

Incubator Program Guidelines

EDA Board approved 12-19-2018

Program Goals

- Create the education and programming guidelines for an incubation program
- Incubate two to three businesses, including the lot enhancements in year one
- Measure how many businesses go through the education components (REV participants, loan clients, and lessees subsidized for incubation)
- Measure the amount of rent subsidy is provided by EDA & by Building Owners
- Measure the progress of the community lot improvements for the incubation of future new businesses and business leaders
- Measure the collaboration with VFW, Garden Club, EDA, Post Fire Committee, Local Entrepreneurs, Chamber, SBDC, RCTC Workforce Development

Business Incubation Program Guidelines Goal:

To encourage the creation and support of new for-profit businesses that maintain and enhance a sustainable and diverse business climate within the City of Spring Valley's business/commercial districts. Further, this program seeks to provide business owners with education and tools to increase their opportunity for long-term success, while filling currently vacant commercial properties in the community. *For the purposes of this program, a new business may include a business that had been previously operating out of a residence.*

Based on REV surveys: 5 Educational components to be developed using grant dollars and an education partner for:

1. Access to Capital

- Preparation
- Access to forms such as cash flow, start up or expansion cost sheets, and personal financial statements for my business plan
- How to fill out the forms for your business plan
- Seek advice and make changes to the cash flow statement when expanding products/services

2. Marketing

- How to do the best research for your business plan
- How to reach new markets and expand distribution channels
- Best practices for expanding promotions

3. Bookkeeping

- Basics and payroll

4. Succession Planning

- Plan for your business plan organizational documents
- Planning to strengthen your business
- Access to professionals and paper work

5. Customer Training to be developed for the acceleration program in Phase 2 or phase one if funds are adequate

- How to motivate and instruct your staff once in business
- Business etiquette

Funding & Timeline:

The Economic Development Authority has set aside funding for this program. \$8,600 is the total amount assigned to the first year of this program. \$5,000 of which comes from Southern Minnesota Initiative *grant funds to develop and implement education, and \$3,600 comes from the EDA to subsidies building rent and potentially pay up to \$1,000 in taxes over a 2-year period if the parcel destroyed by the Spring Valley recent fire is donated to the VFW. There is an additional \$5,000 in grant funds from the SMIF grant to incubate the lot destroyed by the fire.* The program will run until funds are depleted or until cancellation by the EDA— whichever occurs first. This program is a reimbursement program, and funds will be reimbursed to the Lessee.

Assistance: Business owners/Lessees may receive rent assistance to locate new businesses into vacant commercial properties within the City. Rent assistance will be provided at decreasing amounts for a total period of 12 months in accordance with the following schedule:

1. Months 1-6: 30% subsidy or \$200/month maximum (whichever is less)
2. Months 7-12: 15% subsidy or \$100/month maximum (whichever is less)

Business owners admitted to the program will also receive educational assistance in the form of 1 hour on -line classes on each of the core competencies outlined below:

The EDA has committed, \$5,000 of a \$10,000 Southern Minnesota Initiative Foundation grant to develop the incubator guidelines and entrepreneur education that supports incubation subsidy. Using EDA 2019 budget funds the EDA will pay up to *\$500.00 a year for two years to incubate recently destroyed outdoor space owned by Kolling Investment Group that will be donated to the VFW in order to develop green space to create a higher and better use of the parcel. \$5,000 of the \$10,000 grant will be used to meet the goals set in the grant application to improve the donated parcel.*

During the first year of the grant period, using grant and EDA funds, the EDA will attempt to assist 2 Leases', and the VFW if they acquire the lot, in the first year of the grant period with subsidies totaling \$3,600. \$1,000 set aside for the VFW's new parcel lot taxes, and \$2,600 set aside for rent subsidies.

Maximum monetary assistance provided per business/lessee is \$1,300 per lessee/business, with the exception of the parcel that the VFW will acquire which will receive up to a \$1,000 reimbursement payment (up to \$500.00 per year for two years for property tax), and up to \$5,000 in grant funds to improve the lot as per the grant guidelines.

GRANT GOALS

- Transfer the downtown lot next to the VFW destroyed by the fire
- Create outdoor incubator space

- Add ADA compliant entry, gate, holiday tree, possibly a fire pit, and outdoor seating accommodations
- Hold a mural contest using in kind labor from the post fire committee. The mural once completed would be removable in case the lot sells. Likely not secured to any buildings.
- The owner of the lot (proposed to be the VFW) and the Post Fire Committee to secure more funding for the lot enhancements - a presentation to the Spring Valley Community Foundation
- Ribbon cutting event at the improved parcel on Ag Days.

