

Conduit Debt Policy –

General

Under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 to 469.1651 (the “Industrial Development Act”), the City of Northfield has authority to issue industrial, commercial, health care and non-permanent housing (e.g., college dormitory) revenue bonds or notes to attract or promote economically sound industry and commerce to the City and the surrounding areas in the State of Minnesota.

Under Minnesota Statutes, Chapter 462C (the “Housing Act”) the City is authorized to issue housing revenue bonds to finance multi-family residential housing projects for low and moderate income persons and elderly persons. Projects must be consistent with the City's Housing Plan and must be embodied in a Housing Program as these terms are defined in the Housing Act.

The Council is aware that such financing may be of benefit to the City and will consider requests for tax exempt financing subject to these Guidelines. The Council considers tax exempt financing to be a privilege, not a right.

It is the judgment of the Council that tax exempt financing is to be used on a selective basis to encourage certain development and services that benefit the City and the surrounding areas in the State of Minnesota as a whole, including significant employment, economic, healthcare, educational and housing opportunities. It is the applicant's responsibility to demonstrate the benefit to the City, both in writing and at the required public hearing. The applicant should understand that although approval may have been granted by the City for the issuance of financing for a similar project or a similar debt structure, ~~it that~~ is not a basis upon which approval would be granted. Each application will be judged on the merits of the project as it relates to the public purposes of the Housing Act and the Industrial Development Act and the benefit to the City and its residents at the time the request for financing is being considered.

Guidelines

1. The Council will consider tax exempt financing for commercial, industrial, health care and non-permanent housing projects under the Industrial Development Act and housing projects under the Housing Act. An applicant for tax exempt financing pursuant to the Industrial Development Act must submit to the City the application contained in Part IV of these Guidelines. An applicant for tax exempt financing, pursuant to the Housing Act, must submit to the City the application contained in Part V of these Guidelines.
2. Projects must be compatible with the overall development plans and objectives of the City and comply with the zoning and land use regulations of the City.
3. An application will not be considered by the Council until tentative City Code findings and requirements have been made with respect to zoning, building plans, platting, streets, and utility services. The application must be accompanied by the addendum contained in Part VI of these Guidelines and must provide information as to the project's need for municipal services including, but not limited to, street improvements, water and sewer services, and police and fire protection.

4. The project must be a positive benefit to the City and its residents. The project must be of the type of business or services that the City wishes to attract or provide, or if an existing business, one which the City wishes to assist to expand within the City or the surrounding area, considering employment opportunities, incentive for further development, impact on City services, and support for the industrial, commercial or health care operations currently located in the City. A housing project must provide significant housing opportunities for low and moderate-income persons or the elderly.
5. The Council will, if requested, grant an applicant a pre-application review. The purpose of the pre-application review is to inform applicants of the possibility of rejection or the possible bases for such rejection. The fact that the project is not rejected at the pre-application stage is not to be construed as approval of the project or as an indication that the project will be approved upon formal request to the Council. The City may reject requests for tax exempt financing whether or not the project was submitted to a pre-application review and regardless of the outcome or recommendation of that pre-application review.

A request for pre-application review must be in writing, addressed to the City Finance Director, and set forth the name of the project, the type of project intended and the name, address and telephone number of the person who will be representing the applicant at the pre-application review, together with such additional information as the applicant desires to submit.

1. The applicant must select a qualified financial adviser or underwriter to assist the applicant in preparing all necessary application documents and materials. The financial adviser will submit a letter that establishes the financial feasibility of the project. Applications may, in the alternative, include a signed letter from a responsible financial institution indicating that the project is economically feasible and viable and stating that bonds can be successfully sold for the project or that an individual or institution intends to purchase all of the bonds.

The applicant must receive approval from the appropriate state agencies, secure financing and commence construction within one year of the date of the resolution giving preliminary approval to the project or the housing program. Upon application, the Council may approve an extension of the preliminary approval.

The City will appoint bond counsel for the bond issue, which will normally be the City's regularly retained bond counsel.

