

KASSON ECONOMIC DEVELOPMENT AUTHORITY

REGULAR MEETING AGENDA

Kasson City Hall
Tuesday, February 4th, 2020
12:00 noon

- I. Call Meeting to Order**
- II. Approve Minutes of the Previous Meeting 1**
- III. Timothy Ibisch – City Administrator Introduction**
- IV. Coordinator’s Report 4**
- V. EDA Board Seat 6**
- VI. Revolving Loan Fund Capitalization 7**
- VII. Tax Abatement Agreement – Elite Marketing & Investments, LLC..... 8**
- VIII. EDA Policy & Procedures Amendments 12**
- IX. Other Business**
- X. Items for March EDA Meeting**
- XI. Adjourn**

Next meeting will be held on Tuesday March 3rd, 2020

KASSON ECONOMIC DEVELOPMENT AUTHORITY MEETING

Tuesday, January 7th, 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 7th day of January 2020 at 12:00PM.

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

Absent: Chris McKern.

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

- I. Call Meeting to Order. Eggler 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. Peterson seconded.

Ayes (4), Nays (0). Motion carried.
- III. Quarterly Financial Report. Ouellette provided an update on the EDA Loans and noted the Gibbs Loan had been paid and was up to date on payments.
- IV. 2020 EDA Budget. Ouellette noted the \$20,000 budgeted for a 2020 Business Façade Improvement Program.

Monson arrived at the meeting.
- V. Coordinator Report. Ouellette discussed his meeting with an interested buyer for the Kasson State Theater, attendance at the Kasson Chamber of Commerce meeting in December, discussion with community members regarding the WPA Wall, and a meeting with Tom Monson regarding a business looking to open in Kasson. Ouellette noted some Coordinators Report items were also planned for discussion further into the meeting. Ouellette presented a list of available commercial properties, Borgstrom-Durst recommended he also add City owned properties to the list.
- VI. Business Façade Improvement Program.
 - a. Trail Creek Coffee Roasters Reimbursement. Ouellette informed the Board the Trail Creek Coffee Roasters had completed their payment to the contractor and submitted a request for reimbursement for a total of \$362.50. Eggler motioned to approve the reimbursement. Larsen seconded.

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

- b. 2020 Program. Ouellette discussed with the board any possible changes they might like to make to the 2020 Business Façade Improvement Program. Eggler recommended the Board refrain from including interior projects. Eggler also noted if the program does not receive much interest in 2020, the funds could also be used to fund the Revolving Loan Fund.

VII. Revolving Loan Fund. Ouellette noted the current cash operating balance was \$50,215.76. He also noted \$7,847.50 of those funds were yet to be reimbursed through the 2019 Business Façade Improvement Program. With a remaining balance of \$42,368.26, the EDA could decide to allocate any portion of those funds towards capitalizing the Revolving Loan Fund. Ouellette requested the EDA Board discuss an amount they would like to capitalize the Revolving Loan Fund with. Monson noted with the \$20,000 earmarked for a 2020 Business Façade Improvement Fund the EDA could potentially have approximately \$62,000 in funds to draw from. Monson suggested capitalizing the Revolving Loan Fund with \$30,000. The Board noted they could capitalize the Revolving Loan Fund at a lower amount and contribute additional funds in the future as needed.

Peterson asked if the EDA still had a Loan Review Committee. Monson suggested the Loan Review Committee review the Revolving Loan Fund Guidelines and make a recommendation to the EDA on a capitalization amount. Borgstrom-Durst volunteered to fill the empty position, once held by Richard Wegner, on the Loan Review Committee. Monson motioned to nominate Borgstrom-Durst to the Loan Review Committee. Eggler seconded.

Ayes (4), Nays (0). Borgstrom-Durst abstained. Motion Carried.

The Loan Review Committee now consists of the EDA Board Chair Dan Eggler, Board member Janice Borgstrom-Durst, and EDA Coordinator Nicholas Ouellette.

