



*Powered by Nature*

**Economic Development  
Job Incentive Microloan  
Guidelines, Policy & Application  
(Seeded by State MN Investment Fund Awards)**

**Amended:**

June 2018

April 2020

May 2022

City of Elk River  
Economic Development Division  
13065 Orono Parkway  
Elk River, MN 55330  
763.635.1040

# **ELK RIVER ECONOMIC DEVELOPMENT JOB INCENTIVE MICROLOAN GUIDELINES, POLICY & APPLICATION**

## **GENERAL PURPOSE AND GUIDELINES**

The purpose of the RLF is to provide financial and technical assistance for the creation and retention of new employment. These objectives may be accomplished through the following means:

1. Create/retain permanent private sector jobs to fuel above-average economic growth.
2. Investment in technology and equipment that increase productivity and provide for higher wages;
3. Leverage of private investment to ensure economic renewal and competitiveness;
4. Increase the local tax base to guarantee a diversified industry mix;
5. Improve the quality of existing jobs, based on increases in wages or improvements in the job duties, training, or education associated with those jobs;
6. Improve employment and economic opportunities and create a reasonable standard of living; and
7. Enhance productivity growth through improved manufacturing or new technologies.

One way to meet these objectives is to assist businesses that have location options outside of Elk River. These firms bring income into the state and raise the overall standard of living.

## **ELIGIBLE EXPENDITURES**

The MIF-seeded funds may be used in a variety of ways include example noted below. More information is available in Minn. Stat. 116J.8731 and through conversations with your loan officer.

1. Provide loans, and other forms of participation, ensuring that RLF funds are matched by private financing/owner equity.
2. Fund strategic investments in renewable energy market development. Any expenditure for external marketing for renewable energy market development is not subject to the matching requirements listed above.
3. Provide entrepreneurs with training, other technical assistance, and financial assistance as defined by federal guidelines.

## **ELIGIBLE PROJECTS**

Assistance must be evaluated on the existence of the following conditions as noted in Minn. Stat. 116J.8731:

1. Creation or retention of jobs, or the improvement of jobs as measured by wages, skills or knowledge;
2. Increase in the tax base;
3. Attraction of private funds to the project;
4. Incapacity of local communities and finance partners to finance project;
5. Results in higher wage levels or workforce skills;
6. Supports development of microenterprises, as defined by federal guidelines, through technical assistance or financial assistance.
7. The project promotes or advances the green economy.
8. Need for assistance to retain existing business;
9. Importance of assistance to attract out-of-Elk River business; and

The assistance cannot meet solely 8 or 9; other conditions must also be present.

## **ELIGIBLE ACTIVITIES**

RLF's may be used to fund a variety of business activities including:

1. Acquisition of land
2. Construction or rehabilitation of facilities
3. Site improvements
4. Utilities or infrastructure
5. Machinery and Equipment
6. Training
7. Working Capital

Advance approval from DEED is necessary if the local government would like to provide financing for activities not listed above. Approval is more likely to occur in projects that relate to business development and involve other local government funds.

## **INELIGIBLE ACTIVITIES**

In contrast to federal MIF funds, there are industry limitations on how state MIF RLFs may be used. State MIF RLFs may not be used for the operation, construction or expansion of a casino, a sport facility that has a professional sports team as a principal tenant or any firm engaged in retailing merchandise. All assistance should follow the approved RLF guidelines. Please call the Economic Development Director to discuss any prospective financing.

## **WAGE GOALS**

Businesses receiving RLF-State MIF assistance must pay each employee total compensation, including benefits not mandated by law, shall be the greater of \$15.00 per hour or 150% of state or federal minimum wage, whichever is greater, exclusive of benefits required by law.

## **OTHER ELIGIBLE USES OF THE FUNDS**

Minn. Stat. 116J.8731 allows local governments to loan or grant RLF funds to a regional development commission, other regional entities, or a certain statewide community capital funds to provide the local match required for capitalization of a regional or statewide RLF.