7. Pursuant to the Industrial Development Act and the Housing Act, consideration of an application for tax exempt financing must be done at a public hearing held by the Council. Modifications to the project after the public hearing and preliminary approval must be consistent with the scope of the project as proposed at the time of preliminary approval.
8. The City is to be reimbursed and held harmless for and from any out-of-pocket expenses related to the tax exempt financing including, but not limited to, legal fees, financial analyst fees, bond counsel fees, the City staff's expenses in connection with the application, and any deposits or application fees required under state law in order to secure allocation of bonding authority. The applicant must execute a letter to the City undertaking to pay all such expenses. A form of the required letter is set forth as Part VII of these Guidelines. A non-refundable application fee in the amount of \$2,500 must be included with the submission of the application. The Application Fee will be used to offset the out-of-pocket expenses of the City.
9. Prior to closing and delivery of the bonds for the project, the applicant must pay, or commit to pay an annual administrative fee in the amount of 1/8th of 1% (.125%) of the outstanding principal balance of the bonds. The administrative fee ~~may~~ will be paid in a lump sum (discounted by the bond yield) at closing on the bonds, ~~or may be paid semiannually while the bonds are outstanding at the times specified in the bond documents.~~ The administrative fees required by this paragraph will be adjusted at or paid prior to delivery of the bonds if necessary to ensure compliance with the Internal Revenue Code and regulations.
10. Applications for financing must be made on the forms attached to these Guidelines. In addition, the applicant must furnish a description of the project, a plot plan, elevation of proposed buildings, landscape, lighting, and site preparation, together with a brief description of applicant and the proposed financing in such form as required at the time of application.
11. The Council may, in its sole discretion, impose conditions exceeding those required under the City building code in respect to exterior building materials, landscaping, signage lighting, and such other aspects as the Council may consider appropriate on a case-by-case basis.
12. The Council may, in its sole discretion, withdraw its preliminary approval of a project at any time if in its judgment the purposes of the Acts will not be served by going forward with the project and its financing.

MISCELLANEOUS MATTERS

1. Ratings. The City will give its most favorable consideration to proposed tax exempt bond issues that have the same rating as the City's obligations by Moody's Investment Service or Standard & Poor's Corporation. Issues carrying lower ratings or non-rated issues may be sold only to institutional or other investors on a private placement basis and must be in denominations of at least \$100,000. The Council may depart from this guideline when in its judgment the project is of a level of merit and public purpose to justify the departure; and in case of such a departure the Council must state its reasons therefor in the resolution awarding the sale of the bonds.
2. Refundings. The Council will normally approve the refunding of a tax-exempt issue but only upon a showing by the applicant of (i) substantial debt service savings, (ii) the removal of bond covenants significantly impairing the financial feasibility of the project, or (iii) both (i) and (ii). In the case of refundings of bonds for which the administrative fee listed in paragraph 9 of Part II have been paid in full, no new administrative fees are required; but the non-refundable application fee must be paid together with all City expenses in excess of that fee. ~~Refundings of bonds issued prior to October 2, 2006 are exempted from the annual administrative fee.~~
3. Subsequent Proceedings. Where changes to the underlying documents or credit facilities of outstanding bond issues are to be made and require Council action (including changes that are a "deemed reissuance" under Internal Revenue Service regulations), no administrative fee is charged but a non-refundable fee of \$2,500 must be deposited with the City to cover administrative costs. No formal application form is required.
4. Issues by or For Another Political Subdivision. The City will consider requests for tax exempt financing of projects in the City by other political subdivisions or by the City for projects in other political subdivisions. In these cases the non-refundable application fee must be paid and all procedures through the approval of the preliminary resolution followed. No administrative fee is charged unless the City, including the EDA and HRA, is the issuer.
5. City Contact. Initial contacts about tax-exempt financing are made by contacting:

Finance Director
City of Northfield
801 Washington Street
Northfield, MN 55007

Deadlines. The Council conducts all tax exempt financing matters at regularly scheduled Council meetings held on the first and third Monday of each month. Documents for Council consideration must be at the City office on the Monday preceding the next regular Council meeting at which the matter is to be considered. In the case of a publicly offered bond, issue the documents, when submitted, may specify a maximum price and maximum effective interest rate if prices and rates have not yet been established.

