

**INVER GROVE HEIGHTS
ECONOMIC DEVELOPMENT AUTHORITY AGENDA
MONDAY, AUGUST 1, 2011
6:00 P.M.**

1. CALL TO ORDER

2. ROLL CALL

3. CONSENT AGENDA – All items on the Consent Agenda are considered routine and have been made available to the Economic Development Authority at least two days prior to the meeting; the items will be enacted in one motion. There will be no separate discussion of these items unless a Boardmember or citizen so requests, in which event the item will be removed from this Agenda and considered in normal sequence.

A. Minutes – March 7, 2011 Regular Economic Development Authority Meeting

B. Claims

4. REGULAR AGENDA

A. Small Business Loan Program

B. Progress Plus Marketing Program

C. Progress Plus Update

D. Excess Golf Course Property

E. 2012 Budget

5. NEXT MEETING

6. ADJOURN

MEMO
CITY OF INVER GROVE HEIGHTS

TO: Inver Grove Heights Economic Development Authority

FROM: Thomas J. Link, Director of Community Development 

DATE: July 20, 2011 for EDA Meeting of August 1, 2011

SUBJECT: August 1 Agenda

City staff took the liberty of modifying the agenda from that which had been discussed at the last Economic Development Authority (EDA) meeting. The Acquisition Policy and an update on the Gun Club site have been deferred to the next EDA meeting because of the length of this agenda. This will allow the EDA more time to fully discuss the items before it.

The following are comments about the August 1 Economic Development Authority agenda:

- Claims – There are no claims at this meeting, although this will be a standard agenda item. There will be claims on the next agenda since the City staff is consulting with the city attorney, fiscal consultant, and bond counsel on the Acquisition Policy and Small Business Loan Program.
- Small Business Loan Program – This item is part of the EDA's 2011 Work Plan. Enclosed is a draft policy and cover memo. EDA direction is requested.
- Progress Plus Marketing Program – This item is also part of the EDA's 2011 Work Plan. Progress Plus will present their marketing program, including a commercial brokers' tour that is being planned for September.
- Progress Plus Update – Enclosed is information provided by Progress Plus. Progress Plus provides regular updates at the EDA meetings. Previously these updates were provided at monthly City Council work sessions. However, it is more appropriate to place the updates on the EDA agenda since they relate to economic development.
- Excess Golf Course Property – This item was briefly discussed at the last EDA meeting. A memo is enclosed that discusses the background and analysis of the EDA's acquisition of the excess golf course properties. EDA direction is requested.
- 2012 Budget – Enclosed is a budget and cover memo. EDA action is requested.
- Next Meeting – The next meeting is Monday, November 7 at 6:00 PM. Anticipated agenda items are the Acquisition Policy, Small Business Loan Program, excess golf course property, and the Gun Club site along Highway 52.
- Economic Development Authorities – As requested by the EDA, materials previously distributed to the City Council regarding economic development authorities are enclosed for informational purposes.

City staff will be meeting with the City's bond counsel and financial consultant next week to discuss some of the above items. Additional information may be forthcoming in a supplemental packet next week.

NO DINNER WILL BE SERVED AT THE MEETING

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, MAY 2, 2011 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, May 2, 2011, in the City Council Chambers. President Tourville called the meeting to order at 6:05 p.m. Present were Economic Development Authority members Grannis and Piekarski Krech; City Administrator Lynch, and Executive Director Link.

3. MINUTES

Motion by Grannis, second by Piekarski Krech, to approve the minutes of the March 7, 2011 regular Economic Development Authority meeting.

Ayes: 3

Nays: 0 Motion carried.

4. ACQUISITION POLICY

Mr. Link requested that the EDA discuss a possible acquisition policy and provide direction to staff. He explained that an acquisition policy would identify the purpose of EDA acquisitions and develop a uniform process for the acquisition and disposition of property. Mr. Link summarized the acquisition policies from other entities which were included in the EDA packet, including Inver Grove Heights' Doffing Avenue Neighborhood Voluntary Acquisition Program and their current policy for the disposal of City-owned real property. He advised that the acquisition policy could address several other factors such as the City's level of flexibility and participation, specific functions (i.e. land assembly or infrastructure), how to address environmentally contaminated properties, funding, or what to do with properties once they are acquired (i.e. rental, demolition, maintenance, etc.). Mr. Link advised that three City properties that staff has identified as having long-term development potential are 1) the northwest corner of 70th and Babcock, 2) the property south of 70th adjacent to the golf course, and 3) the property east of Highway 52 adjacent to the MNDOT property.

Boardmember Grannis suggested that staff generate a draft acquisition policy incorporating the high points from the various acquisition policies in the packet to be used as a starting document for the EDA.

Dian Piekarski, 7609 Babcock Trail East, agreed, stating she would like the EDA's vision identified prior to the creation of an acquisition policy.

Mr. Link stated some possible applications that have been discussed are the acquisition, cleanup, and marketing of the MNDOT site, as well as redevelopment of the Concord area.

President Tourville stated he envisioned the acquisition and disposition policy as not being specific to any one parcel or parcels.

Boardmember Grannis agreed, stating he envisioned the EDA acquiring property over time and holding it until development occurred.

Ms. Piekarski recommended that the EDA determine their overall vision before moving forward.

President Tourville stated an EDA could focus on existing businesses, redevelopment, and/or new development.

Ms. Piekarski asked if the EDA could potentially acquire property from willing sellers and prepare it for development.

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Boardmember Grannis replied in the affirmative.

Boardmember Piekarski questioned whether they already had the authority to do that as a city, stating the City had purchased numerous properties in the Doffing Avenue area in anticipation of a riverfront park.

President Tourville stated that other cities felt they were able to do things as an EDA that they could not as a city.

Boardmember Grannis stated they reviewed the benefits and disadvantages of an EDA at a prior meeting.

Boardmember Piekarski Krech stated she would like concrete examples of the benefits of an EDA and what they have done in other cities.

Ellen Watters, Progress Plus, stated that developers are looking for sites that are assembled and shovel-ready. They prefer a site which is under one ownership and has perhaps had a Phase I Environmental done on it, making it less complex and less costly. She stated the EDA could consider assembling land in such areas as Concord, the MNDOT/Gun Club site, or the Southeast Quadrant.

Boardmember Piekarski Krech questioned whether it would be financially responsible to use taxpayer money to make land shovel ready as there were no guarantees and it could take years to sell the property.

Ms. Watters stated that one could question whether the City was putting taxpayers at risk by not assembling land and trying to bring commercial/industrial to the area which would be a benefit to the City's tax base.

President Tourville stated they could put together parcels faster as an EDA than they could as a City.

Boardmember Piekarski Krech questioned why that would be so.

Mr. Link stated his recollection from past discussions was that an EDA had more flexibility, financial tools, and liability protection than a City Council.

Boardmember Grannis stated he recalled that the EDA could purchase property for something other than public purpose (such as economic development) whereas a City could not.

President Tourville advised that the Port Authority has numerous success stories in which they have acquired property in order to attract job-creating businesses.

Mr. Link advised that today's development industry is much more demanding and expects sole ownership, completion of infrastructure, environmental investigation, and perhaps remediation.

President Tourville asked for a recap of previous materials given to the Board regarding the pros and cons of an EDA.

Ms. Piekarski stated she was opposed to government using money from the Host Community Fund to create sites in hopes of attracting developers, and preferred it be spent on roads, a new fire station, etc.

President Tourville stated in his opinion the EDA could assist existing businesses as well as attracting new development.

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Boardmember Piekarski Krech replied that they only had a limited amount of resources, however, and therefore the EDA should prioritize where they would like to focus their attention. She suggested that the EDA determine criteria and the method by which they would help businesses.

President Tourville agreed, stating the EDA should meet with Progress Plus and the Chamber of Commerce, discuss various ideas, and determine some initial policies for encouraging economic development in the City.

Jennifer Gale, Progress Plus, explained the benefits of the South St. Paul Futures Program which provides loans to credit-worthy firms.

Boardmember Grannis stated the activities of the EDA would likely vary from year-to-year depending on the circumstances.

Boardmember Piekarski Krech stated she would like to see examples of beneficial results due to assistance from a specific program/action.

President Tourville stated they should seriously consider assembling property in order to be prepared for potential development inquiries.

Mr. Link agreed to draft an acquisition policy as requested, stating as part of that he would identify what an EDA could do regarding acquisition that a City could not.

Boardmember Piekarski Krech asked if there were any highly sought after developable areas in the City at this time other than the Southeast Quadrant and Highway 52/DOT sites.

Mr. Link replied that the Concord Neighborhood might be added to that list in a few months.

Boardmember Piekarski Krech questioned how they would replace the existing low income housing if the Concord Neighborhood were to be redeveloped.

Joe Lynch, City Administrator, recommended focusing efforts on the two parcels near the golf course that the City already owns.

Boardmember Piekarski -Krech questioned what could be built on those properties other than homes.

Mr. Lynch replied perhaps a hotel.

Boardmember Piekarski Krech stated the neighbors would likely be opposed to a hotel; however, perhaps they could build an upgraded clubhouse facility.

Mr. Link stated the Parks Director would likely be bringing forward a proposal for the excess property west of the golf course. In regards to the MNDOT site, the City has completed Phase I investigation and the EPA a Phase II investigation, and is now in the process of doing a follow-up study regarding clean up. Once that is complete, the City could then enter into negotiations with MNDOT.

Boardmember Piekarski Krech stated she would support the City purchasing the MNDOT property as it would give the City more control over its development.

President Tourville requested an update on the two golf course properties and the MNDOT property at the next EDA meeting.

Boardmember Grannis stated another site where the EDA could be beneficial would be the Argenta/I-494 area if a full intersection were to be constructed.

5. SMALL BUSINESS LOAN PROGRAM

Mr. Link referred to several examples of small business loan programs from other cities, and asked for direction from the EDA on how to proceed. He stated the two programs that seemed most appropriate for Inver Grove Heights were South St. Paul's Commercial Rehabilitation Loan Program and Oakdale's Gap Rehabilitation Loan Program. He pointed out that a recipient's main financing mechanism would still be through a traditional bank and applications would be reviewed by a fiscal consultant.

Boardmember Piekarski Krech stated she would like specific examples of how small business loan programs convinced businesses to stay in town, helped them expand, etc.

Ms. Gale stated much of that information was confidential; however, she could contact business owners to see if they were willing to share that information.

President Tourville asked if the South St. Paul Futures Program was public information.

Ms. Gale replied that it was not.

Mr. Link advised that some of the programs in South St. Paul were public and some were private.

Boardmember Piekarski Krech stated she would like information regarding the public programs.

Ms. Piekarski stated she was more interested in retaining existing businesses by providing gap funding than loaning money to new businesses that the City had no history with. She questioned whether cities were better off investing in a successful business with a proven track record versus attracting new businesses that were unable to obtain their own financing.

President Tourville stated there were probably success stories for both scenarios; however, he knew of some businesses that would likely have stayed in Inver Grove Heights had they received gap financing.

Ms. Gale advised that most programs required existing financial records showing the company's assets and did not typically loan money to start-ups.

6. DRAFT 2012 BUDGET

Mr. Link advised that the draft 2012 budget includes approximately \$48,000 in expenditures. \$40,000 of that amount is already in the Community Development budget and will be shifted to the Economic Development budget. The additional \$8,000 would be for consultants (city attorney, bond counsel, financial consultant, etc.). The draft budget assumes no new or additional personnel costs to the City. Rather, the costs would be shifted from the Community Development Department's budget. He advised that the line item for TIF could be struck as it was determined that that money must be used for specific projects.

Boardmember Piekarski Krech questioned whether Progress Plus should remain in the City's budget rather than the EDA's as the entire city benefited from its services.

Mr. Link stated that staff feels the functions of Progress Plus fit best in the Economic Development budget.

Mr. Lynch advised that the Economic Development account would be part of the General Fund; not a separate entity.

President Tourville asked if it could be tracked.

Mr. Lynch replied in the affirmative, stating all operating expenses would be line items just like department budgets. It would show a \$500,000 transfer into the General Fund.

Boardmember Piekarski Krech questioned whether the EDA had to be a separate entity.

Mr. Lynch advised that because the EDA consisted of all City Council members it did not have to be a separate entity.

Ms. Piekarski questioned whether the EDA budget would be included on annual tax statements.

Mr. Lynch replied it would not as the \$500,000 did not come from general taxes but rather from the Host Community Fund. He advised that all EDA expenditures and revenues would be included in the annual audit.

7. PROGRESS PLUS UPDATE

Ms. Gale distributed the 2011 First Quarter Retention Visit Report. She advised they met with the new CEO of CHS and agreed to keep them informed of any new or increased fees. She stated the companies they visited were no longer experiencing layoffs and some have hired additional staff. She advised that Progress Plus has accelerated their marketing efforts the past couple months. They have also updated their website which now generates a notice to everyone on the email list whenever a property/building is for sale or there is a new post.

Ms. Watters stated their 2011 first quarter inquiries have significantly increased from first quarter 2010. She stated that existing businesses are now looking at improving and expanding their facilities. The City of Inver Grove Heights has been competitive in regards to a number of fairly large industrial users looking for space. They have had discussions with smaller office users as well, including strong interest in the vacant medical CV building. She advised that a number of national retailers are beginning to scout locations, and Progress Plus is aggressively marketing the A & W property. She advised that Inver Grove Heights has a higher vacancy rate than most of the metro region which means it will take them longer to catch up. She advised there were deep discounts in the lease market as well as the buyer's market. At the August EDA meeting Progress Plus will present plans for the broker event which will be specific to Inver Grove Heights and will feature many of the properties discussed tonight, including the City-owned properties.

Boardmember Piekarski Krech questioned whether there was enough connectivity available in the City.

Ms. Watters noted that they did an analysis last year and discovered that the industrial park on Claude Way did not have high speed internet access.

President Tourville stated that Qwest was willing to bring high speed internet to the area; however, the business owners had an issue with the cost. He stated Dakota County recognizes the importance of broadband to development and has implemented an initiative to provide telecommunications to its businesses and residents.

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Mr. Lynch advised there is talk of running a commercial telecommunications spine throughout the county which would have the ability to add on services to private sector businesses.

Boardmember Piekarski Krech stated that improving the access to certain areas of the city would facilitate growth of small businesses.

Mr. Lynch stated one of the specific benefits of an EDA is their ability to enter into limited partnerships. A study could be performed to determine where connectivity was needed, such as the Northwest Area. Infrastructure for cable and broadband could be put in at the same time as new roads, sewer and water in cooperation with a partner.

Boardmember Piekarski Krech stated her interest would be in having technology available as a means of enticing development.

Mr. Link advised that the City of Burnsville installed miles of fiber optic for the purpose of attracting business.

Boardmember Piekarski Krech asked why one of the criteria for qualifying for a small business loan was that the business not be retail.

Mr. Lynch replied mainly because retail typically does not create permanent full-time jobs with benefits.

Ms. Watters stated most cities used subsidies for businesses that provided family-supporting wages (i.e. manufacturing or office jobs), and that typically if you get higher paying jobs retail will follow.

Ms. Piekarski asked if the program would be unable to help a small pizza shop or gas station.

Mr. Link stated that some cities give loans to retail and some do not.

Ms. Gale stated that restaurants are considered high risk as they typically have a small profit margin.

Ms. Watters stated that some cities will pursue a retail strategy as part of a revitalization of an area. They will help with the funding of exterior improvements that add to the aesthetic appearance of the region and hopefully stabilize the neighborhood.

President Tourville stated he was not opposed to helping retail businesses with the Small Business Loan Program.

Boardmember Piekarski Krech stated she would be willing to help retail as well, particularly if they needed a small loan in order to be code compliant or to remain in business.

8. CLAIMS: None

9. OTHER BUSINESS: None

10. NEXT MEETING

President Tourville advised that the next meeting is scheduled for August 1, 2011.

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – May 2, 2011

Mr. Link stated the next agenda would include a draft Acquisition Policy, additional information regarding the Small Business Loan Program, the benefits or drawbacks of EDA's in relation to the two programs, and a review of Progress Plus marketing activities.

11. ADJOURNMENT: Motion by Grannis, second by Piekarski Krech, to adjourn. The meeting was adjourned by a unanimous vote at 7:48 p.m.

DRAFT

4.A.

**MEMO
CITY OF INVER GROVE HEIGHTS**

TO: Inver Grove Heights Economic Development Authority

FROM: Thomas J. Link, Director of Community Development 

DATE: July 21, 2011 for EDA Meeting of August 1, 2011

SUBJECT: Small Business Loan Program

1. **ACTION REQUESTED:** The Inver Grove Heights Economic Development Authority (EDA) is to further discuss the Small Business Loan Program and provide direction to staff.
2. **BACKGROUND:** The EDA identified the development of a small business loan program as one of four items for its 2011 Work Plan. At its last meeting, the EDA reviewed other cities' small business loan programs and directed staff to prepare a draft program for Inver Grove Heights.
3. **ANALYSIS:** Attached, for the EDA's review and comment, is a draft Small Business Loan Program guidelines for Inver Grove Heights. It is based, in part, on similar programs in Oakdale and South St. Paul.

Issues:

The draft program raises several questions that the EDA should consider:

- To what extent is job retention/creation a factor in the Small Business Loan Program? The draft policy does not place a heavy emphasis on this issue.
- Should the policy provide for existing Inver Grove Heights businesses, new businesses that are considering moving to Inver Grove Heights, or both? The draft program allows for both but puts a priority on assisting existing, established businesses in Inver Grove Heights.
- Should retail businesses, and especially restaurants, be allowed to use the program? The current draft does not prohibit retail or restaurants from obtaining a loan. Some cities, however, exclude retail because it offers relatively low wages and usually part-time employment. Restaurants are also excluded by some cities because they are typically national franchise operations and entail more risk.
- Should site improvements be an eligible project cost? Site improvements could include grading/drainage, stormwater, utilities, parking lots, landscaping, etc.
- Should there be a definition of "small business"? The City of Oakdale defines small business as having less than \$6 million dollars a year in sales.
- Should sweat equity be considered in the loan program? The current draft does not provide for sweat equity and only references the owner's financial equity and bank loans.

Other Cities

Progress Plus has reviewed other cities' programs. These are difficult to evaluate because cities do not seem to report on loans made. The South St. Paul Futures, over 30 years, made 41 loans to small businesses. Two of these loans were not repaid, at a loss of \$50,000. Staff and Progress Plus hope to have additional information about other cities' programs at the EDA meeting.

Follow-up Actions

City staff has reviewed the draft program with the city attorney. He has suggested that the City's bond counsel be contacted to determine if it is necessary for the City to:

- create an economic development district
- adopt an EDA business subsidy policy before establishing a small business loan program. Staff will contact the financial consultant and provide additional information regarding these matters at the EDA meeting.

In addition, if the EDA pursues the Small Business Loan Program, staff will have to research:

- a level of funding
- a source of funding
- a procedure for processing and administering loans
- an application form and fees
- a policy/statement pertaining to the City's handling of business's private financial data.

4. RECOMMENDATIONS: The Inver Grove Heights Economic Development Authority (EDA) is to discuss the Small Business Loan Program and provide direction to staff.

Enc: Draft Small Business Loan Program Guidelines

cc: Jennifer Gale, Progress Plus
Ellen Watters, Progress Plus

CITY OF INVER GROVE HEIGHTS
SMALL BUSINESS LOAN PROGRAM GUIDELINES

Purpose

The City of Inver Grove Heights, through its Economic Development Authority (EDA), is making funds available to provide loans to Inver Grove Heights business owners for building construction and improvements. The purpose of the loans is to primarily encourage reinvestment and updating of existing businesses and, secondarily, the construction of new businesses. The loans are not intended to be a substitute for conventional business financing but to be a supplement by providing a portion of the financing necessary.

Loan Amount: The EDA loans will provide funding for up to 20% of the total eligible projects costs, not to exceed the following maximum loans:

- Up to \$15,000 for a new business moving into the City or for a business that has been in the City for less than five years
- Up to \$20,000 for a business that has been in the City for at least five years

The minimum loan is \$5,000.

Number of Loans: The EDA will annually determine the level of funding for the program. The cumulative total dollar amount of loans in a year will not exceed this funding level.

Interest Rate: Negotiable

Term: The maximum term is ten years or upon closure or relocation of the business, whichever occurs first.

Loan Security: Negotiable

Eligible Properties: Businesses must be zoned for commercial or industrial uses and must be designated as commercial or industrial according to the Comprehensive Plan. Properties may not be the recipient of tax increment financing or tax abatement.

Eligible Owners: Loans will be provided only to the owner of a property and only to for-profit entities. Owners of more than one business are eligible for only one loan at a time.

Eligible Projects: The following are eligible projects:

- New Building construction
- Building improvements and additions, such as roof repair, electrical and plumbing upgrades, energy upgrades, HVAC systems
- Building exteriors and façade improvements
- Connections to city utilities
- Code corrections, such as fire suppression and handicap accessibility
- Site improvements, such as grading and drainage, storm water improvements, utility improvements, parking lots, lighting, landscaping, and screening
- Structural leaseholder improvements that provide for the conversion of the structure from one use to another use, such as doors and windows

Ineligible Projects: The following are ineligible projects:

- Land acquisition
- Financing fees
- Refinancing of existing debt
- Taxes and special assessments
- Personal property
- Working capital
- Machinery
- Non-structural leaseholder improvements, such as flooring, shelving, paint, lights
- Interior remodeling
- Furniture and fixtures
- Previously completed projects
- Projects started prior to EDA approval.

