

KASSON ECONOMIC DEVELOPMENT AUTHORITY

REGULAR MEETING AGENDA

Kasson City Hall
Tuesday, November 5th, 2019
12:00 noon

- I. Call Meeting to Order**
- II. Approve Minutes of the Previous Meeting**
- III. Quarterly Financial Report**
- IV. Coordinator's Report**
- V. Business Façade Improvement Program**
 - a. Erdman's County Market Application**
 - b. Janice Borgstrom-Durst Application**
- VI. Revolving Loan Fund Update**
- VII. Kasson Konnections**
- VIII. Other Business**
- IX. Items for December EDA Meeting**
- X. Adjourn**

Next meeting will be held on Tuesday, December 3rd, 2019

KASSON ECONOMIC DEVELOPMENT AUTHORITY MEETING

Tuesday, October 1st, 2019

12:00PM

MINUTES

Pursuant to due call and notice thereof, a regular meeting of the Kasson Economic Development Authority (EDA) was held at City Hall this 1st day of October 2019 at 12:00PM.

The following board members were present: Dan Egger, Chris McKern, Liza Larsen, Michael Peterson, Tom Monson, and Janice Borgstrom-Durst.

Absent: Richard Wegner.

The following staff members were present: Nicholas Ouellette, EDA Coordinator

- I. Call Meeting to Order. EDA President Dan Egger called the meeting to order at 12:00PM
- II. Approve Minutes of the Previous Meeting. Larsen motioned to approve the minutes of the previous meeting as submitted. McKern seconded.

Ayes (6), Nays (0). Motion carried.
- III. Coordinator Report.
 - a. Business Retention and Meetings. Ouellette informed the board of his visits and meetings, which included; U of M Extension Conference, Downtown Lots Committee, Wendall Engelstad, Strong Towns event, and Cabin Coffee Company.
 - b. Downtown Lots Committee. As an agenda item, the Downtown Lots will be formally discussed by the EDA Board later in the meeting.
 - c. MNDOT Cooperative Landscaping Agreement. Ouellette notified the board the City of Kasson would be submitting a reimbursement request to MNDOT.
 - d. Small Cities Development Program Grant. Ouellette informed the board SEMMCHRA is accepting applications for the program. The environmental review is still ongoing.
 - e. Business Façade Improvement Program. This is also an agenda item, which Ouellette notified the board they would discuss in further detail later in the meeting.
 - f. Revolving Loan Fund. Ouellette notified the board this item will be on the November EDA agenda.
 - g. Quarterly Financial Report. Ouellette notified the board the Quarterly Financial Report will be available at the November EDA meeting, due to the October meeting falling on the date quarterly financial reports are compiled.
- IV. Business Façade Improvement Program. Ouellette informed the EDA Board he had received two new applications for the program, and one request for reimbursement.
 - a. Trail Creek Coffee. Ouellette discussed the application, which included a matching grant request of \$362.50 for the addition of a sign on the exterior of the

building. Ouellette discussed the merits of the project, and recommended the EDA approve their project application. McKern motioned to approve the project application for Trail Creek Coffee. Larsen seconded.

Ayes (6), Nays (0). Motion carried.

- b. American Legion Post #333. Ouellette informed the board this application requested a matching grant of \$2,000.00 to install a concrete pad and canopy to protect and enhance the Legion's Freedom Rock. The board discussed their concerns that the project could encroach on the public realm. Ouellette recommended the board approve the project application, and he would follow up with the Legion to ensure the project complies with City ordinances and does not infringe upon the public realm. Monson motioned to approve the project application. Larsen seconded.

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

- c. Manorwood Court Association, Inc. Ouellette informed the board he had received Manorwood Court's request for reimbursement for their completed façade improvement project. Ouellette recommended the EDA approve the request for reimbursement. McKern motioned to approve the request for reimbursement. Borgstrom-Durst seconded.

Ayes (6), Nays (0). Motion carried.

