

TO: HONARABLE MAYOR AND CITY COUNCIL

FROM: LAURA QUALEY, ECONOMIC DEVELOPMENT SPECIALIST

RE: REVISIONS TO EDA REVOLVING LOAN FUND POLICY

DATE: MAY 20, 2025

BACKGROUND:

During the March 6th, 2025 EDA Meeting, the EDA Board voted to revise *Section E. Loan Program Guidelines Subsection 8* of the Revolving Loan Fund Policy relating to repayment of the loan funds.

The revised language adds a clause pertaining to a late fee for any payments that are 30 days past the due date of the scheduled loan payment. Prior to this added language, there were no ‘teeth’ to the repayment terms holding the borrowers responsible for making payments in a timely manner which is the reason for amending the policy.

CURRENT POLICY READS:

Repayment shall be a negotiable item between the EDA and the business, but will normally commence on the first day of the month after closing of the loan and will be due the first day of each month for the duration of the loan. The loan will be considered in default after thirty (30) days have elapsed past the due date and the EDA will make contact requesting payment by written notice.

After sixty (60) days have elapsed past the due date, the EDA will again discuss the nonpayment and past due balance. If ninety (90) days elapses without payment, the EDA and the business will negotiate terms for a repayment plan.

REVISED LANGUAGE READS

Repayment shall be a negotiable item between the EDA and the business, but will normally commence on the first day of the month after closing of the loan and will be due the first day of each month for the duration of the loan. *After thirty (30) days have elapsed past the due date, Borrower will be charged an additional 5.000% of the regular scheduled payment(s).*

Per the EDA Bylaws, the City Council must formally approve any revisions in order for them to be officially adopted.

REQUESTED COUNCIL ACTION: The EDA Board respectfully requests the Council to approve the amended language as stated above for the Revolving Loan Fund Policy in respect of the repayment penalty fee for late payments.

Cannon Falls
Economic Development Authority
Economic Development Fund
March 2025

A. Purpose.

The purpose of these policies is to establish guidelines for administration of the *Economic Development Fund* (the “*Fund*”). The Cannon Falls Economic Development Authority (the “EDA”) will apply these guidelines to evaluate applications and economic development opportunities that might be financed in whole or in part by the *Fund*.

The *Fund* has been established to promote economic activity that results in:

1. The creation/retention of employment opportunities; or
2. The preservation and/or expansion of the local tax base; or
3. The renovation, expansion and/or betterment of existing commercial real estate; or
4. Stimulation and/or leveraging of private investment that is consistent with the development goals and priorities of the EDA.

B. Project Eligibility.

M.S. 469.101 authorizes the EDA to initiate and conduct certain economic development activities. The *Fund* may be used to finance economic development efforts pursuant to and consistent with M.S. 469.101. The EDA will use the *Fund* to accomplish economic development.

The *Fund* will not finance the construction/renovation of residential dwelling units; vehicles; financing fees; furnishings or fixtures; refinancing of existing debt; or other costs that are determined to be ineligible by the Minnesota Department of Employment and Economic Development.

C. Business Subsidy.

In accordance with M.S. 116J.993 - 116J.995 as amended, a business subsidy of more than \$150,000 must comply with the aforementioned State Statute, including reporting requirements.

D. Livable Wage Requirement.

A recipient of financial assistance from the *Fund* that is required by the EDA to create/retain jobs must agree to pay an hourly rate, including benefits not mandated by law, equal to or greater than 110% of the Federal poverty level for a family of four (4), adjusted annually. The minimum hourly rate including benefits not mandated by law is currently \$15.24. (2022)

E. Loan Program Guidelines.

To foster, promote and facilitate economic development, the *Fund* may finance loans to private borrowers. On a case-by-case basis the EDA will evaluate a project requesting loan assistance in accordance with the following guidelines and procedures:

1. The minimum loan amount is \$5,000 and the maximum loan amount is \$100,000. A loan request exceeding \$100,000 may be considered and approved if the EDA finds that the resulting project to be financed will generate an economic outcome and private investment considerably greater than the loan request.
2. The EDA requires that any loan from the *Fund* leverage private sector investment in an amount that at least equals, and preferably exceeds, the amount of the public sector participation. That is, the minimum ratio of “public to private funds” is 1:1.
3. In the event that a borrower is the recipient of multiple loans from the *Fund*, the maximum total outstanding loan amount per borrower is \$120,000.
4. Typically a loan from the *Fund* must be secured by a first or second mortgage. If the loan is to be secured only by a second mortgage, the maximum loan amount typically should not exceed the lesser of ninety percent (90%) of the valuation of the property to be financed upon completion of the project less the outstanding balance of any prior mortgage, or \$100,000. In these circumstances, the EDA will seek additional security or collateral to minimize risk and further protect the interests of the *Fund*.
5. The interest rate will be fixed for the duration of the loan term and will be .5% below Wall Street Prime at the time of obligation (day of loan closing.)
6. The maximum term of the loan will be determined to reflect the specific purpose for which the funds will be used as follows:
 - a. 15-years for land and buildings.
 - b. 10-years for machinery and equipment.
 - c. 5-years for working capital, inventory and/or a deferred loan.