## **CONFLICT OF INTEREST**

Minn. Stat. 471.87 and 471.88 provide guidance on conflict of interest in a MIF transaction. An actual conflict of interest shall be deemed to exist when a decision on a MIF transaction would compromise a duty to another party or if special advantage is deemed to occur. Potential conflict of interests should also be considered.

## **BUSINESS SUBSIDY LAW**

As mentioned on page 1, Minn. Stat. 116J.993 and 116J.994 must be followed in the administration of RLF-State MIF. These sections pertain to the definition of a business subsidy, public purpose of the subsidy, criteria, subsidy agreements, wage and job goals, timing of the project, public notice and hearing requirements, failure to meet goals, and reporting of information regarding the outcomes of the subsidy.

## **JOB LISTING REQUIREMENTS**

Per Minn. Stat. 116L.66, a business that receives grants or loans in an amount greater than \$200,000 must agree to list any vacant or new positions related to the financial assistance on the MinnesotaWorks.net job bank website.

## **PREVAILING WAGE**

Per Minn. Stat. 116J.871, laborers and mechanics at the project site during construction, installation, remodeling, and repairs must be paid the state prevailing wage if the financial assistance is greater than \$500,000 for a loan. All contracts for publicly owned infrastructure using the RLF must comply with the prevailing wage provisions.

## **DATA PRIVACY**

The provision of any information related to any applications for assistance is guided by Minn. Stat. 13.591, particularly Subd 1 and 2. Other applicable state and federal laws and rules must also be followed.

## **JOBS INCENTIVE MICROLOAN PROGRAM**

**Purpose:** To assist existing businesses with expansion and attract new businesses to the City whose local operations will help expand the City's economy through job retention and creation and maintain/grow the City's tax base. The purpose of the Jobs Incentive Program is to encourage the creation of high paying and quality jobs to the city.

**Amount:** Up to \$200,000 of secondary financing not to exceed 20% of the total project cost.

**Equity:** Must have private-sector commitments for 50% of the project cost. Borrower must provide 10% or more of project financing.

**Rate:** Fixed at 3%.

**Term:** Financing with a balloon payment in up to 5-years. Loans may be amortized up to the following limits:  
20 years on real estate uses;  
10 years on equipment uses.

## **MICROLOAN FUND TERMS & CONDITIONS**

### **Loan Structure**

All Economic Development Microloans shall be structured as direct loans unless otherwise approved by the EDA Finance Committee. If a participation loan is requested, an agreement will be signed by the borrower, primary lender and the EDA.

The EDA may require additional agreements to be signed by the borrower (i.e. security agreement, personal guarantees, business subsidy agreement).

### **Simultaneous Microloans**

The simultaneous use of different EDA microloan programs by any one borrower or for any one project is prohibited.

### **Loan Repayment**

Jobs Incentive funds, including principal and interest received may not be used to support restaurant, retail, casinos, or sports facilities.

### **Call of Loan**

A loan shall become due and payable in full if a business relocates outside of the city of Elk River prior to the maturity date of the loan.

**Late Payment Charge**

A late payment charge of 8% of the installment amount will be enforced following a grace period of 10 calendar days.

**REGULATION FOR NEW CONSTRUCTION AND IMPROVEMENTS**

All buildings which public funds will be used for construction or renovation are to be brought into conformance with city ordinances and state building codes.

**COVID-19 EMERGENCY PROVISIONS**

Notwithstanding anything herein to the contrary, loans may be made under this program for retail and service businesses in accordance with Governor Walz's Executive Order 20-15 issued on March 23, 2020. The expanded use of this program shall expire on June 21, 2020. All other provisions of this policy remain the same.

**LOAN SECURITY AND GUARANTEES**

Applicant must be able to secure the loan by providing the EDA with a minimum of a subordinate mortgage upon the building and/or assets or other approved collateral equal to the amount of the loan.

