

**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE  
CITY OF AVON, MINNESOTA**

HELD: May 20<sup>th</sup>, 2004

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Avon, Stearns County, Minnesota, was duly held at the City Hall on Thursday, the 20<sup>th</sup> day of May, 2004 at 6:00 o'clock p.m. for the purpose, in part, of conducting a public hearing on the amendment of the Avon business subsidy criteria.

The following Councilmembers were present: Evens, Boran, Dickinson, Ernst, Knox

and the following were absent: NONE

Councilmember \_\_\_\_\_ introduced the following resolution and moved its adoption;

**RESOLUTION AMENDING THE POLICIES FOR THE ECONOMIC DEVELOPMENT  
REVOLVING FUND DEVELOPMENT ACCOUNT**

WHEREAS, the City of Avon, Minnesota (the "City") acknowledges the need to provide financial assistance to businesses in the City to further the economic and development objectives of the City; and

WHEREAS, of Minnesota Statutes 116J.993 through 116J.995 requires the City to establish Business Subsidy Criteria before any new business subsidy can be provided; and

WHEREAS, the City of Avon previously adopted "Guidelines for the Economic Development Revolving Fund Development Account" which established the policies to be utilized when considering the approval of a business loan to promote economic development; and

WHEREAS, the City of Avon wishes to amend the existing plan to include additional parameters that will allow the City to meet the economic development needs and objectives of the community by expanding the allowable uses of funds to activities that demonstrate the achievement of a local, state and/or federal funding objective; and

WHEREAS, the City has performed all actions required by law to be performed prior to the amendment of the Revolving Fund Guidelines, including the holding of a public hearing upon published notice as required by law.

**BE IT RESOLVED** by the City Council (the "Council") of the City as follows:

1. The City hereby amends the Guidelines for the Economic Development Revolving Fund Development Account by replacing the existing Guidelines with the attached hereto as Exhibit A.

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:

and the following voted against the same.

Whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA  
CITY OF AVON                    ) SS.  
COUNTY OF STEARNS         )

I, the undersigned, being the duly qualified and acting Clerk-Administrator of the City of Avon, Minnesota, DO HEREBY CERTIFY that the attached resolution is a true and correct copy of an extract of minutes of a meeting of the City Council of the City of Avon, Minnesota duly called and held, as such minutes relate to the amendment of the City's Revolving Loan Fund Guidelines.

WITNESS my hand this 20<sup>th</sup> day of May, 2004.

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Jodi Austing-Traut  
City Clerk-Administrator

## EXHIBIT A

### CITY OF AVON AMENDED GUIDELINES FOR THE ECONOMIC DEVELOPMENT REVOLVING FUND DEVELOPMENT ACCOUNT

#### PURPOSE

The Economic Development Revolving Fund (RLF) Development Account is a revolving fund maintained by the City of Avon for the purpose of financing development costs as part of its municipal economic development program. This account provides an on-going source of funding that can be used to assist economic development by stimulating private investment in order to expand, maintain or start a business within the City of Avon.

The desired result of loans made to businesses through the revolving fund is to create new permanent jobs or retain endangered jobs within the City of Avon, encourage private investment within the City, and/or increase conventional business financing, but to fill the gap between the amount of financing available privately, and the amount required to complete the project.

