
- The extent to which the project will enable the community/region to become more diversified and more economically prosperous;
- The relative economic distress of the region;
- The applicant's performance under previous Federal financial assistance awards, including whether the grantee submitted required performance reports and data;
- The comparative feasibility of the applicant to achieve the outcomes identified in the application;

What is an example of a successful EAA project?

For examples of successful EDA projects, visit <http://www.eda.gov/annual-reports/>

How do I get more information on how to apply?

The Federal Funding Opportunity (FFO) is available at <http://www.eda.gov/funding-opportunities/index.htm>. To discuss any project proposals in further detail, contact your EDA Regional Office.

