

**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's ECONOMIC DEVELOPMENT AUTHORITY (hereafter referred to as EDA) for two purposes:

1. that 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.
  - a. The desired result of these 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 for LARGE LOANS.
2. that of financing commercial building improvements addressing rehabilitation/renovation issues contributing to slum/blight and/or urgent community needs that are consistent with the adopted comprehensive plan of the city for SMALL LOANS.

Any project must demonstrate that a generally accepted state/federal objective is being met.

**REGULATIONS**

1. LARGE LOANS of \$8001 or more from the revolving fund can be used to make business loans for start-up or expansion purposes, including financing building construction or major renovation, infrastructure improvements, purchase and repair of machinery and equipment used in the operations of the business, property acquisition or site improvements. These loans may not be used for 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 EDA and the developer.
  - A. The primary use of RLF funds for these LARGE LOANS will focus on manufacturing and value added businesses that create jobs paying a livable wage.
  - B. 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.
  - C. Consideration of the items/projects listed in this item should encourage loan terms that maintain the continued revolving of funds so as to not deplete the RLF.

- D. For any project that qualifies under this section but deviates from the original intent, as described in item 1 of this section, the EDA shall create a record and documentation of the need and how the funded project meets a local, state or federal objective.
- E. In all cases, the developer must spend at least one dollar of private funds of the 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.
- F. The loan must be of benefit to the City. To satisfy this requirement, at least one of the following criteria must be met:
  - i. 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.
  - ii. The improvements or expansion must increase the local tax base by increasing the assessed market value of the parcel on which the improvements are constructed by at least 50% of the total market value.

The EDA reserves the right to require that both criteria in F.i. and F.ii. above be met in certain cases, as deemed appropriate by the City.

- 2. SMALL LOANS of \$2000 to \$8000 from the revolving fund can be used to make business loans for structural improvements/soundness of small business properties.
  - A. Loan terms for a loan \$2000 to \$5000 will be for a term of 5 years or less; for a loan of \$5001 to \$8000 for a term of 7 years or less; and the interest rate will ordinarily be one point below the prime interest rate.
  - B. The primary use of RLF funds for these SMALL LOANS will focus on structural improvements for small businesses (improvement of slum/blight). Such projects may include but are not limited to:
    - i. activities relative to downtown redevelopment efforts,
    - ii. building renovations to improve habitability/function
    - iii. building renovations to improve energy efficiencies
    - iv. a building "facelift"
  - C. No more than 10% of the gross funds of the RLF pool can be used at any one time for these SMALL LOANS.

## **DESIRABILITY OF PROJECT**

1. If the above criteria are not met, the EDA will not loan funds to a developer.
2. If the criteria are met, the EDA of the City of Avon may loan funds to a developer, if the EDA for the City is satisfied that the proposed project is desirable for the City and satisfied that the EDA'S investment is sufficiently secure.
3. In determining the desirability of the project, the EDA for the City will consider
  - A. whether the project generally enhances the quality of life within the City,
  - B. whether the project removes slum or blight conditions,
  - C. whether the project would generate significant environmental problems,
  - D. whether the project is in compliance with City ordinances/administrative code,
  - E. whether the project is consistent with the approved comprehensive plan and zoning ordinances of the City, and
  - F. whether the project meets good public policy criteria.

## **DEVELOPER INFORMATION**

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

In making this determination for a LARGE LOAN, the EDA of the City will review and require that the developer provide a variety of 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.

In making this determination for a SMALL LOAN the EDA of the City will review and require that the developer provide the following information:

1. A detailed description of the project with bids for the work to be done.
  - a. Loans will not be made in excess of bid costs of the project.
2. An up-to-date copy of a current building insurance policy.

3. A description of how the business will be improved by the project and how the City will benefit from this improvement.

## **LOAN SECURITY**

In making certain that the RLF of the EDA of the City are sufficiently secured, the EDA will require that adequate collateral be provided to secure the loan amount until it has been repaid.

1. For LARGE LOANS this security would ideally take the form of a letter of credit from a reputable bank. Alternatively, the EDA 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 loan to the developer.
2. For SMALL LOANS the EDA will require personal guarantee that this loan will be paid from the proceeds of bankruptcy, insurance in the case of catastrophe, or sale of the business, should any of these occur.
3. The EDA 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 EDA does wish to encourage appropriate development/renovation within the City with responsible developers, and assuming the loan is adequately secured, it will attempt to make as much money available to as many developers as possible.

### **Additional Requirements for Businesses Receiving a Business Subsidy in the Form of a JobZ Designation**

1. According to MN Statute, businesses receiving a JobZ designation shall pay wages and benefits that on an annualized basis are equal to at least 110% of the federal poverty level for a family of four.
2. If the business is relocating from another location in the State of Minnesota to the City of Avon, the business shall be required to increase full-time employment by 20% or create a minimum of five (5) new jobs, whichever is greater.

In addition to the above requirements, the City and the business are required to comply with all MN Statutes pertaining to Business Subsidies and JobZ designation in effect at the time of the Agreement.

Adopted by the Avon Economic Development Authority 2/7/05

Amended 3/6/06

Amended 4/3/06

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