

MASTER DEVELOPMENT FUND POLICY NORTHFIELD, MINNESOTA

A. PURPOSE

The City of Northfield (the "City") has established a Master Development District (the "District") as identified in Exhibit A that allows the expenditure of tax increments for eligible (re)development projects. This district generally includes three types of land uses: (1) downtown commercial, (2) highway commercial, and (3) industrial. Other than those tax increments that are used to pay City debt associated with specific projects, the increments are pooled into the Master Development Fund (the "Fund"). This Policy is intended to guide the City's decisions as to appropriate expenditures from the Fund in relationship to the Master Development Program as approved by the City on June 17, 1991.

B. DEFINITIONS

(1) Commercial--businesses that are engaged in the buying and selling of goods and/or services; these businesses are allowed in Northfield's C-1, C-2, C-3 and C-I zoning districts.

(2) Downtown--that area of the Central Business District that is zoned C-1 or C-2 according to the zoning map of Northfield.

(3) Industrial--businesses that are engaged in the production and sale of goods; these businesses are allowed in Northfield's C-I and I zoning districts.

C. PROJECT CATEGORIES

The City may approve expenditures from the Fund for development projects in the following categories:

- (1) Property acquisition; highway commercial or industrial.
- (2) Infrastructure; highway commercial or industrial.
- (3) Public infrastructure/site improvements; downtown commercial.
- (4) Site improvements; highway commercial or industrial.
- (5) Building construction; industrial.

Downtown commercial building improvement/renovation projects may be assisted through the City's Downtown Revolving Loan Fund. Most downtown redevelopment projects will have new tax increments that will support that particular project; any additional assistance would be included in number three of this Section. The City may also establish additional tax increment districts for new industrial development projects that would provide tax increments for that particular project. Any such new tax increments are not reviewed as part of this Policy.

D. FUNDING CATEGORIES

The following funding categories will be used as a guideline for the most appropriate allocation from the Fund based on the criteria established in the Section F.

(1) Low Interest Loans -- this method will be used to the greatest extent possible for all project categories in order to keep this finite fund an ongoing source of economic development assistance.

(2) Public Expenditure -- this method may be used by the City to pay costs associated with infrastructure (i.e., streets, sewer, water) or public site improvements (i.e., parking lots, landscaping, sidewalks).

The City may also allocate funds toward an assistance program that would serve a particular economic development purpose within the District. Such a program would be identified as an addendum to this Policy with its own application procedures and/or approval criteria.

E. FUNDING CRITERIA

All applications will be approved or denied based on the funding criteria established as follows:

(1) The applicant must demonstrate that the City's financing is only a small portion of the total private financial commitment for the project; the City's desire is to finance a specified financing gap identified by the applicant due to one or more of the following conditions: (a) inadequate equity, (b) inadequate private lender financing, and (c) inability to pay market interest rates or terms.

(2) The City's intent is to assist those projects that increase the intensity of development in terms of land use, taxes and/or jobs; measurable criteria related to these factors will be a basis for approval or denial.

(3) The City will generally give priority to industrial versus highway commercial projects due to industry's job creation potential; the applicant must demonstrate job creation and/or retention related to the project.

(4) The City will generally give priority to existing versus new businesses in order to further business retention and expansion objectives.

(5) The City will target limited funds to the Downtown Revolving Loan Fund; other downtown commercial allocations from the Fund that are not used to pay project debt will largely be targeted to public infrastructure and public site improvements in the downtown area.

(6) An applicant may demonstrate that the City's financial assistance is necessary in order to retain a business within the City; long term public gains (i.e., jobs and tax base) will be used as the basis for assistance.

(7) An applicant must demonstrate that the project would not occur "but for" the City's financing assistance, including demonstrations of project costs, financing obstacles and/or site-related problems.

(8) The proposed business(es) within the building fit the needs of the community as identified in the Strategic Plan and/or other City plans.