VIII. EDA Elections. Eggler discussed the available positions during the 2020 EDA Elections: EDA President, EDA Vice President, and EDA Secretary. In 2019, Dan Eggler was President, Michael Peterson was Vice President, and Nicholas Ouellette was the EDA Secretary. Larsen motioned to maintain the same President, Vice President, and Secretary from 2019. Borgstrom-Durst Seconded.

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

IX. Other Business. Ouellette brought up the issue of unpaid property taxes by the owner of Elite Marketing & Investments, LLC, who have a tax abatement agreement with the City of Kasson. Ouellette noted the Finance Department had requested direction from the EDA on whether to provide Tax Abatement for unpaid years. The Board decided the Loan Review Committee should review the Tax Abatement Agreement and bring their recommendations to the next EDA meeting.

Eggler requested Ouellette provide CEDA Contract review forms to the EDA Board to fill out. The forms will be sent to City Council as they review the CEDA Contract for 2020.

X. Items for the December EDA Meeting. The board discussed having the new City Administrator as a guest at the January or February EDA meetings.

XI. Adjourn. Borgstrom-Durst motioned to adjourn the meeting. Larsen seconded.

Ayes (5), Nays (0). Motion carried and meeting adjourned.

The next meeting will be held at 12:00PM on February 4th, 2020.

Minutes Submitted by: _____

Nicholas Ouellette, EDA Coordinator

Dan Egger, EDA President

Economic Development Authority Coordinators Report

Nicholas Ouellette
January 7, 2019 – February 4, 2019



Visits & Meetings

1. Downtown Lots Committee
2. Loan Review Committee
3. “Through our Eyes” Presentation
4. Jamie Judisch & Aaron Thompson
5. Adalberto Guzman (Chuy’s Bakery)
6. Kasson-Mantorville Career Navigator
7. SEMLM January Meeting
8. Abby Wright, Mantorville EDA Coordinator

Business Façade Improvement Grant

This program is slated to be renewed for 2020 and will be discussed at the March EDA meeting.

Revolving Loan Fund

The Loan Review Committee has made a recommendation to the EDA Board for the amount with which to capitalize the Revolving Loan Fund.

Downtown Lots Committee

The Downtown Lots Committee met on January 28th. Tom Monson discussed the Chamber’s plan to build a large chair attraction and that it could be placed on the downtown lot. I met with Ron Unger to discuss the possibility for mowing, new sod, and adding picnic tables to the lots.

List of Commercial Property for Sale

A list of commercial properties has been compiled. I plan to incorporate this list onto the website soon.

SE Regional Transportation Coordinating Council

There was a presentation on the SE RTCC at the SEMLM meeting. The project is being put on hiatus as the group is researching an effective model for coordinating transportation across the 11-county region.

EDA Strategic Plan

Tom Monson discussed with me about coming up with a Strategic Plan. Tim has come in with some ideas about improving the function and services of the EDA. I plan to begin the processes of incorporating those ideas, present EDA programs, and future considerations into a strategic plan.

Future Forward (<http://www.futureforward.org>)

Kasson-Mantorville Schools hosted a meet and greet with their new Career Navigator Jami Schwickerath. As part of the school's program to connect students with local career opportunities, they are utilizing Future Forward to connect students with local businesses. Future Forward is a networking platform that connects students and businesses. As explained on their website, "Future Forward offers an easy way to support local economic prosperity, set up and track career-connected learning activities, build relevant educator capacity and pipeline, and leverage young people's innovative and diverse ideas."

I recommend each business sign up on the website, you can make your businesses as accessible as you like to students. It allows students to explore the variety of career opportunities in our region, as well as allows businesses to connect with the schools to engage with prospective employees.

Local Market Research

I am exploring what opportunities there are to conduct a local market profile of Kasson. This profile could be used to demonstrate various needs and gaps in our business community to potential businesses to relocate or establish themselves in Kasson.

Dodge County Expo

Is the EDA interested in having a booth at the Dodge County Expo on Saturday, March 21st from 8AM to 2PM? For \$75 (non-profit cost) we would be provided an 8 x 10 booth, table, two chairs and publicity on the event. A single plug-in electrical outlet is an additional \$10.



