

PROCEDURES FOR REQUESTING BUSINESS FINANCIAL ASSISTANCE BY THE CITY OF EAGLE LAKE/ EAGLE LAKE EDA

Companies seeing assistance may be aided by City Staff and/or other appropriate public or private sources including the Eagle Lake Economic Development Authority, DEED or private consulting firms.

1. Pre-application.

- a. A pre-application meeting with City Staff and/or consultants is required of potential subsidy applicants in order to determine the proposed structure and eligibility of the project for financial assistance.
- b. All pre-application requests will be screened by staff for eligibility. Applicants shall be notified of eligibility to complete a full application. If denied, the applicant may appeal to the EDA.

2. Full Application.

- a. An application is provided. Applicants shall provide any required market and financial feasibility studies, appraisals, soil borings, information provided to private lenders for the project, and other information or data that the EDA and/or City or its financial consultants may require in order to proceed with an independent analysis of the assistance package. Please see item # 8 on the application form for a complete list of supplemental items which may be required.
- b. When a full application is requested, a staff site visit and discussion with the business about full application details will take place.
 - i. When completed applications are received, staff will conduct a thorough review. Because subsidy programs are diverse, different information may be required in order to conduct a thorough analysis.
- c. A Finance Committee, a sub-committee of the EDA, will review the request and supporting documents and prepare a recommendation to be presented to the full Economic Development Authority (EDA).
- d. The EDA will review the full application and make a recommendation to the City Council.
- e. The City Council will make a decision on the application. If the specific type of assistance requires a public hearing, the hearing shall be scheduled, following Council approval of the application. This shall not guarantee the assistance, but move the project forward through required statutory processes.
- f. Subsidy staff will inform the applicant, in writing, of the Authority and City Council's decision.
- g. Prior to the release of funds a Business Subsidy Agreement must be executed. See the attachment for required Agreement contents.

BUSINESS FINANCIAL ASSISTANCE EVALUATION CRITERIA

The Finance Committee, EDA and Council shall use the following criteria when evaluating requests.

1. A business subsidy must have a defined public purpose which will include, but not be limited to increasing the job base, expanding the tax base, rehabilitating existing commercial or industrial buildings.
2. Job creation with financial assistance will be directed toward skilled craft-persons and technicians; semi-skilled workers; and service trade industry workers, rather than part-time or minimum wage jobs.
3. Subsidy funds may be used for acquisition of land, construction or rehabilitation of manufacturing/warehouse facilities, site improvements, professional fees, utilities or infrastructure, purchase of machinery and equipment. Funding will not be provided for working capital.
4. Eligible businesses must be a "for profit" business.
5. Before approval of a subsidy request, the Authority will make a determination that the proposed subsidy is deemed necessary or appropriate given the previously defined program objectives and eligibility guidelines. The Authority must evidence this determination through a written analysis that is to accompany any request or recommendation for approval.
6. This Financial Assistance Policy establishes a specific wage floor for wages paid for jobs created using subsidies. Businesses using subsidies must pay a livable wage equal or greater than the current poverty guidelines for a family of four as issued each year in the Federal Register by the Department of Health and Human Services (HHS). HHS poverty guidelines are located at: <http://aspe.hhs.gov/poverty/o4poverty.shtml>. Except for within JOBZones, the Authority may allow deviations below the specific wage floor when the proposed recipient of the business subsidy clearly demonstrates that the proposed wages are consistent with a nationally established wage standard and the business is determined to be beneficial to the public purpose and the intent of the Business Subsidy Policy. Specific reasons for deviation must be reported to the State of Minnesota in the annual report on subsidies.
7. The Finance Committee, EDA and Council shall consider:
 - a. Repayment ability by the company and/or officers
 - b. Management skill/ resumes of key officers
 - c. Collateral and lien position
 - d. Credit risk of applicant
 - e. Need for special requirements, i.e. insurance, personal guarantees
 - f. Environmental review
 - g. Beacon Score –A Score below 640 can adversely influence credit potential. Your Beacon score is based on all of your credit-related information, found within your credit report - not just the negative information. The following is the type of information that the Beacon Score uses to calculate your credit score:
 - Payment History
 - Public record and collection items
 - Severity, recentness and frequency of delinquencies
 - Outstanding debt
 - Number of balances recently reported
 - Average balance across all trades
 - Relationship between total balances and total credit limits on revolving trade lines.