EDUCATION COMPONENTS FOR ACCELERATION INCLUDE:

1. Access to Capital Business/ Planning and Financial Projections

2. Marketing Strategies- How to do the best research for your business plan, how to reach new markets and expand distribution channels, best practices for expanding promotions, Online Marketing—Websites and Social Media

3. Basic Bookkeeping /Payroll

4. Succession Planning, Plan for your **business plan** organizational documents, planning to strengthen your business, Access to professionals and paper work, legal Considerations for Small Businesses (incl. liability, insurance, taxes, incorporation, etc.)

5. Customer Service and Business Etiquette

BUSINESS AND BUILDING OWNER REQUIREMENTS:

Business owners/Lessee admitted to the program will be aided and required to participate in the following ways:

1. Bi-annual meetings (with open financials) with the EDA's Economic Development staff and or the SBDC assigned counselor. Additional meetings may be scheduled as necessary and/or desired.
2. Access to Small Business Development Center consultation and resources.
3. Lessees within the City will receive assistance with promotion of available rental spaces.

Payment of rent subsidies to the Lessee will occur upon receipt of proof of their rental payment starting in the business' first month of operation. EDA reimbursement payments may only be made directly to the Lessee/applicant who applied for the program and is accepted to this program by the EDA Board.

Property owners and Businesses Owners/Lessees must be eligible and compliant with all City regulations and obligations to receive monetary assistance benefits delineated above. In order to receive assistance indicated through this program, lease/terms must be acceptable as determined by the EDA. Additionally, property must be zoned for business/commercial usage. Residentially zoned properties will not be considered.

Contingencies and Considerations: To improve odds of long-term success, approved applicants are required to follow program conditions considered to be valuable by the EDA:

1. Business will open within 90 days of approval of application by the EDA.
2. Business owner will participate in ALL educational classes (outlined in assistance section of this document) provided through this program by the EDA.
3. Business Owner/Lessee will meet with the EDA's staff on a biannual basis at minimum. Financial information and documentation will be released and reported during these meetings. Additional meetings may be requested by the business owner or the EDA.
4. Business Owner/Lessee must agree to hours of operation *that include at three (3) days per week*. If business is retail affiliated, the business MAY be required to operate until at least 6:00 p.m. one (1) evening/week.
5. Business owner will give a presentation after one (1) year of successful operation at a public EDA meeting to divulge challenges and plans for sustained success.

Application & Other Requirements:

The process for admission into this program includes the following steps:

1. Completion of the Business Planning and Financial Projections course. For schedule and registration, please contact City Hall/EDA.
2. Submission of a completed application including the following attachments, which EDA staff is willing to assist you with, are: a. Business plan (including 3 years of financial projections excluding requested program funding) b. Financial statements if applicable c. Lease agreement (including term and pricing) d. Types and names of professional services (e.g. accountant, legal, etc.)
3. Staff review of application and attachments. Staff may require/request additional information or clarification for the Lessee or Lessor.
4. EDA meeting with applicant's Banker to discern any concerns relevant to the application.
5. EDA review of presented application at a public meeting of the EDA. Financial information will be kept private when possible. Applicants are strongly encouraged to attend this meeting.
6. Applicant will be notified by letter shortly after the meeting of the Board's decision to approve, deny, or delay voting on the application.
7. Business/Lessee will open within 90 days of approval; rental subsidies will begin after the business has opened. The business owner may begin to take required educational classes (if offered) after approval has been acquired but prior to business hours of operation commencing.

Please note:

1. Maximum monetary assistance provided per business is \$1,300 per Lessee.

2. Business/Lessee must comply with all requirements outlined, or any subsidies received through the program must be immediately repaid to the EDA.

3. Business/Lessee must be willing to release financials including information on sales, inventory, expenses, etc. upon EDA request for bi-annual meeting.

4. Business/Lessee must continue to operate within the City of Spring Valley for two (2) consecutive years (including 12-month program) from opening. Businesses that willingly relocate outside of the City prior to the completion of two (2) years will be required to immediately repay 100% of subsidies received to the EDA. Businesses that go out of business prior to the completion of two (2) years may be required to repay all or a portion of received subsidies as determined appropriate by the EDA.

