

## **GENERAL FINANCIAL REQUEST GUIDELINES**

### **Spring Valley EDA**

Revisions accepted by City Council May 23, 2011- Wages criteria changes annually, see state guidelines or contact the EDA  
Edited 5-2013, no changes 2014, updated 2015,2016, 2017, 2018, 2021

Whenever an individual, group of individuals, business or firm would like the Spring Valley EDA to provide funds or assistance to help them in their business plans the following steps will be followed:

1. The people or firm seeking assistance must contact the Economic Development Director and/or the City Administrator.
2. As a general rule, individuals or businesses seeking financial assistance from the EDA and/or the Revolving Loan Fund (RLF) should have at least 15% (fifteen percent) equity in the proposed project. The 15% figure will be based on the total project cost.
3. As a general rule, businesses seeking assistance should be located within the Spring Valley city limits, or relocating to Spring Valley from another location.
4. The EDA will not provide “outright grants” to help a business become established or expand in Spring Valley. The EDA, however, may provide a city owned building for the business to use. Depending upon the circumstances, the EDA could also pay building rent for up to one year if a city owned facility is not available or suitable for the business that wants to become established or wants to expand its current business in the city. The construction of a new building for a proposed project will be negotiated between the EDA and the appropriate business or business owners.
5. Those seeking financial assistance must first complete the attached “Application for EDA Assistance” form and return it to the Economic Development Director. No assistance will be considered until the application is completed fully and accurately. The EDD will confer with other agencies and individuals to determine what type or types of business assistance match the needs of the proposed project. As a condition for financial assistance, the EDA may require that the individual(s) agree to work with the Small Business Development Center (SBDC) or the Service Corps of Retired Executives (SCORE). These groups can provide existing business and start-ups with technical assistance that they may require in order to ensure a successful business venture.
6. The EDA may provide assistance in any or all of the following manners: Loans made through the RLF, loan guarantees, Tax Increment Financing, grant applications, building rental agreements, building construction agreements, and working with other private and public agencies making applications for assistance on behalf of the individual(s) and/or business.
7. Loan commitments are good for a period of 90 days. Once the commitment period has expired, the applicant must reapply for further consideration and in doing so would provide the EDA Director with a set of updated financials.
8. Assistance in amounts over \$25,000, or loans and loan guarantees over \$75,000, are subject to the business subsidy criteria adopted by the EDA after a public hearing held on 11/17/99 and amended at a public hearing held June 21, 2000, again amended May 23, 2011. Those criteria are attached to this packet.
9. See specific business subsidies criteria concerning Jobz benefits outlined in the business criteria section of this document.

**REVOLVING LOAN FUND GUIDELINES  
AND APPLICATION  
Spring Valley EDA**

1. The “Application for EDA Assistance” and an interview with the party seeking assistance will be used as the RLF application when assistance is requested.
2. The money in the RLF will be used only for loans and will be used as “gap financing” where other lenders are involved. The RLF is designed to assist individuals or businesses become established, to help with expansion of existing business, and to assist businesses with relocation to Spring Valley. Any money obtained through private, state, or federal grants for a project and placed into the RLF will be subject to the respective funding agency’s guidelines and not to those contained herein. However, money paid back to the RLF from these projects will follow these guidelines.
3. RLF capital can be used for individual, commercial, industrial, or retail business ventures. The funds can be used to help an existing business expand, to help a local business purchase additional equipment, and can be used to help a new business become established within the community.
4. Any RLF money provided will be done at a loan collateral ratio of 1:1. The EDA will assume a first position on items used for collateral purposes. In situations where there are many funding sources, the EDA will assume a 2<sup>nd</sup> position on the appropriate collateral. The typical rate will be fixed at one half percent higher than the prime interest rate at the time of the application. The rate may be negotiable if it is determined that a lower rate is required to make the proposed project work.
5. Loans being made will follow accepted banking procedures. The terms, however, can be altered in order to structure a deal that will best match the applicant’s needs and make the project financially feasible.
6. The RLF will not be used to help an existing or new business compete with another like business already located in Spring Valley. The exception to this rule would be when a market survey, compiled by a reputable source, shows that the market for the new business or for the business planning expansion was adequate to allow the business venture to take place.
7. Money loaned for “working capital” cannot be used for salary purposes.
8. The business or individual(s) requesting assistance from the EDA must have at least 10% of their own equity invested into the project. Exceptions may be made if it is determined by the EDD and the EDA Board that the project would work well with less equity investment.
9. As a general rule, one full-time job or equivalent must be created or retained for every \$15,000 requested. This requirement is based on 24 months from the time the assistance was approved (closing date). Businesses receiving assistance will agree in writing to employ a specific number of low to moderate income employees based on the total new and/or retained employees within the 24 month time frame. Additional requirements must be met for amounts over \$25,000 (see adopted business subsidy criteria).
10. When the RLF contains a balance of \$20,000 or less, the amounts loaned for any single business venture will be 20% of the current loan balance or 10% of all financing involved. When the RLF balance exceeds \$20,000, the amount available for each loan will be 30% of the fund balance. This rule can be deviated from if the circumstances of the business venture so warrant and the EDA approves.