Loan Security: Negotiable

Application Deadline: Applications will be accepted year round on a first come, first served basis.

Application Process: It will take about 30 to 90 days to complete the following process:

- Applicant should contact a primary lending institution to determine private financing
- Applicant will meet with EDA staff to obtain program information/application forms and discuss the project
- Applicant will complete and submit the application form to EDA staff and pay the application fee
- EDA staff will review the application for completeness and determine if the application conforms to the program's guidelines
- EDA staff and fiscal consultant will review the application to determine financial feasibility of the business, owner, and project. The review will include a credit check of the business and owners. The EDA will carefully consider management capability, experience, financial support, soundness of the business, and long-range possibilities for a successful operation.
- EDA staff will negotiate the conditions of a loan, including term, interest rate, and security

- EDA will consider approval or denial of the application
- City Attorney will prepare the loan agreement
- EDA staff and applicant will close on the loan agreement

Selection Criteria: Applications will be reviewed and analyzed against the following criteria:

- Ability to improve the City's economic diversity and to provide essential products and services
- Ability to create and retain job opportunities
- Ability to increase the City's tax base
- Ability to encourage improvements in redevelopment areas or heavily commercialized areas with high visibility
- Ability to encourage improvements and improve the appearance of the surrounding business neighborhood
- Ability to accelerate improvements on sites that may not be improved without municipal subsidies assistance
- Consistency with the Comprehensive Plan and compliance with city codes
- Demonstrated need for secondary financing
- Financial Feasibility

Project Completion: The project is to be completed within 120 days of the loan closing

Disbursement Process: Payment to the contractor will be made upon completion of the work following:

- Inspection by the City to verify the completion of the work and compliance with all codes and ordinances
- Submittal of invoices
- Submittal of completion certificate signed by borrower and contractor
- Submittal of lien waiver for entire cost of work
- Submittal of verification that contractor has been paid for matching portion of project
- Verification of payment of property taxes and special assessments

PROGRESS PLUS

Urban-Alternative Space Available

2011 WORK PLAN MID-YEAR UPDATE AUGUST 1, 2011

Economic Development Authority

- Provide support to Community Development Director in researching and preparing information for the EDA, including assisting in discussions on development of a possible small business assistance program, developing financing tools and policies related to business subsidies, and EDA marketing activities
- Serve as a resource and provide research as needed for potential land acquisition policies and activities
- Attend quarterly EDA meetings
- Market the financing options available and offer prequalification assistance to interested developers/businesses.

Measure: Meet monthly with Community Development Director

Status: Progress Plus meets monthly with the Community Development Director. As requested we provide research and analysis on EDA tools and plans. As the EDA's services get developed, especially the small business loan program, Progress Plus will be actively marketing that tool to potential, existing and new businesses.

Concord Redevelopment Planning (From South St. Paul border to 70th street)

- Assist with tasks associated with redevelopment planning and implementation
- Provide research and serve as a resource on acquisition of property, relocation assistance, financing mechanisms and market analysis related to redevelopment
- Assist with gathering business input for plan, including working with Concord Boulevard business group
- Assist in marketing the site(s) as directed

Measure: Meet monthly with Community Development Director to assess progress and agree on tasks

Status: Staff meets regularly with City staff and has met with the consultants, as well as, will be assisting in business outreach.

Establish, maintain, share and analyze database information, including:

- Demographics
- Labor supply
- Utility providers, including availability and rates
- Land availability – location, size, owner, broker, asking price

- Building availability – size, description, owner, broker, asking price
- List of businesses in IGH (by industry if possible) as requested

Measure: Provide updated data set by May 1, 2011

Status: Some Inver Grove Heights census information was provided to the Council earlier this year by the County. Additional census information will be released later this year and Progress Plus will provide an update at that time. Some updated information was provided by Progress Plus in July. On an on-going basis, Progress Plus maintains an inventory of available buildings and land in Inver Grove Heights which is available on the Progress Plus website: www.progressplus.org.

Inquiries

- Respond to inquiries from business and industries searching for land or buildings for new construction or expansion

Measure: Provide monthly written report

Status: Progress Plus provides a monthly report that describes each inquiry received, the status of the inquiry and the number of options in Inver Grove Heights that was provided to the prospect. Progress Plus has responded to 17 inquiries about buildings or sites in Inver Grove Heights to date. This is an increase of 6 from this time last year.

Business Retention Program

- Schedule ten desired retention visits that include the Community Development Director
- Visit other existing businesses to gather information on the business climate in IGH
- Assist existing businesses with expansion, relocation, land purchase, building leasing and construction
- Assist businesses in understanding City process, purpose and function in development/redevelopment
- Assist in promoting Business Town Hall meeting
- Provide report on issues or requests raised by businesses related to City services, including feedback when no issues are raised

Measure: Include Community Development Director in 10 visits and provide report on visits and specific requests for follow-up

Status: Progress Plus has completed 11 retention visits to Inver Grove Heights businesses to date and included a report during first quarter.

In addition, Progress Plus helped solicit businesses to attend a Town Hall meeting.

Marketing

- Provide supply of Progress Plus brochures featuring IGH to City
- IGH information and sites on Progress Plus website
- IGH information in monthly e-newsletter and distribution to over 500 brokers and developers
- Promotion of IGH at Annual Progress Plus meeting attended by approximately 150 business leaders
- IGH information in editorials and ads in publications, including ad and editorial copy in the SouthWest Review Progress Edition; ad in the Resource Guide distributed to all residents and businesses; ad in the River Heights Chamber of Commerce directory.
- IGH promotional material, such as brochures and developer information
- Promotion of IGH at two conferences/events for brokers and developer each year, produced an IGH centered broker tour/event and additionally include IGH in exhibition/sponsorship of annual Minnesota Commercial Realtors Association (MNCAR) EXPO

Measure: Provide monthly written report

Status: Progress Plus maintains a robust website that includes a searchable database of available for lease and for sale properties in Inver Grove Heights. In addition, Progress Plus distributes a monthly e-newsletter to more than 500 brokers and development professionals, as well as doing e-blasts and news updates on the Progress Plus website for new projects, updates to development issues, etc. News about Inver Grove Heights developments and activities has also been included in the River Heights Chamber of Commerce Weekly Update e-blasts, SouthWest Review, Chamber's Facebook, etc. Additional discussion of marketing activities will be provided at the August 1, EDA meeting.

Inver Grove Heights Data Profile

July 2011

2010 US Census Data

SUMMARY

	2000	2010	% Change
Total population	29,751	33,880	13.9%
Male	14,737	16,536	12.3%
Female	15,014	16,847	12.2%
Residents 18 and younger		24.5%	
Black		3.6%	
Asian		3.4%	
Hispanic		8.9%	
Median Household Income	59,090	65,981	11.7%
Average Household Size	2.62	2.5	
Per Capita Income	25,493	33,339	30%
Median Housing Value	144,800	234,500	.62%

Household Type According to 2010 Census

Families without children	4642
Lived alone	3525
Married families with children	3050
Non-family households	915
Unmarried families with children	1344

Housing Profile 2010

Owner occupied	9794
Renter occupied	3682
Vacant	586

EMPLOYMENT IN INVER GROVE HEIGHTS

Employment in Inver Grove Heights 1990-2009 (MN DEED Data, QCEW)

Total Employment

1990	5724
2000	8168
2001	8797
2002	9015
2003	9440
2004	10457
2005	10623
2006	10597
2007	11167
2008	10465
2009	9557

Employment by Sector 2010

	Ave. Employment	# of Establishments	Total Wages
Total, All Industries	9618	657	155514868
Construction	530	79	8923657
Manufacturing	732	29	7080093
Utilities	54	4	1350505
Wholesale Trade	1159	35	73776860
Retail Trade	1626	78	14157264
Transportation and Warehousing	363	22	2878625
Information	102	7	627679
Finance and Insurance	148	26	2312609
Real Estate and Rental and Leasing	108	29	1095114
Administrative and Waste Services	420	52	4801178
Educational Services	1052	18	11205925
Health Care and Social Assistance	849	67	8329355
Arts, Entertainment, and Recreation	154	12	662093
Accommodation and Food Services	1001	54	3385793
Other Services, Ex. Public Admin	248	64	2012162
Public Administration	432	2	3008338

Metropolitan Council Employment Estimates

2000	8168
2010	12000
2020	14700
2030	17900

**MEMO
CITY OF INVER GROVE HEIGHTS**

TO: Inver Grove Heights Economic Development Authority

FROM: Thomas J. Link, Director of Community Development 

DATE: July 20, 2011 for EDA Meeting of August 1, 2011

SUBJECT: Acquisition of Excess Golf Course Property

1. ACTION REQUESTED: The Inver Grove Heights' Economic Development Authority (EDA) is to discuss the EDA's acquisition of the excess golf course property and provide direction to staff.

2. BACKGROUND: The City Council has discussed this matter on a few occasions over the last couple of years. The excess property includes two parcels, as shown on the attached map. The western property is 10.8 acres, located to the west of the golf course parking lot. The eastern site is 4.6 acres at the northwest corner of 70th Street and Babcock.

3. ANALYSIS: Appraisals indicate that the two properties have a value of approximately \$1.7 million dollars. The bonds remaining on the golf course are also about \$1.7 million dollars.

The comprehensive plan land use designation for both these properties is Public Park/Open Space. Both properties are zoned P, Public/Institutional. The appraisal indicates that the highest and best use is R-3 Multiple-Family on the 70th Street/Babcock site and High Density Senior Housing on the western site. Staff has also discussed the possibility of developing the western site as a hotel/conference center.

The EDA acquisition of the excess golf course property would improve the golf course's financial position by reducing the debt payment and making the golf course more cost competitive. Also, the EDA would be the appropriate organization to acquire the property for future development because of its statutory authority, its flexibility to handle real estate transactions, and its purpose of encouraging economic development. The EDA would hold the property until the market improves. When the property is sold the subsequent development would generate property tax revenues, create jobs, and provide additional goods and services. Funding for the EDA's acquisition of the properties would have to be determined, though one likely source would be a short-term loan from the utility funds.

If the City Council desires to proceed with the EDA acquisition of the properties, the following actions would have to be taken:

- Consult with Ehlers about the process and requirements for the sale of the property to the EDA
- Process applications for platting and right-of way vacation (along the north side of the 70th Street/Babcock property). At some point in time, the City would also have to process applications for comprehensive plan map and text amendments and rezonings.
- Prepare a feasibility study on the extension of sanitary sewer and municipal water to the western property

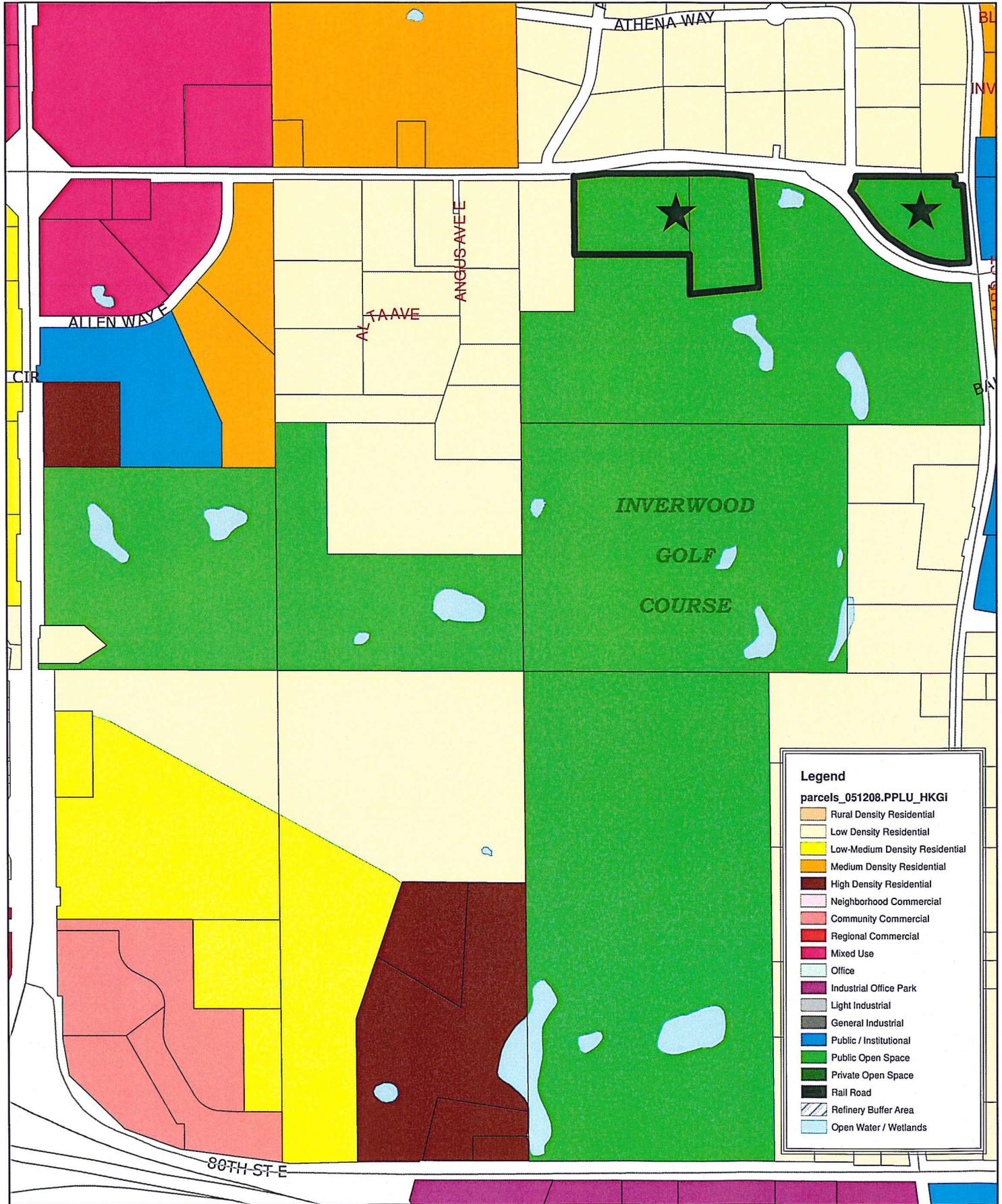
- Update the property titles
- Identify means of funding the utility extension

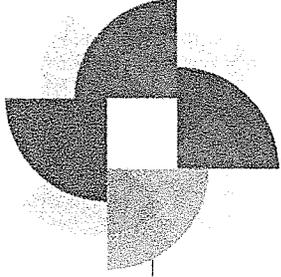
4. **RECOMMENDATIONS:** The EDA is to discuss the acquisition of the excess golf course property and provide staff with direction.

Enc: Map
PowerPoint Presentation from Ehlers, dated January 27, 2009



Excess Golf Course Property





The IGH Economic Development Authority (EDA): Possible Option to Address Our Golf Course Need

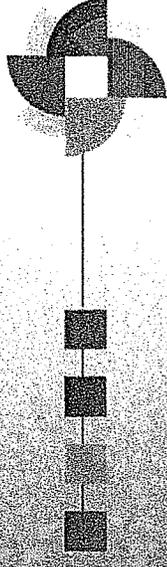
January 27, 2009

Presented by:

Steve Apfelbacher – Ehlers



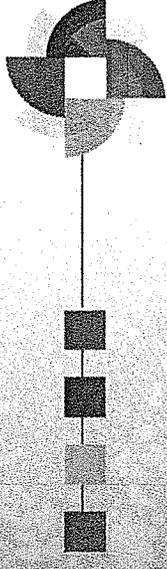
Golf Course Need



- ❑ The 2003A \$3,940,000 Golf Course Bonds
 - ❑ \$2,340,000 remain outstanding
 - ❑ Debt payments are \$450,000 per year through 2014
- ❑ Recent financial statements show that the annual golf course revenues have not covered operating costs and debt payments
- ❑ How could we change the cost structure for the Golf Course?



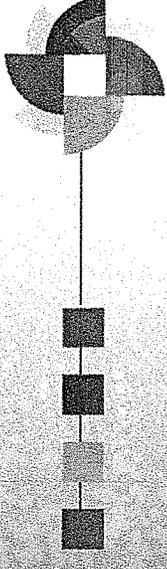
Possible EDA Role



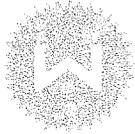
- The Golf Course also has attached property it can sell
- Given the current real estate market, it will be awhile before the property will sell
- The City could wait and sell the property to private parties; or
- Immediately sell the property to the City Economic Development Authority.



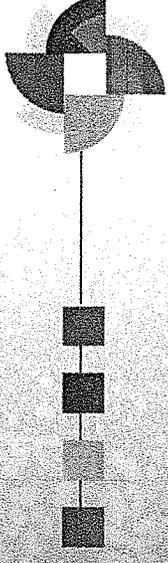
EDA Option



- ❑ EDA could buy the property from the City at fair market value
- ❑ City must deposit any golf course land sale proceeds into the 2003 Golf Course Bond Debt Fund
- ❑ Any excess cash in the Debt Fund would reduce the debt payment of the Golf Course and make the Golf Course more cost competitive



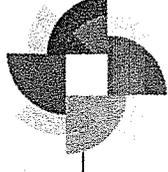
Advantages of EDA Option



- ❑ Improves the financial position of the Golf Course
- ❑ Puts property in the ownership of the EDA which has more authority and flexibility to sell property
- ❑ Reestablishes the EDA and positions the EDA to be able to assist the City with future development and/or redevelopment projects



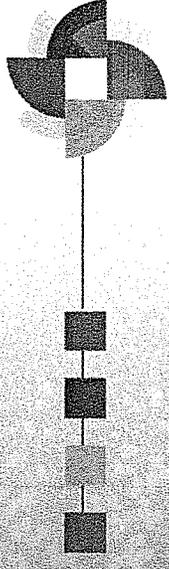
EDA Option Discussion Topics



- The IGH City Council created the IGH EDA in 1992. (EDA Board same a Mayor/Council)
 - Appears nothing done once EDA established
 - Legal review needed on how best to proceed
 - City Council would agree to advance, loan or grant EDA funds to purchase land
 - Portion of 2003 Bonds will be defeased since bonds are not callable until Dec 1, 2012



Summary



- This option is a way to improve the financial position of the Golf Course and position the City to have more tools available for tax base expansion/new jobs in tough times.
- Thoughts
- Questions
- Does this option make sense?



4.E.

MEMO

CITY OF INVER GROVE HEIGHTS

TO: Inver Grove Heights Economic Development Authority
FROM: Thomas J. Link, Director of Community Development 
DATE: July 20, 2011 for EDA Meeting of August 1, 2011
SUBJECT: Draft 2012 Budget

1. **ACTION REQUESTED:** The Inver Grove Heights Economic Development Authority (EDA) is to consider approving the draft 2012 Budget for economic development, as attached.
2. **BACKGROUND/ANALYSIS:** The EDA discussed this issue at its last meeting. The creation of an economic development budget is new for 2012. However, most of the costs are shifts from previous years' Community Development budget.
3. **ANALYSIS:** The personnel costs assume that 10% of the Community Development Director's time will be spent on economic development activities. For the time being, the Recording Secretary's attendance will be considered to be part of the regular 40 hour work week, thus avoiding the additional costs of overtime. This will be reconsidered if the Community Development Department's workload increases. The draft budget assumes no new or additional personnel costs to the City. Rather, the costs would be shifted from the Community Development Department's budget.

The Professional Services includes the City attorney, bond counsel, financial consultant, and other consultants. The draft budget anticipates the City attorney's attendance at some of the EDA meetings. The Professional Services also includes the Progress Plus contribution of \$25,000. \$8,000 of the Professional Services costs would be additional expenses that are not currently in the Community Development Department's budget.

Other Services include the occasional publication of a public hearing notice, membership in the Economic Development Association of Minnesota (EDAM), and attendance at the annual EDAM winter meeting, held in the Twin Cities. Again, none of these costs are new but rather are shifted from the Community Development Department's budget.

The budget also assumes the transfer of \$500,000 to an Economic Development account, as was budgeted in 2011. The EDA would determine, at a later date, the use of such funds.

4. **RECOMMENDATION:** Staff recommends adoption of the Economic Development Authority's 2012 budget, as attached, subject to City Council actions.