Applicant must demonstrate the financial means to repay the loans, as determined by the EDA.

Whenever possible, personal, corporate, and/or entity guarantees will be made part of any loan agreement.

Key person life insurance may be required as determined by the EDA Finance Committee based on loan amount and company ownership partners.

**TIMING OF PROJECT EXPENSES**

No project should commence until the EDA has approved the loan application. Any costs incurred prior to the approval of the loan application are not eligible expenditures.

No building construction should commence until the required city permits are secured.

The applicant will be responsible for all legal, recording, and other fees required for protection of a security interest in the loan, payable by a \$500 processing fee, which is paid at the time of application. In addition to the processing fee, all legal and filing fees shall be paid by the borrower at loan closing.

Closing of the Microloan should be simultaneous with the borrower's primary funding. The EDA should be given two weeks' notice before closing.

**PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL**

1. All applicants shall first contact a primary lending institution to determine if additional equity is needed, and if so, how much (if applicable).
2. The applicant shall then meet with city staff to obtain information about the microloan program, discuss the project, and obtain application forms.

3. The applicant shall complete and submit an application form to the city, along with a \$500 processing fee. The fee is used to cover processing expenses and any remaining funds will be returned to the applicant. The applicant must provide evidence of their ability to meet the 10% equity requirements or provide a letter of commitment for conventional financing from the primary lending institution.
4. The EDA is a governmental entity and as such must provide public access to public data it receives. Data deemed by Applicant to be nonpublic data under State law should be so designated or marked by Applicant. See Minn. Stat. Sections 13.59, Subd. 1, respectively.
5. The application will be reviewed by the city staff to determine if it conforms to all city policies and ordinances and to consider the following:
  - a. The availability and applicability of other governmental grants and/or microloan programs.
  - b. Whether the proposed project will result in conformance with building and zoning codes.
  - c. Whether it is desirable and in the best interests of the public to provide funding for the project.
6. The EDA Finance Committee and EDA Commissioners will review each application in terms of its consistency with the goals of the city's Comprehensive Plan and Economic Development Strategic Plan and in relation to the project's overall impact on the community's economy. Downtown Revitalization Loan applications will also be reviewed by a Housing & Redevelopment Authority Commissioner in conjunction with the EDA Finance Committee. Energy Efficiency Improvement Loan applications will also be reviewed by an Energy City Commissioner in conjunction with the EDA Finance Committee.

The EDA Finance Committee will evaluate the project application in terms of the following:

- a. Project Design - Evaluation of project design will include review of proposed activities, time lines and a capacity to implement the project.
- b. Financial Feasibility - Availability of funds, private involvement, financial packaging and cost effectiveness.
  - Appropriate ratio of private funds to Microloan funds.
  - Sufficient cash flow to cover proposed debt service as demonstrated by financial statements and projections.
  - Letter of Commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
  - Letter of Commitment from other financing sources stating terms and conditions of their participation in the project if applicable.
  - Sufficient collateral.

- c. All other information as required in the application and/or additional information as may be requested by the Economic Development staff.
  - d. Project compliance with all city codes and policies.
  - e. Microloan Objectives - In addition to quality job and wage creation/retention requirements, the applicant must meet all Microloan Fund criteria and demonstrate how the proposed activities will meet at least one of the following objectives:
    - The project contributes to the fulfillment of the city's approved and adopted economic development and/or redevelopment plans.
    - The project prevents or eliminates slums and blight.
    - The project increases the local tax base.
    - The project brings a structure into compliance with an existing building code violation.
7. A written request for an extension shall be accompanied by a copy of current financial statements and a \$500 upfront processing fee. The processing fee is used to cover processing expenses. The application for an extension beyond the original term should include a letter of denial from a conventional lender.
8. The EDA Finance Committee will recommend the approval, denial, or request a resubmission. A recommendation from the Finance Committee will be forwarded to the EDA for recommendation of approval, denial to the City Council for final action.