11. Depending on the circumstances of the business venture and the financial status of the City, the EDA can request the City Council to transfer money into the RLF to be used for project financing.
12. The suggested terms for different types of loans are as follows:
  - a. Machinery & Equipment – 7 Years Maximum
  - b. Permanent Working Capital – 5 Years Maximum
  - c. Land & Buildings – 15 Years Maximum
13. All loan requests will be kept confidential until such time that they need to be brought to the EDA board for approval. The EDA holds open, public meetings and as such all information brought before the board becomes public. If confidentiality is an issue, it will be necessary for the applicant to inform the EDA so that he/she can take appropriate measures.
14. Loan commitments are good for a period of 90 days. Once the commitment has expired, the applicant must reapply for further consideration and in doing so would provide the EDA Director a set of updated financials.
15. The Spring Valley EDA reserves the right to deviate from these RLF guidelines when circumstances dictate and the EDA Board believes it is in the best interest to do so.
16. When requesting amounts of over \$25,000, or loans or loan guarantees exceeding \$75,000, all such requests are subject to the attached criteria for granting business subsidies over \$25,000.
17. Business subsidy borrowers are required to make auto payments to the city depository on a monthly basis. Any transaction fees associated with auto payments are at the expense of the borrower. The payment schedule with the depository shall begin on the 10<sup>th</sup> of each month. Payments shall commence 30 days following the closing.
18. Fees: The applicant is responsible for all fees, including the City Attorney fee, associate with closing on the loan, *and all documents prepared for the closing. When applicable, the applicant may have additional fees for recording a lien position on a mortgage, a tax per thousand on the mortgage, and or when applicable a \$20.00 fee for recording UCC documents for liens on inventory and equipment.* The collected fee(s) shall be collected at closing and used to offset expenses associated with implementation of the loan.



**CITY OF SPRING VALLEY**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**201 South Broadway**  
**SPRING VALLEY, MN 55975**

## **Criteria for Granting Business Subsidies in Excess of \$25,000**

### **I. Legal Purpose:**

Under Minn. Stat. § 116J.993 through § 116J.995, all granting agencies must develop criteria for awarding business subsidies after a public hearing. All business subsidy agreements must indicate a public purpose for issuing the assistance. Increasing the tax base shall not be allowed as the sole reason as serving a public purpose.

### **Exemptions:**

Business subsidies do not include the following:

1. assistance of less than \$25,000.
2. assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria;
3. public improvements to buildings or lands owned by the City that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
4. property polluted by contaminants being redeveloped as defined in M.S. § 116J.552, subd. 3.
5. assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development;
6. assistance to provide job readiness and training services;
7. assistance for housing;
8. assistance for pollution control or abatement, including assistance from a TIF hazardous substances sub district;
9. assistance for energy conservation;
10. tax reductions resulting from conformity with federal tax law;
11. workers compensation and unemployment compensation;
12. benefits derived from regulation;
13. indirect benefits derived from assistance to educational institutions;
14. funds from bonds allocated under M.S., Chapter 47A refunding bonds and 501(c)(3) bonds;
15. assistance for collaboration between a Minnesota higher education institution and a business;
16. assistance for a tax increment financing soils condition district as defined under M.S.469.174, subd.19;
17. redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current years estimated market value;
18. general changes in tax increment financing law and other general tax law changes of a principally technical nature;

### **Process for Application:**

1. Applicant must fill out application form in its entirety, sign it and submit it to the Economic Development Authority for review.
2. If the request is for an amount over \$100,000, the EDA must hold a public hearing which has been posted and published for at least ten days.

3. All applicants will be required to enter into a “subsidy agreement” with the EDA, laying out the goals of the assistance. All such agreements shall be available for public inspection.
4. All applicants will be given two years to meet the goals set forth in the subsidy agreement.
5. City Council must give final approval for all business subsidies over \$25,000 or loans and loan guarantees in excess of \$75,000 and are not one of the listed exemptions above.
6. All applicants shall be required to make monthly loan payments by auto payment to the city depository account. Any fees charged for auto payments are the responsibility of the borrower.
7. At closing a fee for the loan will be charged. Fees: There is a \$220.00 fee paid to the City of Spring Valley at closing, *and when applicable, the applicant may have additional fees for recording a lien position on a mortgage, a tax per thousand on the mortgage, and or when applicable a \$20.00 fee for recording UCC documents for liens on inventory and equipment, a fee for recording and or title work.* The collected fee(s) shall be used to offset expenses associated with implementation of the loan.
8. Loan commitments are good for a period of 90 days. Once expired, the applicant must reapply for further consideration and in doing so would provide the EDA Director a set of updated financials.