Enc: Draft 2012 Budget

cc: Jennifer Gale, Progress Plus
Ellen Watters, Progress Plus

City of Inver Grove Heights Proposed 2012 Budget

Econ Development

Account Number	Account Description	2009 Actual	2010 Actual	2011 Amended Budget	04/30/11 Actual	2011 Forecast	2012 Department Request	2012 Admin Recommended	City
10-10	Regular Full-time	0	0	0	0	0	11,600		
10-20	Part-time	0	0	0	0	0	0		
10-40	Overtime	0	0	0	0	0	0		
20-10	Flexible Comp. Spending	0	0	0	0	0	400		
20-30	Employer Social Security	0	0	0	0	0	700		
20-35	Employer Medicare	0	0	0	0	0	200		
20-40	Employer PERA	0	0	0	0	0	800		
20-60	Medical Insurance	0	0	0	0	0	700		
20-62	Life Insurance	0	0	0	0	0	0		
20-63	LTD Insurance	0	0	0	0	0	0		
20-75	Workers Compensation	0	0	0	0	0	0		
20-80	Compensated Absences	0	0	0	0	0	0		
	Personnel	0	0	0	0	0	14,400		0
30-15	Fiscal Consultants	0	0	0	0	0	2,000		
30-42	Legal - Corporate	0	0	0	0	0	4,000		
30-44	Legal - Bond Counsel	0	0	0	0	0	1,500		
30-55	Flex/Comp Account Fee	0	0	0	0	0	0		
30-70	Other Professional Services	0	0	0	0	0	500		
	Prof/Tech Services	0	0	0	0	0	8,000		0
40-42	Repairs & Maint. - Equip't	0	0	0	0	0	0		
	Purch. Svcs - Prop/Equipment	0	0	0	0	0	0		0
30-55	Flex/Comp Account Fee	0	0	0	0	0	0		
30-70	Other Professional Services	0	0	0	0	0	0		
	Prof/Tech Services	0	0	0	0	0	0		0
50-19	Insurance Allocation	0	0	0	0	0	0		
50-20	Telephone	0	0	0	0	0	0		
50-25	Advertising/Published Notices	0	0	0	0	0	200		
50-30	Printing & Binding	0	0	0	0	0	0		
50-65	Travel (Mileage & Parking)	0	0	0	0	0	0		
50-70	Dues, Licenses & Subscriptions	0	0	0	0	0	25,200		
50-75	Meals & Lodging	0	0	0	0	0	0		
	Other Purchased Services	0	0	0	0	0	25,400		0

City of Inver Grove Heights

Proposed 2012 Budget

Econ Development

Account Number	Account Description	2009 Actual	2010 Actual	2011 Amended Budget	04/30/11 Actual	2011 Forecast	2012 Department Request	2012 Admin Recommended	City
60-10	Supplies - Office	0	0	0	0	0	0	0	0
60-18	Supplies - Training	0	0	0	0	0	0	0	0
60-40	Small Tools & Mis. Equipment	0	0	0	0	0	0	0	0
60-41	Misc. Computer Hardware	0	0	0	0	0	0	0	0
60-42	Misc Computer Software	0	0	0	0	0	0	0	0
60-65	Supplies - Other	0	0	0	0	0	2,000	0	0
60-70	Central Stores Allocation	0	0	0	0	0	0	0	0
Supplies		0	0	0	0	0	2,000	0	0
80-10	Land	0	0	0	0	0	0	0	0
Capital Outlay		0	0	0	0	0	0	0	0
Total Expenses		0	0	0	0	0	49,800	0	0

**2012 BUDGET REQUEST
CHANGE IN CURRENT FULL TIME**

DEPARTMENT:
DEPARTMENT CODE:
PERSONNEL REVIEW:

Economic Development
3XXX

POSITION TITLE	PROPOSED DATE OF HIRE/CHANGE 2012 JUSTIFICATION	MONTHLY SALARY	2012 DEPT REQUEST
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10% of the Community Development
Director's wages and benefits are proposed
to be shifted to Economic Development

2012 BUDGET REQUEST
CHANGE IN CURRENT PART TIME

DEPARTMENT: Economic Development
DEPARTMENT CODE: 3XXX
PERSONNEL REVIEW: _____

POSITION TITLE	PROPOSED DATE OF HIRE/CHANGE	2012 JUSTIFICATION	HOURS	HOURLY RATE	2012 DEPT REQUEST
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No part-time is requested for 2012

2012 BUDGET REQUEST
CHANGE IN TEMPORARY OR SEASONAL EMPLOYEES

DEPARTMENT: _____ Economic Development
DEPARTMENT CODE: _____ 3XXX
PERSONNEL REVIEW: _____

POSITION TITLE	2011		2012	
	DATE OF HIRE/CHANGE 2011 JUSTIFICATION	ADOPTED PROPOSED DATE OF HIRE/CHANGE BUDGET	DEPT	REQUEST

No temporary or seasonal is requested for 2012

**2012 BUDGET REQUEST
CHANGE IN OVERTIME**

DEPARTMENT: Economic Development
 DEPARTMENT CODE: 3XXX
 PERSONNEL REVIEW: _____

POSITION TITLE	2011 JUSTIFICATION		2011 ADOPTED BUDGET		2012 JUSTIFICATION		2012 DEPT REQUEST	
	HOURS	HOURLY RATE	HOURS	HOURLY RATE	HOURS	HOURLY RATE	HOURS	HOURLY RATE
					0	\$0.00		\$0.00

No overtime is being requested. The Recording Secretary's time will be part of the regular 40 hour work week, thus avoiding the costs of overtime. This will be reconsidered if the department workload increases.

FORM E

2012 BUDGET REQUEST OTHER CURRENT EXPENDITURES

DEPARTMENT: Economic Development
 DEPT CODE: 3XXX

ACCT	2011 JUSTIFICATION	2011 ADOPTED BUDGET	2012 JUSTIFICATION	2012 DEPT REQUEST
30-15			FISCAL CONSULTANT \$2000 is requested for financial services on various issues, such as acquisition and financial assistance, and, as necessary, EDA meetings.	2,000
30-42			CORPORATE LEGAL \$4000 is requested for legal services on various issues, such as acquisitions and financial assistance programs, and EDA meetings.	4,000
30-44			BOND COUNSEL \$1500 is requested for bond counsel advice on various issues, such as acquisition and financial assistance programs and, as necessary, EDA meetings.	1500
30-70			OTHER PROFESSIONAL SERVICES \$500 is requested for economic development expertise, as necessary.	500
50-25			PUBLISHED NOTICES Cost of publishing public hearing notices.	200

FORM E

2012 BUDGET REQUEST OTHER CURRENT EXPENDITURES

DEPARTMENT: Economic Development
 DEPT CODE: 3XXX

ACCT	2011 JUSTIFICATION	2011 ADOPTED BUDGET	2012 JUSTIFICATION	2012 DEPT REQUEST
50-70			DUES, LICENSES \$200 is requested for membership in the Economic Development Assoc of MN	25200

\$25,000 is requested for membership/contribution to Progress Plus

50-80

CONFERENCES AND SEMINARS
 \$300 is requested for attendance at:
 .Economic Development Assoc of MN Annual Conference - \$200
 .River Heights Chamber of Commerce Annual Meeting - \$100

300

MEMO

CITY OF INVER GROVE HEIGHTS

TO: Inver Grove Heights Economic Development Authority

FROM: Thomas J. Link, Director of Community Development 

DATE: July 20, 2011 for EDA Meeting of August 1, 2011

SUBJECT: Economic Development Authorities

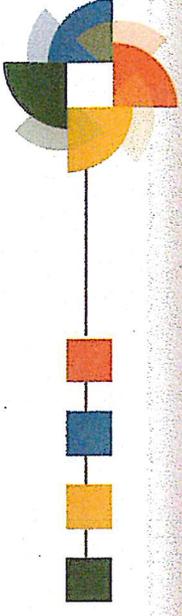
Enclosed, as requested by the Economic Development Authority (EDA), are materials previously distributed to the City Council regarding economic development authorities. The material discusses the rationale for an EDA, its purpose and powers, and a discussion of pros and cons. The material is enclosed for the EDA's information.

The material includes:

- Excerpts from a PowerPoint presentation from Ehlers, dated February, 2009
- A memo from Kristen Barsness, Development Consultant, dated August 16, 2010
- Excerpts from a PowerPoint presentation from Kristen Barsness on August 30, 2010

Also enclosed, for the EDA's information, is an Economic Development Authority Handbook that was recently prepared by the State of Minnesota. It discusses the formation and operation of an EDA and its powers.

TJL/kf

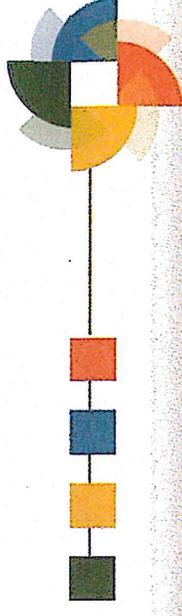


Inver Grove Heights: Economic Development Authorities

February 2009



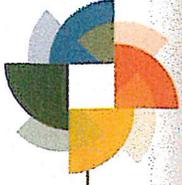
Why an EDA?



- The City continues to deal with Economic Development/Housing issues
 - Requests for Developer assistance
 - Golf Course land
 - A&W
 - Acquisition and Sale of Property
 - 80th Street
 - Concord St
 - South Robert Street
- There will be other requests
- An EDA provides an option for coordinating long-term economic development planning



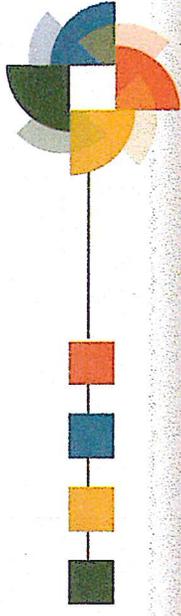
Purpose/Powers of an EDA



- Utilize TIF for purposes of Act
- Make loans for economic development
- Acquire and/or hold or sell property
- Act as limited partner
- Enter into contacts for economic development purposes
- Advance funds for development and redevelopment
- Provide seed or venture capital
- Acquire easements
- Own and operate public facilities that promote an economic development district
- Improve land for development purposes
- Borrow money/issue bonds
 - GO or Revenue
- Accept land, money or assistance from federal or state government
- Establish Economic Development Districts
- Eminent domain
- Others...



Pros and Cons of EDA



- **Pros**
 - Potential to be self-supporting economic development tool
 - Promotes a focus on economic development
 - Tax levy to support development/staff
 - More statutory authority to complete development activities
 - Ability to serve as a conduit for lease purchase
 - Separate from City
- **Cons**
 - Likely require seed money, EDA levy, or other revolving source of revenue
 - Autonomy could cause political / accountability problems
 - Another public body to support



Memorandum

To: Tom Link, City of Inver Grove Heights
From: Kirstin Barsness, Development Consultant
Date: August 16, 2010
RE: City Council Workshop -Economic Development Authorities

For the city council workshop on August 30, 2010 I have prepared a discussion outline on the Economic Development Authorities (EDA's); their structure, role and potential uses. A corresponding power point will be used; however, I wanted to communicate more detailed information through this memorandum.

Why an EDA?

An EDA was established to assist communities in accomplishing development goals related either to housing or their economy. Prior to the advent of EDA's cities were limited to using their municipal industrial development powers. Municipal powers are generally defined by statute and as such can expose cities to liability when using them for economic or redevelopment purposes.

Municipal industrial development authority is cumbersome in comparison with the ease of using either HRA or EDA powers. Within the statute, municipalities are not provided direct authorization to pursue real property acquisitions, but must depend upon interpretation of a "quality of life" provision which is ambiguous at best.

To pursue a property purchase using municipal powers requires that the city make numerous findings and hold public hearings. An EDA however has direct authority to engage in property acquisitions, and can utilize other financial tools besides tax increment financing or general funds to accomplish this. An EDA may borrow funds from different sources, but are not limited to just bonds or bank financing. They can joint venture or carry an equity position in a development project, where a city using solely municipal development powers may not.

One example is an EDA's ability to issue general obligation bonds without referendum for public facilities. Many communities, including Cottage Grove have constructed public safety buildings using their EDA and leased them back to the city. In the case of Cottage Grove, the referendum failed but the need to still provide fire protection spurred the City Council to use their EDA to ensure the public safety of the community was met by constructing three new fire stations. Without the EDA, the city would either need to lease from a private owner or try to pass the referendum again.

Flexibility is the greatest advantage to using an EDA versus relying on municipal development powers. Statutorily, an EDA can draw upon and use authorities granted to HRA's, cities, and its' own set of powers to assist in accomplishing community housing and economic development goals. The ability to match the

authority/power to the project or program is unmatched and simplifies redevelopment and housing activities.

Specific EDA Powers

The foremost role of an EDA is to be a vehicle or tool for cities to accomplish their development objectives. This can be in the housing, new development or redevelopment areas. Utilizing powers from the municipal development or housing and redevelopment statutes is only one option. EDA's were also granted their own set of unique powers that expanded a city's capacity to be a catalyst for development.

An EDA can function more like a privately held entity. There is direct authority for an EDA to purchase, sell or lease property to both public and private organizations, including the ability to enter into equity holdings or joint ventures. In cases where land assembly is necessary for redevelopment, this authority allows a city to work collaboratively with a private developer and leverage its own development objectives, instead of relying solely on the zoning code and private developers to deliver new designs and concepts.

Additionally, an EDA can provide financing options to facilitate both housing and economic development. Loan funds, tax increment financing, tax abatement, bonding, utilizing the secondary market are all opportunities available to help structure development. Through the enabling resolution, a city council can limit the EDA's involvement in financings either by requiring that all financial transactions have city council approval or by capping the amount of funds an EDA can access or provide without approval. In the case where the City Council serves as the EDA such as Inver Grove Heights, it would be redundant to have the limitation since the elected body would be fiscally responsible for both the EDA and City. This provision does allow the City Council to restructure the EDA into a hybrid (City Council/residents/business) and still maintain fiscal authority and decisions.

Funding EDA Activities

Programs and operations of EDA's can be funded in a variety of ways. There can be fee for service or application as in the case of a loan or tax increment financing request. These fees can be linked directly to a service, however general operations funding may require a dedicated budget funded through either the general fund, special fund such as the community host fund or an EDA Levy. Many communities use a combination of both sources, while some only rely on a general fund allocation. One benefit of using the EDA levy is that it provides carryover of unspent funds to the next budget year without returning to the general fund pool.

By statute an EDA can levy up to .01813% of the total city taxable market value. This amount is considered a part of the overall city levy limit when limits are in place. In addition to the EDA Levy, an EDA can execute its HRA levy up to

.0185% of the taxable market value. An HRA levy is outside of levy limits. Both levies can be implemented at the same time.

Using an EDA for Housing

To establish a Housing and Redevelopment Authority requires adherence to a housing plan that has made specific finding and declarations per statute. An EDA has the same powers as an HRA, however, to establish an EDA require a single public hearing and an enabling resolution.

A multitude of programs are available to help communities meet their housing goals. Additionally, funding for housing programs can be paid for through the EDA and be leveraged to access funds from other resources such Community Development Block Grants, Minnesota Housing Finance Agency, local banks and other housing advocacy groups.

It is important to remember that with any new initiative staff resources are needed in order for it to be successful. In Inver Grove, partnering with other communities, the Dakota County CDA, Progress Plus, reassignment of staff and new staff are all strategies to be considered. Funding for these initiatives can come from reallocating general fund dollars, an EDA/HRA levy, and or other fees.

Final Comments

I will be at the City Council Workshop on August 30, 2010 to make a presentation on EDA's that will cover this information and answer any questions from the City Council or Staff.

Inver Grove Heights

Economic Development Authority Workshop

August 30, 2010

Presented by Kirstin Barsness, Development Consultant



Agenda

- Introduction
- EDA Framework
 - ▶ EDA Powers
 - General – Municipal, HRA and EDA
 - Specific
 - Financing
 - ▶ EDA Funding Sources
 - Operations
 - Projects and Programs
 - ▶ EDA Logistics
 - Board and Bylaws
 - Limitations and Enabling Resolution

- Next Steps

- Adjourn



Statutory Requirements

- **Enabling Resolution** – outlines specific purpose and level of authority
 - Board Size
 - Officers
 - Power Limitations
- **Specific Purpose** – maximum governance flexibility, includes powers of HRA & municipal powers.
- 1986 Legislation * MN Statute 469.094-108
- Budget Resources and Levy

EDA Framework - Powers

Prepared By Kirstin Barsness



Economic Development Authority General Powers

- Municipal Industrial Development
 - Increasing employment and enhancing tax base
 - Municipal Development
- Housing and Redevelopment Authority
 - Adequate housing; clearing and development of blight
 - Redevelopment Project Area
- Economic Development Authority
 - Making land suitable and available and encouraging the location and expansion of facilities
 - Economic Development District

EDA Framework - Powers

Prepared By Kirstin Barsness



Municipal Powers

- Currently Available
 - City Council approvals
- General Powers
 - Municipal Industrial Development
 - Increasing employment and enhancing tax base
 - Municipal Development District
- Limitations
 - Very general statute with limited implementation guidance
 - City may incur additional liability when implementing development and redevelopment using municipal powers

EDA Framework -Powers

Prepared By Kirstin Barsness



Housing and Redevelopment Authority (HRA)

Statutory Requirements

- 1947 Legislation “MN Statute 469.001-.047”
- **Enabling Resolution** –City Council adopt
- **Specific Purpose** - remove blight and promote affordable, safe and decent housing
- Originally intended to be a separate quasi-independent public corporation

EDA Framework - Powers

Prepared By Kirstin Barsness



Housing and Redevelopment Authority (HRA)

- General Powers
- Housing and Redevelopment Authority
 - Specific powers relating to housing
 - Refers back to City Housing Plan
 - Provides for adequate housing; clearing and redevelopment of blight
 - Redevelopment Project
- Levy Powers
 - Determined by HRA – outside of City levy limits
 - Maximum annual levy - .0185 % of city taxable market value
 - Requested by HRA and Adopted by Council - can be given for current and future years

EDA Framework - Powers

Prepared By Kirstin Barsness



Economic Development Authority

- General Powers
 - Making land suitable and available and encouraging the location and expansion of facilities.
 - Economic Development District
 - Municipal Development District
 - Redevelopment Project Area

EDA Framework - Powers

Prepared By Kirstin Barsness



Economic Development Authority

Specific Powers

- Acquisition of Property
- Option Property
- Eminent Domain
- Receive Public Property
- Own and Operate Public Facilities
- Loans
- Contract
- Limited Partnerships
- Joint Powers Agreements
- Public Facilities
- Public Relations
- Studies and Research
- Tax Increment
- Tax Abatement

EDA Framework - Powers

Prepared By Kirstin Barsness



Economic Development Authority

Financing Powers

- General Obligation Bonds
- Revenue Bonds
- Tax Increment Bonds
- Tax Abatement Bonds
- Industrial Revenue Bonds
- Secondary Market
- Revolving Loan Funds

EDA Framework - Powers

Prepared By Kirstin Barsness



Economic Development Authority

Levy Powers

- Determined by Council – subject to City levy limits
- Maximum annual levy - .0813 % of city taxable market value
- Levy may be increased - subject to reverse referendum
- EDA with HRA powers – may levy both
 - HRA levy is .0185% and outside of levy limits
 - HRA levy must be spent to address housing and blight related issues
 - HRA levy shows on property tax statement as a special tax

EDA Framework - Powers

Prepared By Kirstin Barsness

ECONOMIC DEVELOPMENT AUTHORITY HANDBOOK

JUNE 2011



PREFACE

In these uncertain economic times, it is more important than ever for cities to develop and utilize sound economic development procedures and practices to address an ever more complex and changing marketplace.

This handbook has been prepared as a guide to assist local economic development leaders to utilize their limited resources in the best practical manner. Furthermore, this handbook seeks to ascertain methods in which one can better set up one's EDA to make it more efficient and effective in utilizing scarce resources. The key to successful economic development is communication with local businesses to learn of their needs and concerns, and to determine how to best use the community's resources to address those concerns.

Throughout my career in various economic development roles, I have seen, firsthand, just how vital development tools such as EDAs, Housing and Redevelopment Authorities, and Port Authorities can be to a community in building a vibrant business climate and in generating significant employment opportunities. Early in my career at the Region Nine Development Commission, I would have given anything to have a document such as this to utilize! As a Business Finance Specialist with the Minnesota Department of Trade and Economic Development (now MN DEED) I was able to see directly just how important EDAs are to local communities and how they could be utilized to great effect by cities in Southern Minnesota. In addition, the ability to utilize EDA powers significantly benefited economic development through my tenure as Community Development Director in the City of Roseville and as City Administrator for Oakdale. In both communities, I found the use of an EDA (or similar authorities) to be an invaluable tool in many development and redevelopment projects.

I would like to offer special thanks to a number of individuals for their hard work and dedication in updating this handbook. I would especially like to thank Mary Ippel from Briggs and Morgan for her experience and for her extensive help preparing this handbook. I would also like to thank the City of Oakdale staff including Assistant to the Administrator Dave Schaps, for coordinating the update of this handbook and compiling the information, and Intern Devin Swanberg for conducting the background research. In addition, my thanks to the Minnesota Economic Development Foundation for funding this project, as well as the Minnesota Department of Employment and Economic Development for its review and subsequent publication of the handbook. We hope this guide will help you in your own economic development endeavors. Now go out there and create jobs and develop that tax base!

Sincerely,

Craig A. Waldron,
City Administrator, ICMA-CM
City of Oakdale

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NOTICE

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INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS

There are several types of organizational structures available for community economic development programs. The type of organization that a community decides to establish is dependent on the special activities that are targeted. In some communities, business development and job creation are the primary goals, while others have housing development as a priority. Many communities have existing community economic development groups. There are several different kinds of organizations available that focus on economic growth. The type of growth that a community wishes to achieve will dictate what type of group will be formed. In addition, the purpose and creation of the organization will impact the statutory powers available to the entity. Each of these organizations may focus on different issues such as housing development, creation of jobs, and business development. The majority of community groups focus on economic growth opposed to housing growth.