5. If the applicant is approved for the program, he/she implicitly agrees that the City may promote the company's usage of the program and include the company's information in relevant publicity materials/events/etc. All applications will be reviewed on a first-come-first-serve basis. Approval may be affected by funding availability. Applicants must submit one complete application to City Hall/EDA at least three (3) weeks prior to that month's EDA meeting for review (the EDA usually meets the 2nd Wednesday of each month). A complete application will also include all required attachments. Incomplete applications will be neither accepted nor held. All property owners and applicants affiliated with the applications and ultimate receipt of subsidies must ensure that taxes, utility bills, code violations, and other business with the City of Spring Valley are current, in compliance with all City regulations and obligations and in good standing on all properties owned within the City limits in order to apply and receive the rebate. Past history of delinquency on City matters will also be taken into consideration before program approval is given. This consideration applies to both applicants and property owners from whom they may rent. This program will be carried out in accordance with the Spring Valley Business Subsidy Policy and Minnesota Business Subsidy Law. The EDA will review these program guidelines on an annual basis to ensure maximum effectiveness.

For More Information: Questions regarding applications or this program should be directed to Cathy Enerson at cathy.enerson@cedausa.com The EDA reserves the right of ultimate review. The EDA may, at its discretion, approve projects that deviate from these guidelines if the proposed project is deemed within the general intent of these guidelines and in the best interest of the community.

Application to follow:

Definition:

Lessee is the applicant

Lessor is the building owner the applicant enters into a lease with the building owner

CITY OF SPRING VALLEY, MINNESOTA

Business Subsidy Application/Rent Subsidy Request

Business Name: _____

Business Address: _____

Contact Person: _____

Phone #: _____

Email: _____

Type of assistance requested:

_____ Tax Increment

_____ Tax Abatement

_____ Loan

_____ Other (please specify)

_____ JOBZ

Amount of assistance requested: \$_____

Projected start date: _____

Projected completion date: _____

PROJECT INFORMATION

(please attach a description of the proposed project and explain why the assistance is needed. Be specific)

Estimated Costs (please itemize)

Financing Sources (please itemize)

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

_____ \$_____

TOTAL COSTS \$_____

TOTAL FUNDS \$_____

* Financial statements for the past three years are to be submitted with this application. Businesses without financial statements will be required to submit personal tax returns for all principals of the business for the previous three years. The applicant must submit information on all current business-related installment debts, contracts, notes, or mortgage payables.

Banker's information:

Name of Bank: _____ Contact Name: _____
Address: _____ Phone Number: _____
If the assistance is for a building project: Yes____, No _____

Lessor's information:

Name of Building Owner/Lessor: _____
Address of the building: _____
Amount of the Lease payments: _____/monthly
Phone Number: _____ Email Address _____

If this is a building to be built: Estimated value *after* project completion: \$ _____

Size of Building _____ sq. ft. Building Type _____

Function of Building: _____

Provide a sketch plan and/or site plan for the project

PUBLIC PURPOSE & JOB CREATION INFORMATION

What benefits will the City and its residents gain if assistance is provided?

_____ Job Creation* _____ Job Retention _____ Job Training _____ Land Clean Up
_____ Tax Base _____ Blight Removal _____ Redevelopment X Other (Lessee subsidy)

**If job creation is part of your proposal, please list:*

of full-time jobs created _____ # of part-time jobs created _____

Avg. full-time salary \$ _____ Avg. part-time salary \$ _____

OWNERSHIP / COMPANY INFORMATION

Type of company (corporation, etc.): _____

Owner(s) name(s): _____ Address: _____

Phone #: _____ Is there a parent company? _____

If there is a parent company, please describe the relationship in detail.

Has the business, owners or parent company applying for the subsidy ever declared bankruptcy?
Yes or No

If yes, you must include information about the bankruptcy.

Has the applicant's business or parent company received a business subsidy, for this or any other project, from another Minnesota unit of government during the past 5 years? Yes or No

If yes is checked, please attach a description of the subsidy and by whom it was provided.

This application must be accompanied by a \$0.00 application fee. Depending upon the type of assistance requested, you may also be required to provide the City with a deposit to cover administration and consulting expenses associated with your project. Unused funds will be returned upon completion of this process. The applicant agrees to provide additional information if requested by the City.

The undersigned does hereby certify that the information provided within and attached to this application is true and correct to the best of his/her knowledge.

Applicant Title Date

_____ Applicant's Information and Signature

_____ Applicant's business plan if new, statement if expansion

_____ Applicant's Financial Statement

_____ Cash flow statement

_____ A copy of the applicant's lease with lease terms

_____ EDA Approval: Vote: _____, _____, Date _____

_____ Other