

BLUE EARTH COUNTY SMALL CITIES ECONOMIC DEVELOPMENT GRANT/LOAN PROGRAM

INTRODUCTION

The major mission of Blue Earth County's Small Cities Economic Development Program is to initiate, facilitate and promote the County's legitimate economical/industrial development interest of its small cities. Program money is intended to complement not replace, existing local development efforts.

ECONOMIC DEVELOPMENT POLICY STATEMENT

The Blue Earth County Board of Commissioner's actively encourages economic development in all areas of the county. The Blue Earth County Small Cities Economic Development Grant has been established as just one way of locally addressing economic/industrial development in the County. The SCEDG Program is intended to assist in alleviating economic distress in small incorporated cities and is not designed to discourage or exclude any other economic development in other areas of the county such as townships, and the City of Mankato will be addressed on an individual government unit basis.

Grants under this program are intended to benefit all citizens of Blue Earth County by meeting one or more of the following requirements: promoting the creation or retention of jobs; creating or retaining a stable economic base; increase the tax base; or promoting the general health, education and welfare.

PROGRAM GOALS

The program is divided into two (2) phases. During phase I, a qualified city may apply for a grant: the funds should be used as seed money to actively promote a city's economic/industrial development. Phase II is designed to facilitate an in-process action grant through low-interest loans or some other alternative funding.

The Phase I Grant Program is designed to fund a limited number of economic/industrial grants for small cities in Blue Earth County. It would facilitate an economic needs assessment of the applicant communities and to an extent determine the impact such funding would have in assisting alleviation of economic distress. Funds could be used to leverage other (additional) funds, possibly grants through different funding agencies.

BLUE EARTH COUNTY SMALL CITIES ECONOMIC DEVELOPMENT COMMISSION

A small Cities Economic Development Commission should be named by the Blue Earth County Board of Commissioners to review grant requests for Phase I/loan requests for Phase II and to make recommendations to the Board of County Commissioners. The membership “Small Cities Economic Development Commission” shall be the mayors of Blue Earth County cities originally eligible to apply for the development grant. The officers will be a chairperson and alternative chairperson to be elected from within the membership.

The commission shall meet the same day as and immediately after the regular meeting of the Blue Earth County Mayors and Clerks Association which usually meets the third Thursday of each month. A mayor unable to attend a meeting may appoint another elected official from his/her city to represent the city on the commission.

Members on the commission shall abstain from voting upon grant/loan requests submitted by their own city. All grant/loan requests will be evaluated by the criteria set forth by the Blue Earth County Board of Commissioners in consultation with the Commission. A city receiving an unfavorable recommendation from the commission may make an amended request the following month or may appeal to the Board of County Commissioners.

ELIGIBILITY

1. An economic development commitment and a resolution to seek grant/loan funding must be recorded in the official minutes of a city council meeting.
2. Applicant must be located in Blue Earth County, have a population of less than 5,000 inhabitants and be incorporated.
3. Proposals must clearly identify and establish the city’s need for the grant/loan and have local implications.

EXCLUSIONS

1. Cities with populations greater than 5,000.
2. Unincorporated areas
3. Townships

DEADLINES

Grant/loan applications will be accepted anytime; however, application must be received two (2) weeks prior to a Development Commission meeting to be considered during that month. A decision regarding the grant/loan will be made within two (2) months.

PHASE I

LEVEL AND DURATION OF FUNDING

The merits and needs of each proposed grant will determine its level of funding. Each grant is limited to \$30,000.00 maximum; that amount should cover direct and indirect costs, including a 3-percent to 5-percent maximum from grant application development expenses.

APPLICATION REQUIREMENTS AND PROCEDURES

Applicants should submit two (2) copies of the preliminary proposal, which should not be more than four (4) typed pages in length. Submissions should include:

1. A narrative proposal
2. A clear, concise statement of the issues and problems surrounding the proposed area of economic/industrial development.
3. A clear statement of the project objectives and anticipated effect on the economic conditions as well as a budget of estimated expenses.
4. A copy of the city council resolution authorizing the grant request.
5. An organizational and management plan to apply the grant.
6. An indication of involvement/participation from local and rural business and industry in the formation of the grant request.

