

**MINUTES OF A REGULAR EDA MEETING HELD MONDAY, MAY 9, 2011 – 5:00 P.M.  
ROCKVILLE CITY HALL**

The meeting was called to order by President Vern Salzl. Roll Call was taken and the following members were found to be present – President Salzl, Ed Karls & Duane Willenbring. Absent: Bill Becker.

Also present were: Rena Weber, Heidi Peper & Rick Hansen.

**MINUTES OF 03/14/11** – Member Willenbring indicated there should be a correction to state “one” not “on” in regards to the sentence on the heating system.

***Motion by Member Willenbring, second by Member Karls, to approve the minutes of 3/14/11 as amended. Motion carried.***

**REVOLVING LOAN FUND** – Rena Weber & Heidi Peper presented information on the following:

**\$25,000 DONATED BY ATS:** Rena reported that in 2005 Anderson Trucking Service donated \$25,000 to the EDA to establish a revolving loan fund. Greg Simones was the president at that time and wished to invest in the (MCCF) Minnesota Community Capital Fund. This did not occur.

Heidi Peper informed the group that this fund is currently expiring.

**DAVID DROWN E-MAIL-** Well, since the money was donated to the EDA, there really should not be any legal constraints as to how you use it for a revolving loan fund. You can design a program that seems to meet the needs of your community. I think Heidi’s thoughts are on target – she can find a sample policy/guideline for the EDA to use to set up some sort of program rules and then get started. Most cities adopt rules, have an application form and try to think through how a request will be processed – does Rena do the processing work, do you hand it off to Heidi, etc.

My one thought would be to set up program rules to keep your maximum loan amount below \$75K or grant amount below \$25K. Those thresholds will keep your deals outside of the requirements of business subsidy law, which will make your loans and agreements easier to process and manage. Other than that, your EDA should be able to decide if it wants to target funds specifically (i.e. downtown redevelopment, manufacturing, etc.) or generally (commercial, housing, etc.) If Heidi has trouble finding some sample guidelines, I am sure I can borrow samples for you to look at too.

**PROPOSED REVOLVING LOAN POLICY:** Heidi Peper provided the following for review

**CITY OF ROCKVILLE  
REVOLVING LOAN FUND PROGRAM  
POLICIES AND PROCEDURES**

**I. BACKGROUND**

The City of Rockville, Minnesota (the “City”) and its Economic Development Authority (EDA) have determined that it is in the best interest of the health, welfare and development of the City to establish a Revolving Loan Fund (“RLF”) that supplements conventional financing sources available to existing and new businesses, which fit within the guidelines set forth in these policies and procedures (the “Policies”).

The RLF was established in 2011 for the purpose of promoting economic development within the corporate limits of the City. The original endowment of \$25,000 was received as a grant from Anderson Trucking Services to the Rockville Economic Development Authority to further economic development in the City.

The City RLF will be administered by the EDA and in conjunction with participating institutions. The following Policies are intended to provide guidelines for the City's administration of loan under the City's RLF.

## II. GOALS

The EDA created goals for any financial assistance that is provided to businesses, as adopted in its Business Subsidy Policy. It is anticipated that a RLF applicant's project will accomplish one or more of the following goals:

### A. Redevelopment

The project will remove, prevent or reduce blight or other adverse conditions of the property, thereby protecting the City's property values and the general public health, safety, and welfare.

### B. Attraction of New Business

The project will attract or retain competitive and financially strong commercial and industrial companies, which offer the potential for significant growth in employment and tax base.

### C. Needed Services

The project will provide a needed service in the community, i.e. health care, convenience or social services, which are not currently available.

### D. Economic Feasibility

The applicant can demonstrate that it has experience and adequate financing for the project and that the project can be completed in a timely manner.

### E. Job Creation

The project will create or retain jobs that pay an average of \$12.00 per hour in wages and benefits. The City may take into account the special needs of small or growth-phase businesses with potential to create high paying jobs in the future.

### F. Tax Base

The project will increase the City's tax base and generate new property tax revenue.

## III. ELIGIBILITY OF APPLICANTS

### A. Start-up or Expanding Business

### B. Manufacturing, warehousing, commercial, retail, for-profit enterprises

### C. Wages paid to employees must be at or above \$12/hour plus benefits

### D. Ineligible businesses – no loans will be made to political, religious or pornographic enterprises

### E. The EDA may waive job requirements at its discretion for commercial rehabilitation projects if a building has been identified to be in a blighted condition.

## IV. LOAN INTEREST AND TERMS

### A. A minimum loan size of \$5,000.00 and a maximum loan size of \$25,000.00.

### B. Loan terms for fixed assets are anticipated to range between 5-20 years for land acquisition and 5-10 years for building improvements and machinery and equipment purchases. Loan

terms for working capital needs are anticipated to range from 3-5 years. Loan terms may be longer or shorter than the foregoing based on the useful life of the asset in question.

- C. Interest rates are 2% below prime rate, minimum of 3%.
- D. The City may provide deferments on principal repayments and subordination of loans to meet the credit needs of borrowers.
- E. The minimum equity requirement for participation on the RLF loan is equal to 10% of project costs. It is the intention of the City to secure each loan with a first or second mortgage on real estate or a UCC filing on equipment, inventory and/or receivables, assignments of rents and personal guarantees as deemed appropriate by the City and consistent with these Policies.
- F. City RLF loans will only be restructured if the restructuring improves the borrower's repayment ability.
- G. Interest earnings or other profits earned from the sale of loans will be returned to the City RLF fund for relending.
- H. There is a base application fee of \$100, a charge a one percent (1%) loan administrative fee plus expenses to borrowers participating in the City RLF program. The use of these funds will be to pay the costs associated with the preparation and structuring of applications and related costs such as accounting to conduct an appropriate review of such applications. Borrowers are also responsible for associated legal fees relating to closing the City RLF loan.