- V. Downtown Lots Committee. Ouellette discussed the Downtown Lots Committee recommendations for activating the downtown lots for public use. Ouellette mentioned next steps if the board was interested in moving forward with activating the lots for public use. Monson discussed the Committee's strategy was to start with low level/low cost activation strategies to incrementally build up the public space. This low level of infrastructure will allow the EDA to have the option to sell the lots should there be an interested developer. The EDA requested the Downtown Lots Committee move forward with their recommendations for temporary improvements and seek out community partners to aid in the process.
- VI. Kasson Konnections. Ouellette notified the board he would be there to field questions and discuss EDA programs such as the Business Façade Improvement Program.
- VII. Other Business. Nancy Peterson presented to the EDA Board. Peterson discussed her STEM initiatives and advocacy work she has done in Dodge County.
- VIII. Items for October EDA Meeting. Revolving Loan Fund, Quarterly Financial Reports, and the Business Façade Improvement Program.

IX. Adjourn. McKern motioned to adjourn the meeting. Borgstrom-Durst seconded.

Ayes (6), Nays (0). Motion carried and meeting adjourned.

Next meeting will be held on November 5th, 2019.

Minutes Submitted by: _____
Nicholas Ouellette, EDA Coordinator

Dan Egger, EDA President

EDA Loans

Loan Name	Origination Date	Original Amount	Interest Rate	Monthly Payment	Term/ Due Date	1.1.19 Balance	Prin Recvd YTD	9.30.19 Balance
Klampe	3/1/2005	\$ 8,293	2.0%	53.37	15 years 2/1/2020	737	525	212
L & A(Main Street Fitness)	4/29/2009	\$ 75,000	3.0%	415.95	20 years 4/29/2029	44,302	2,774	41,528
Dollar Video	8/1/2009	\$ 50,000	3.0%	345.29	14 years 9/1/2024	21,568	2,947	18,621
Gibbs	10/14/2015	\$ 80,000	3.0%	772.49	10 years 1/1/2026	59,087	6,318	52,769
Millwork	7/1/2016	\$ 90,000	3.0%	499.14	20 years 6/1/2036	81,471	2,988	78,483
Whitmarsh	6/28/2018	\$ 5,000	4.75%	90	5 years 7/1/2023	4,646	729	3,917

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CITY OF KASSON
Balance Sheet
For the Accounting Period: 9 / 19

Page: 1 of 2
Report ID: L150

225 EDA FED MIF

Assets

Current Assets

CASH-OPERATING	79,981.64	
INVESTMENTS AT COST	75,000.00	
MONEY MARKET-SMITH BARNEY	316.36	
INVESTMENT INTEREST RECEIVABLE	71.92	
ALLOWANCE FOR MARKET VALUE	(1,650.75)	
LOAN PRIN REC-WHITMARSH	3,991.36	
LOAN PRIN REC- 1760 MILLWORK	78,784.71	
LOAN PRIN REC-GIBBS	53,407.89	
LOAN PRIN REC- L & A (MAIN STREET FITNESS)	41,527.97	
LOAN PRIN REC- DOLLAR VIDEO	18,919.05	
KLAMPE LOAN-PRINCIPAL REC	265.61	
SPECIAL ASSESSMENTS--DEFERRED	17,562.27	

Total Current Assets		368,178.03

Total Assets	-----	368,178.03
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Liabilities and Equity

Current Liabilities

Deferred Revenue Assessments	17,562.79	

Total Current Liabilities		17,562.79

Total Liabilities	-----	17,562.79
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Equity

UNRESERVED FUND BALANCE	341,067.53	
CURRENT YEAR INCOME/(LOSS)	9,547.71	

Total Equity		350,615.24

Total Liabilities & Equity	-----	368,178.03
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225 EDA FED MIF

	Actual		Actual		Annual Budget "	Variance
	Period to Date	%	Year-To-Date	%		
Revenue						
Community/Economic Development						
3611 SPECIAL ASSESSMTS - PRINC	0.00		2,927.05		0.00	2,927.05
3612 SPECIAL ASSESSMT-PENALTY/	0.00		395.15		0.00	395.15
3621 INTEREST EARNED	502.09		6,205.51		0.00	6,205.51
3626 MONEY MARKET INTEREST	0.00		20.00		0.00	20.00
Total Department	502.09		9,547.71			9,547.71
Total Revenue	502.09	100.00	9,547.71	100.00	0.00	9,547.71
Net Income(Loss)	502.09		9,547.71			