Outlined below is a brief description of each type of development organization.

Business Organizations

Commercial Club: Usually an incorporated 501(c)(4) or (6) organization whose purpose is to promote community and retail events. This group is usually made up of local retail owners and owners of local businesses. This is an unpaid organization consisting of volunteers and has no staff.

Chamber of Commerce: A chamber is an incorporated non-profit 501(c)(4) or (6) that is generally affiliated with the state and national chamber of commerce. The chamber consists of local business professionals of the community who meet together to promote local businesses and the community. Generally, they have an elected board with limited staff. Larger chambers often deal with tourism and overall business development of the community. They sometimes are politically active and can be a powerful lobbying force when dealing with policy that affects the community's economic strategy. Chambers are generally active and can hold educational and other events for local businesses.

Development Corporations

For-Profit: A corporation formed to develop and sell industrial land and/or provide financing for business development within the community. Local investors can buy shares that can be paid in dividends from profits made on projects. Money invested in corporations can be repaid to the stockholders. The board is made up of shareholders and may or may not have staff. The corporation is subject to federal and state income tax.

Non-Profit: A corporation formed to develop and sell industrial land and/or provide financing for business development in the community. Shares are sold or funds may be raised in other ways. No dividends are paid on shares. The non-profit corporation must obtain either 501(c)(3)

or 501(c)(4) status from the IRS. Donations made to a 501(c)(3) by both individuals and businesses are tax deductible. Obtaining 501(c)(3) status can be difficult, expensive and time-consuming and many communities are not willing to go through the lengthy process. Although 501(c)(4) status is less difficult to obtain than 501(c)(3) status, only a business may make contributions that are tax deductible, individual contributions are not eligible for the tax deduction. Also, organizations with 501(c)(3) are prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of or against any candidate for elective public office.

Government Organizations

Economic Development Commission: A board used to advise a City Council, appointed by the Mayor and/or City Council. It has limited or no decision making authority and is used as a sounding board or a first point of contact for the City Council on development projects. The commission is used to draft strategies and policies for ratification and implementation of local plans on a volunteer basis.

Housing Redevelopment Authority (HRA): An HRA is a public corporation with power to undertake certain types of housing and redevelopment or renewal activities. While state legislation conveys authority for housing and redevelopment in each City, it is up to the City Council to formally establish an HRA before it can do business and use its powers. Once a council legally establishes an HRA, it may undertake certain types of planning and community development activities on its own with council approval.

Port Authority: This is a legal entity created by the State Legislature to promote the general welfare of a City's port district, increase the volume of commerce in the port and provide facilities for handling, storage and shipment of freight. The Port Authority actively develops commerce within the City and can enable business location and expansion. The powers of a Port Authority are more expansive than those of an HRA or an EDA. The State Legislature authorizes the creation of Port Authorities. A Port Authority is a separate political entity with the right to sue and be sued in its own name and is generally organized to increase commerce in a City. Unlike EDAs and HRAs, a Port Authority may issue general obligation bonds without holding an election.

Joint Powers Board: This is a board created by multiple Cities, Townships or Counties for a certain purpose, such as economic development. The agreement between the units of government would specifically describe activities and powers that the board exercises in carrying out its duties.

Economic Development Authority (EDA): An EDA is a legal entity created by a City or a County to facilitate a well-rounded development program by taking advantage of some of the port authority powers and all of the HRA powers. By combining and utilizing HRA, EDA and City powers, community leaders are able to create flexible business assistance and development programs. EDAs for example, are allowed, to buy and sell property; make loans and grants to businesses; provide guarantees or other credit enhancements; and to sell bonds.

All Cities have authority from the State Legislature to create an EDA. The City may consolidate the EDA with an existing HRA or the City may establish the EDA as a separate entity. The City Council may create an EDA by passing an enabling resolution. Before adopting the enabling resolution, the City must first conduct a public hearing. The enabling resolution establishes a Board of Commissioners for the EDA. The City Council can choose to serve as the EDA Board of Commissioners or create a board composed of council members and community members. The Mayor, with approval of the Council, appoints the Commissioners. The Board may consist of three, five or seven members who serve six-year terms. The Board is subject to the open meeting law.

Rural Development Finance Authority (RFDA). A nonprofit corporation established by a County or group of Counties through special legislation. RFDAs are designed to facilitate the production and processing of agricultural products and promote jobs in agriculture and natural resources industries. The board is appointed by the County Board of Commissioners.

Note: Please see appendix for a table comparing selected development laws.

FORMATION AND OPERATION OF AN ECONOMIC DEVELOPMENT AUTHORITY

Reasons for Forming an EDA

The Minnesota Legislature granted Cities the power to create economic development authorities in 1987. By giving Cities this ability they can promote economic growth. EDAs were created to work in conjunction with and to facilitate other economic development organizations such as Port Authorities and Housing Redevelopment Authorities (HRA). This allows Cities to create a better approach to economic development allowing them to create flexible business assistance and development programs.

In addition to HRA powers, EDAs were authorized to exercise the powers of Cities in connection with City development districts and the powers of municipalities or development agencies in connection with municipal industrial development. By consolidating the powers of economic and housing development into one body, City officials are not only able to focus development on blighted areas but, also create programs that will prevent blight from occurring elsewhere within the community.

The primary powers of an EDA:

- Serve to promote business and to recruit new businesses
- Issue revenue bonds.
- Acquiring property.
- Purchase and sell land.
- Serve as a limited partner.
- Make or guarantee or other credit enhancements.
- Issue general obligation bonds (approved by election).

Procedures for Establishing an EDA

In order for a City to create an EDA the City Council must adopt a written resolution called an enabling resolution. A County can also create an EDA. This handbook describes the process for Cities to establish an EDA. Through the enabling resolution EDA's are granted all of the powers described in Minnesota Statutes, 469.090-1082, subject to any limitation on those powers as specified by the City. EDA's are also granted the powers given to HRAs in the HRA law, powers almost identical to Port Authorities under the Port Authority Law and all of the development powers granted to a City under the municipal development district law and the industrial development act.

Before adopting an enabling resolution the City Council must hold a public hearing and it must determine the number of Board Members to be on the EDA. The notice of the public hearing must identify the place and time of the hearing, brief statement of the purpose of the hearing, and the notice must contain a summary of the resolution. The notice of public hearing must be published in newspaper of general circulation once a week for two consecutive weeks prior to

the meeting. The first publication must appear not more than 30 days from the date of the public hearing.

Without limiting the right of the EDA to petition the City Council at any time, each year, within 60 days of the anniversary date of the first adoption of the enabling resolution, the EDA shall submit to the City Council a report stating whether and how the enabling resolution should be modified. Within 30 days of receiving the recommendation, the City Council shall review the enabling resolution, consider the recommendation of the EDA, and make any modification it considers appropriate (Minn. Stat. § 469.092, Subd. 3).

All modifications to the enabling resolution must be by written resolution and must be adopted after notice is given and a public hearing conducted as required for the original adoption of the enabling resolution (Minn. Stat. § 469.093, Subd. 2).

An EDA is a public body corporate and politic as well as a political subdivision of the State of Minnesota with the right to sue or be sued in its own name. An EDA carries out an essential governmental function when it exercises its powers, but is not immune from liability because of this. (Minn. Stat. § 469.091, Subd. 2)

Enabling Resolution, Bylaws, Transfer Resolution and Ordinance Checklist

_____ **Board Size (Optional)**

- _____ 3 – Minimum of 1 City Council member
- _____ 5 – Minimum of 2 City Council members
- _____ 7 – Minimum of 2 City Council members

_____ **Officers/Staff Powers and Duties**

- _____ - President
- _____ - Vice President
- _____ - Treasurer
- _____ - Assistant Treasurer
- _____ - Executive Director
- _____ - Engineers
- _____ - Technical/Support Staff
- _____ - Secretary

_____ **Procedures**

- _____ - Board Compensation
- _____ - Budget
- _____ - Fiscal Year
- _____ - Corporate Seal
- _____ - Annual/Monthly/Special Meetings
- _____ - Depositories
- _____ - Quorum
- _____ - Treasurer's Bond
- _____ - Reports/Financials/Audits
- _____ - Professional/Technical Services
- _____ - Amendments to By-Laws
- _____ - Conflict of Interest

_____ **Committee Structure (optional)**

- _____ - Local Publicity
- _____ - Planning and Zoning
- _____ - Sites and Buildings
- _____ - Business Retention and Expansion
- _____ - Marketing
- _____ - Advisory

_____ **Transfer of Authority and Programs**

_____ **Economic Development Powers**

- _____ - Economic Development Districts
- _____ - Acquisition of Property
- _____ - Eminent Domain
- _____ - Limited Partnerships
- _____ - Acceptance of Public Land
- _____ - Public Facilities
- _____ - Studies/Analysis/Research
- _____ - Loans
- _____ - Mined Underground Space
- _____ - Advances
- _____ - Redevelopment Districts
- _____ - Options
- _____ - Contracts
- _____ - Rights and Easements
- _____ - Foreign Trade Zone
- _____ - Government Agent
- _____ - Public Relations
- _____ - Use of Proceeds
- _____ - Levy of Taxes
- _____ - Issuance of Bonds

_____ **Housing and Redevelopment Powers**

- _____ - Acquisition of Open Land
- _____ - Sale of Real/Personal Property
- _____ - Comprehensive Plans
- _____ - Joint Powers Agreements
- _____ - Bonding Authority
- _____ - Property Tax Exemption
- _____ - Rehabilitation Loan/Grants
- _____ - Acquisition of Unused Land
- _____ - Studies
- _____ - Inventory of Land/Buildings
- _____ - Parking Facilities
- _____ - Special Benefit Tax
- _____ - Borrowing/Acceptance of Funds
- _____ - Interest Reduction Program

_____ **Limitations on Powers**

- _____ - Limitations on All Powers
- _____ - Limitations on Individual Powers

Board of Commissioners of EDA

Board Size

The City Council must determine the size and makeup of a Board of Commissioners. The City Council may serve as the Board of Commissioners or it can create a board that includes members of the community.

The Board shall be appointed as follows:

- A. Three-member EDA: the Commissioners constituting a three-member EDA, one of whom must be a member of the City Council, shall be appointed by the Mayor with the approval of the City Council. Those initially appointed shall be appointed for terms of two, four, and six years, respectively. Thereafter all Commissioners shall be appointed for six-year terms.
- B. Five-member EDA: the Commissioners constituting a five-member EDA, two of whom must be members of the City Council, shall be appointed by the Mayor with the approval of the City Council. Those initially appointed shall be appointed for terms of two, three, four, five and six years respectively. Thereafter all Commissioners shall be appointed for six-year terms.
- C. Seven-member EDA: the Commissioners constituting a seven-member EDA, two of whom must be members of the City Council, shall be appointed by the Mayor with the approval of the City Council. Those initially appointed shall be appointed for terms of one, two, three, four, and five years respectively and two members for six years. Thereafter all Commissioners shall be appointed for six-year terms.

An EDA may be increased from three to five or seven members or from five to seven members by a resolution adopted by the City Council following the procedures provided for modifying the enabling resolution.

Cause for Removal

A Commissioner may be removed by the City Council for inefficiency, neglect of duty, or misconduct in office. A Commissioner shall be removed only after a hearing. A copy of the charges must be given to the Commissioner at least ten days before the hearing. The Commissioner must be given an opportunity to be heard in person or by counsel at the hearing. When written charges have been submitted against a Commissioner, the City Council may temporarily suspend the Commissioner. If the City Council finds that those charges have not been substantiated, the Commissioner shall be immediately reinstated. If a Commissioner is removed, a record of the proceedings, together with the charges and findings, shall be filed in the office of the City clerk.

Vacancy

A vacancy is created in the membership of an EDA when a City Council member of the EDA ends council membership. A vacancy for this or another reason must be filled for the balance of the unexpired term, in the manner in which the original appointment was made. The City Council may set the term of the commissioners who are members of the City Council to coincide with their term of office as members of the City Council.

Committees

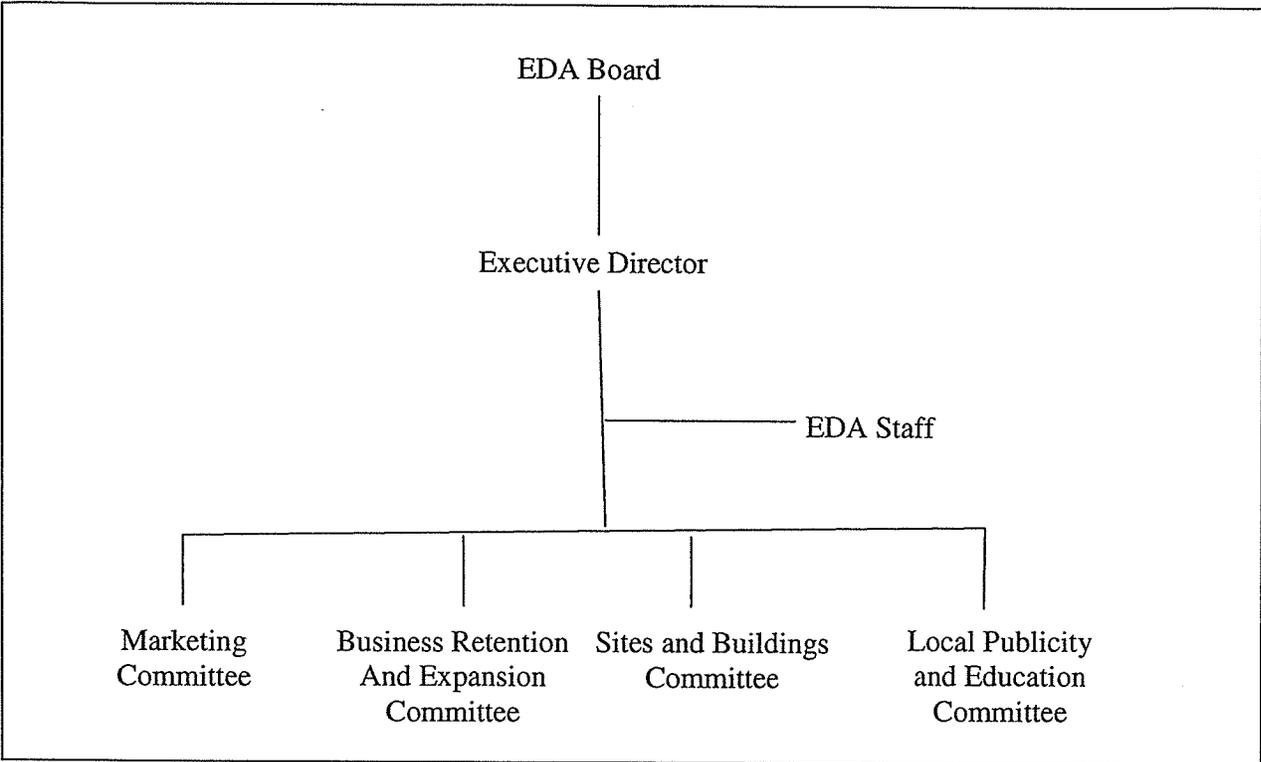
The EDA Board of Commissioners is responsible for the decision making process for the EDA, many Cities have found it helpful to develop a committee structure to assist in reaching the economic development goals of the community on or ongoing or ad hoc depending on upon the workload and particular issues that may arise. Possible committees could include:

Local Publicity and Education Committee

Sites and Buildings Committee

Business Retention and Expansion (BRE)

Marketing Committee



Officers, Duties and Organizational Issues

The EDA must adopt bylaws, rules of procedure and an official seal. In the appendix is an example of organizational bylaws.

Officers

An EDA shall elect a president, a vice-president, a treasurer, a secretary and an assistant treasurer. The Authority shall elect the president, treasurer, and secretary annually. A Commissioner must not serve as president and vice-president at the same time. The other offices may be held by the same Commissioner. The offices of secretary and assistant treasurer need not be held by a Commissioner. At a minimum, there must be three officers on the board. (Minn. Stat. § 469.096).

Duties and Powers of Officers

The president and vice-president have the usual duties and powers of their offices. They may be given other duties and powers by the EDA.

The treasurer is responsible for receiving, disbursing and monitoring all funds of the EDA. When disbursing funds, the transaction must be by check only. The treasurer must also keep an account of the source of all receipts, as well as the nature, purpose and authority of all expenditures. The treasurer is responsible for filing a detailed financial statement with the secretary at least once a year at times set by the EDA. Quarterly reports may also be filed. The treasurer is also responsible for the acts of the assistant treasurer. The assistant treasurer has the powers and duties if the treasurer is absent or disabled. (Minn. Stat. § 469.096, Subd. 4).

The EDA must obtain a treasurer's bond conditioned for the faithful discharge of official duties. The bond must be approved as a form and surety by the EDA and filed with the secretary. The bond must be for twice the amount of money likely to be on hand at one time, as determined at least annually by the EDA provided that the bond may not exceed \$300,000 (Minn. Stat. § 469.096, Subd. 6)

The EDA may choose to have the secretary and the assistant treasurer position filled by a non-board member (Minn. Stat., § 469.096, Subd. 2).

Public Money

EDA money is public money.

Checks

An EDA check must be signed by the treasurer and one other officer named by the EDA in a resolution. The check must state the name of the payee and the nature of the claim that the check is issued for.

Financial Statement

The EDA's detailed financial statement must show all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, the EDA's credits and assets, and its outstanding liabilities in a form required for the City's financial statements. The EDA shall examine the statement together with the treasurer's vouchers. If the EDA finds that the statement and vouchers are correct, it shall approve them by resolution and enter the resolution in its records. (Minn. Stat. § 469.051).

Compensation and Reimbursement

A Commissioner, including the president, shall be paid for attending each regular or special meetings in an amount to be determined by the City Council. (Minn. Stat., § 469.095, Subd. 4). In addition to receiving pay for meetings, the Commissioners may be reimbursed for actual expenses incurred in doing official business of the EDA. All money paid for compensation or reimbursement must be paid out of the EDA's budget.

Conflict of Interest

A Commissioner or employee of an EDA shall not acquire any financial interest, direct or indirect, in any project or in any property included or planned to be included in any project

sponsored by the EDA. EDA Commissioners or employees may not have any financial interest, direct or indirect, in any contract or proposed contract for materials or services to be furnished or used in connection with any project (Minn. Stat., § 469.098).

The following is a list of exceptions when an EDA may contract for goods or services with a Commissioner or officer of the EDA who has a financial interest in a project. Approval of this action must be passed by a unanimous vote of the EDA with the affected Commissioner abstaining from the vote on the resolution (Minn. Stat., § 471.88).

1. When an officer or Commissioner is employed by a bank or savings association that serves as the EDAs depository or as a source of borrowing, and that Commissioner has an interest either direct or indirect, no restrictions apply. However, if a Commissioner or officer does have a direct or indirect interest as a director or an employee of the bank or savings association, he or she must make that disclosure and enter it into the minutes of the EDA. This disclosure serves as notice of the Commissioner's interest and does not need to be made on future transactions with that designated financial institution.
2. When a Commissioner of the EDA is employed by a bank that is engaged in making loans or performing trust services involving real or personal property affected by any plan of the EDA, there is no restriction that applies to the loans made or trust services performed by the Commissioner's bank if he or she discloses the nature of the loans or trust services of which the Commissioner has personal knowledge. This disclosure must be entered in the minutes of the EDA.
3. If the EDA has designated an official newspaper, or publication where it publishes its public notices and minutes, and a Commissioner has an interest in the paper.
4. If the EDA enters into a contract with a cooperative association where a Commissioner is a shareholder or stockholder, but not an officer or manager.
5. A contract for which competitive bids are not required by law and where the amount does not exceed \$5,000.
6. Contracts for goods or services when consideration does not exceed \$5,000 in any year and the sealed bid process is used and the contracting governmental unit has a population of less than 1,000.
7. When an EDA Commissioner is engaged in or employed by a firm that is in the business of importing or exporting or general trade, the EDA may enter into business transactions with the Commissioner or the Commissioner's employer provided that the Commissioner abstains from voting on any resolution that sets rates affecting shippers or users of an EDA-owned facility. (Minn. Stat. § 471.88)

Ethics Law

Changes made in the 1994 Ethics in Government Act not only affect state legislators but also local officials. The definition of a local official is "a person who holds elective office in a political subdivision or who is appointed to or employed in a public position in a political

subdivision". Minn. Stat. § 10A.01 Subd. 22 goes on to state that local officials are those who have the "authority to recommend, or as a member of the governing body, make major decisions regarding the expenditure or investment of public money." Based on these definitions, EDA executive directors and commission members are subject to the gift restrictions of the Ethics in Government Act.

A local official is prohibited from accepting gifts from a lobbyist or lobbyist principal including:

- Money,
- Real or personal property,
- A service,
- A loan,
- A forbearance or forgiveness of indebtedness, or
- A promise of future employment

unless the lobbyist or lobbyist principal receives consideration of equal or greater value in return.

Employees, Services, and Supplies

The EDA may employ an executive director, a chief engineer, other technical experts and agents, and other employees as it may require. The EDA must determine their duties, qualifications and compensation. Also, the EDA may contract for the services of consultants, agents, public accountants, and other persons needed to perform its duties and exercise its powers. The EDA may use the services of the City Attorney or hire a general counsel for its legal needs (Minn. Stat. § 469.097). (See appendix for sample job description).