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MEMO

To: Economic Development Authority Board

From: Nicholas Ouellette, EDA Staff

Date: January 28, 2020

Re: EDA Board Seat – Application Requirements and Promotion

Summary:

A seat on the EDA Board has recently been vacated. This memo was written in regard to the requirements needed to apply for the seat, as well as for how the seat will be advertised to the community. Requirements to be eligible to sit on the EDA Board will be added to the EDA Policy and Procedures document.

Action Requested:

It is requested that the EDA Board determine what requirements are necessary to sit on the EDA Board, as well as how the EDA would like to advertise the open seat and for how long the position should be advertised.

Background:

As there are no procedures or requirements outlining how a vacant seat will be filled, I think it would be prudent to outline such details and add them to the EDA Policy and Procedures. Requirements for applicants to the Board seat could possibly be:

- Applicant must live in Kasson; *and/or*,
- Applicant must own a business, operate a business, or work in Kasson

The application could be posted on the City of Kasson Facebook page. The application period could last, for example, until the end of February, at which point the Board could assess the received applications.



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MEMO

To: Kasson Economic Development Authority

From: Nicholas Ouellette, EDA Staff

Date: January 29, 2020

Re: Revolving Loan Fund Capitalization

Summary:

The new EDA Revolving Loan Fund is not capitalized. The Loan Review Committee met on January 28th, 2020 to determine its recommended capitalization amount.

Action Requested:

It is recommended the EDA Board capitalize the Revolving Loan Fund with \$20,000 from the EDA cash reserves.

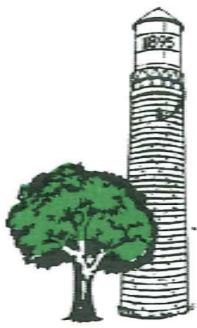
Background:

The EDA Revolving Loan Fund was established in December 2019. The EDA Board discussed funding the RLF Program at the January Board meeting and deferred any decision to the February 2020 Board meeting. The EDA requested the Loan Review Committee discuss and recommend a capitalization amount to the Board.

The Loan Review Committee, considering the gap financing nature of the Revolving Loan Fund, have recommended the Board capitalize the fund with \$20,000.

- Available EDA Cash Operating Balance: \$42,368.26
 - RLF Capitalization: \$20,000.00
- Projected EDA Cash Operating Balance: \$22,368.26

The remaining cash balance may be allocated towards future programs under consideration. If the Revolving Loan Funds are completely disbursed in the future, the EDA could allocate additional funds to the program.



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MEMO

To: Kasson Economic Development Authority

From: Nicholas Ouellette, EDA Staff

Date: January 30, 2020

Re: Elite Marketing & Investments, LLC Tax Abatement Agreement

Summary:

The Loan Review Committee met on January 28 to discuss the tax abatement issue regarding Elite Marketing & Investments, LLC, and to make a recommendation to the EDA.

Action Requested:

It is requested that the EDA Board provide input on a renewed Tax Abatement Agreement, to be prepared for the March EDA meeting.

Background:

A Tax Abatement was issued for Elite Marketing & Investments, LLC, in January 2017. The businesses received the abatement for the year of 2017 despite not having paid their 2017 property taxes. Property taxes were also unpaid for 2018 and 2019, during which the abatement payment was not issued to the business. When reviewing the situation in December 2019 I was unable to locate a copy of the Tax Abatement Agreement in the City's records despite a thorough search.

The Loan Review Committee discussed recreating a Tax Abatement Agreement with Elite Marketing & Investments, LLC. It is expected the Elite Marketing & Investments, LLC, will be current on all property taxes by the end of February 2020. Joe Lonzo, of 1760 Millwork, was contacted and stated a willingness to move forward with a new Tax Abatement Agreement.

Included in the packet is a copy of the Resolution 5.1-16 [corrected] which approved the tax abatement with Elite Marketing & Investments, LLC. It was recommended the new agreement continue on what was previously outlined in the resolution. A new Tax Abatement Agreement will also allow for proper record keeping and will provide guidelines to ensure the abatement is

enacted appropriately through the end of the abatement period. If the Board agrees with this direction, a public hearing for the Tax Abatement Agreement will be scheduled at the March 3rd EDA meeting.