.0/30/19
11:03:10

CITY OF KASSON
Income Statement by Department
For the Accounting Period: 9 / 19

Page: 2 of 2
Report ID: L140

290 Economic Development

	Actual		Actual		Annual Budget "	Variance
	Period to Date	%	Year-To-Date	%		
Revenue						
Community/Economic Development						
3101 CURRENT AD VALOREM TAXES	0.00		34,801.00	73.09	69,602.00	-34,801.00
3107 ABATEMENT LEVY	0.00		294.85	0.62	0.00	294.85
3621 INTEREST EARNED	0.00		174.00	0.37	2,000.00	-1,826.00
3921 TRANSFER FROM OTHER FUNDS	0.00		0.00		20,000.00	-20,000.00
Total Department			35,269.85	74.08	91,602.00	-56,332.15
Total Revenue	0.00	100.00	35,269.85	100.00	91,602.00	-56,332.15
Expenses						
Community/Economic Development						
Community/Economic Development						
101 FULL-TIME EMPLOYEES - REGULAR	0.00		7,027.74	14.76	11,500.00	4,472.26
121 EMPLOYER PERA CONTRIBUTIONS	0.00		488.07	1.03	863.00	374.93
122 EMPLOYER FICA CONTRIBUTIONS	0.00		423.44	0.89	713.00	289.56
123 EMPLOYER MEDICARE CONTRIBUTION	0.00		98.97	0.21	167.00	68.03
130 EMPLOYER PAID INSURANCE	0.00		538.09	1.13	1,100.00	561.91
150 WORKER'S COMPENSATION	0.00		-35.96	-0.08	300.00	335.96
210 OPERATING SUPPLIES	27.18	16.66	415.88	0.87	400.00	-15.88
303 ENGINEERING FEES	0.00		0.00		3,000.00	3,000.00
304 LEGAL FEES	0.00		1,348.50	2.83	4,000.00	2,651.50
321 TELEPHONE	32.53	19.94	252.10	0.53	500.00	247.90
325 COMMUNICATION-OTHER	15.00	9.20	196.67	0.41	200.00	3.33
333 STAFF MEETINGS & CONFERENCES	0.00		15.89	0.03	500.00	484.11
334 MEMBERSHIP DUES AND FEES	0.00		415.50	0.87	500.00	84.50
351 LEGAL NOTICES PUBLISHING	0.00		75.00	0.16	0.00	-75.00
360 INSURANCE	88.39	54.19	353.56	0.74	360.00	6.44
414 COMMERCIAL PROGRAMS	0.00		0.00		20,000.00	20,000.00
430 OTHER SERVICE/CHARGES-MISC.	0.00		1,265.00	2.66	4,500.00	3,235.00
440 PROFESSIONAL SERVICES	0.00		2,967.44	6.23	500.00	-2,467.44
444 OTHER CONTRACTUAL SERVICES	0.00		31,766.25	66.72	42,500.00	10,733.75
Account Total	163.10	100.00	47,612.14	100.00	91,603.00	43,990.86
Total Department	163.10	100.00	47,612.14	100.00	91,603.00	43,990.86
Total Expenses	163.10	100.00	47,612.14	100.00	91,603.00	43,990.86
Net Income (Loss)	-163.10	-100.00	-12,342.29	-25.92		

Economic Development Authority Coordinators Report

Nicholas Ouellette
October 1, 2019 – November 5, 2019



Visits & Meetings

1. Karen Ducharme (SEMMCHRA)
2. Cabin Coffee
3. 1 Million Cups (October 2nd)
4. Communities Using Energy as an Economic Driver Event

Community Roadside Landscape Partnership Program

MNDOT has reimbursed the City of Kasson for Community Roadside Landscape Partnership Program.

Business Façade Improvement Grant

Trail Creek Coffee's sign has been installed. New applications for the Façade Improvement Grant have been submitted by Janice Borgstrom-Durst and Erdman's County Market.

Revolving Loan Fund

The Revolving Loan Fund Guidelines and Policy Draft has been included with this packet. Once the EDA has reviewed and submitted their input, a finalized draft including supporting documents will be presented at the December 3rd meeting.