#### V. ELIGIBLE USE OF FUNDS

- A. All costs demonstrated as essential for the project, including machinery and equipment, inventory, working capital, land and building acquisition or renovation, and land improvements are eligible for a loan.
- B. Funds for refinancing existing debts are ineligible.

#### VI. COLLATERAL

- A. All loans will be collateralized by one or more of the following: real estate, machinery and equipment, inventory, fixtures, accounts receivables, contract rights, personal guarantees, or other business assets. Other collateral as deemed appropriate by the Rockville EDA may also be required including personal assets.
- B. Security agreements or mortgages will be executed for all loans.
- C. Subordination to private lenders will be considered, but not to equity owners.
- D. Use of funds and equity position will be considered in determining appropriate collateral.
- E. Personal guarantees may be requested for any person owning an interest in the business and will be required for persons owning more than 20% interest in the business.
- F. Credit life insurance, which would pay off or be applied to the loan in the event of the death of the borrower(s), may be required.
- G. The EDA will be named as a loss payee and / or mortgagee on the hazard insurance coverage of the business and / or any other collateral.

#### VII. APPLICATION PACKAGE

- A. All applicants will complete the standard RLF application (Exhibit A) and submit along with the base application fee.
- B. Supporting documentation to the loan package:

- a. Business Plan
- b. Business Financial Statements
- c. Business Income Tax Returns
- d. Financial Projects
- e. Personal Financial Statements
- f. Personal Income Tax Returns
- g. Personal Credit Report
- h. Additional items as requested by the EDA.

VIII. FINANCING GAP

- A. The RLF is a gap financing tool and loans can only be made to businesses that substantiate a financing gap.
- B. RLF financing shall not exceed 33% of total project costs

IX. PROCEDURES

- A. Completed applications (with all supporting documentation) and application fee must be submitted to Rockville City Hall at least six business days prior to the 2<sup>nd</sup> Monday of each month for consideration at the next EDA meeting
- B. The EDA will review each application and will recommend action to the Rockville City Council

X. OTHER

- A. All borrowers must sign a Supplemental Loan Agreement (Exhibit B).
- B. No applicant shall be denied a loan on the basis of race, color, national origin, religion, age, disability, marital status or sex.
- C. Businesses must sign a Business Subsidy Agreement (if required by State Law).

(Refer to Exhibit A for Sample City policies) Attached

Heidi Peper explained the different options available— grants or loans. There is a downside for each in that there is a lot of paperwork with either program.

Member Willenbring indicated he would not want this to be a grant and rather use it as gap financing – but not too much. We still are not a banker.

Vern Salzl suggested a more simple way would be the loan guarantee and the bank does all of the work. We would be the second securer of the loan.

Member Willenbring stated that that now would be the time to develop this, but we must think this through.

Rena Weber reported that C. Chanthakhammy is still interested in receiving some financial help. He has submitted an updated business plan, but no official application.

Heidi Peper reported that the State has a lot of programs out there and we need to figure out what gap we want to fill.

Member Karls indicated that his thoughts are that industrial development should be our goal as we need more houses before retail will occur.

Heidi Peper suggested that the business retention/expansion (BRE) program should be done again. It has been some time since it was done last.

EDA should report to the council that we will be scheduling interviews with the local businesses.

***Motion by Member Willenbring, second by Member Karls, to have Heidi Peper move forward compiling the information packet on the BRE survey and send this packet to the EDA. Further Member Willenbring will invite the City Council to be a part of the survey. Motion carried unanimously.***

#### **FIRE HALL FLOOR UPDATE –**

Rick Hansen presented a bid for repair of the fire hall floor/heating system from Hansen Mechanical, Inc. Mr. Hansen proposes to remove the current boiler and replace it with a 96% efficient natural gas boiler. ¾" piping instead of ½' piping will need to be changed to accommodate the new boiler. A Reznor heater will be installed in the truck area.

Rick Hansen indicated that we need to vent the Reznor heater so that will be additional cost. The quote excludes electrical, painting, & patching. The boiler will be small enough so we don't need to have it inspected each month.

Discussed the proposal- do we need two quotes?

Rick Hansen stated that this was designed by Goodin Company and Dennis Hansen. The EDA had requested this. The use of a mechanical engineer was not done as it was felt this design would work.

Member Karls asked that there be another quote and then if another company could come up with another plan we could compare them.

***Motion by Member Karls, second by Member Willenbring, to have Rick Hansen research more companies and design build the mechanical portion of this repair project.***

**TREASURER'S REPORT –** Rena Weber presented the following:

\$251,575.63 Fund 209  
207,607.18 Fund 304 – Debt Service  
 \$459,182.81

***Motion by Member Willenbring, second by Member Karls, to accept the Treasurer's Report as presented. Motion carried unanimously.***

Member Willenbring questioned the \$251,575.63 and could a future council take that from the EDA. Rena will have to check that out.

**NEXT MEETING DATE –** 6/13/11 at 5:00 p.m.

***ADJOURNMENT – Motion by Member Willenbring, second by Member Karls, to adjourn the meeting at 6:10 p.m. Motion carried unanimously.***

---

**VERENA M. WEBER-CMC**  
**SECRETARY/TREASURER**

---

**VERN SALZL**  
**PRESIDENT**