#### REGULATIONS

1. Money from the revolving fund can be used to make business loans for start-up or expansion purposes, including financing building construction or renovation, purchase and repair of machinery and equipment used in the operations of the business, property acquisition, site improvements, infrastructure improvements and NOT constitute inventory, fixtures, furniture and office equipment (FF&E) working capital, professional fees and administrative costs. Loan terms and interest rates are to be negotiated between the City of Avon and the developer.
2. The primary use of RLF funds will focus on manufacturing and value added businesses that create jobs paying a livable wage. Funds may also be utilized to fund commercial building improvements that address rehabilitation issues contributing to slum/blight, urgent community need and other such projects that can demonstrate that a generally accepted state/federal objective is being met by the project. Public improvements that promote and or stimulate private investment in the above eligible activities will also be considered. Such projects may include, but are not limited to activities relative to downtown redevelopment efforts, industrial park development and affordable housing issues. Consideration of the items/project listed in this item should encourage loan terms that maintain the continued revolving of funds so as to not deplete the RLF. Any project that qualifies under this section and deviates from the original intent, as described in item 1. of this section the City shall create a record and documentation of the need and how the funded project meets a local, state or federal objective.
3. In all cases, the developer must spend at least one dollar or private funds on his project for every dollar loaned through the revolving fund. This requirement insures that the developer will have an investment in the project at least equal to the City's

4. The loan must be of benefit to the City. To satisfy this requirement, at least one of the following criteria must be met:

- a. For each \$20,000 of fund money loaned to a developer, at least one permanent private sector job must be created within 12 months of the loan disbursement, or retained within the community. If the job is to be retained, the business must provide acceptable documentation that it will reduce or discontinue operations in the community within 12 months if the loan is not made.
- b. The improvements or expansion must increase the local tax base by increasing the assessed market value of the parcel up which the improvements are constructed by at least 50% of the total market value.

The City reserves the right to require that both 3(a) and 3(b) be met in certain cases, as deemed appropriate by the City.

### **DESIRABILITY OF PROJECT**

If the above criteria are not met, the City will not loan funds to a developer. If the criteria are met, the City of Avon may loan funds to a developer, if the City is satisfied that the proposed project is desirable for the City and satisfied that the City's investment is sufficiently secure. In determining the desirability of the project, the City will consider whether the project generally enhances the quality of life within the City, whether the project removes slum or blight conditions, whether the project would generate significant environmental problems, and whether the project meets good public policy criteria.

### **DEVELOPER INFORMATION**

In determining whether the City's investment is sufficiently secure, the City will primarily consider the likelihood that the loan will be repaid in a timely fashion.

In making this determination, the City will review and require that the developer provide various financial information including:

1. The developer's financial statement for the previous 3 years
2. Financial references of the developer
3. A prospective showing the developer's principals, history and past projects. The developer should be able to demonstrate a past successful general development capability, as well as a specific capability in the type and size of the proposed development project.
4. A detailed analysis of the developer's present sales and cash flow after the project is completed
5. The names and addresses of all persons and banks providing financial assistance
6. A letter of commitment from a bank or financing company confirming that it will provide a specified amount of financial assistance to the developer's project.

### **CITY'S SECURITY**

In making certain that the City is sufficiently secured, the City of Avon will require that adequate collateral be provided to secure the loan amount until it has been repaid. This security would ideally take

the form of a letter of credit from a reputable bank. Alternatively, the City may require a mortgage on the subject property, a financing statement for equipment and inventory located on the property and/or other collateral, the total of which will equal or exceed the outstanding balance on the City's loan to the developer. Finally, the City will require a personal guaranty from the owner or owners of any business operated as other than a sole proprietorship.

Through the revolving loan fund, the City does wish to encourage appropriate development within the City with responsible developers, and assuming the City is adequately secured, it will attempt to make as much money available to as many developers as possible.

04-625  
**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE  
CITY OF AVON, MINNESOTA**

HELD: May 20<sup>th</sup>, 2004

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Avon, Stearns County, Minnesota, was duly held at the City Hall on Thursday, the 20<sup>th</sup> day of May, 2004 at 6:00 o'clock p.m. for the purpose, in part, of conducting a public hearing on the amendment of the Avon business subsidy criteria.