Quarterly Financial Report

The Quarterly Financial Report has been included with this packet.



TREE
CITY
USA

CITY OF
KASSON

401 FIFTH STREET SE
KASSON, MINNESOTA 55944-2204
PHONE: (507) 634-7071
FAX: (507) 634-4737

MEMO

To: Economic Development Authority Board

From: Nicholas Ouellette, EDA Coordinator

Date: November 1, 2019

Re: Business Façade Improvement Application

Background

Two new applications have been received for the Business Façade Improvement Program:

- Erdman's County Market
 - Project to re-cover the canopy that extends across the façade of Erdman's County Market. This also includes the installation of LED lighting beneath the canopy.
 - Project Cost: \$31,500.00
 - Requested Matching Grant: \$2,000.00
- Janice Borgstrom-Durst
 - Project to commission an artist to paint Kasson landmarks on a 3-lot fence at 119 West Main Street. The project will enhance the streetscape from its present state.
 - Project Cost: \$4973.01
 - Requested Matching Grant: \$2,000.00

Action Requested

I recommend the EDA Board consider these projects for approval, as they are both aligned with the Business Façade Improvement Program guidelines.

Business Façade Improvement Program – Application
Kasson Economic Development Authority

Name: Jon Christensen Date: 10.21.19

Business: Endmans County Market

Email: jonc@endmanscountymarket.com Phone: 634.2731

Mailing Address: 19 Second Ave NW

City/State/ZIP: Kasson, mn

Project Address: 19 Second Ave NW Kasson, mn 55944

Project Summary: Recover 180 ft Front Canopy with
The Addition of Led Lighting

Total Project Cost: \$31,500.00

Total Amount Requested: \$2,000.00

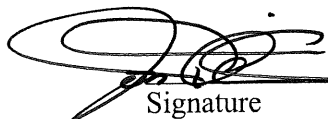
Application Certification

We, the undersigned certify that the information submitted is true and accurate to the best of our knowledge, that we have read, understand, and will comply with the program guidelines. We understand that this application will be reviewed based on the information provided herein and that if the final project does not meet minimum program guidelines, the City reserves the right to deny payment. We confirm that if approved, the City may use the approved company's name and information in promotional/publicity materials, events, etc.

But for the assistance provided through this program by the Kasson Economic Development Authority, we would not have the resources to complete this project to the extent that we will with assistance.

Jon T. Christensen / Co-owner
Name/Title (printed)

Name/Title (printed)


Signature

10.21.19
Date

Signature Date

NO WORK MAY BEGIN PRIOR TO EDA APPROVAL



14 North Mantorville Avenue
Kasson, Minnesota 55944

Phone: (507) 634-6501

Fax: (507) 634-4060

Email: abelsigns@aol.com

PROPOSAL

DATE

10/17/19

ERDMAN'S COUNTY MARKET
19 2ND AVE NW
KASSON, MN 55944

PROJECT

RECOVER AWNING

ITEM	DESCRIPTION	COST	QUANTITY	Total
AWNING	REMOVE AND RECOVER 8'6" TALL X 5'9" PROJECTION X 180' LONG AWNING.... RED SERGE FERRARI SOLTIS AWNING MATERIAL WITH 10-YEAR MANUFACTURER'S WARRANTY.....INCLUDES LETTERING..... PRICE INCLUDES INSTALLATION OF AWNING ON BUILDING	31,500.00		31,500.00
	ELECTRICAL DISCONNECTS AND RE-HOOKUPS NEED TO BE DONE BY AN ELELCTRICIAN AND NOT INCLUDED IN THE PRICE....			
	1/2 DOWN REQUIRED TO START THE JOB WITH THE REMAINING BALANCE DUE UPON COMPLETION OF THE JOB..... MN Sales Tax	6.875%		0.00

SKETCH DEPOSIT: THE SKETCH DEPOSIT COVERS MINIMAL COST INVOLVED IN DEVELOPING A CONCEPT. IT DOES NOT COVER THE ACTUAL PURCHASE OF A CUSTOM DESIGN, WHICH WOULD BE FIGURED AT AN HOURLY RATE, WITH A QUOTED MINIMUM PRICE. THE SKETCH REMAINS THE PROPERTY OF THE DESIGNER.