### **MICROLOAN POLICY REVIEW**

The above criteria will be reviewed on an annual basis to ensure that the policies reflected in this document are consistent with the economic development goals set forth by the city.

### **RIGHT OF REFUSAL**

The EDA may deny any application if it is found not consistent with the goals of the city's Comprehensive Plan and Economic Development Strategic Plan and in relation to the project's overall impact on the community's economy.

### **AGREEMENT TO PAY COSTS OF REVIEW**

It is the policy of the City of Elk River to require applicants to pay costs incurred by the City in reviewing and acting upon applications, so that these costs are not borne by the taxpayers of the City. These costs include all of the City's out-of-pocket costs for expenses, including the City's costs for review of the application by the City's Financial Consultant and City Attorney, or other consultants, recording fees, and necessary publication costs.

The application processing fees cover anticipated costs; costs incurred above the application fee will be invoiced as they are incurred, and payment will be due within thirty (30) days. Application fees are not refundable, though any unused portion is returned at the request of the applicant. If payment is not received as required by this agreement, the City may suspend the application review

process and may deny the application for failure to comply with the requirements for processing the application. Payment for costs will be required whether the application is granted or denied.

The undersigned has received the City's policy regarding the payment of costs of review, understands that reimbursement to the City of costs incurred in reviewing the application will be required, agrees to reimburse the City as required in the policy and make payment when billed by the City, and agrees that the application may be denied for failure to reimburse the City for costs as provided in the policy.

**AGREEMENT**

I / We certify that all information provided in this application is true and correct to the best of my/our knowledge. I / We authorize the city of Elk River and the Finance Committee to check credit references and verify financial and other information. I / We agree to provide any additional information as may be requested by the city and the Finance Committee.

The undersigned has received the city's policy regarding the payment of costs of review, understands that reimbursement to the city of costs incurred in reviewing the application will be required, agrees to reimburse the city as required in the policy and make payment when billed by the city, and agrees that the application may be denied for failure to reimburse the city for costs as provided in the policy.

APPLICANT SIGNATURE\_\_\_\_\_

BY\_\_\_\_\_

DATE\_\_\_\_\_





## ELK RIVER ECONOMIC DEVELOPMENT MICROLOAN FUND APPLICATION

### I. CONTACT INFORMATION

Legal Name of Business: \_\_\_\_\_

Project Site Address: \_\_\_\_\_

City / State / Zip \_\_\_\_\_

Contact Person(s) \_\_\_\_\_

Business Phone \_\_\_\_\_ Fax \_\_\_\_\_

Home Phone \_\_\_\_\_ Email \_\_\_\_\_

Check One: \_\_\_\_\_ Proprietor \_\_\_\_\_ Corporation \_\_\_\_\_ Partnership

Federal ID # \_\_\_\_\_ State ID # \_\_\_\_\_

### 2. NATURE OF LOAN REQUEST

Which Microloan Program are you applying for?

\_\_\_\_\_ Jobs Incentive Loan (Funded by State MIF Funds)

Amount Requested: \$ \_\_\_\_\_ Total Project Cost: \$ \_\_\_\_\_

Type of project:

\_\_\_\_\_ New construction for a start-up business

\_\_\_\_\_ New construction for an existing business

\_\_\_\_\_ On site expansion

\_\_\_\_\_ Equipment purchase

\_\_\_\_\_ Remodeling: (*circle one*) Commercial / Industrial

\_\_\_\_\_ Working Capital

\_\_\_\_\_ Other \_\_\_\_\_

Please give a brief summary of your business and its products or service:

Please give a brief summary of the project:

Please describe how this loan will impact your project:

**3. FINANCING**

**Project Costs**

Land \$ \_\_\_\_\_

Site improvements \$ \_\_\_\_\_

Buildings (attach plans & costs) \$ \_\_\_\_\_

Equipment/Machinery/Fixtures  
(attach list and estimated costs) \$ \_\_\_\_\_

Remodeling \$ \_\_\_\_\_

Industrial Inventory/Working Capital \$ \_\_\_\_\_

Other (attach description) \$ \_\_\_\_\_

**Total Costs** \$ \_\_\_\_\_

Comments:

**Proposed Sources of Financing**

<u>SOURCE</u>	<u>NAME</u>	<u>TERMS</u>	<u>AMOUNT</u>
Bank Loan	_____	_____	\$ _____
Bank Loan	_____	_____	\$ _____
Other Private Funds	_____	_____	\$ _____
Applicant Contribution	_____	_____	\$ _____
Other	_____	_____	\$ _____
Fed Grant/Loan	_____	_____	\$ _____
State Grant/Loan	_____	_____	\$ _____
EDA Microloan	_____	_____	\$ _____
Tax Increment Financing	_____	_____	\$ _____
Tax Abatement	_____	_____	\$ _____
<b>Total Financing</b>			<b>\$ _____</b>

**Collateral Assignments**

	<u>Description of Collateral</u>	<u>Lien Position</u>
To Bank 1	_____	_____
To Bank 2	_____	_____
To Private Sources	_____	_____
To Other Sources	_____	_____
To Federal Govt	_____	_____
To State	_____	_____
To EDA Microloan	_____	_____

**Value of Collateral**

	<u>Book Value</u>	<u>Cost</u>	<u>Existing Liens</u>
Land	\$ _____	\$ _____	\$ _____
Buildings	\$ _____	\$ _____	\$ _____
Machinery & Equip.	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____

**4. JOB & WAGE GOALS**

Present # of Employees \_\_\_\_\_ Total Payroll \_\_\_\_\_

**Jobs To Be Created\***

Please provide the following information on jobs you expect to create within 2-years.

Job Title	Number of Jobs	Average Hourly Wage	Annual Salary	Are the Jobs Permanent or Temporary?	Expected Hiring Date

\*If loan is for job retention only, please explain in Business Plan.

## 5. PROJECT CONTACTS

### Attorney

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### Accountant

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### Financing Sources (lenders, partners, etc...)

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### Parent Company

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

### Others

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

## 6. ATTACHMENTS CHECK LIST

Please attach the following:

- \_\_\_\_\_A) Written Business Plan:
  - 1. Description of Business
  - 2. Ownership
  - 3. Management
  - 4. Date Established
  - 5. Products/Services
  - 6. Future Plans
  
- \_\_\_\_\_B) Financial Statements for Past Three Years and Year to Date
  - 1. Profit & Loss Statements
  - 2. Balance Sheets
  
- \_\_\_\_\_C) Financial Projections for up to Three Years
  
- \_\_\_\_\_D) A Project Proforma to include:
  - 1. Projected revenues,
  - 2. Operating expenses,
  - 3. Net Operating Income, and
  - 4. Annual Debt Service and Loan Payments.
  
- \_\_\_\_\_D) Resume of Owner/Management
  
- \_\_\_\_\_E) Personal Financial Statements of Proprietor, Partners, Guarantors
  
- \_\_\_\_\_F) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration
  
- \_\_\_\_\_G) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project
  
- \_\_\_\_\_H) Letter of Commitment from the Applicant committing to prevailing wage requirements.
  
- \_\_\_\_\_H) Processing Fee of \$500

**7. AGREEMENT**

I / We certify that all information provided in this application is true and correct to the best of my/our knowledge. I / We authorize the city of Elk River and the Finance Committee to check credit references and verify financial and other information. I / We agree to provide any additional information as may be requested by the city and the Finance Committee.

The undersigned has received the city’s policy regarding the payment of costs of review, understands that reimbursement to the city of costs incurred in reviewing the application will be required, agrees to reimburse the city as required in the policy and make payment when billed by the city, and agrees that the application may be denied for failure to reimburse the city for costs as provided in the policy.