Considerations:

It is recommended the EDA maintain the known attributes of the previous tax abatement agreement, as described in Resolution 5.1-16 [corrected], “The City shall abate 100% of the City’s 2016 property tax amount generated by the Abatement Property for a period not to exceed ten years, commencing with taxes payable 2017, for as long as Elite Marketing & Investments, LLC is operating its business on the Abatement Property. This includes the payment of the tax abatement to Elite Marketing & Investments, LLC, for the years of 2018 and 2019, pending proof property taxes have been paid for all years from 2017 to 2019.

The City’s taxes on the property in 2016 were \$3,597.33. With that value of abatement, past and future payments would factor out as follows:

Year	Abatement Payment Status	Value
2017	Abatement released	\$ 3,597.33
2018	Abatement withheld	\$ 3,597.33
2019	Abatement withheld	\$ 3,597.33
Abatement withheld (to be paid*):		\$ 7,194.66
2020	<i>Future abatement</i>	\$ 3,597.33
2021	<i>Future abatement</i>	\$ 3,597.33
2022	<i>Future abatement</i>	\$ 3,597.33
2023	<i>Future abatement</i>	\$ 3,597.33
2024	<i>Future abatement</i>	\$ 3,597.33
2025	<i>Future abatement</i>	\$ 3,597.33
2026	<i>Future abatement</i>	\$ 3,597.33
Total Future Abatement Value:		\$ 25,181.31
Total Abatement Value:		\$ 35,973.30

*Abatement is recommended to be paid pending proof that Elite Marketing & Investments, LLC, is up to date on 2017, 2018, and 2019 property taxes.

The purpose for which this tax abatement was originally established was to encourage the relocation of the 1760 Millworks business to Kasson. This purpose would justify the re-created tax abatement agreement, and the continued abatement is conditioned on the business remaining in Kasson through the remainder of the abatement. The new agreement would account for the previous years of tax abatement and extend 7 years through 2026 to maintain the 10-year status of the abatement. Abatement payments from the City will be contingent on the property owner must be current on taxes and obligations with the City and County.

CITY OF KASSON, MINNESOTA

RESOLUTION NO. 5.1-16 CORRECTED

**RESOLUTION APPROVING
PROPERTY TAX ABATEMENT RELATED TO
ELITE MARKETING & INVESTMENTS, LLC**

BE IT RESOLVED by the City Council (the "Council") of the City of Kasson, Minnesota (the "City") as follows:

Section 1. Recitals.

1.01. The City has contemplated granting a property tax abatement in order to assist with Elite Marketing & Investments, LLC's commercial facility improvements and business operation (the "Project") to be located in the City of Kasson, Minnesota, pursuant to Minnesota Statutes Sections 469.1812 through 469.1815 (the "Act").

1.02. Pursuant to Section 469.1813, subd. 2(a) of the Act, the City may identify particular parcels and provide, by resolution, that the City reduce all or part of the property tax amount for the political subdivision of the parcel.

1.03. The City has identified certain property, specifically tax parcel no. 24.355.0080 (the "Abatement Property"), located in Kasson, Minnesota, from which the City proposes to collect a portion of the City's share of property taxes and then forward those funds to Elite Marketing & Investments, LLC to assist with the Project, subject to all the terms and conditions of this resolution.

1.04. On May 11, 2016, the Council conducted a duly noticed public hearing on the Abatement at which the views of all interested persons were heard.

Section 2. Findings.

2.01. It is hereby found and determined that the benefits to the City from the abatement will be at least equal to the costs to the City of the Abatement, because the Project would not happen without public assistance. The present value of future taxes with the Project is greater than the present value of future taxes without the Project. Further, the Project shall increase employment opportunities within the City.

2.02. It is hereby found and determined that the abatement is in the public interest for the following reasons:

- (a) the abatement will increase tax base by assisting in the construction of industrial facility improvements.
- (b) the abatement shall increase employment opportunities within the City.