The EDA may utilize the City/County's purchasing department in connection with construction work and to purchase equipment, supplies and materials. The City/County may furnish offices, structures and space, stenographic, clerical, engineering and other assistance to the EDA in order for it to perform its duties and to carry out its powers.

The EDA may also delegate to one or more of its agents or employees powers or duties it may deem proper.

Depositories

Every two years the EDA shall name a national or state bank(s) within Minnesota as depositories for its funds. Before acting as a depository, the bank must give the EDA a bond approved as to form and surety by the EDA. The bond must state the conditions for the safekeeping and the prompt repayment of deposits. The amount of the bond must be at least equal to the maximum amount expected to be deposited at any one time. An EDA may deposit all its money from any one source in one bank account.

When the EDA funds are deposited by the treasurer in a bonded depository, the treasurer and the surety on the treasurer's official bond are exempt from liability for the loss of the deposits because of the failure, bankruptcy or other act or default of the depository bank. However, an EDA may accept assignments of collateral from the depository bank to secure the deposits just as

assignments of collateral are permitted by law to secure deposit of the EDA's City (Minn. Stat. § 469.099)

Budget, Fiscal Year, Taxes, Audits and Reports

The fiscal year of the EDA must be the same as that of its governing City. It must annually submit its budget to the City in a time frame that matches the City's normal budget cycle. This budget must include a detailed written estimate of the amount of money that the EDA expects to need from the City during the next fiscal year.

There are many ways in which EDA's budgets are established. EDAs have the ability to receive funding from virtually any source, public and private, and including the general funds of the underlying City. In addition, EDAs utilize administrative fees from loan or grant agreements, guarantees or other credit enhancements or contributions from local businesses or organizations.

The most common practice is a direct general fund appropriation to the EDA out of the City general fund. The EDA is required to send its budget to the City Council with an estimate of funding requirements for the next fiscal year, and it is through this procedure that a City may give money from the City's general funds for the EDA to use. There is no limit to the amount of funding that can be provided to an EDA through this mechanism.

One of the fringe benefits of City general fund monies lies in the fact that their use may not be as restricted as monies from other funding sources. This enables an EDA to use them for virtually any economic development purpose, as long as appropriate findings are made and safeguards imposed to demonstrate the use will promote economic development in the City. Such uses include write downs, grants or loans, working-capital loans and the purchase of limited partnership interests. For example, an EDA received funding using dollars remaining in a City's bond fund after all bonds were retired, and used these dollars to capitalize a revolving loan fund.

In addition to the annual budget, the EDA must submit a detailed annual report to the City Council outlining its activities, receipts and expenditures during the preceding calendar year. The report may also include other matters and recommendations that the EDA deems advisable for the economic development of the City.

On an annual basis the financial statements of the EDA must be prepared, audited, filed and published or posted in the manner required for the financial statements of the City. The financial statements must permit a comparison and reconciliation with the City's accounts and financial reports. The report must be filed with the State Auditor by June 30th of each year. The auditor will review the report and may accept it or audit the books of the EDA for cause (Minn. Stat. § 469.100).

City Levy of Taxes for EDA Activities

The City may, at the request of the EDA, levy a tax in any year for the benefit of the EDA in an amount not more than 0.01813 percent of taxable market value. The amount levied must be paid by the City treasurer to the treasurer of the EDA, to be spent by the EDA. A City may increase its levy for economic development authority purposes under Minnesota Statutes 469.107, Subdivision 1 in the following way. The City Council must first pass a resolution stating the

proposed amount of levy increase. The City must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or if none exists in a newspaper of general circulation in the City. The hearing must be held two to four weeks after the first publication. After the hearing, the City Council may decide to take no action or may adopt a resolution authorizing the proposed increase or a lesser increase. A resolution authorizing an increase must be published in the City's official newspaper or if none exists in a newspaper of general circulation in the City. The resolution is not effective if a petition requesting a referendum on the resolution is filed with the City Clerk within 30 days of publication of the resolution. The petition must be signed by voters equaling five percent of the votes cast in the City in the last general election. The election must be held at a general or special election. Notice of the election must be given in the manner required by law. The notice must state the purpose and amount of the levy.

Levy of Taxes for HRA Activities

Subject to the approval by resolution of the governing body of the City, the EDA may levy a tax for HRA purposes upon all taxable property within that taxing district. The levy cannot not exceed an amount equal to 0.0185 percent of taxable market value, and must be spent for purposes authorized under the HRA statutes. These levies must be included in the EDAs annual budget.

Transfer of Authority

The City may by ordinance divide the economic development, housing and redevelopment powers granted under the EDA and HRA sections in Minnesota Statutes, Chapter 469 between the EDA and any other authority or commission established under statute or City charter for economic development, housing or redevelopment.

The City may, by resolution, transfer the control, authority and operation of any project or program located within the City from another governmental agency or subdivision that established the project or program to the EDA. The City may also require the EDA to accept control, authority and operation of the project or program. If a project or program is transferred to the EDA, it may exercise all of the powers that the governmental unit establishing the project or program could have exercised with respect to the project or program.

When a project or program is transferred to the EDA, the EDA must pledge in writing to perform the terms, conditions and covenants of the bond indenture or other agreements executed for the security of any bonds that were issued by the governmental subdivision that initiated the project or program. The EDA may exercise all of the powers necessary to perform the terms, conditions and contracts of any indenture or other agreements executed for the security of the bonds and will become obligated for the bonds when the project or program is transferred.

If the City transfers a housing project or a housing development project to the EDA, the City must transfer all housing development and management powers relating to that specific project or program.

Transfer of Personnel

The City may also by resolution place any employees of the HRA under the direction, supervision or control of the EDA. The transfer of employees does not affect the employee rights existing under a collective bargaining agreement or fringe benefit plan. Upon transfer, the employees will become employees of the EDA.

Powers of an EDA

General Powers and Purposes

The primary benefit of an EDA rests in its ability to easily and flexibly accomplish a wide range of development and redevelopment objectives. An EDA is granted a remarkably full complement of development powers. These include (subject to any limitation in the enabling resolution) the powers enumerated by its enabling legislation, but also those powers granted by cross-reference to housing and redevelopment authorities (HRAs), to Cities in connection with projects and development districts, and to municipalities and redevelopment agencies in connection with Municipal Industrial Development. These development powers allow an EDA great latitude, flexibility and efficiency in pursuing economic development objectives.

The purposes to which EDAs may direct their powers are not entirely clear in the statutes. They appear to include making land suitable and available for economic development and to encourage the location or expansion of economic development facilities. Also, through incorporating the purposes of HRAs, EDAs also can provide adequate housing in addition to clearing and developing blighted areas. And by incorporating the broad purposes of Municipal Industrial Development, EDAs may actively promote, attract and encourage the development of economically sound industry and commerce for the purpose of preventing the emergence of blighted and marginal lands and areas of chronic unemployment.

Usually, an EDA must adopt or reference a broader plan to exercise its powers. Certain EDA powers can only be exercised within the boundaries of an "Economic Development District; certain HRA powers must be exercised within the boundaries of a "Redevelopment Project," and certain municipal powers must be exercised within a "Municipal Development District."

Certain EDA powers must be exercised only within the boundaries of an "Economic Development District." This is not to be confused with the type of TIF financing district of the same name. Instead, it refers to a contiguous area of the City which satisfies the requirements of Minnesota Statutes, Section 469.174, Subdivision 10. This is the same definition as a TIF "redevelopment district" and requires that one of the following conditions exists:

1. Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

"Structurally Substandard" means that a building contains defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection equipment, including adequate egress, the layout and condition of the

interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or if it could be modified to satisfy the building code at a cost of less than fifteen percent of the cost of constructing a new structure of the same square footage and type as on the site (Minn. Stat. § 469.174, Subd. 10(c)).

2. The property consists of vacant, unused, under used, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way.
3. Tank facilities exist on the site as specified in Minn. Stat. § 469.174, Subdivision 10(a)(3).

An Economic Development District may be created by the EDA after the EDA holds a public hearing on the matter. At least 10 days before the hearing, the EDA shall publish notice of the hearing in a daily newspaper of general circulation in the City. Also the EDA shall find that an economic development district is proper and desirable to establish within the City.

4. A qualifying disaster area, as defined in Minn. Stat. § 469.174, Subdivision 10(b).

Redevelopment Project

When the EDA exercises many of the powers of an HRA, such powers must be used within the boundaries of a Redevelopment Project established under the HRA law.

When establishing a Redevelopment Project, the EDA must develop a redevelopment plan which provides an outline for the development or redevelopment of the area. The EDA must obtain the written opinion of the City's planning agency if there is one.

The City Council must approve or disapprove the plan within 30 days after holding a public hearing on the Redevelopment Project. The council must make the following findings in connection with its approval:

1. The land in the project area would not be made available for redevelopment without the financial aid to be sought from the EDA.
2. The redevelopment plans for the redevelopment areas in the locality will afford maximum opportunity consistent with needs of the locality as a whole for the redevelopment of the areas by private enterprise.
3. The redevelopment plan conforms to the general comprehensive plan for the development of the locality as a whole. (Minn. Stat. § 469.028).

Municipal Development District

When the EDA exercises certain powers of cities identified in the City Development District law (Minn. Stat. §§ 469.124-469.143), they must be used within the boundaries of a Municipal Development District. A development district may be designated anywhere within the boundaries of a City and the City must adopt a Development Program for the development district, which is a statement of objections for the development district and contain the information set forth in Minn. Stat. § 469.125, Subd. 3. The City may develop a program for improving the district to provide the impetus for commercial development, increase employment, protect pedestrians, provide open space relief and other actions which are in the public purpose. Prior to designation, the City must consult with its planning agency or department, publish notice, and hold a public hearing.

Specific Powers

Because EDAs derive powers both directly from EDA law and indirectly by cross reference with other development statutes, there is often considerable overlap in the statutes which can be cited as authority for a given power.

For example, the power to acquire and develop property under the EDA Law must be exercised within the boundaries of an "economic development district." Since the definition of an economic development district is very restrictive, the EDA power to acquire land cannot be exercised in many circumstances. However, the comparable HRA power to acquire and develop property is far more general and can be exercised in a broad range of development circumstances. By picking and choosing the particular statutory authority best suited to a given proposed action, an EDA can usually carry out its purposes with a minimum of inconvenience.

Many of the powers of an EDA are listed below, including powers derived from EDA, HRA and municipal authorities. When considering the exercise of any specific power cited, you should always review the available legislation and consult with your legal and development advisors.

Acquisition of Property

An EDA may acquire the necessary rights, titles or interest in property through purchase, lease or gift. While the property is owned by the EDA and used for governmental purposes, the property is exempt from taxation by the state or its political subdivisions. However, once the EDA sells or leases the property for use by a non-governmental body, it becomes subject to taxation.

Options

The EDA may sign options to purchase, sell or lease property. This power may be used to set aside a particular building or site for future development purposes.

Eminent Domain

An EDA may exercise the right of eminent domain under Chapter 117 or under its City's charter to acquire property by condemnation. If the property is owned by the City for public use, the City must approve the taking. Also, the EDA may take possession of the property after it files a

petition in condemnation proceedings describing the property -- a practice sometimes referred to as a "quick take" proceeding.

Loans

An EDA may make loans to businesses to carry out the purposes outlined in the EDA Law (Minn. Stat. § 469.192).

Contracts

The EDA may enter into contracts with both governmental and non-governmental entities for the purpose of economic development, including the purchase or sale of real and personal property. An EDA may not incur an obligation or expense under the HRA Law, unless it has an existing appropriation, or can identify reasonably expected revenues sufficient to discharge the obligation or pay the expense. Independent authority is found in the EDA Law for the EDA to guarantee loans, as more fully discussed under the "Advances" power described later in this handbook.

Limited Partnership

An EDA may be a limited partner in a partnership whose purpose is consistent with the EDA's purpose.

If a City is participating in a project as a limited partner, it may wish to stipulate in the equity agreement a limit on its current and future liability. This stipulation will serve as a safeguard for the City if legal action is brought against the firm as a result of its operation or inequities in its services or products.

Rights and Easements

The EDA may acquire rights and easements for development of an economic development district. It may be necessary for an EDA to utilize these powers when extending public infrastructure to a project area.

Acceptance of Public Land and Property

The EDA may accept land, money, or assistance, either by gift, loan or otherwise, in any form from the federal or state government, or its agencies, or a local subdivision of the state government to carry out its economic development activities.

An EDA may accept conveyances of land from all other public agencies, commissions, or other units of government, if the land can be properly used by the EDA in an economic development district.

Foreign Trade Zone

Minnesota Statute 469.101, Subdivision 11 authorizes EDAs to operate and manage Foreign Trade Zones. Foreign or "Free" Trade Zones (FTZ) were established to facilitate international trade by serving as "safe havens" and can increase a company's cash flow by reducing costs

associated with import restrictions and duties. FTZs can be warehouses, storage tanks or fenced-in areas near harbors, airports or industrial parks. Foreign and domestic goods are brought into a zone where they can be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned and mixed with foreign and domestic products or used in a manufacturing process.

There are two types of foreign trade zones. General zones are located at or adjacent to a U.S. Customs Port of Entry (i.e. Minneapolis-St. Paul International Airport or Duluth Port) and subzones which are technically part of the general zone but are physically removed from it. General zones typically have multiple users occupying a facility or warehouse site, while "subzones" are special-purpose facilities operated by individual firms that cannot be accommodated within a general zone and are engaged in large-scale manufacturing. The major goods being produced in subzones are automobiles, trucks, motorcycles, tractors, women's garments, and refined oil.

Although a zone is operated as a public utility and can be managed by either a public or private corporation, it is treated as foreign territory and considered to be in foreign commerce, therefore providing benefit to the users. The usual formal Customs entry procedure and payment of duties is not required on the foreign merchandise unless and until it enters Customs territory for domestic consumption, in which case the importer ordinarily has a choice of paying duties either on the original foreign material or the finished product. In addition, quota restrictions do not normally apply to foreign goods stored in zones. Domestic goods moved into a zone for export may be considered exported upon entering the zone for purposes of excise tax rebates and drawback. In some cases companies can avoid both import duties on an item and state and local ad valorem taxes when goods are exported from the zone. In most cases, Federal taxes and excise taxes can be deferred on the goods until they enter the U.S. marketplace.

Public Facilities

The EDA may operate and maintain a public parking facility or other public facility to promote development or prevent the emergence of slum and blight. Frequently, these powers are exercised in cooperation with other units of government, including Cities, counties and school districts. Projects may include City halls, fire stations, libraries, community centers, administration buildings, and many others.

For example a City may want a community center for its residents. In order for the project to occur, the EDA sells revenue bonds, constructs the community center, and leases the community center to the City. The lease is paid by an annual appropriation from the City's general fund to the EDA, and the EDA uses the lease payments to pay the principal and interest due on the revenue bonds. When the revenue bonds are retired, title to the new community center will be transferred to the City.

Government Agent

An EDA may cooperate with or act as an agent for the federal or state government, a state public body, an agency or instrument of a government, or a public body to carry out its mission.

Studies, Analysis, Research

An EDA may study and analyze economic development needs in the City, and ways to meet those needs. An EDA may study the desirable patterns for land use for economic development and community growth and other factors affecting local economic development in the City. It may make the results of the studies available to the public and to business/industry in general. An EDA may engage in research and disseminate information on economic development within the City.

Public Relations

To further its economic development efforts, an EDA may join an official, industrial, commercial, or trade association, or other organization. It may also have a reception of officials who may contribute to advancing the City and its economic development activities. It may also carry out other public relations activities as it deems appropriate in fulfilling its efforts to promote the City and its economic development projects (Minn. Stat. § 469.101, Subd. 16).

Joint Powers Agreements

Any two or more EDAs using HRA powers or together with an HRA may join with one another to exercise, either jointly or otherwise, any or all of their powers. This joint powers agreement may be used for the purpose of financing, including the issuance of bonds and giving security, planning, undertaking, owning, constructing, operating, or contracting a housing project located within the area of operation of any one or more of the EDAs or HRAs. The EDA may, by resolution, authorize any other housing authority or EDA utilizing HRA powers to act on its behalf with respect to any or all powers, as its agent or otherwise.

An EDA may by resolution authorize another housing authority to exercise its powers within the authorizing EDAs area of operation at the same time that the authorizing authority is exercising the same powers.

Tax Increment Financing

There are many benefits afforded to a City by utilizing Tax Increment Financing (TIF) to facilitate economic development. Some of these are: the City can realize new development, which would not otherwise occur without the use of TIF; the City may realize broader economic gains of new development in terms of employment, tax base enhancement and secondary spin-off effects; the City can facilitate the construction of related public improvements it wishes to achieve by coordinating a TIF project with more general public improvement projects; the City may have better control over the nature of the development; the City may be able to fund administrative and/or community development costs with revenue from the TIF district and; in some cases, the qualifying of new development is enhanced by the TIF financing.

An EDA may act as an Authority for the purposes of creating and administering tax increment financing districts and plans. These powers must be exercised within a Redevelopment Project, when acting under HRA powers, or within a Municipal Development District when exercising City powers. In general, an EDA must receive approval from the City Council prior to adoption

of a Tax Increment Financing plan, and comply in all respects with the requirements of Minnesota Statutes 469.174 - 469.179.

There are several types of TIF districts allowed by statute. The following is a brief description of each.

Redevelopment District:

- Generally a blighted area containing substandard buildings.
- Requires documentation to evaluate occupied land area and analysis of substandard buildings.
- Maximum duration of TIF district is 25 years from receipt of the first increment.

Renewal and Renovation District:

- Blight and obsolescence tests must be met.
- Maximum duration of TIF district is 15 years from receipt of the first tax increment.

Housing District

- Provides housing opportunities for persons and families of low and moderate income.
- Maximum duration of TIF district is 25 years from receipt of the first tax increment.

Soils Condition District:

- Provides for the removal or remediation of hazardous substances or contaminants as specified in a development action response plan.
- Such costs must exceed (a) the fair market value of the land before completion of the preparation or (b) \$2 per square foot of the area of each parcel.
- Maximum duration of the TIF district is 20 years from receipt of the first tax increment.

Economic Development District:

- May be used only for manufacturing, production, processing, warehousing, storage, distribution (excluding retail sales), research and development, telemarketing, certain tourism and border City retail facilities and uses are directly related to or in support of such qualifying activities. Prohibits establishment if more than 15 percent of the square footage of such facilities are used for other purposes.
- Must demonstrate retention of local businesses, increased employment or preservation or enhancement of the state tax base, etc.
- Maximum duration of TIF district is 8 years from receipt of the first tax increment.
- May be used for commercial facilities not exceeding 15,000 square feet in Cities with populations of 5,000 or less located at least 10 miles outside of a City with a population of 10,000 or more. Other than administrative expenses, all increments must be spent within the TIF district.

- Expanded Rules for any type of development if construction commences by July 1, 2011 and certification of district is requested by June 30, 2011.

Compact Development District:

- May be used to redevelop property where 70 percent of the parcel is industrial or utility property.
- The project must result in an increase of square footage of industrial or utility property by three times or more over its current level.
- Must be approved before June 30, 2012.

In order to establish a TIF district, a specific process must be followed including the following:

1. A Development Program or Redevelopment Plan (depending on statutory authority used) must be prepared. This sets forth the general goals for the development or redevelopment project area.
2. A Tax Increment Financing Plan must be prepared. This sets forth the specific project(s) to be undertaken, costs involved, and revenues projected, and is the guiding document for the proposed project.
3. A public hearing on the TIF Plan and district must be conducted. Notification of the public hearing must be published 10-30 days prior to the hearing.
4. A TIF district "fiscal and economic impact" letter must be received by the County and school district at least 30 days prior to the public hearing.
5. The City planning commission must review the TIF Plan and Development Program prior to City approval.
6. At the public hearing, all interested parties are invited to express their opinion(s).
7. Subsequent to the public hearing, the City must approve or reject the TIF Plan and district.
8. Upon approval, the City must request County certification of the original value of the TIF district which will begin the tax increment collection process.
9. Actual project expenditures may not be made until the TIF Plan is adopted and the TIF district is established.

Financing and Bonding Powers

Issuing General Obligation Bonds

The EDA may issue General Obligation Bonds (GO Bonds) in anticipation of income from any source for any purpose allowed by statute. The City must, by ordinance and by two thirds vote, give specific consent to pledge the City's full faith and credit to the GO Bonds. The EDA must

comply with the provisions of Minnesota Statutes § 475, the general public indebtedness statute. An election is required to issue GO Bonds backed by the City's full faith and credit.

Issuing Revenue Bonds

Revenue bonds may be issued by the EDA to fund any authorized activity of the EDA. The revenues generated by the projects to be financed and/or other revenues of the EDA may be pledged to the payment of the revenue bonds. Bonds may also be secured by a mortgage on certain EDA property. The EDA can pledge its full faith and credit and limited taxing power to the payment of revenue bonds, but it may not pledge the full faith and credit of the City.

Because the credit strength of an EDA is usually very limited, the feasibility of a revenue bond offering is highly dependent upon the project to be financed. For example, if an EDA were to issue a revenue bond to finance the construction of a building to be leased to a manufacturing firm, the interest rate and security terms of the revenue bond would depend primarily on the creditworthiness of the manufacturer. For weaker projects and tenants, issuance may not be feasible.