The following Councilmembers were present: Evens, Boran, Dickinson, Ernst, Knox

and the following were absent: NONE

Councilmember \_\_\_\_\_ introduced the following resolution and moved its adoption;

**RESOLUTION AMENDING THE AVON BUSINESS SUBSIDY CRITERIA**

WHEREAS, the City of Avon, Minnesota (the "City") acknowledges the need to provide financial assistance to businesses in the City to further the economic and development objectives of the City; and

WHEREAS, of Minnesota Statutes 116J.993 through 116J.995 requires the City to establish Business Subsidy Criteria before any new business subsidy can be provided; and

WHEREAS, the City of Avon approved Resolution #99-400 on March 1, 1999 which established a wage and job creation plan for businesses receiving assistance; and

WHEREAS, the City of Avon wishes to amend the existing plan to include specific criteria with which to consider business subsidy assistance and establish a specific wage floor for wages to be paid on jobs created, pursuant to Minnesota Statutes 116J.993 through 116J.995; and

WHEREAS, the City has performed all actions required by law to be performed prior to the amendment of the Avon Business Subsidy Criteria, including the holding of a public hearing upon published notice as required by law.

**BE IT RESOLVED** by the City Council (the "Council") of the City as follows:

1. The City hereby amends the Avon Business Subsidy Criteria by replacing Resolution #99-400 with the attached hereto as Exhibit A, in fulfillment of the requirements of Minnesota Statutes 116J.993 through 116J.995

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:

and the following voted against the same.

Whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA       )  
CITY OF AVON               ) SS.  
COUNTY OF STEARNS

I, the undersigned, being the duly qualified and acting Clerk-Administrator of the City of Avon, Minnesota, DO HEREBY CERTIFY that the attached resolution is a true and correct copy of an extract of minutes of a meeting of the City Council of the City of Avon, Minnesota duly called and held, as such minutes relate to the amendment of the City's business subsidy criteria.

WITNESS my hand this 20<sup>th</sup> day of May, 2004.

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Jodi Austing-Traut  
City Clerk-Administrator

## EXHIBIT A

### CITY OF AVON Policy Regarding Business Subsidy Criteria

The following business subsidy criteria are intended to satisfy the requirements of Minnesota Statutes 116J.993 through 116J.995 (the "Act"). The Term "City" means collectively the City of Avon, and it's Economic Development Authority.

#### Criteria

The City hereby expresses its support for the use of business subsidies that meet the below listed criteria.

But-for Test. There is a substantial likelihood that the project would not go forward without the business subsidy requested. This criteria must be supported by representations of the applicant for business subsidy.

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.

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.

Highest and Best Land Use. The use of the business subsidy will encourage quality construction and promote the highest and best use of land, consistent with the City's Comprehensive Plan.

Needed Services. The project will provide a needed service in the community, including health care, convenience and social services which are not currently available.

- Unmet Housing Needs. The project will provide housing alternatives the community currently needs but are not available.

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

Impact on City Services and Infrastructure. The project will not significantly and adversely increase the demands for service needs in the City.

Job Creation. The project will create or retain jobs which pay at least \$ \_\_\_\_ 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.

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

#### Evaluation

The City will evaluate each request for a business subsidy on a case by case basis. Applicants for assistance shall complete an application form and supply all additional information requested by the City. Meeting all or a majority of our criteria does not mean a subsidy will be awarded or denied. A decision to approve or reject a request for subsidy will be based on the merits of the project and the overall benefit to the community.

### **Valuation of a Business Subsidy**

The City will calculate the value of assistance provided to a business in the following manner.

- 1** If the subsidy is a contribution or sale of real or personal property, the amount of the subsidy will be the fair market value of the property as determined by the City, less any amount paid.
- 2.** If the subsidy is a loan, the amount of the subsidy will be the principal amount of the loan.
- 3.** If the subsidy is a loan guarantee, the amount of the subsidy will be principal amount of the loan guaranteed.
- 4.** If the subsidy takes the form of payments over time (such as pay-as-you-go tax increment) the amount of the subsidy will be the sum of projected payments, discounted to a present value using a discount factor determined by the City which approximates the interest rate available to the business from a commercial lender.