PART IV

APPLICATION FOR TAX-EXEMPT FINANCING

(Commercial, Industrial, Private Education or Health Care)

1. APPLICANT

- a. Business Name:
- b. Business Address:
- c. Business Form (corporation, partnership, sole proprietorship, etc.):
- d. Authorized Representative:
- e. Principal contact person and telephone number:

2. PURPOSE OF REQUESTED FINANCING:

- a. New Facility (describe):
- b. Expansion (describe):
- c. Refunding (attach explanatory letter)

3. GIVE BRIEF DESCRIPTION OF NATURE OF BUSINESS, PRINCIPAL PRODUCTS, ETC.:

4. ESTIMATED PROJECT COSTS: (Not required for refunding)

Land	\$_____
Building	_____
Equipment	_____
Architectural, Engineering	_____
Costs of Issuance	_____
Capitalized Interest, including discount	_____
Other	_____
Total Financing Requested	\$_____

5. AMOUNT OF FINANCING REQUESTED: \$_____ (___% of project costs)

6. TYPE OF FINANCING PROPOSED:

Bonds _____ Tax Exempt Mortgage _____

Expected Term of Financing _____ Years

Security:

Mortgage _____

Letter of Credit _____

Guaranty (third party) _____

Guaranty (personal) _____

Unsecured _____

Other (specify) _____

7. BUSINESS PROFILE: (Not required for refunding)

a. Is the business located in the City of Northfield now?

b. Number of employees in City:

1) Before this project:

2) After this project:

c. Approximate annual sales:

d. Length of time in business:

Length of time in business in City:

e. Do you have plants in other locations? If so, where?

8. NAMES OF:

a. Underwriter (name and contact person):

b. Corporate Counsel:

c. Underwriter's Counsel:

9. WHAT IS YOUR TARGET DATE FOR:

a. Construction start:

b. Construction completion:

10. Attachments:

a. Project description:

b. Draft application to Department of Trade and Economic Development – together with necessary attachments

c. Initial application fee

d. Indemnification Letter of Agreement

I certify that the information provided above contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge. I have been furnished a copy of the Procedure for Application to the City of Northfield for Private Activity Revenue Bond Financing and is aware of its content and agree to be bound by its terms and the terms of the indemnification letter.

Signature

Date

Title

PART V

APPLICATION FOR TAX-EXEMPT FINANCING

(Multi-Family Housing)

_____ DATE OF APPLICATION:

APPLICANT:

CONTACT PERSON: _____

TITLE:

ADDRESS: _____

TELEPHONE (____) _____

PROJECT NAME:

PROJECT LOCATION:

PROJECT INFORMATION

RENT

UNITS

Efficiency \$ _____

One Bedroom \$ _____

Two Bedroom \$ _____

Three Bedroom \$ _____

Parking (included in rent/
not included in rent) \$ _____

Laundry \$ _____

Utilities included in monthly rent:

OPERATING EXPENSES

_____ % of Gross (Annual)

TOTAL PROJECT COST: \$ _____ DEVELOPER EQUITY: \$ _____

DEBT SERVICE: \$ _____ *HARD COSTS: \$ _____

LAND VALUE: \$ _____ SOFT COSTS: \$ _____

*(Hard Costs are all project costs the IRS has determined to be eligible items for depreciation.)

ANTICIPATED INTEREST RATES:

_____ %

AMORTIZATION SCHEDULE:

_____ -Year Amortization Schedule

If the project were convention-
ally financed, what interest
rate would you expect to pay?