BUSINESS FINANCIAL ASSISTANCE (SUBSIDY) AGREEMENT

General Requirements. Following are general requirements for business subsidy agreement:

1. Subsidies in the form of grants must be structured as forgivable loans. For other types of subsidies, the agreement must state the fair market value of the subsidy to the recipient, including the value of conveying property at less than a fair market price, or other in-kind benefits to the recipient.
2. If a subsidy benefits more than one recipient, the City must assign a proportion of the subsidy to each recipient that signs the agreement. The proportion assessed to each recipient must reflect a reasonable estimate of the recipient's share of the total benefits of the project.
3. The City and the recipient must both sign the agreement and, the agreement must be approved by the City Council.
4. The agreement, in addition to any other goals, must include:
 - a. Goals for the number of jobs created, which may include separate goals for the number of part-time or full-time jobs, or in cases where job loss is specific and demonstrable, goals for the number of jobs retained;
 - b. Wage goals for any jobs created or retained; and
 - c. Wage goals for any jobs to be enhanced through increased wages.
 - d. In addition to other specific goals time frames, the wage and job goals must contain specific goals to be attained within two years of the benefit date.
5. The total amount of subsidy, repayment terms if it is a loan, and uses of funds shall be specified within the Agreement.
6. A description of collateral, if applicable.

Failure to Meet Goals.

1. The Agreement must state the recipients' obligation if the recipient does not fulfill the agreement.
2. At a minimum, the agreement must require a recipient failing to meet subsidy agreement goals to a repayment of the assistance plus interest to the City or at the City's option to the account created under M.S. 116J.551, provided that repayment may be prorated to reflect partial fulfillment of goals. The interest rate must be set at no less than the implicit price deflator for government consumption expenditures and gross investment for state and local governments, prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12 month period ending March 31 of the previous year.
3. The City of Eagle Lake, after a public hearing, may extend for up to one year the period for meeting the wage and job goals, provided in the subsidy agreement. The City may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to DEED.

4. A recipient that fails to meet the terms of its Agreement may not receive a business subsidy from any grantor for a period of five years from the date of failure or until a recipient satisfies its repayment obligation under this Section, whichever occurs first.
5. Before the City of Eagle Lake signs a business subsidy agreement, the City must check the DEED compilation and summary report to determine if the recipient is qualified to receive a subsidy.

Reports by Recipient to City. If the type of subsidy meets requirements of M.S. 116J.551:

1. The City of Eagle Lake must observe the progress by the recipient in achieving agreement goals.
2. A recipient must provide information regarding goals and results for two years after the benefit date or until the goals are met, whichever is later. If the goals are not met, the recipient must continue to provide information on the subsidy until the subsidy is repaid. The information must be filed on forms developed by DEED. Copies of the completed forms must be sent to the City of Eagle Lake. The report must include:
 - a. The type, public purpose and amounts of the subsidies;
 - b. The hourly wage of each job created with separate bands of wages;
 - c. The sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
 - d. The date the job and wage goals will be reached;
 - e. A statement of goals defined in the subsidy agreement and an update on achievement or those goals;
 - f. The location of the recipient prior to receiving the subsidy;
 - g. Why the recipient did not complete the project outlined in the subsidy agreement at their previous location, if the recipient was previously located at another site in Minnesota;
 - h. The names and address of the parent corporation of the recipient, if any;
 - i. A list of all financial assistance by all grantors for the project; and
 - j. Other information DEED may request.
3. A report must be filed no later than March 1 of each year for the previous year. The City of Eagle Lake must forward copies of the reports received from recipients to DEED by April 1st.
4. If the recipient does not submit its report, the City will mail the recipient a warning within one week of the required filing date. If, after 14 days of the postmarked date of the warning, the recipient fails to provide a report, the recipient must pay to the City a penalty of \$100 for each subsequent day until the report is filed. The maximum penalty shall not exceed \$1000.