Section 3. Actions Ratified; Abatement Approved.

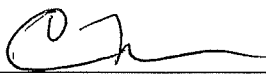
3.01. The Council hereby approves of this resolution in accordance with the Act.

3.02. Subject to the provisions of the Act, the Abatement is hereby approved and adopted subject to the following terms and conditions: the City shall abate 100% of the City's 2016 property tax amount generated by the Abatement Property for a period not to exceed ten years, commencing with taxes payable 2017, for as long as Elite Marketing & Investments, LLC is operating its business on the Abatement Property.

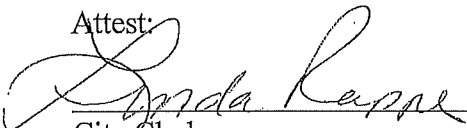
3.03 In accordance with Section 469.1813, subdivision 8 of the Act, in no year shall the abatement, together with all other abatements approved by the City under the Act and paid in that year, exceed the greater of 10% of the City's net tax capacity for that year or \$200,000 (the "Abatement Cap"). The City may grant any other abatements permitted under the Act after the date of this resolution, provided that to the extent the total abatements in any year exceed the Abatement Cap, the allocation of Abatement Cap to such other abatements is subordinate to the Abatements under this Resolution.

BE IT FURTHER RESOLVED that the Mayor and City Clerk are hereby authorized to prepare and execute the documents necessary to implement the abatement.

Approved by the City Council of the City of Kasson, Minnesota this 11th day of January, 2017.



Mayor

Attest:


City Clerk

Attendance: Present: Borgstrom, Buck, Eggler, McKern and Zelinske
Absent: None

Motion: Borgstrom

Second: Eggler

Vote: Aye: Borgstrom, Buck, Eggler, McKern and Zelinske

Nay: None



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MEMO

To: Economic Development Authority Board

From: Nicholas Ouellette, EDA Staff

Date: January 28, 2020

Re: EDA Policy and Procedures Manual – Updates and Amendments

Summary:

This memo outlines possible amendments to be made to the EDA Policy and Procedures Manual. These amendments include the addition of the new Revolving Loan Fund Program and language which provides clarity and guidance on the EDA's procedure and organizational structure.

Action Requested:

It is requested that the EDA Board review the proposed amendments and provide input.

Background:

In looking to the EDA Policy and Procedures Manual for guidance on EDA Elections it was determined certain guidelines, policies, and procedures were lacking information or completely absent from the document. Key changes to the new Policy and Procedures 2020 Draft include:

- Addition of a description of the Kasson Economic Development Authority.
- Addition of EDA Officer positions, roles, and details for EDA elections.
- Clarification and language changes for EDA Board meetings policy and procedure.
- Addition of annual review of EDA sub-committees, programs, and ongoing projects.
- Addition of a provision for amendments.
- Addition of the RLF Program Guidelines under Business Subsidy Programs.
- Addition of EDA Board Seat requirements (once decided upon by the EDA).

These additions were derived from Minnesota DEED's *Economic Development Authority Handbook*, which includes sample bylaws for EDA manuals. The additions will provide context and direction for the EDA in the future.

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

Guide:

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

TABLE OF CONTENTS

THE AUTHORITY	3
KASSON ECONOMIC DEVELOPMENT AUTHORITY	3
OFFICERS	3
MEETINGS	4
MISCELLANEOUS	5
 BUSINESS SUBSIDY CRITERIA POLICY	 6
CRITERIA	6
GUIDELINES & EVALUATION	7
VALUATION OF A BUSINESS SUBSIDY	8
 BUSINESS SUBSIDY PROGRAMS	 9
LAND SALES	9
REVOLVING LOAN FUND	11

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 annually at the first meeting of each calendar year. 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 [NO1]: 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 [NO2]: 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.

An annual review of the EDA's programs, committees, and projects shall be conducted at the first EDA Board meeting of each calendar year. The EDA shall determine whether subcommittees and programs will be renewed for the year.

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.