



Request for Action

TO: Economic Development Authority
FROM: Deanna Kuennen, Community & Econ Dev Director
MEETING DATE: May 20, 2021
SUBJECT: Approval of the 2021 Economic Development Incentive Fund (EDIF) Guidelines – Res. 2021-04

Background

Starting in March, the EDA has been discussing a new incentive program that would focus on targeted industries and provide financial incentives to support quality economic development projects. While the EDA has different tools and resources available to assist with business growth and attraction efforts, there still is often a disconnect between what is available and what specifically business and industry need. Business/industry are able to access capital at favorable rates, making local loan funds less attractive. The proposed program would provide forgivable and/or revolving loans to projects that meet certain criteria – at the discretion of the EDA.

The attached Economic Development Incentive Fund (EDIF) guidelines formalize the program parameters as discussed. The purpose of the EDIF is to provide flexible incentives to encourage project that bring quality development and quality jobs to the community. The EDIF will supplement traditional programs provided through the EDA, the City of Faribault, and local economic development partners to cultivate and support business growth. To summarize:

ECONOMIC DEVELOPMENT INCENTIVE FUND (EDIF)	
The EDA will make \$200,000 available for direct business incentives <i>from the existing Economic Development Revolving Loan Fund (Fund 292)</i>	
Maximum Incentive Award:	\$100,000 – forgivable loan, revolving loan, and/or combination
Targeted Industries:	Advanced Manufacturing, Food Processing, Warehousing & Distribution, Avionics
Formula for Award Determination:	Up to 1.5-percent of total project cost/investment \$2,500 per job created with a minimum wage of \$16/hour plus benefits Return on Investment based on increased city taxes

In addition, until an ongoing funding source is identified, Staff added into the guidelines that a business may only apply for EDIF dollars once, and the increase in city taxes that will be realized by the project, will be used as a measure to calculate the award, whereas the amount of the award should be

able to be “paid back” through new taxes in five years. Please note – even with these additional criteria, the EDA has the authority to approve/deny/amend any award recommendation, and can also take additional factors into consideration when evaluating each request. The criteria included in the program provide parameters for consideration – based on pre-determined criteria, ultimately adding an additional economic development tool to the “toolbox”.

Requested Action

Staff is requesting the EDA approve Resolution 2021-04 Approving the 2021 Economic Development Incentive Fund Program Guidelines and authorizing \$200,000 from Fund 292 to be earmarked for the program.

Attachments

Resolution 2021-04 Approving the 2021 Economic Development Incentive Fund Program Guidelines

Resolution 2021-04

APPROVING THE 2021 ECONOMIC DEVELOPMENT INCENTIVE FUND PROGRAM GUIDELINES

WHEREAS, the Economic Development Authority for the City of Faribault serves as the development arm for the City of Faribault; and

WHEREAS, “thriving economic development” is a strategic priority for the City of Faribault as identified in the vision – with the specific goal of developing a comprehensive business incentive package to attract, retain, and grow quality businesses and industries; and

WHEREAS, the Economic Development Authority for the City of Faribault recognizes that some projects require incentives outside of traditional revolving loans in order to move forward; and

WHEREAS, the Economic Development Authority for the City of Faribault desires to create the Economic Development Incentive Fund (EDIF) as a flexible program that supplements the existing tools and resources available to cultivate business growth and investment and support and encourage projects that bring quality development and quality jobs to the community; and

WHEREAS, \$200,000 of the Economic Development Revolving Loan Funds (Fund 292) will be earmarked for the EDIF in 2021; and

WHEREAS, the Economic Development Authority for the City of Faribault has reviewed the following Economic Development Incentive Fund (EDIF) Program Policy and Guidelines as set forth in Exhibit “A” and desires to adopt such policy.

NOW, THEREFORE, BE IT RESOLVED, by the Economic Development Authority for the City of Faribault, Minnesota that the recitals and exhibits set forth in this Resolution are incorporated into and made a part of this Resolution.

BE IT FURTHER RESOLVED, by the Economic Development Authority for the City of Faribault, Minnesota that the Economic Development Authority adopts the following Economic Development Incentive Fund Policy and Guidelines, as essentially set forth and attached in Exhibit “A”.