Advances

As noted earlier in this handbook, there is independent authority for an EDA to make a loan. An EDA may advance (loan) its general fund money or credit without interest. The advances must be repaid from the sale or lease of land. If the money advanced for the development or redevelopment project was obtained from the sale of the EDAs general obligation bonds, then the interest rate on the advances must not be lower than the average annual interest rate on the EDAs general obligation bonds that are outstanding at the time the advances are made. Advances made to acquire land and to construct facilities for recreational purposes, do not need to be reimbursed (Minn. Stat. § 469.106).

Secondary Market

An EDA may sell, at private or public sale, at the price or prices determined by the EDA, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual (Minn. Stat. § 469.101, Subd. 22). An EDA operating a revolving loan fund may choose to sell a loan on the secondary market if it needs to recapitalize the loan fund in order to finance additional projects.

Borrowing in Anticipation of Bonds

After authorizing a bond issue, an EDA may borrow funds to provide money immediately required for the project, but the loan must not exceed the amount of the bonds. The EDA must approve a resolution stating the terms of the loan. The due date for the loan may not be for more than 12 months from the date of the loan origination and may be repaid with interest from the proceeds of the bonds when the bonds are issued and delivered to the bond purchasers. The loan must not be obtained from any Commissioner of the EDA or from any corporation, association,

or other institution of which a Commissioner is a stockholder or officer (Minn. Stat. § 469.101, Subd. 19).

Revolving Loan Funds

Small business growth in most communities provides the greatest opportunity for new investment and job development. However, because constraints on capital markets, financial institutions may be unable or unwilling to provide a complete financing package, and many good companies end up with marginal long-term financing.

Businesses and financial institutions invest dollars in projects to make a profit and to earn a return on that investment. Unless the project offers the promise of a positive return, it is difficult to sell a prospective investor on locating or expanding a business. Stimulating investment requires impacting a business and a bank's spending decisions. An EDA can impact business spending decisions by providing an opportunity where rates of return on investment are attractive and competitive. Many EDAs do this by operating a local Revolving Loan Fund (RLF) designed to facilitate small business investment.

The typical goal of a local RLF is to leverage private sector investment by filling the capital market gap for financing long-term assets.

Most RLFs provide a cost advantage to the business to lessen their financial constraints and meet the community's goal of increasing productivity and creating new, permanent jobs. The RLF can provide lower interest payments, more flexible equity requirements, longer terms, deferred principle payments and a subordinate collateral position to the bank.

The type of businesses that are eligible for loan funds type of businesses that are eligible for loan funds will depend on the loan guidelines established by the particular EDA.

An RLF can be designed in several different ways. The most common type of RLFs structure is the direct loan to the business. Direct loans are made to the business with a separate set of loan documents and collateral to secure the loan. These loans are typically made to fill the gap in a development project.

The second type of funding structure is a loan guarantee. The EDA provides a partial guarantee to the private lender to ensure repayment of the loan and to limit the risk to the private lender. This type of activity provides several advantages to the EDA, notably, smaller capitalization requirements, increased leverage of funds, and limited administrative activity

A third type of RLF is a linked deposit program. With a linked deposit program, the EDA works with other government agencies and large non-profit institutions to place a certificate of deposit with the lending institution at below market rate. This action allows the bank to increase its liquidity of funds, gain a higher return on a riskier project and improve collateral coverage.

The most fundamental issue in the development of a revolving loan program is the development of policies and procedures for operating, marketing, financing and dealing with delinquencies or defaults. It is important to consider working with development counsel and/or financial advisors to discuss the intricacies and mechanics of a RLF program.

The source of capitalization for local loan funds varies by community. Communities are utilizing local sources through the use of excess general fund or municipal utility reserves, Tax Increment Financing reserves and partnerships with banks or utilities to capitalize local revolving loan funds.

Limitation of Powers

The City Council may place limits on the activities of the EDA in the enabling resolution. These limitations may be placed on the power to issue general obligation or revenue bonds, the power to grant or loan EDA funds, power to enter into limited partnerships, or any other specific power over which the governing body wishes to exercise control. The following is a list of specific areas where the governing body may exercise control (Minn. Stat. § 469.092):

1. that the EDA may not exercise any specified power contained in Minn. Stat. §§ 469.001 to 469.047, 469.090 to 469.108, and 469.124 to 469.134 or that the EDA must not exercise any powers without the prior approval of the City Council.
2. that, except when previously pledged by the EDA, the City Council may by resolution require the EDA to transfer any portion of the reserves generated by activities of the EDA that the City Council determines is not necessary for the successful operation of the authority to the debt service fund of the City, to be used solely to reduce tax levies for bonded indebtedness of the City;
3. that the sale of all bonds or obligations issued by the EDA be approved by the City Council before issuance;
4. that the EDA follows the budget process for City departments as provided by the City and as implemented by the City Council and Mayor;
5. that all official actions of the EDA must be consistent with the adopted comprehensive plan of the City, and any official controls implementing the comprehensive plan;
6. that the EDA submit all planned activities for influencing the action of any other governmental agency, subdivision, or body to the City Council for approval;
7. that the EDA to submit its administrative structure and management practices to the City Council for approval.
8. any other limitation or control established by the City Council by the enabling resolution.

GLOSSARY

Cash Flow: Can the business repay the loan out of operating cash flow.

Collateral: A tangible asset like land, building, inventory, machinery and equipment, etc., offered as security on a loan. Typically, the value of the offering is greater than the amount loaned.

Commercial Club: Usually an incorporated 501(c)(4) or (6) organization whose purpose is to promote community and retail events. The membership is usually made up of retail business owners or owners of businesses in the central or downtown business district.

Chamber of Commerce: A chamber is an incorporated, non-profit 501(c)(4) or (6) that is generally affiliated with the state and national chamber of commerce. The chamber consists of local business professionals of the community who meet together to promote local businesses and the community. Generally, they have an elected board with and most have limited staff. Larger chambers often deal with tourism and overall business development of the community. They sometimes are politically active and can be a powerful lobbying force when dealing with policy that affects the community's economic strategy. Chambers are generally active and can hold educational and other events for local businesses.

Development Commission: A board used to advise City Council, appointed by the Mayor and/or City Council. It has limited or no decision making authority and is used as a sounding board or a first point of contact for the City Council for development projects. The commission is used to draft strategies and policies for ratification and implementation of local plans on a volunteer basis.

Economic Development District: A type of tax increment financing district which consists of any project, or portions of a project, but which the authority finds to be in the public interest because: it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or it will result in increased employment in the state; or it will result in preservation and enhancement of the tax base of the state.

Excess Increments: Tax increments that exceed the amount needed to pay the costs authorized under the tax increment financing plan. Increments are not excess increments if the TIF plan has been amended or modified to permit additional spending. The law requires that excess increments be used to prepay outstanding bonds or deposited in an escrow account for bond payments or returned to the City, County, and school district(s) in proportion to their local tax rates.

For-Profit Development Corporation: A corporation formed to develop and sell industrial land and/or provide financing for business development within the community. Local investors can buy shares that can be paid dividends for profits made on projects. Money invested in corporations can be repaid to the stockholders. The board is made up of shareholders and may or may not have staff. The corporation is subject to federal and state income tax.

Guarantee Fee: Money paid by a borrower to a government agency, company, or individual to guarantee repayment of a loan. The fee is usually a percentage of the amount of the guarantee.

Housing District: A type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts. A project does not qualify under this subdivision if the fair market value of the improvements which are constructed for commercial use or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value.

Housing Redevelopment Authority: An HRA is a public corporation with power to undertake certain types of housing and redevelopment of renewal activities. While state legislation conveys authority for housing and redevelopment in each City, it is up to the City Council to formally establish an HRA before it can do business and use its powers. Once a council legally establishes an HRA, it may undertake certain types of planning and community development activities on its own with council approval

Joint Powers Board: This is a board created by two or more Cities, townships, or counties for a specific purpose, such as economic development. The agreement between the units of government would specifically describe activities and powers that the board exercises in carrying out its duties.

Limited Partnership: A form of group ownership with at least one general partner and one limited partner, the general partner has unlimited liability. Limited partners can only lose their initial investment.

Port Authority: This is a legal entity created by the State Legislature to promote the general welfare of a City's port district, increase the volume of commerce in the port and provide facilities for handling, storage and shipment of freight. The Port Authority actively develops commerce within the City and can enable business location and expansion. The powers of the Port Authority are more expansive than the HRA or EDA. Port Authorities can issue General Obligation bonds without an election.

Redevelopment District: A type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists: parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or the property consists of vacant, used, under used, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way.

Renewal and Renovation district: A type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions exist: parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements; 20 percent of the buildings are structurally substandard; and 30 percent of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or identified hazards to the health, safety, and general well-being of the community; and the conditions are reasonably distributed throughout the geographic area of the district.

Rural Development Finance Authority (RFDA): A non-profit corporation established by a County or group of counties through special legislation. RFDAs are designed to facilitate the production and processing of agricultural products and promote jobs in agriculture and natural resource industries. The board of directors is appointed by the County board of commissioners.

Structurally Substandard: A building that contains defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of the interior partitions, or similar factors. which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

A building is not structurally substandard if it is in compliance with the City's building code applicable to new buildings or it could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the site.

Tax Increment District: A district consists of the geographic area for which tax increments are collected. The development authority defines the area in the tax increment plan. A district may be contiguous or non-contiguous area within a project area.

TABLES

COMPARISON OF SELECTED DEVELOPMENT LAWS

<u>Rural Development Finance Authority</u>	<u>Municipal Industrial Development Act:</u>	<u>Housing Redevelopment Development Authorities</u>	<u>Economic Authorities</u>
<p>Purpose:</p> <p>An RDFA may be established by a County or group of counties to bring about the production of agricultural products and to encourage increased employment in agriculture. A RDFA is a non-profit corporation.</p> <p>Governing Body:</p> <p>An RDFA is controlled by a Board of Directors who are either elected or appointed by the County Board. If more than one County is involved, then all counties involved must be represented on the board.</p> <p>The board must have a minimum of five members.</p> <p>All projects and activities of the RDFA must have approval of the Commissioner of the Department of Employment and Economic Development.</p>	<p>Purpose:</p> <p>The main focus of Minn. Stat. , §§ 469.152 to 469.1651 includes the following: expansion and economic growth in blighted land areas; retention of industry within the district; overall strengthening of community tax base; and the general enhancement of the economy in the district.</p> <p>Governing Body:</p> <p>Consists of the representing governmental unit--e.g. City Council/County Commissioners for Cities, County Board for counties, etc.</p> <p>All rights of a municipality are granted to bondholders.</p> <p>When beginning a project, each municipality must provide the Commissioner of the Department of Employment and Economic Development with specified information regarding the details of the contracting agreement.</p> <p>All projects must be approved by the state Commissioner (except County jails).</p>	<p>Purpose:</p> <p>An HRA is responsible for determining blighted land areas, and for preventing the spread of blight, including substandard building structures. A blighted area is one with buildings and areas that are detrimental to the health, safety and welfare of the community. The HRA may then provide for improvements or redevelopment of these areas through a redevelopment plan. A HRAs main area of operation is housing program development. HRAs are primarily concerned with family rehabilitation, housing redevelopment, public housing, and rent assistance.</p> <p>Governing Body:</p> <p>Approval for any project through the approval of a redevelopment plan must be granted by the appropriate City Council.</p> <p>Activities are controlled by a board of commissioners.</p> <p>An HRA is independent of the local government. Approval of the redevelopment plan for the proposed project is needed, however, by the governmental unit in order to proceed.</p>	<p>Purpose:</p> <p>The overall purpose of an EDA is to promote economic development within a district. EDAs may exercise their own powers which are similar to port authority powers, powers of a HRA, and the powers of Cities in connection with development districts and municipal industrial development activities.</p> <p>Governing Body:</p> <p>EDA is created through an enabling resolution written and approved by City Council.</p> <p>EDAs have a board consisting of 3, 5, or 7 commissioners appointed by the Mayor with the approval of City Council. The board may also consist entirely of City Council members.</p> <p>The City Council may control the activities of the EDA by limiting its powers under the enabling resolution and through the annual approval of the EDA budget.</p>

Rural Development Finance Authority:
(continued)

Activities:

1. Build, obtain and operate projects designed for the production of agricultural products.
2. Perform agricultural research.
3. Seek aid from additional sources to promote employment.
4. Undertake projects authorized under the agricultural resource loan guarantee program.
5. May enter contracts and employ financial specialists for assistance.
6. Issue bonds or notes for financing purposes.

Municipal Industrial Development Act:
(continued)

Activities

1. Build, acquire, and retain all lands, structures, and equipment relating to a project.
2. Enter into contracts with other municipalities and agencies in connection with projects.
3. Assign revenues from projects to the holders of bonds.
4. Sell property associated with projects.
5. Exempt from property taxes on nonresidential structures built for sale or rent until the building is sold or rented; maximum time is 4 years.
6. May contractually limit its ability to exercise authority, allowing a municipality to enter into a contract with bondholders.
7. Make all necessary contracts in order to secure payments of its bonds.

Housing Redevelopment Development Authorities
(continued)

Activities:

1. May establish a redevelopment project (Minn. Stat. 469.002) for the elimination/and prevention of blighted areas.
2. Carry out projects designed to improve blighted areas.
3. Acquire real or personal property for activities related to projects.
4. May provide for the administration of a commercial building loan program to preserve small sized buildings in its district.
5. May sell real or personal property for project related purposes.
6. May sell its lands and properties to private or public parties. Sale is dependent on these parties' responsibility to continue with the redevelopment plan specified by the HRA.
7. May act as federal government agent in carrying out provisions of Municipal Housing and Redevelopment Act.
8. May exercise the powers granted to redevelopment agencies under Minn. Stat. §§ 469.152 to 469.1651.
9. Provide relocation payments and assistance in accordance with federal guidelines.

Economic Authorities
(continued)

Activities:

EDAs are granted powers within their own district, outside their development district, and, by cross-reference, the powers of HRAs, development districts in connection with the City, and agencies in connection with Municipal Industrial Development.

Powers:

1. Acquire property for creation of development district that is tax exempt.
2. Sell or lease land either by private or public means.
3. Carry out EDA law to develop and improve land within the district. The EDA may make any necessary arrangements to make land suitable for development.
4. Exercise Eminent Domain.
5. Enter into contracts for the purpose of economic development.
6. Purchase all materials needed to carry out development.
7. Engage in research to determine factors of specified development projects.
8. Act as a limited partner in contracts with additional parties.

Cross reference powers:

1. Exercise Industrial Development powers for HRA and EDA powers for industrial development activities.

Port Authorities:

Purpose:

Originally, the purpose behind port authorities was to acquire and promote development of harbors and ports. Currently, the only operating port in this regard is that of the Duluth Port Authority. The additional 25 port authorities in Minnesota exist to promote economic development, including increased commerce and acquisition of facilities within the specified port district of the City.

Governing Body:

A port authority is a governmental subdivision of the state. Direct authority is handled by a board of commissioners (usually 3-7 members) appointed by the City Council. Ports are a statutorily created municipal body.

General Port Activities:

1. Adopt plans for improvement and development of port districts.
2. Oversee the activities of privately owned port facilities.
3. Acquire and construct various facilities and charge for the use of these facilities.
4. Acquire, lease, own and operate real or personal property.
5. Sell or exchange property (real or personal) owned by the port.
6. Determine legislation to improve development and commerce within the district.
7. Apply to the federal Foreign Trade Board for authorization to exercise the powers relating to foreign trade zones.
8. Act as agent for the federal government to carry out the provisions of sections 469.090 to 469.108.
9. Issue Revenue Bonds and with the approval of the City Council, given by ordinance, General Obligation Bonds secured by a pledge of the "Full Faith and Credit" of the City.

Municipal Development Districts:

Purpose:

The purpose of an MDD is to improve the general economy of a community by increasing employment and enhancing the tax base.

Governing Body:

The MDD falls under control of the City Council/County Commissioners. The council then designates a board to administer the districts. In first class Cities, an advisory board must be created to aid with district activities. A majority of members on the board must be real property owners on lands within the district. In St. Paul and Minneapolis the board must be elected, in other Cities the members may be appointed.

Activities:

1. An MDD may obtain land through eminent domain or negotiation.
2. The MDD may design a development program within the district.
3. The MDD may further develop the facilities, transportation, or overall quality of life in a district through building acquisition, construction or reconstruction.
4. The municipality may be given ordinances regulating traffic in parking facilities or pedestrian skyway systems.
5. A municipality may lease all or portions of the basement, 1st or 2nd floors of buildings within the district.
6. The MDD may accept grants from private institutions or other sources for public facilities and general improvements.
7. The municipality may use private developers to construct buildings/facilities under the development plan. The City will reimburse the developers from MDD funds.
8. A municipality has the authorization to: install lighting systems, street signs, construct special landscaping, install snow removal systems, and build public parking ramps.

City Council

Purpose:

The main purpose of any City Council regarding the development units in this report, is to act as a control mechanism for operations. The power of the City Council and the controls it has over each of these units varies from City to City.

For Port Authority:

The City Council/County Commissioners of any port has indirect control over a port's use of general obligations bonds used for industrial projects. City Council/County Commissioners has the authority to approve the board of commissioners for any port. If a seven-member board is developed, two members must be from the City Council/County Commissioners.

For Municipal Development District:

City Council has the power to designate an existing department, agency, HRA, or other to administrate the district.

City Council may adopt ordinances designed to aid specific MDD projects.

The City has the power to create an MDD advisory board.

The City Council may defer property taxes on improved property (within the district) where a private developer constructs the improvement upon request of the economic developer.

Port Authorities:
(continued)

10. Contract with outside parties for the port.
11. Employ a director or additional staff as it deems necessary.
12. Allow membership in organizations to advance port activities and provide funds for public relations assistance.

These powers granted to a port are connected with powers of industrial development districts:

1. Develop and improve property within an industrial district and make them adequate for industrial use.
2. Exercise the power of a City regarding mined underground development.
3. Obtain rights and easements connected with industrial districts.
4. Exercise the powers specified under Minn. Stat. §§ 469.152 to 469.1651 to further improve the purposes of sections 469.090 to 469.108 (port authorities and industrial development districts).
5. Enter into a partnership agreement where the port serves as a limited partner only.
6. Receive for one dollar, tax forfeited land.
7. Use the power of eminent domain.
8. A port authority may create industrial development districts within the port district.
9. A port may obtain lands and facilities required for industrial development purposes.
10. Cooperate, and become an agent to the federal government in carrying out legislation concerned with operations in harbor and industrial districts.
11. Operate and maintain various parking systems and facilities to improve economic development.

City Council:
(continued)

For Municipal Industrial Development Act:

City Council acts as the overall Governing Body with direct and indirect control over municipal activities.

For Rural Development Finance Authority Act:

Inapplicable--County related.

For an HRA:

City Council approves appointees to the HRA Board of Directors.

City Council has certain powers of restrictions that may be enforced on the HRA. Generally, projects and activities must be approved by the City Council.

For an EDA:

The City Council may establish an EDA by way of enabling resolution. It may also determine the specific powers the EDA is to have in that resolution.

City Council must have membership on the EDA Board of Commissioners. It may serve as the EDA Board of Commissioners in entirety or choose a portion of members from the business community or general public.

City Council approves the Mayor's appointments to the EDA Board of Directors.

SAMPLE BYLAWS AND ENABLING RESOLUTIONS

EXTRACT OF MINUTES OF MEETING OF THE CITY COUNCIL OF THE CITY OF [NAMEOFCITY], MINNESOTA

HELD: _____, [Year]

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of [NameofCity], Minnesota, was held at the [NameofCity] City Hall on _____, [Year], commencing at _____ p.m.

The following members of the Council were present:

and the following were absent:

Councilmember _____ introduced the following Resolution and moved its adoption:

RESOLUTION CALLING FOR PUBLIC HEARING ON THE QUESTION OF ESTABLISHING AN ECONOMIC DEVELOPMENT AUTHORITY FOR THE CITY

IT IS HEREBY RESOLVED by the City Council of the City of [NameofCity], Minnesota, as follows:

1. Recitals.

(a) The City is authorized pursuant to Minnesota Statutes, Sections 469.090 through 469.1082, to establish an Economic Development Authority for the City.

(b) The Council desires to initiate the process for considering the establishment of an Economic Development Authority.

2. Public Hearing. The Council shall hold a public hearing on the question of establishing for the City an Economic Development Authority and the City Clerk is hereby authorized and directed to cause notice of that public hearing, substantially in the form attached to and made a part of this Resolution, to be published in the City's official newspaper once a week for two consecutive weeks prior to the scheduled public hearing date, with the first publication occurring no earlier than 30 days prior to the public hearing date.

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted and was signed by the Mayor and City Clerk.

Adopted by the City Council on _____, [Year].

By _____
Mayor

Attest _____
City Clerk

NOTICE OF PUBLIC HEARING
ON THE PROPOSAL TO ESTABLISH
AN ECONOMIC DEVELOPMENT AUTHORITY
FOR THE CITY OF [NAMEOFCITY], MINNESOTA

Notice is hereby given that the City Council (the "Council") of the City of [NameofCity], Minnesota, will hold a public hearing on _____, [Year], at a meeting of the Council beginning at approximately _____ p.m., at the [NameofCity] City Hall in the City of [NameofCity], Minnesota, relating to the question of the establishment by the City of an economic development authority (the "EDA") pursuant to Minnesota Statutes, Sections 469.090 through 469.1082.