F. LOW INTEREST LOANS

The City's approval of loans from the Fund will be based on the following terms and conditions:

- (1) Minimum loan = \$10,000; maximum loan = \$150,000.
- (2) City's loan cannot exceed 30% of the total project cost which includes the property, building, construction and site improvements (excluding soft costs and equipment).
- (3a) Terms--Industrial Projects:
 - (a) \$10,000-\$50,000 at for a 10 year maximum;
 - (b) \$50,001-\$100,000 at for a 15 year maximum; or
 - (c) \$100,001-\$150,000 at for a 20 year maximum.
- (3b) Terms--Commercial Projects:
 - (a) \$10,000-\$15,000 at for a 7 year maximum;
 - (b) \$15,001-\$30,000 at for a 10 year maximum; or
 - (c) \$30,001-\$50,000 at for a 15 year maximum.
- (4) Loans will be reviewed by the City every five years in order to adjust terms, if necessary, based on current interest rates.
- (5) Loan interest rates will be established at 80 percent of the average local lender commercial rate. The program rate will be adjusted quarterly by the City.
- (6) Security will be a subordinated mortgage on the property.
- (7) Loan covenants will include provisions for annual administrative reviews of the applicant's financial condition; personal guarantees may be required.
- (8) Loans shall not be used to refinance existing debt or pay for project costs completed before the date of application; private investments must be in the form of new commitments.

G. FINANCIAL FEASIBILITY

The loans should not exceed ninety percent (90%) of the property's appraised value, less the outstanding balance of any prior mortgage. Applications will be reviewed in order to determine financial feasibility, including:

- (1) debt repayment capacity;
- (2) historical financial performance;

- (3) sufficient collateral;
- (4) letters of commitment from other financing sources stating terms and conditions;
- (5) business plan if a new/expanded business; and
- (6) an independent appraisal by a certified or licensed appraiser; a copy of the appraisal for the primary lender will be acceptable.

H. FUND DISBURSEMENT

Loan proceeds from the City will be disbursed only after work is completed and after other borrowed/private funds have been expended as evidenced by the following documents:

- (1) Sworn Construction Statements;
- (2) Lien Waivers;
- (3) Invoices; and
- (4) Letter from the primary lender(s) that all contingencies have been satisfied.

I. APPLICATION PROCESS

An application must be completed as provided by the City's Community Development Department. A completed application, including the corresponding fees, must be reviewed by the City's Economic Development Authority (EDA). The EDA's recommendation will be forwarded to the City Council for review; all reviews may result in an approval, denial, or an approval for a different amount/structure.

Fees will include: (1) a non-refundable application fee of \$250.00, and (2) a refundable processing fee of 1.0 percent of the loan amount; refunding will be prorated to corresponding staff time if the application is denied by the City or removed by the applicant. The actual cost of searches, credit reports, filing fees and legal fees will be paid directly by the applicant.

The EDA review process will generally be based on the following procedure prior to sending a recommendation to the City Council:

(1) All applicants must demonstrate, through financial projections, that the cash flow of the business is sufficient to cover the proposed debt service; an independent financial analysis may be completed for the EDA.

(2) The EDA must determine that the proposed use of funds meets the appropriate test(s) for TIF eligibility; the EDA will review the project in terms of the funding criteria as established in Section E of this Policy.

(3) The EDA will determine the financing gap in relationship to the applicant's stated needs and financial condition; a proposed method of public financing, including amount(s), will be recommended to the City Council based on the funding categories as established in Section D.

(4) The City Council will act on a resolution that identifies conditions upon which an application is approved or findings upon which an application is denied.

J. MONITORING

The loan recipient shall agree to provide to the City information as needed to monitor project implementation for compliance with program objectives and loan guidelines. The project will be reviewed on an annual basis during the duration of the loan.

Approved	12/20/93
Amended	11/07/94
Amended	6/19/95