### **Economic Development Assistance Guidelines:**

1. The Spring Valley EDA will require applicant to invest equity of 15% of the total cost to ensure “ownership” and to deter benefactors from leaving a project at a later date.
2. Any Revolving Loan money provided will be done so at a loan to collateral ratio of 1:1. The EDA will assume a first position on items used for collateral purposes. In situations where there are several funding sources, the EDA may take a second position on the appropriate collateral. The typical rate for all loans made by the EDA will be one half percent higher than the average prime interest rate for Spring Valley financial institutions at the time of the application. The rate may be negotiable if it can be demonstrated that a lower rate is required to make the proposed project work.
3. When the total balance of the Revolving Loan Fund contains a balance of \$20,000 or less, the maximum amount loaned for any single business venture will be 20% of the current fund balance or 10% of all financing involved, whichever is lesser. When the RLF balance is greater than \$20,000, the amount available for each loan will be 30% of the available balance. This guideline may be deviated from if the circumstances of the business venture so warrant and the EDA approves.

### **Criteria:**

#### **I. Job Growth**

Increasing the number of jobs within the city limits of Spring Valley definitely serves as a public purpose. However, the number of jobs created must be in proportion with the amount of assistance to be given based upon the following chart:

Up to \$16,000 in assistance per job created at a wage of \$11.82/hour or greater  
Up to \$18,000 in assistance per job created at a wage of \$12.82/hour or greater  
Up to \$20,000 in assistance per job created at a wage of \$13.82/hour or greater  
Up to \$22,000 in assistance per job created at a wage of \$14.82/hour or greater  
Up to \$25,000 in assistance per job created at a wage of \$15.82/hour or greater

Although not required, applicants that show that there is opportunity for new employees to further their careers with education and training shall be given higher regard. Also, applicants which demonstrate that fringe benefits will be offered to new employees (such as child care, health care, and pensions) shall also be given more consideration for assistance.

#### **II. Providing Job Retention, Where Loss is Imminent and Demonstrable**

If a company is facing involuntary closure, or if a company has received an offer from another location which is attractive enough to expect that a reasonable person would move the business for financial reasons, then providing assistance to that firm shall be considered serving a public purpose.

If a company is facing a possible shut down, documentation will need to be provided to adequately demonstrate that the closure is imminent. Such documentation may include financial statements, a profit/loss statement prepared by a qualified person, or other paperwork as may be required by the Spring Valley Economic Development Authority. The applicant will be required to submit a plan that is intended to prevent such possible shut downs in the future.

If a company has received an offer to relocate from another location, then the details of that offer must be provided to the Spring Valley Economic Development Authority. The Spring Valley EDA shall confirm the veracity of the offer before awarding assistance to provide job retention.

In serving the purpose of job retention, one full time job at \$11.82/hour, or its equivalent, must be demonstrated to be retained for every \$5,000 in assistance.

### **III. Stabilizing the Community**

Business assistance in an amount of \$25,000 or greater will be considered serving a public purpose if the assistance constitutes an investment in an area that (1) historically has not received similar investments; (2) is a blighted area (determined by resolution of the Spring Valley EDA Board); or (3) is an economically depressed area (also determined by resolution of the Spring Valley EDA Board). Also, if it can be demonstrated that the assistance shall stimulate further investment or spin-off businesses and jobs in the area, the assistance shall be deemed as a stabilizing factor.

### **IV. Enhancing Economic Diversity**

By enhancing economic diversity, a community is protecting itself from the loss of a dominating industry. Much like a diversified investment portfolio, an economically diverse community is in better position to sustain itself than one that relies on the continued existence of one dominant industry.

Higher consideration will be given to applicants who will;

1. allow the area to participate in fast-growing industries;
2. protect the area from adverse economic consequences caused by slow growth or declining areas that are dominant in the area; and
3. provide essential consumer services or develop a network of local suppliers to businesses within the community where they would not otherwise exist.

***Internet users: scroll down the page for the application.***

CITY OF SPRING VALLEY, MINNESOTA

Business Subsidy Application

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Business Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone #: \_\_\_\_\_ Fax #: \_\_\_\_\_

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Type of assistance requested:

\_\_\_\_\_ Tax Increment

\_\_\_\_\_ Tax Abatement

\_\_\_\_\_ Loan

\_\_\_\_\_ Other (please specify)

\_\_\_\_\_ JOBZ

Amount of assistance requested: \$ \_\_\_\_\_

Projected start date: \_\_\_\_\_ Projected completion date: \_\_\_\_\_

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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: \_\_\_\_\_

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If the assistance is for a building project:

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*

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### **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 \_\_\_\_\_ Other (please list)

*\*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 \$ \_\_\_\_\_

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### **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 ever declared bankruptcy? Yes or No

*If yes, you must include information about the bankruptcy.*

Has your 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.*

There is not application fee to required to apply to this program. The borrower will be required to pay all fees due at loan closing, contingent upon the type of assistance received and may include but is not limited to the following fees: \$20.00 UCC-1 State Filing Fee \$20, Promissory Note \$75, Personal Guarantee, \$80, Security Agreement \$75, Mortgage Document, \$75, Mortgage Recording Fee \$50, Mortgage Registry Tax \$82.80. 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.



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Applicant

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Title

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Date