Following the public hearing the Council will consider an enabling resolution (the "Enabling Resolution") which would establish the EDA. The Enabling Resolution, a copy of which is on file and available for inspection in the City offices, would authorize the EDA to exercise all powers granted to such authorities pursuant to the above-mentioned statutes and would designate that the EDA would be governed by a five-member Board of Commissioners, all of whom would be members of the City Council. Upon approval of the Enabling Resolution, an organizational meeting of the EDA will be held on the same evening.

All interested persons may appear at the _____ public hearing and present their views orally or in writing.

STATE OF MINNESOTA)
COUNTY OF [NAMEOFCOUNTY]) SS
CITY OF [NAMEOFCITY])

I, the undersigned, being the duly qualified and acting City Clerk of the City of [NameofCity], Minnesota (the "City"), do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular or special meeting of the City Council held on _____, [Year], with the original minutes on file in my office and the extract is a full, true and correct copy of the minutes insofar as they relate to calling a public hearing on the question of establishing an Economic Development Authority for the City.

Witness my hand as City Clerk and the official seal of the City on _____,
[Year].

City Clerk

(SEAL)

EXTRACT OF MINUTES
OF MEETING OF THE CITY COUNCIL
OF THE CITY OF [NAMEOFCITY], MINNESOTA

HELD: _____, [Year]

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of [NameofCity], Minnesota, was held at the [NameofCity] City Hall on _____, [Year], commencing at _____ p.m., C.T.

The following members of the Council were present:

and the following were absent:

Councilmember _____ introduced the following Resolution and moved its adoption:

ENABLING RESOLUTION ESTABLISHING THE ECONOMIC
DEVELOPMENT AUTHORITY OF THE CITY OF [NAMEOFCITY], MINNESOTA,
UNDER MINNESOTA STATUTES, SECTIONS 469.090 THROUGH 469.1082

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

1. Recitals. The City is authorized pursuant to Minnesota Statutes, Sections 469.090 through 469.1082 (the "Economic Development Authority Act"), to establish an economic development authority for the City and the Council desires to do so in order to promote certain economic, commercial, housing, and/or industrial development and redevelopment goals and objectives. The City has caused notice of a public hearing on the establishment by the City of an economic development authority to be published in a newspaper of general circulation in the City once each week for two consecutive weeks, and pursuant to such notice, a public hearing on the proposal has been held by the Council on the date hereof, at which hearing all persons desiring to present their oral or written comments on the proposal were given an opportunity to do so.

2. Establishment of Economic Development Authority. Pursuant to the Economic Development Authority Act, the Council hereby establishes an economic development authority for the City to be known as the Economic Development Authority of the City of [NameofCity], Minnesota (the "EDA"). The EDA shall be governed by a board of commissioners thereof consisting of five members, all of whom shall be members of the Council. Each Commissioner of the EDA who is a member of the Council shall cease to be a Commissioner effective at such time as he or she is no longer a member of the Council, and a successor Commissioner shall be

appointed pursuant to the Economic Development Authority Act to serve the remainder of the applicable term so vacated.

[Revise to reflect if EDA Board consists of community members and council members.]

3. Powers. The EDA shall have all powers given to an economic development authority pursuant to the Economic Development Authority Act, as the same may be amended or supplemented.

[Revise to reflect if City is limiting the powers of the EDA]

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted and was signed by the Mayor and City Clerk-Treasurer.

Adopted by the City Council on _____, [Year].

By _____
Mayor

Attest _____
Clerk

STATE OF MINNESOTA)
COUNTY OF [NAMEOFCOUNTY]) SS
CITY OF [NAMEOFCITY])

I, the undersigned, being the duly qualified and acting City Clerk of the City of [NameofCity], Minnesota (the "City"), do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular or special meeting of the City Council held on _____, [Year], with the original minutes on file in my office and the extract is a full, true and correct copy of the minutes insofar as they relate to an enabling resolution establishing the Economic Development Authority of the City of [NameofCity], Minnesota.

Witness my hand as City Clerk and the official seal of the City on _____,
[Year].

City Clerk

(SEAL)

RESOLUTION ORGANIZING THE ECONOMIC
DEVELOPMENT AUTHORITY OF THE CITY OF [NAMEOFCITY], MINNESOTA

IT IS HEREBY RESOLVED by the Board of Commissioners (the "Board") of the Economic Development Authority of the City of [NameofCity], Minnesota (the "EDA") as follows:

1. Recitals.

(a) On _____, [Year], the City of [NameofCity], Minnesota (the "City"), acting through its City Council, adopted an enabling resolution establishing the EDA pursuant to Minnesota Statutes, Sections 469.090 through 469.108.

(b) The Board wishes to provide for the basic organization of the EDA, including appointment of officers and adoption of Bylaws.

2. Adoption of Bylaws and Appointment of Officers. The Board hereby (1) approves the Bylaws of the EDA, as presented on the date hereof for the Board's consideration, and (2) appoints and approves the following officers of the EDA (Note: the offices of President, Vice-President and Treasurer must be held by Boardmembers, but the offices of Secretary and Assistant Treasurer need not be; the offices of President and Vice-President must be held by different persons):

President	_____
Vice-President	_____
Secretary	_____
Treasurer	_____
Assistant Treasurer	_____

The President shall be the chief presiding officer of the Board and shall have such other responsibilities as may be required by law or conferred on the President by resolution of the Board. In the absence of the President, the Vice-President shall assume all of said responsibilities of the President. The offices of President, Treasurer, and Secretary shall be elected annually, as required by law. The Secretary shall act as the chief recording officer for the Board and shall maintain a file of minutes of Board meetings and resolutions.

In accordance with Minnesota Statutes, Section 469.096, Subdivision 8, all checks of the EDA shall be signed by the Treasurer and the Assistant Treasurer and shall state the nature of the claim for which the check is issued. As required by law, the EDA shall adopt an official seal.

3. Regular Meetings of the Board. The Board's regular meetings shall be held at such times as the Board may designate.

The following Boardmembers were present:

and the following were absent:

The motion for the adoption of the foregoing resolution was introduced by Boardmember _____ and was duly seconded by Boardmember _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted and was signed by the President and Secretary.

Adopted by the Board of Commissioners on _____, [Year].

By _____
President

Attest _____
Secretary

STATE OF MINNESOTA)
COUNTY OF [NAMEOFCOUNTY]) SS
ECONOMIC DEVELOPMENT)
AUTHORITY OF THE CITY)
OF [NAMEOFCITY], MINNESOTA)

I, the undersigned, being the duly qualified and acting Secretary of the Economic Development Authority of the City of [NameofCity], Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular or special meeting of the Board of Commissioners held on _____, [Year], with the original minutes on file in my office and the extract is a full, true and correct copy of the minutes insofar as they relate to a Resolution Organizing the Economic Development Authority of the City of [NameofCity], Minnesota.

WITNESS my hand officially as Secretary on _____, [Year].

Secretary

BYLAWS OF THE ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF [NAMEOFCITY], MINNESOTA

ARTICLE I - THE AUTHORITY

Section 1. Name of Authority. The name of the Authority shall be the "Economic Development Authority of the City of [NameofCity], Minnesota" (which may sometimes be referred to as the "EDA" or the "Authority"), and its governing body shall be called the Board of Commissioners (the "Board"). The Board shall be the body responsible for the general governance of the Authority and shall conduct its official business at meetings thereof.

Section 2. Seal of Authority. As required by Minnesota Statutes, Section 469.096, Subdivision 1, the Authority shall have an official seal, which shall be in the form depicted on Exhibit A.

Section 3. Office of Authority. The offices of the Authority shall be the [NameofCity] City Hall.

ARTICLE II - OFFICERS

Section 1. Officers. The officers of the Authority shall be a President, a Vice-President, a Treasurer, an Assistant Treasurer and a Secretary. The President, the Vice-President and the Treasurer shall be members of the Board and shall be elected annually, and no Commissioner may be both President and Vice-President simultaneously. The Assistant Treasurer and the Secretary need not be members of the Board.

Section 2. President. The President shall preside at all meetings of the Board. Except as otherwise authorized by resolution of the Board, the President and the Secretary (the Vice-President, in the Secretary's absence or incapacity) shall sign all contracts, deeds and other instruments made or executed by the Authority, except that all checks of the Authority shall be signed by the Treasurer and Assistant Treasurer. At each meeting the President shall submit such recommendations and information as he or she may consider proper concerning the business, affairs, and policies of the Authority.

Section 3. Vice-President. The Vice-President shall perform the duties of the President in the absence or incapacity of the President; and in case of the resignation or death of the President, the Vice-President shall perform such duties as are imposed on the President until such time as the Board shall select a new President.

Section 4. Secretary. The Secretary shall keep minutes of all 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.

Section 5. Treasurer. The Treasurer shall have the care and custody of all funds of the Authority and shall deposit the same in the name of the Authority in such bank or banks as the Board may select. The Treasurer and Assistant Treasurer shall sign all orders and checks for the payment of money and shall pay out and disburse such moneys under the direction of the Board. The Treasurer shall keep regular books of accounts showing receipts and expenditures and shall render to the Board, at least annually (or more often when requested), an account of such transactions and also of the financial condition of the Authority. The Treasurer shall post a bond as required by Minnesota Statutes, Section 469.096, Subdivision 6. The Assistant Treasurer shall act as the Treasurer's agent and assistant to perform the above-described duties, subject to the Treasurer's approval thereof.

Section 6. Additional Duties. The officers of the Authority 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.

Section 7. Vacancies. Should the office of President, Vice-President, Treasurer, Assistant Treasurer 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.

Section 8. Additional Personnel. 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.

ARTICLE III - MEETINGS

Section 1. Regular Meetings. The regular meetings of the Board shall occur according to a meeting schedule, if any, adopted or revised from time to time by resolution of the Board.

Section 2. Special Meetings. Special meetings of the Board may be called by the President or any two members of the Board for the purpose of transacting any business designated in the call. The call for a special meeting may be delivered at any time prior to the time of the proposed meeting to each member of the Board or may be mailed to the business or home address of each member of the Board at least two (2) days prior to the date of such special meeting. At such special meeting no business shall be considered other than as designated in the call, but if at least four members of the Board are present at a special meeting, any and all business may be transacted at such special meeting. Notice of any special meeting shall be posted and/or published as may be required by law.

Section 3. Quorum. The powers of the Authority shall be vested in the Board. Three Commissioners shall constitute a quorum for the purpose of conducting the business and exercising the powers of the Authority and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Board upon a vote of a majority of the Commissioners present.

Section 4. Order of Business. At the regular meetings of the Board the following shall be the order of business:

1. Roll call.
2. Approval of the minutes of previous meeting.
3. Bills and communications.
4. Reports.
5. Unfinished business.
6. New business.
7. Adjournment.

All resolutions shall be written or transcribed and shall be retained in the journal of the proceedings maintained by the Secretary.

Section 5. Adoption of Resolutions. Resolutions of the Board shall be deemed adopted if approved by not less than a simple majority of all Commissioners present, unless a different requirement for adoption is prescribed by law. Resolutions may but need not be read aloud prior to vote taken thereon and may but need not be executed after passage.

Section 6. Rules of Order. The meetings of the Board shall be governed by the most recent edition of Robert's Rules of Order.

ARTICLE IV - MISCELLANEOUS

Section 1. Amendments to Bylaws. The bylaws of the Authority shall be amended only by resolution approved by at least three of the members of the Board.

Section 2. Fiscal Year. The fiscal year of the Authority shall coincide with the fiscal year of the City of [NameofCity], Minnesota.

Adopted on _____, [Year].

Exhibit A

Form of Official Seal



SAMPLE JOB DESCRIPTION

POSITION TITLE: Economic Development Director

DEPARTMENT: Economic Development

ACCOUNTABLE TO: City Administrator

PRIMARY OBJECTIVE OF POSITION:

Serves as chief staff to the Economic Development Authority, planning, directing, and implementing the economic development efforts of the City under the direction of the Authority. Performs highly skilled, managerial, coordinative and technical tasks. Generates business leads, promotes business retention and expansion, creates a positive attitude for development and raises supportive public awareness for strategic economic planning and development.

DUTIES AND RESPONSIBILITIES:

1. Prepares, organizes and implements a coordinated target marketing program to generate leads for specific business and industry.
2. Researches, designs, recommends and implements programs to encourage location of new businesses and expansion of existing businesses within the City. Coordinates resources of public and private sectors - i.e. Federal and State Grants, Industrial Development Bonds and SPA Loans, Tax Increment Financing, banks, mortgage companies, etc.
3. Develops strategies and programs for allocation and delivery of City/Authority financial assistance resources.
4. Maintains contacts with Minnesota Department of Employment and Economic Development, area Development Corporations, and area commercial and industrial real estate brokers and developers.
5. Maintains current inventory of potential business location sites within the City - both building and vacant land, including contact persons.
6. Maintains updated demographic data, promotional materials and existing building lists for economic development programs.
7. Works with prospective businesses to tailor a proposal suited to their specific needs, including alternative locations and financing packages.

8. May negotiate economic incentive packages with prospective businesses. Analyzes financial needs of specific companies to insure that public/Authority resources are applied judiciously.
9. Maintains contact with current businesses to stay abreast of their future business plans and needs.
10. Identifies and contacts prospective clients for location and expansion within the City.
11. Assists locating or expanding businesses in understanding and anticipating comprehensive plan locations, zoning districts, standards and processes. Works closely with City Planning, Building Inspections, and Engineering Divisions to help facilitate a smooth review process.
12. Periodically reviews all economic development programs for effectiveness, making recommendations to Authority and City officials for changes as deemed appropriate.
13. Participates in exhibitions, seminars, media events and the like to attract businesses to the City.
14. Limited travel may be required to attend conferences, meet with prospective clients, research potential problems, financing, etc.
15. Prepare annual budget and work program for submission to the Authority and City Council.
16. Provide quarterly and annual report to the Authority and City Council regarding status of work program, future program potentials and activities of the staff.
17. Serves as chief staff support to Economic Development Authority. Prepares agendas and background information reports for Authority meetings. Attends meetings of the Authority, Chamber of Commerce, City Council, etc. and follows up staff responsibilities as assigned.
18. Completes other duties as assigned by the Economic Development Authority.

KNOWLEDGE, SKILLS AND ABILITIES

1. Thorough working knowledge of the principles, practices and procedures of economic development.
2. Ability to organize and coordinate support from professional and technical City staff, legal consultants, other government agencies, private business, and the financial services industry.

3. Ability to analyze the economics of a particular business location or expansion project, so as to make independent judgments about the effectiveness of financial assistance or inducements.
4. Ability to establish and maintain contacts and effective working relationships with potential business clients.

QUALIFICATIONS

1. Bachelor's Degree in Public Administration, Business Administration, or a closely related field highly desirable.
2. Minimum of three years of experience working in economic development, preferably at the local government level.
3. A demonstrated record of ongoing continuing education in economic development.

SAMPLE REVOLVING LOAN FUND POLICY

Oakdale Seed Fund

Purpose

The purpose of the Oakdale Seed Fund is to expand the tax base and promote new job opportunities by providing small business concerns and developers of multi-tenant facilities with a portion of the financing necessary for their projects. These *Administrative Procedures* set forth the organization and guidelines for personnel engaged in making loans through the Seed Fund. All personnel engaged in interviewing applicants for Fund assistance and accepting, screening, processing applications and servicing loans for the program should become familiar with this information. The procedures are for use by private lenders as well as staff employed by the City of Oakdale.

Scope of EDA/ Seed Fund Activities

Purpose

The administrative procedures are a guideline for personnel working with the Oakdale Seed Fund. They set forth the internal requirements of the program and how it should be managed by the Oakdale EDA.

The EDA was created with the intention of assisting small businesses primarily by providing financial assistance for growth and expansion. The EDA and the Seed Fund are intended to provide such assistance within the specified boundaries of the City of Oakdale. Any revenue generated by the Seed Fund to the EDA is incidental to the community benefits as measured by the creation and retention of jobs, increased tax base, expanded business ownership activities and improved community services.

Authority

Chapter 469 of the Minnesota State Statutes as amended authorizes the EDA to make loans to prospective private businesses. Recipients of financial assistance under this program are subject to non-discrimination requirements of the laws and policies governing such government assistance.

**Project
Financed
By the Oakdale
Seed Fund**

The purpose of the Oakdale Seed Fund is to provide assistance to small business. This may occur by directly providing financing to the small business or indirectly by providing financing to a developer who will build a facility to assist a small business.

**Eligible Applicant
Defined**

Applicants may be small businesses or developers that are organized as a proprietorship, partnership or corporation.

**Size Eligibility
For Businesses**

For purposes of the Oakdale Seed Fund, a business may qualify if its sales are less than \$6 million annually for each of the last two fiscal years preceding the application for assistance from the fund. The Economic Development Authority may make exceptions to this rule on a case-by-case basis.

**Sound Business
Purpose**

The proceeds from a loan made through the Oakdale Seed Fund are to be used to assist an identifiable small business concern or a developer in accomplishing a sound business purpose. A sound business purpose would not exist if any of the following conditions occur:

- a) If the project proposed will destabilize existing multi-tenant facilities or have an adverse impact on them.
- b) If it is to accomplish an expansion or conversion which is unwarranted in light of the small business concern's past experience and management ability.

**Ineligible
Projects**

- a) Retail businesses
- b) Nonprofit institutions
- c) Gambling organizations
- d) Lending or investment organizations
- e) Land held primarily for sale or investment

Project Costs

“Project costs” should be limited to direct expenditures necessary to acquire, construct, convert, or expand a business including site improvements and professional fees directly attributable and essential to a project such as survey, engineering, architectural, legal and accounting. In this context legal expenditures for such items as zoning changes title searches, title insurance, recording fees, etc., which are clearly essential to the total project can be included as project costs. While there is considerable flexibility in determining the composition of a project, in general it should be a productive asset when completed. In the classic sense, this would be land, building, machinery, and equipment.

**Elements of
Project Costs**

In developing the aggregate project costs for the Oakdale Seed Fund the following guidelines will be used:

Land

Valuation of land injected by the small business concern into the project should be at the appraised value based on an appraisal acceptable to the EDA. The appraisal should conform with current bank regulatory requirements.

Land Improvements

Improvements which are paid through special tax assessments or user fees should not be included in determining project costs. Improvements to the land which are a portion of the project cost could include but are not limited to the following:

- 1) Grading
- 2) New streets or street improvements including curb and gutter
- 3) Parking lots
- 4) Utilities – water, sewer, gas, electric or
- 5) Landscaping

Purchased and/or Remodel an Existing Building

The cost of purchasing an existing building generally includes the value of the land and applicable fees and charges required to gain clear title to the property. Purchasing an existing facility with funds provided by the Oakdale Seed Fund is permissible.

Building Construction

Construction includes the erection of a new building and/or a major addition to an existing building.

Purchase Machinery and Equipment

Oakdale Seed Fund proceeds can be used to finance the purchase of major items of machinery and equipment independent of land and building. These items are defined to have a useful life of at least 7 years. The term of the loan will be commensurate with the life of the asset.

Ineligible Project Costs

The following costs should not be construed as part of the project costs under this program.

- a) Management fees

- b) Financing costs and fees
- c) Franchise fees
- d) Debt consolidation
- e) Moving costs

**Leasehold
Improvements**

Financing should be permitted for leasehold improvements including construction on leased land. The lease should be equal to or greater than the term of the loan. The remaining economic life of the facility or leasehold improvements should be equal to or greater than the term of the Seed Fund loan. Financing may be provided if the land or building owner allows the EDA to secure lien positions on the land or building and improvements, sufficient to fully secure its exposure or if other collateral sufficient in value to fully protect the interest of the Oakdale EDA is offered.

**Limited or
Single Purpose
Assets**

The construction or the purchase of limited use assets should not be financed under the Oakdale Seed Fund unless the liquidating value of the asset plus other available collateral, if sold, would be sufficient to protect the Oakdale EDA from realizing a substantial loss.

Working Capital

Proceeds from an Oakdale Seed Fund loan should not be used for working capital or to refinance prior obligations of the small business concern.

**Availability of
Personal
Resources**

Since the primary focus of the Oakdale Seed Fund is economic development, personal resources of the owners or principals of the small business concern should not usually disqualify the small business concern from receiving assistance. Where credit factors indicate the need for additional capitalization, the injection of personal resources may be required to make the loan credit-worthy.

Personal

Guarantees

The EDA should require the personal guaranty of any person owning 20% or more of the small business concern regardless of the form of ownership.

**Participants
And Structure
Of Project
Financing**

Maximum Private Sector Exposure

The Oakdale Seed Fund is designed to foster projects contributing to sound economic growth in Oakdale in such a way that maximum private sector exposure is stimulated and encouraged. The Seed Fund should not be a substitute for conventional business financing or be used in place of other specialized state, federal or local programs that may be better suited to the specific project needs. In most Seed Fund projects a private sector lender will make a separate secured loan equal to a certain percentage of the total project cost and will usually be secured by a senior lien on project assets acquired with the financing. The EDA's share of the project financing will usually be secured by a junior lien position on project assets. The EDA will use the Seed Fund to participate with the private sector lender in making the total loan to the small business concern.