THE CLIENT AGREES TO PAY ALL COST OF COLLECTION IN THE EVENT OF DEFAULT OF PAYMENT BY THE CLIENT, INCLUDING A REASONABLE ATTORNEY'S FEE. IN THE EVENT OF DELIQUENT PAYMENTS , THE CLIENT WILL BE CHARGED A RATE OF 1.5% INTEREST FOR EVERY MONTH AFTER THE FIRST 30 DAYS.

PRICE QUOTATION GOOD FOR 30 DAYS. PRICES AS INDICATED ABOVE ARE MINIMUM ESTIMATES FOR ART OR SIGN WORK ONLY. PHOTOSTATS , TYPOGRAPHY, PHOTOGRAPHS, OVERTIME, CHANGES AND/ OR TIME ADDITIONS, DELAYS CAUSED BY THE CLIENT, SPECIAL CONSULTATIONS AND ALL OTHER WORK EXPENSES THAT CANNOT BE ESTIMATED ACCURATELY IN ADVANCE WILL BE BILLED EXTRA UNLESS OTHERWISE SPECIFIED HEREIN.

FINISHED ART, MECHANICALS, AND SIGNS WILL BE RELEASED FOR USE BY THE CLIENT ONLY. MECHANICALS, ORIGINAL ART, SKETCHES AND MATERIALS OTHER THAN SIGNS ORIGINATED BY THE DESIGNER ARE THE PROPERTY OF THE DESIGNER, AND WILL BE HELD FOR THE CLIENT, UNLESS OTHERWISE SHOWN.

QUOTED BY Chris A. Abel
Chris A. Abel

SIGNATURE _____

DATE _____



11/5/2019

Business Facade Improvement Program Application

Kasson Economic Development Authority

Name: Janice Borgstrom-Durst Date: 7/16/19
Phone: 5072730896 Email: TAXXX@KMTCL.COM
Mailing Address: 105 W Main St
City/State/Zip: Kasson Mn 55944
Project Address: W Main St
Project Summary: Large 3 lot facade in front of parking rental space. Commission an artistic rendering of Kasson highlights, county fair opening, swimming pool, water tower, KMTCL etc
Total Project Cost: \$4973.01 Total Amt. Requested: \$2000 -

Application Certification

We, the undersigned certify that the information submitted is true and accurate to the best of our knowledge, that we have read, understand, and will comply with the program guidelines. We understand that this application will be reviewed based on the information provided herein and that if the final project does not meet minimum program guidelines, the City reserves the right to deny payment. We confirm that if approved, the City may use the approved company's name and information in promotional/publicity materials, events, etc.

But for the assistance provided through this program by the Kasson Economic Development Authority, we would not have the resources to complete this project or to complete this project to the extent that we will with assistance.

Janice Borgstrom-Durst
Name/Title (Printed) owner

Name/Title (Printed)

JL Borgstrom-Durst 7/16/19
Signature Date

Signature

Date

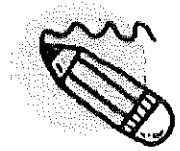
NO WORK MAY BEGIN PRIOR TO EDA APPROVAL.