APPLICANT SIGNATURE \_\_\_\_\_

BY \_\_\_\_\_

DATE \_\_\_\_\_

# MICROLOAN APPLICATION SCORING WORKSHEET

## TO BE COMPLETED BY CITY STAFF

**1. The project meets the criteria set forth in the appropriate the Microloan policy.**

- \_\_\_\_\_ a) Meets at least one of the microloan objectives in Section 7; 6(e).
- \_\_\_\_\_ c) Consistent with all city plans and ordinances.
- \_\_\_\_\_ d) Meets the wage requirements as defined in the city's business subsidy policy.

**2. Ratio of Private to All Public Investment in Project:**

**Points:** \_\_\_\_\_

\$ _____	Private Investment	5:1	5
\$ _____	Public Investment	4:1	4
_____	<b>Ratio Private: Public Financing</b>	3:1	3
		2:1	2
	Less than	2:1	1

**3. Job Creation in the City of Elk River:**

**Points:** \_\_\_\_\_

_____	Number of new jobs as a result of the project.	25+	5
_____	Number of existing/retained jobs	20+	4
_____	<b>Total</b>	15+	3
		10+	2
	Less than	10	1

**4. Ratio of Public Investment to Job Creation:**

**Points:** \_\_\_\_\_

\$ _____	Public Investment	\$8,000 or less	5
_____	Number of new jobs created/retained	\$10,000 or less	4
\$ _____	<b>of Public Investment per new job</b>	\$12,000 or less	3
		\$15,000 or less	2
		Over \$15,000	1

**5. Wage Level of jobs created/retained or relocated**

**Points:** \_\_\_\_\_

Minimum hourly wage		Over \$21/ hour	5
of jobs created/retained: _____		\$18-21 / hour	4
		\$15 / hour	3

**6. Project size:**

**Points:** \_\_\_\_\_

The project will result in the construction		40,000+	5
of square feet _____		30,000+	4
		20,000+	3
		10,000+	2
		10,000 or less	1



**7. Market Value/Tax Base Generation:**

The project will result in a per square foot estimated market value (land and building) of \_\_\_\_\_

<u>Industrial</u>	<u>Commercial</u>	
\$80/sf+	\$110/sf+	5
\$70/sf+	\$100/sf+	4
\$60/sf+	\$90/sf+	3
\$50/sf+	\$80/sf+	2
\$40/sf+	\$70/sf+	1

**Points:** \_\_\_\_\_

**8. Type of Project:**

- \_\_\_\_\_ 100% Owner Occupied
- \_\_\_\_\_ Mix Owner Occupied & Investment
- \_\_\_\_\_ Investment Property

**Points:** \_\_\_\_\_

5  
4  
3

**9. Use:**

- \_\_\_\_\_ Industrial or Business Park Project
- \_\_\_\_\_ Commercial/ Redevelopment

**Points:** \_\_\_\_\_

5  
4

**10. Likelihood that the project will result in unsubsidized, spin-off development.**

	<b>Points:</b> _____	
_____ High		5
_____ Moderate		3
_____ Low		1

*Sub - Total Points: \_\_\_\_\_ of a possible 45 points.*

**11. Point Adjustments**

**Point Adjustments:** \_\_\_\_\_

- \_\_\_\_\_ The project contributes to the goals of *Energy City*. 5 points
  - Product promotes sensible use of energy, OR
  - Project utilizes significant energy efficient design &/or materials in construction.

**Total Points:** \_\_\_\_\_

<u>Overall project desirability:</u>	<u>High</u>	<u>50-35 points</u>
	<u>Moderate</u>	<u>34-29 points</u>
	<u>Low</u>	<u>28-20 points</u>
	<u>Not Eligible</u>	<u>19-0 points</u>