_____ %

SALES ASSUMPTION:

How many years do you plan to
hold the property before you
sell? _____
years. At what percent do you
feel the value of the project
will appreciate? _____

DEPRECIATION METHOD:

Years: _____

Type: _____

Amount of Total Basis: \$ _____

EQUIPMENT:

\$ _____ of project cost is for equipment (e.g., washers/dryers)

ANTICIPATED INCREASES:

Revenue: _____ % per year

Expenses: _____ % per year

ANTICIPATED VACANCY RATE:

First Year: _____ %

After First Year: _____ %

CONSTRUCTION SCHEDULE

Anticipated construction commencement date: _____

Anticipated construction completion date: _____

ADDITIONAL INFORMATION:

I certify that the information provided above contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge. I have been furnished a copy of the Procedure for Application to the City of Northfield for Private Activity Revenue Bond Financing and is aware of its content and agree to be bound by its terms and the terms of the indemnification letter.

Signature

Date

Title

PART VI

ADDENDUM TO APPLICATIONS

The following items must be attached to each application:

APPENDIX A

A brief description of the organizational structure of Applicant, including parent subsidiary and affiliate organizations (if applicant is other than an individual).

APPENDIX B

Statement of Applicant's business history, including any multi-family rental projects.

APPENDIX C

The name, address, and telephone number of:

1. The Applicant's legal counsel
2. The Applicant's accountant
3. The architect of the proposed Project
4. The engineer of the proposed Project
5. The general contractor of the proposed Project

APPENDIX D

1. Present ownership of the proposed Project site and Applicant's interest therein.
2. Present zoning of the Project site and a description of what city land use approvals are needed for this project.
3. The projected number of new employees to be added to the Applicant's permanent work force because of the Project (for Commercial, Industrial or Health Care only).

4. Other financing attempted or available to the Project including any interim financing.
5. Statement regarding whether or not this project has all required city approvals. If the project does not have all of the required approvals, list the approvals still needed and a tentative time schedule.

APPENDIX E

Indemnification Letter of Agreement.

APPENDIX F

Proforma Analysis of the Project
PART VII

INDEMNIFICATION LETTER OF AGREEMENT

The Mayor of the City of Northfield
and Members of the City Council
City of Northfield
801 Washington Street
Northfield, MN 55057

RE: Application of _____ for Tax Exempt Revenue Bond Financing by
the City of Northfield

Dear Mayor and Members of the City Council:

This letter of agreement is given by _____, a _____
under the laws of Minnesota ("Applicant") as required by the City of Northfield,
Minnesota in connection with its consideration of an application for tax exempt revenue
bond financing for the project described in the application.

Applicant agrees as follows:

1. Applicant agrees to pay or reimburse the City for any and all costs and expenses which the City may incur in connection with its consideration of the project and the granting of tax exempt revenue bond financing therefor, whether or not the project is preliminarily approved by the City, whether or not the project is approved by the State of Minnesota, whether or not revenue bond financing is finally approved by the City, whether or not the bonds are issued and sold, and whether or not the project is carried to completion.
2. Applicant agrees to indemnify and hold the City, its officers, employees and agents harmless against any and all losses, claims, damages, expenses or liabilities, including ~~attorneys~~ attorney's fees incurred in their defense, to which the City, its officers, employees and agents may become subject in connection with the City's consideration, issuance or sale of the bonds for Applicant's project and the carrying out of the transactions contemplated by this agreement and any resolutions adopted, or agreements executed by the City in connection with the issuance of its bonds for this project.
3. Applicant hereby releases the City, its officers, agents and employees from any claims, causes of action, losses, damages, or liabilities which it may have against the City, its officers, agents, and employees or which it may incur in connection with: the City's consideration of the application for industrial development revenue bond financing for Applicant's project; the failure of the City, in its discretion, to issue tax-exempt revenue bonds for Applicant's project; the issuance and sale of the bonds; the construction of the project; or any other matter or thing of any type or nature whatsoever which may arise in connection with the foregoing.
4. Applicant is aware of the City's application and administrative fee structure for tax exempt financing and agrees and covenants that all such fees will be paid in the amount and at the times required.

Dated: _____

(Applicant)

By _____

Its _____