October 2018

Creations by Carson

20 E Veterans Memorial Hwy
Kasson, MN 55944

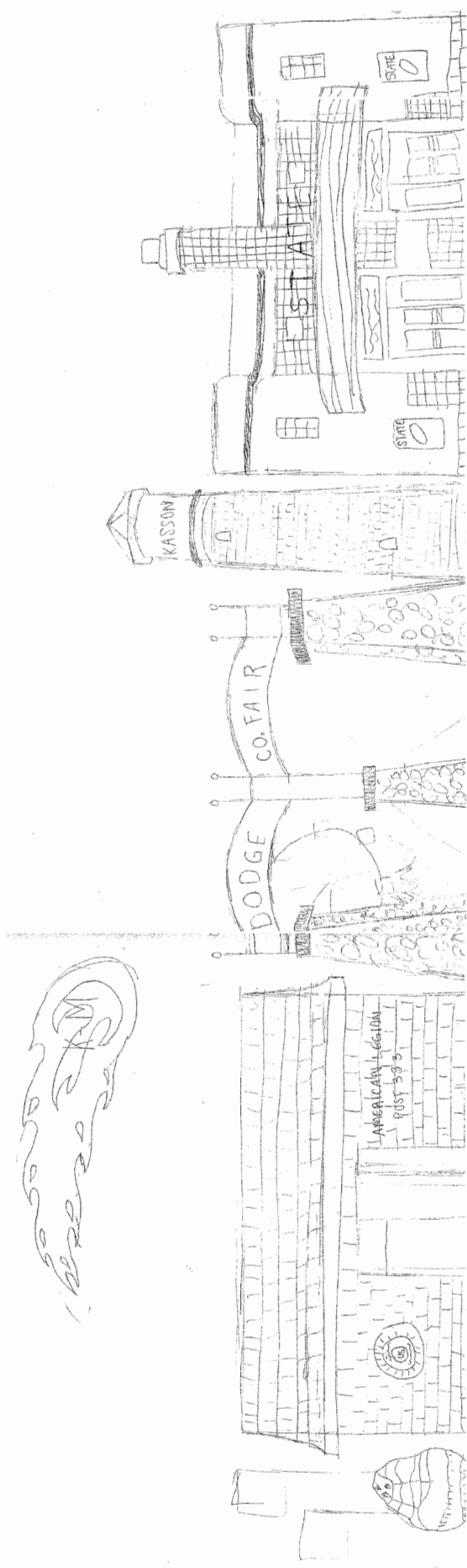
INVOICE



Bill To *Borgstrom-Durst
& Brown*

Invoice Date 09/30/2019

QTY	DESCRIPTION	UNIT PRICE	AMOUNT
13	Dutch Boy paint (quart)	14.67	190.71
1	Valspar paint (gallon)	17.77	17.77
2	Sherwin Williams paint (gallon)	27.99	55.98
1	Pittsburgh paint (gallon)	13.33	13.33
6	Rust-oleum paint (quart)	11.55	69.30
2	Brush Set	8.89	17.78
3	Paint Roller Trays	2.46	7.38
1	Paint Roller Frame	4.89	4.89
1	Paint Roller Covers (3 pack)	5.87	5.87
17	Labor (\$18/hr; ~15hr/week; 17 weeks)	270.00	4,590.00
TOTAL			\$4,973.01





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401 FIFTH STREET SE
KASSON, MINNESOTA 55944-2204
PHONE: (507) 634-7071
FAX: (507) 634-4737

MEMO

To: Economic Development Authority Board

From: Nicholas Ouellette, EDA Coordinator

Date: November 1, 2019

Re: New Revolving Loan Fund Guidelines and Policies

Background

With the closure of the EDA's previous Revolving Loan Fund (RLF) program as a contribution towards the Small Cities Development Program Grant, the EDA requested new RLF guidelines to create a new RLF program for 2020.

I have included the new Revolving Loan Fund Guidelines and Policies Draft in this packet. The formation of this document has been informed by many of the RLF guidelines and policies from communities in Southern Minnesota, as well as cities from around the U.S.

The sections I would like to draw your attention to are highlighted. My intention was to create a comprehensive document, through which the EDA can decide between and remove guidelines or policies which it does not want. The document is by no means finalized and can easily be adapted by the EDA as you see fit.

Please highlight and note and sections you would like to discuss at the EDA meeting. The RLF Guidelines and Policies Draft will be reviewed and edited through most of November, with opportunities for future input to be incorporated.

Highlighted Sections:

- Limited working capital financing (p.1)
 - Is the EDA interested in providing working capital to businesses?
- Loan guarantor on private loans (p.1)
 - Is the EDA interested in guaranteeing private loans? In this instance the EDA would agree to pay the borrowers debt should they default on their agreed repayments.