Two (2) copies of the preliminary proposal shall be submitted to:

Blue Earth County Small Cities Economic Development Grant Program
Blue Earth County Commissioners
Blue Earth County Courthouse
Mankato, MN 56001

CRITERIA FOR PROPSAL REVIEW

Preliminary proposals will be assessed according to the following criteria:

1. Merit of the proposal
2. Qualifications of the applicant city
3. Costs
4. Prior economic development activity
5. A city council resolution to seek economic/industrial development funding

REPORTING OF GRANT FUNDS

Grant funds under Phase I will be distributed at the beginning of the program. The city must deposit funds in a separate city-maintained account and annually prepare an audit financial and progress report based on their established criteria to the County Board. Loans paid from the account will be returned to the account. Interest generated by the account will remain in the account.

PHASE II

Phase II constitutes a commitment of \$200,000 from Blue Earth County to this program. The Program is intended to be a permanent revolving fund where money is available for new loans on a continuing basis as loans are repaid. Both the principal and interest from the loan payments will be deposited back to the program.

Phase II loans serve as dollar for matching funds to leverage project financing from public or private sources to expand or improve existing business or industry or assist in developing new business or industry.

LEVEL AND DURATION OF LOAN GUIDELINES

Upon approval of an applicant city's loan request, the County Commissioners shall approve payment of funds to the city. Loans to eligible cities shall range from \$5,000 to a maximum of \$50,000. The loan period shall be from two (2) to five (5) years, however, the amortization may be negotiated up ten (10) years, with a maximum of a five (5) year balloon.

The County Board will review and set the interest rate each year for all new loans.

The interest rate shall be computed as simple interest and shall be fixed for a period, not to exceed five (5) years. The Phase II loan must be repaid in equal monthly payments.

ELIGIBILITY

1. Cities which have met the general eligibility criteria of the Blue Earth County Small Cities Economic Development Grant Program (see page 2)
2. Phase II activity should be preceded by receipt of a Phase I grant
3. Eligible activities:
 - Fixed machinery
 - Building purchase, construction and renovation
 - Leasehold improvements
 - To public infrastructure needed for economic development expansion
 - Land acquisition
 - Plant modernization
 - Additional employment
 - Additional tax base

Questionable Expenses:

- Inventory
- Working capital

INELIGIBLE ACTIVITIES

- Agriculture production (farming)
- Past completed projects

APPLICATION REQUIREMENTS AND PROCEDURES

1. Develop a business plan for the proposed project
2. Interact with the local community development agency to formalize the plan and documentation according to the program guidelines
3. City Council approval
4. Blue Earth County Small Cities Economic Development Commission approval and; loans to be approved on a first come, first serve awarded basis
5. Blue Earth County Board approval

FORM OF PRESENTATION

The packet as approved by the BEDSCEDC shall be the standard form

Plans and documentation shall be worked out within the program guidelines.

Two (2) copies of the preliminary proposal shall be submitted to:

Blue Earth County Small Cities Economic Development Grant Program
Blue Earth County Commissioners
Blue Earth County Courthouse
Mankato, MN 56001

6. A letter requesting payment of the project financing, as approved by the Blue Earth County Board, should be submitted to:
Blue Earth County Administrative Services
Finance Division
PO Box 8608
Mankato, MN 56002

LOAN PROPOSAL CONTENT AND CRITERIA

1. A clear description of the project, what it may be expected to achieve and why it is important to undertake.
2. A detailed expense budget for the project showing how the requested funds would be spent and during what time periods. The budget should make clear how the major elements of expenses were estimated. Applicants should specify when the loan is desired and in what amount.
3. A statement of other sources financial support, public or private, which have been solicited concerning this project, including a statement of funds which have been received or pledged.
4. Estimate of profit and loss statements.
5. A projection of income and expenses for three (3) years

6. A narrative concerning the organization and responsible officers who intend to carry out the project, including the financial information regarding the financial qualifications of the proposed development.
7. Document of support signed by the local community development agency or City Council, regarding the project.
8. Amortization schedules and promissory notes by;
 - The City to Blue Earth County
 - The applicant to the City of Madison Lake
9. City Council resolution to seek economic/industrial development
10. Financial Statements
11. Credit Checks
12. *** Letter of Credit
*** at the option of the City of Madison Lake

INSURANCE REQUIREMENTS

Upon approval of the loan funds by the Blue Earth County Board, the city obtaining the funds shall require individuals or businesses using the funds to furnish the city with "Proof of Insurance", listing the city as an "Additional Insured" as their interests may appear.

This document becomes effective and binding for all new grants and loans on January 16, 1995, upon approval of the Blue Earth County Board. The changes made to this document are not retroactive to grants or loans approved under the program prior to January 16, 1995.