7. Procedural Guidelines:

On behalf of the City of Cannon Falls, the Director of Economic Development (the “Director”) provides economic development services to the EDA and is assigned responsibility for working cooperatively with the private sector to facilitate economic development activity in Cannon Falls. The Director is responsible for administration of the *Fund* on behalf of the EDA.

Loan applications will be processed as follows:

- a. The first step in the loan process is for the applicant to meet with the Economic Development Director to generally discuss the proposed project and to explain the need for financial participation. Following this initial conversation, the applicant will be advised how to proceed. In the event that a request for financing is to be submitted to the EDA, the Director will provide application materials to the applicant. No application fee is required at this stage of the process.
- b. Upon receipt of a complete application, the Director will schedule time for the Loan Committee (the “Committee”) of the EDA to meet and evaluate the application. The Committee is composed of two (2) members of the EDA and the Director. The Committee will review and evaluate any financial data that has been submitted by the applicant on a confidential basis. The application will be reviewed for consistency and compliance with the *Economic Development Fund Policy* and will include an

assessment of financial feasibility. Following due consideration by the Committee, a recommendation will be prepared for consideration by the EDA at their soonest opportunity.

c. The EDA will review and consider the recommendation of the Committee and then either approve the application, deny the application or delay any decision pending receipt and consideration of further information.

In those circumstances that may require a public hearing and/or consent by the Cannon Falls City Council, the Director will advise the applicant /EDA and schedule the appropriate proceedings.

d. Following final approval by the EDA, the Director will schedule a closing date for the loan. Prior to scheduling the date and initiating preparation of documents, the applicant will be required to deposit a minimum of \$1,000 but not more than \$7,500 in escrow with the City of Cannon Falls. The actual amount to be deposited will be determined by the Director. The escrowed funds will be used by the City to pay costs incurred to complete loan documents and processing tasks. In the event that costs exceed the escrow amount, the applicant will be responsible for payment of the excess. Any unused escrowed funds will be returned to the applicant.

8. Repayment shall be a negotiable item between the EDA and the business, but will normally commence on the first day of the month after closing of the loan and will be due the first day of each month for the duration of the loan. ~~The loan will be considered in default after thirty (30) days have elapsed past the due date and the EDA will make contact requesting payment by written notice.~~

~~After sixty (60) days have elapsed past the due date, the EDA will again discuss the nonpayment and past due balance. If ninety (90) days elapses without payment, the EDA and the business will negotiate terms for a repayment plan.~~ *After thirty (30) days have elapsed past the due date, Borrower will be charged an additional 5.000% of the regular scheduled payment(s)."*

Extra payments will not be allowed during the loan repayment schedule. However, there are no prepayment penalties if the loan were to be paid off in full earlier than the maturity date of the loan.

F. Policy Modifications.

The EDA recognizes that economic development initiatives oftentimes present opportunities that can not be fully anticipated as to their financial needs and/or their anticipated outcomes. In these circumstances, the EDA is prepared to consider modifications to or deviations from the *Economic Development Fund Policy* on a case-by-case basis subject to majority approval by its members.

The Economic Development Fund Policy was approved by the Cannon Falls Economic Development Authority on March 6, 2025 and by the City Council on _____.

**CITY OF CANNON FALLS
GOODHUE COUNTY, MINNESOTA**

RESOLUTION NUMBER 2814

**A RESOLUTION AMENDING THE ECONOMIC DEVELOPMENT AUTHORITY
(EDA) REVOLVING LOAN FUND POLICY**

WHEREAS, on November 3, 2005, the City Council approved Resolution No. 1572 (the “Enabling Resolution”) thereby creating the Cannon Falls Economic Development Authority (the “EDA”) and establishing their powers, duties and organizational bylaws; and

WHEREAS, pursuant to M.S. 469.093, the City Council conducted a public hearing on May 4, 2010 to obtain public input relating to the proposed modifications that are recommended by the EDA for approval by the City Council; and

WHEREAS, the EDA has made a modification to the Economic Development Fund Policy on March 6, 2025 (the “EDF Policy”) which is attached and made part of this Resolution to add a default clause for late payments of borrowers.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF CANNON FALLS, MINNESOTA that the EDA Loan Fund Policy is hereby modified as follows:

Section E. Loan Program Guidelines Subsection 8. is hereby *amended* in its entirety to read:

Repayment shall be a negotiable item between the EDA and the business, but will normally commence on the first day of the month after closing of the loan and will be due the first day of each month for the duration of the loan. After thirty (30) days have elapsed past the due date, Borrower will be charged 5.000% of the regularly scheduled payment(s).

Adopted this 6th day of May, 2025.

BY: _____
Matt Montgomery, Mayor

ATTEST: _____
Jon Radermacher, City Administrator