- Non-profit applicants (p.1-2)
 - Is the EDA interested in providing loans to non-profits, should their projects be considered beneficial to the local economy?
- (II-C) Gap financing terms (p. 2)
 - The EDA should determine their requirements for the level private funding for a project before an applicant is eligible for a RLF loan.
- (III-A) Interest rate and term (p. 2-3)
 - The EDA should determine their policy for interest rates and term
 - The first set are fixed rates. The rates could be amended in the future if needed.
 - The second set are flexible with the U.S. Prime Rate. In the instance the prime rate is low, the interest rates would need to be adjusted to avoid negative interest rates.
- (III-B) Eligible uses and terms (p.3)
 - The EDA should determine which uses they deem eligible for RLF funds
- (VIII) Covenants (p. 7-8)
 - Does the EDA Board want to include covenants in the RLF guidelines and policies?
 - The covenants reaffirm aspects of the General Guidelines and Loan Servicing and Follow-Up Reporting Requirements.

REVOLVING LOAN FUND GUIDELINES AND POLICIES

City of Kasson Economic Development Authority

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. 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.**
- 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 job 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 is as follows:**

1. *For loans of less than \$10,000: a 3% interest rate for a term of five years or less;*
2. *For loans of \$10,000 to \$30,000: a 4% interest rate for a term of 5-10 years;*
3. *For loans of \$30,000 and/or a term of more than 10 years: a 5% interest rate.*

---OR---

1. *For loans of less than \$10,000: an interest rate of the U.S. prime rate minus 2% 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% 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.*

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. Tourism projects | - Limited to 10-year financing terms |
| 7. Machinery, equipment, and fixtures** | - Limited to 7-year financing terms |
| 8. Working capital (inventory) | - Limited to 5-year financing terms |
| 9. 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. <<Verified by whom?>>

- C. Ineligible uses and businesses:

- | | |
|---|---|
| 1. Refinance debt | 7. Construction or maintenance of utilities |
| 2. Pay delinquent taxes | 8. Gambling |
| 3. Professional offices | 9. Media businesses |
| 4. Product development costs | 10. Agricultural businesses |
| 5. Organizational costs for start-up businesses | 11. Speculative investments |
| 6. Residential real estate investment | 12. Owner distributions |

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.
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.
7. Disclosure of all Federal, State, and Local tax liens and payables from all Principals.

C. Data privacy.

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

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 Coordinator 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 Coordinator will be responsible for collecting and maintain 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 Coordinator 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 Coordinator. 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

- A. 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. Existence; Business and Properties. The Borrower is required maintain the business entity and properties in good standing with the States, Counties, and Cities where it exists.
- B. Use of Proceeds. The Borrower must use the proceeds of the Loan in the manner outlined by this document and stipulated in the loan closing documents.
- C. Post-Closing. The Borrower must take all necessary actions to satisfy the items and terms described in the loan closing documents and amortization schedule. Failure to satisfy these items and terms may result in Material Adverse Effect.
- D. Insurance.

- i. The Borrower is required to maintain adequate insurance policies for the business and possible include the lender as a separately named ‘additional insured’ party.
 - ii. If any portion of the business is at any time located in an area identified as a “special flood hazard area” by the Federal Emergency Management Agency (FEMA) must obtain and maintain flood insurance in a reasonable amount, and present to the Lender evidence of annual renewals of such flood insurance.
- E. Taxes. The Borrower and/or Business are required to pay their obligations with respect to all tax liabilities, assessments, and governmental charges. The failure to make payment of tax liabilities, assessments, and governmental charges may result in Material Adverse Effect.
- F. Job Creation and Retention. The Borrower is required to create or retain the number of jobs as decided by the EDA Board and outlined in loan closing documents. The Borrower is required to maintain and submit records of employment figures to the EDA Coordinator. Failure to comply with this covenant may result in Material Adverse Effect.
- G. Compliance with Laws. The Borrower and Business are required maintain the business entity and properties in good standing with the States, Counties, and Cities where it exists. Failure of the Borrower or Business to maintain compliance with laws may result in Material Adverse Effect.
- H. Maintaining Records; Access to Properties and Inspections. The Borrower is required to maintain current financial records and deliver to the lender for review certain types of reports such as Certified Public Accountant’s Audit.

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.

“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.

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

“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.

“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.

“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.

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

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.