**Private Sector
Lender**

Financing may be provided by regulated and/or non-regulated financial institutions or noninstitutional sources if they are in the business of providing financing for commercial purposes and they are not associated with the small business concern receiving financial assistance. The terms and conditions of such financing must be acceptable to the Oakdale EDA based on the small business concern's ability to repay the Oakdale Seed Fund Loan.

Interest Rate

The lender and EDA may establish their own rate provided the rate is legal and reasonable. The lender and EDA may charge either a fixed or variable rate of interest on their loan. A renegotiable rate of interest is acceptable provided terms and conditions are established and agreed to both by the Oakdale EDA and the lender at the time of the loan approval. The EDA must be aware of the lender's terms and conditions in assessing the small business concern's ability to repay the Oakdale Seed Fund Loan.

**Balloon
Payment**

Such payments may be considered where circumstances warrant their use.

Amount

The maximum amount of private lender financing should be included in each project. At least 50% of the project cost should be funded by a private lender.

Maturity

Maturity must be reasonable in relation to the life of the asset being financed. In no instance should the maturity of the Oakdale Seed Fund Loan exceed the maturity of the loan being provided by the private lender.

**Personal
Guarantees**

The EDA requires the personal guaranty of any person owning 20% or more of the small business concern regardless of the form of ownership. Where ownership ranges from 5% to 19% the requirement for personal guarantees is discretionary. A partial guarantee may be considered for less than the total amount of the loan. Generally, a guaranty will not be required where ownership is less than 5%.

Alter Ego Loans

For tax and other reasons some small business owners prefer to separate the ownership of the asset from the operating small business concern. In such cases the small business owners form two legal entities: One entity owns part or all of the fixed assets and the other entity is the operating company. Loans will be permitted to the "alter ego" (passive concern) which is an eligible small business concern when:

- a) The applicant (passive concern) is a business entity that is organized and operated for profit, whether operating as an individual proprietorship, partnership or corporation;
- b) The operating small business concern is an eligible small business and the proposed use of proceeds would be allowable for such assistance if the operating small business concern were the owner of the property that is owned or to be owned by the applicant;
- c) The ownership interests in the applicant shall be completely identical with and in the same proportion as the ownership interest in such operating small business concern;

- d) Collateral includes an assignment of the lease between the applicant and the operating small business concern and a lien on the property itself. The lease, including options, shall be for a term of not less than the term of the loan;
- e) The operating small business concern must be either a guarantor or co-borrower, and any owners of 20% or more of the equity of the operating small business concern and of the applicant must also guarantee the loan.

Franchises

A franchise is eligible for the Oakdale Seed Fund if the franchise has the right to profit from his/her efforts commensurate with ownership and is eligible in all other respects. Franchises are ineligible only in the exceptional cases where the franchise agreement disguised as a contract of employment under the guise of a franchise operation. Where royalty or similar payments must be made by the borrower to the franchisor, a condition should be considered that prohibits such payment as long as the EDA loan is in default. Where credit factors warrant, guarantee of the franchisor should also be considered.

Operational Requirements

Responsibilities of the EDA/Oakdale Seed Fund

The Oakdale EDA/Seed Fund will offer its assistance to small business in need of financing. It will cooperate with other lenders participating in projects. The EDA and the Seed Fund are able to:

- a) Package and process loan applications
- b) Close and service loans
- c) Make available management services or cause such services to be made available
- d) Maintain the organizational and operational requirements set forth in these administrative guidelines

Disclosure of Information

On a loan application, no recommendation of any individual, (including a loan officer, city staff person or EDA board member) may be divulged directly or indirectly to an applicant, or to any of its representatives or any other unauthorized source. Only final EDA actions may be released.

Diversified Portfolio

The EDA will not concentrate the Seed Fund in any one type of industry. The EDA is encouraged to make loans to a variety of businesses in different industries. The Oakdale Seed Fund is designed primarily to assist existing healthy businesses to grow and create jobs. While new businesses (businesses in existence for less than two years) do create jobs, they should be considered for Seed Fund financing only after careful scrutiny as to management capability, experience, and financial support.

Place of

Business

The EDA shall maintain an accessible place of business open to the public during regular business hours and maintain staff adequate to perform normal business transactions. The EDA's place of business shall be located within the Community Development Department of the Oakdale City Hall.

Fiscal Year

The EDA shall choose and establish a fiscal year. The EDA is encouraged to establish a fiscal year which coincides with the City's fiscal year (January 1 through December 31).

Records

The EDA shall maintain financial records including books of accounts and minutes of all meetings of the directors. All records and supporting documents relating to the EDA's transactions shall be kept at its' principal office. Records and documents which are the basis for or related to the financial statements or loans shall be preserved for the periods required by the Internal Revenue Service (IRS) in accordance with generally accepted accounting practices.

**Maintaining
Loan Portfolio**

Documents

The EDA shall develop a filing and control system which ensures that the following information and documents relating to its loan portfolio are available at its principal office. The EDA filing system must contain information and documents related to each loan made through the Seed Fund as follows:

- 1) Loan application including all exhibits;
- 2) Loan authorization and all correspondence related to the loan prior to closing;
- 3) Loan closing documents including all documents relating to participation with the private lender;
- 4) Evidence of a 10% equity injection by the small business concern;
- 5) Amortization schedule;
- 6) Financial statements of the small business concern;
- 7) Related correspondence;
- 8) Evidence of field visits;
- 9) Condition of collateral;
- 10) Tickler file for insurance and UCC;
- 11) Evidence that taxes and insurance have been paid;
- 12) All other items relating to the loan.

Restrictions

Conflicts of Interest/Self-Dealing

Self-dealing by the EDA, its Board of Directors, employees or any other related parties to the prejudice of the small business concern, or the EDA is prohibited. The EDA shall not permit a significant relationship to exist or to be created between the EDA and a small business concern to be assisted while assistance through the Seed Fund is outstanding.

**Servicing
Capability**

In most cases, the EDA will service the loan. The EDA may require that the private lender to service the loan. In this instance, a servicing agreement will be completed between the private lender and the EDA. Costs of servicing will be paid for by the applicant.

**Notice of
Default**

In cases where the private lender is servicing the loan, the lender must agree to furnish the Oakdale EDA with written notice of any default by the small business concern within thirty (30) days of the date of default. The lender must give the Oakdale EDA sixty (60) days notice prior to a foreclosure sale. This agreement must incorporate provisions providing for a timely written notification from the lender to the Oakdale EDA of any default, delinquency by the small business concern on the lender's portion of the financing and the right of the Oakdale EDA to an immediate purchase of the lender's senior position in the loan thereby allowing the EDA the opportunity to protect its position and to avoid the accumulation of legal costs, preservation expenses, etc.

**Loan
Processing**

Repayment ability

An Oakdale Seed Fund Loan must be secured so as to reasonably assure repayment. Reasonable assurance of repayment takes into consideration earnings, management ability and financial condition of the borrower as well as the value of collateral.

**Process for Analyzing
Loan Applications**

The intake of loan applications will be completed by the Community Development Department staff of the City of Oakdale. Upon receipt of a complete application, the staff will complete an initial review to determine the ability of the program to address the identified financing need. If the project meets the intent and general parameters of the program, the application will be forwarded to the city's economic development consultant who will complete additional due diligence work on the application. The consultant will provide a report on the loan request to the Loan Committee of the EDA. The loan committee will make a recommendation to the Economic Development Authority who will make the final decision on the loan request.

Credit Information and Credit Reports

Upon receipt of the loan application, a credit report will be ordered from the private lender participating in the project. The report will be provided to the Oakdale EDA if the lender receives permission from the borrower. If the application package includes an acceptable credit report or sufficient credit information is supplied by the small business concern/lender or is available from other sources a new credit report may not be needed. Letters should be written by the private lender to credit references and others where necessary to determine the applicant's credit standing. Telephone contact should be made with credit references where appropriate.

Credit Requirement

The small business concern must meet certain practical credit requirements including the following:

- 1) The applicant must be in good character as determined by the private lender and the Oakdale EDA.
- 2) There must be evidence that management has the ability to operate the business successfully.
- 3) The small business concern must have enough capital in the business so that with the assistance through the Oakdale EDA and Seed Fund it will be possible for the business to operate on a sound financial basis.
- 4) While the questions of security and collateral are important in determining whether financial assistance will be extended, they are not the only factors upon which the approval or rejection of an application is determined. The Oakdale EDA attaches great importance to management, the inherent soundness of the small business concern, the small business concern's earnings records and prospects, the small business concern's long-range possibilities for successful operation and whether the granting of financial assistance will increase employment or have other favorable effects on the economy of the City of Oakdale.

Financial Statement Requirements

The loan officer of the private lender must evaluate the reliability of the financial statement submitted. All statements must be signed and dated by the proprietor, a

partner, or unauthorized office of the applicant unless they are accompanied by an independent accountant's report. Statements submitted on a compilation basis must be signed by the small business concern owner or designated officer.

Business Financial Statements

Balance sheets, profit and loss statements and statement of change in financial position are normally required for the preceding two full years. In addition, an interim statement for the current period is required when the application is received more than ninety (90) days after the end of the last fiscal year. An aging of accounts receivable and payables should accompany the interim balance sheet.

Analysis of Loan Applications

Additional Data

Additional financial data or written explanation may be required where necessary for an adequate analysis. This is especially true for new businesses or for existing businesses planning major changes in their operations. Both cases should require earnings projections. Cash flows or other types of data may be required where deemed necessary and appropriate.

Personal Financial Statements

Personal financial statements are required for proprietors, general partners each owner of 20% or more of the business including limited partners and guarantors. All statements must be signed and dated.

Processing Time

All loans are to be processed within thirty (30) working days. The processing cycle will begin with the day the application is received as indicated by a date stamp and ends when the loan authorization is issued. Time awaiting the receipt of additional information will be excluded from the processing time. If major delays are anticipated in receiving additional information to complete the package,

the application will be returned to the small business concern within three (3) working days.

Loan Servicing

There are two options for loan servicing. The EDA may elect to have loans serviced by lenders participating in the financing for any project or service the loan internally. The EDA may require the servicer to obtain and review the financial statements of the small business concern annually; review the small business concern's payment of taxes and insurance, review the uniform commercial code filings on collateral and monitor other financing senior to the loan to assure that payments are current.

The EDA may also require the servicer to make field visits as necessary to review the condition of collateral and report to the EDA any default or any other adverse trend condition or information as they occur and take or propose remedial servicing actions as ordinarily performed by a prudent lender. The EDA will provide written instructions to the servicer outlining the services that need to be provided as a part of the servicing contract. In addition, the servicer will not, without the prior written authorization of the Oakdale EDA, authorize any actions regarding the EDA loan including:

- 1) Make or consent to any substantial alteration in the terms of the loan instrument.
- 2) Make or consent to release of collateral.
- 3) Accelerate the maturity of the note.
- 4) Sue upon the loan instrument.
- 5) Waive any claim against borrower, guarantor, obligor or stand-by creditor arising out of the loan instrument.
- 6) Directly or indirectly charge or receive a bonus, fee, commission or other payment or benefit in connection with the making and servicing of the loan except as authorized by the program.
- 7) Require or obtain any funds, certificates of deposit or compensating balance not under the unrestricted control

of the small business concern or any other agreement establishing any preference in favor of the lender.

Repayment

The servicer is required to ensure the timely forwarding of the small business concern's monthly payment to the Oakdale Seed Fund.

Upon request, this information can be made available in alternative formats.
For more information, email economic.development@state.mn.us or call 651-259-7432.

DEED is an equal opportunity employer and service provider.

**MEMO
CITY OF INVER GROVE HEIGHTS**

TO: Inver Grove Heights Economic Development Authority
FROM: Thomas J. Link, Director of Community Development 
DATE: July 27, 2011 for EDA Meeting of August 1, 2011
SUBJECT: Small Business Loan Program and Excess Golf Course Property –
Supplemental Information

Staff conducted a conference call with Steve Bubul, Bond Counsel, and Steve Apflebacher, Financial Consultant, to discuss legal and financial implications of a Small Business Loan Program and the Economic Development Authority's (EDA's) acquisition of excess golf course property.

Small Business Loan Program

It was determined that the EDA:

- Does not need to establish an economic development district to establish a small business loan program
- Does not have to adopt business subsidy criteria for the loan program because of the relatively small amounts of the loans. It is recommended that the EDA adopt business subsidy criteria at some future time. The criteria could be similar to, if not identical to, the City's criteria.

Acquisition of Excess Golf Property

If the EDA proceeds with the acquisition of the excess golf course property it would have to establish an economic development district, including:

- Determining boundaries of the economic development district. These boundaries could be limited to the specific sites being considered or they could be enlarged to provide the EDA with more flexibility for future actions
- Setting a date for an EDA public hearing
- Publishing the hearing notice
- Considering adoption of a resolution, with findings

PROGRESS PLUS

Urban-Alternative Space Available

Summary of Research on City/EDA Small Business Loan Program Performance July 28, 2011

Progress Plus asked seven cities in the area to share their experience providing small business loan programs. The response from each city is provided below in italics. Below the italics is a brief description of the specific loan program referred to as there are several differences in how the programs are structured.

One of the key observations shared by several cities is that the EDA should be clear about what it hopes to achieve in establishing a small business finance program. Is the primary goal to assist existing local businesses? Is it to attract new businesses? Is it to attract or retain a specific sector, for example, manufacturing? Is it job creation? Is it to attract a business that will have a broader impact on the local economy through spin-offs, or multipliers? Or is it to attract or retain businesses that fill a community need or businesses that would be located in a particular area, e.g. a commercial node? Being clear about the purpose of the program at the onset helps ensure that the structure of the program achieves the goal.

A second observation is that many cities have found it helpful to utilize a group of local bankers or similar to serve as the loan review committee. Most cities similar to Inver Grove Heights do not have staff capacity and/or expertise to do adequate loan "underwriting." Some have opted to create an advisory board or commission, some have created a separate nonprofit that the EDA directs public dollars to, and some have contracted with an outside entity to do the underwriting and loan servicing. This last example, utilized by Brooklyn Park, Hopkins, Minnetonka and North St. Paul, uses the Metropolitan Consortium of Community Developers (MCCD). City staff then are involved but not responsible for reviewing and recommending approval of the loan applications or for processing and monitoring loan payments.

Third, several cities noted that offering a loan at or near what banks or the SBA provide is not proving to be of great benefit in today's economy. Gap financing is still helpful and there is strong interest in forgivable loans (50% of loan forgiven if business stays for 5 years or similar). Demand for loan guarantee programs has been minimal the past two years as lending requirements by banks are so stringent that they are virtually guaranteed anyway.

Finally, regardless of the purpose and structure of the loan program that Inver Grove Heights adopts, several city staff recommended leaving the program flexible enough for policy makers to make exceptions on a case-by-case basis.

City of Blaine

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Since its inception in 1983, the BADC has done 62 loans totaling \$3.6 million. There have been four loan defaults. The loans are reviewed by a committee made up of local bankers. The loans are used by both existing businesses in Blaine and businesses relocating to Blaine. The source of the funds is CDBG. There is a job creation requirement as part of the package.

Blaine Area Development Corporation, staffed by the Blaine Community Development Department, provides subordinated loans to small businesses for development costs or the purchase of equipment.

- 50% First Mortgage by Bank or Other Financial Institution
- 40% SBA 504 Second Payment
- Be a for-profit corporation, partnership, or sole proprietorship.
- Be a small business as defined in the regulations of the United States Business Administration.
- Demonstrate that the cash flows is sufficient to cover the proposed debt service and show a positive net worth.
- Create a sufficient number and type of jobs that benefit low and moderate family income persons to justify participation in this program.
- A company shall not have more than \$250,000 in outstanding principle at any one time. All payments for previous CDBG loans must be current for a company to be considered for an additional loan.

City of Brooklyn Park

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Business Developer
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Brooklyn Park has completed two loans in the first year of its program: a start-up retail and an re-located restaurant. MCCD does underwriting and loan servicing and MCCD provides 50% of the value of the loan. The City portion of the loan is at 10% and MCCD is lower so the blended interest rate is 7.5%. The program was designed for businesses that are not bankable. MCCD also comes to City Hall once a week to offer free consulting to businesses. This has been a very successful program. Previously, the city had also offered a loan guarantee program but found that was not meeting the needs of business...it wasn't enough of an assist to make a difference.

Micro Loan Program

Micro loans through Metropolitan Consortium of Community Developers (MCCD) are designed to leverage other financing programs as well as private financing provided by the commercial banking community.

Loan summary:

- Up to \$50,000, with 50% MCCD participation
- Project must be for a "for-profit," complimentary business located in Brooklyn Park
- Eligible loans used for working capital, inventory, equipment and general operations
- Loan interest rate is fixed at 10%
- Loan repayment terms generally range 3-5 years

City of Hutchinson

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We have four loans out currently and all are performing. The loans are for manufacturing expansions and total \$780,000. Funds were loaned out at a very low interest rate in exchange for a commitment by each company to create a certain number of jobs. We are very satisfied with how the loan fund is working. It has been a good incentive and retention tool. In 2010 we also did three commercial rehab loans for our downtown existing businesses. All are performing well. We have had that program for nearly 10 years and have had no defaults.

Economic Development Loan Fund

Designed to provide gap financing for businesses & industry starting up or expanding in the city's industrial park, although projects at other locations in the city will also be considered. The primary focus of the program is manufacturing and technology related businesses.

- Manufacturing, assembly, warehousing, research & development facilities, call centers & administrative processing centers are eligible
- At least one job created is required for every \$25,000 in assistance provided.
- Wages for jobs created must be at least \$10.19 per hour, exclusive of benefits.
- Funds can be used for land & building purchase, building construction, renovation and / or expansion, machinery & equipment, working capital and inventory.
- Immediate repayment of the outstanding balance is required if the business relocates outside Hutchinson
- Rates range from a flat rate of 2% up to Prime + 3%, as determined by the EDA Board. Typically rates will be similar to those available from a commercial lender.
- Loan terms up to 10 years are available.
- Loan amounts up to \$150,000 are available.
- Applicants creating a significant number of jobs or paying higher wages may receive preferential loan terms.
- The EDA will typically subordinate to other financing sources when needed.

City of Lonsdale

Joel Erickson, City Administrator
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Lonsdale has had a revolving loan fund program for about 10 years. During that time we have financed 24 businesses, a mix of manufacturing and retail mostly. We have had 1 business go bankrupt and we are currently working with the bank to determine if we will receive any assets from that bankruptcy. Because the loans are for hard assets, we do have some recourse.

Loan funds may be used for acquisition of land and/or buildings(s), rehabilitation of building(s), new construction and purchase of equipment in connection with starting a new business or expanding an existing business. Land and building must be privately owned, taxable property and proposed for manufacturing and/or commercial activities. All building(s) purchased or rehabilitated with funds from the Revolving Loan Fund, must be brought into compliance with all Lonsdale building codes. The Revolving Loan Program is intended to be flexible and assistance is customized to meet the particular needs of individual projects.

City of Northfield

Jody Gunderson
Economic Development Director
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jody.gunderson@ci.northfield.mn.us

Program has been in existence about 15 years. Primarily used for retail and service though Jody would prefer it be used for manufacturing and other businesses that are less risky and that provide a greater return in terms of jobs, tax base and spin-off. The program is gap financing and the City is in second or third position. He suggests focusing a new program on the type of business you want, making it worthwhile, e.g. consider forgiving some of the loan over time, and making the program flexible so that exceptions can be made by the Council on a case-by-case basis.

Downtown Revolving Loan (Small)
Administrator: Northfield Economic Development Authority
Eligible Uses: Exterior and interior improvements to building in Northfield's C-1 or C-2 commercial zones.
Amount Available: \$0-\$15,000
Term: 5 years
Rate: Half of the prime interest rate listed in the Wall Street Journal on day of loan approval.
Private Financing Required: None

City of North St. Paul

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EDA Coordinator
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North St. Paul just began a partnership with MCCD in 2011 to offer small business consulting and financing.

Micro Loans. Direct loans from MCCD for a variety of business purposes, including inventory, working capital, asset and equipment purchases, and start-up costs. Typical loan terms of 3-5 years, loan sizes up to \$25,000 for retail/service businesses, or \$50,000 for manufacturing businesses. This program is targeted to start-up and early stage businesses that cannot secure financing from traditional commercial lenders.

Four Percent Loan Program. MCCD loans in partnership with private lenders for physical improvements and hard asset/equipment purchases. MCCD can provide financing of up to \$40,000 at an interest rate of 4% provided that its funds are matched by an equal or greater amount of bank funds. The 4% rate is available for bank partnership loans provided that the term on the MCCD loan does not exceed five years.

City of Shakopee

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Community Development Director
City of Shakopee
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Until this year, on the order of 1 to 2 loans have been made per year. We have not had any defaults under this program. Currently, there are no funds in our program, and our City Council will be discussing future funding levels this week.

Deferred Loans

Through the City's Economic Development Authority, Shakopee is offering deferred loans to fund up to 50 percent of the costs of a restoration or enhancement project, up to a maximum of \$25,000 per property. The loans are forgiven on a sliding-scale over a five-year period if the property owner does not sell the property during that time. The loan program is open to commercial properties in Shakopee's historic downtown commercial area..