BE IT FINALLY RESOLVED, by the Economic Development Authority for the City of Faribault, Minnesota that the Community and Economic Development staff and consultants are hereby authorized and directed to take all additional steps and actions necessary or convenient in order to accomplish the intent of this Resolution.

ADOPTED: May 20, 2021

ATTEST:

Rodney Gramse, President

Dave Albers, Secretary

EXHIBIT A



FARIBAULT ECONOMIC DEVELOPMENT AUTHORITY ECONOMIC DEVELOPMENT INCENTIVE FUND (EDIF) – POLICY & GUIDELINES

PROGRAM DESCRIPTION

The purpose of the Faribault EDA Economic Development Incentive Fund (EDIF) is to provide flexible incentives to encourage projects that bring quality development and quality jobs to the community, furthering the mission of the Faribault EDA. The Faribault EDA recognizes that sometimes projects require incentives outside of traditional revolving loans in order to move forward. The EDIF is intended to add an additional resource to the EDA's program portfolio – for project that are focused on recruiting and retaining targeted industries. The EDIF will support projects that create or retain jobs in Faribault, include high levels of private investment, *and* have a positive impact on the City's tax base. The EDIF will provide forgivable loans and/or revolving loans as a means to increase and enhance quality economic development activity in the community.

All projects will be evaluated based on their own merit. Maximum award amounts will be determined based on a formula that takes into account specific industries, number of quality jobs created, anticipated level of private investment, total project costs, and increased taxes. The Faribault EDA has the authority to approve, deny, and/or modify any proposed incentive amount. The goal of the EDIF is to supplement traditional programs provided through the Faribault EDA, the City of Faribault, and local economic development partners to cultivate and support business growth and investment.

ECONOMIC DEVELOPMENT INCENTIVE FUND (EDIF)	
The EDA will make \$200,000 available for direct business incentives from the existing <i>Economic Development Revolving Loan Fund (Fund 292)</i>	
Maximum Incentive Award:	\$100,000 – forgivable loan, revolving loan, and/or combination
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ELIGIBILITY

To be eligible, a business must be a targeted industry that is currently located in Faribault and is seeking to expand, or is a new business seeking to relocate to the City of Faribault. Eligible businesses must be within the targeted industries of:

- Advanced Manufacturing
- Food Processing
- Warehousing & Distribution
- Avionics

Applicant must also be in compliance with relevant city ordinances and be current on property taxes (if applicable).

DETERMINATION OF AMOUNT OF EDIF AWARD

The amount of the EDIF for business recruitment or retention/expansion will be based on a determination of need for financial incentives. Applicants must demonstrate that EDIF is essential to the project moving forward in Faribault. Staff will conduct an analysis of each project to evaluate the total benefit of the project and the financial gap. Staff will involve other economic development partners and programs as appropriate and applicable to address the overall financial need, and encourage the use of other Faribault EDA programs as part of the review. The amount of the EDIF award recommendation will be based on the following parameters:

1. Total Project Investment

Award will be up to 1.5-percent of estimated project costs/investment to include facility expansion costs, capital expenditures for building, capital expenditures for equipment, costs associated with relocation (moving, recertification, etc.).

2. Job Creation

\$2,500 per job. Jobs must pay a minimum of \$16.00 per hour plus a full benefit package. If the project is a retention project – existing jobs that will be retained will be included in the calculation.

3. Increased Tax Base

Increased tax base will be used to determine the Return on Investment (ROI). Increase in city taxes will be used to calculate how long it would take to “pay back” the EDA’s investment into the project. The ROI should be 5 years or less.

The Faribault EDA may also take additional factors into consideration when determining the final EDIF award, such as fiscal and economic impact of the project, available funding, the threat of losing quality jobs, the level of new investment proposed, how the project enhances the current industry mix, wages greater than \$16 per hour, involvement of other economic development agencies and partners, and any other factors deemed appropriate. Each project will be evaluated on its own merit.

INTENDED USE OF EDIF

Projects must demonstrate that EDIF assistance is essential to the project moving forward in Faribault. EDIF awards may be used to offset overall project costs, which may include the following:

- Real and personal property acquisition and site development
- Company relocation expenses for moving operations to Faribault, MN
- Facility construction and/or real property improvements
- Equipment

APPLICATION PROCESS

Applicants must meet with Staff prior to completing and submitting an application with supporting documentation. Applications will be received on a year-round basis *while funding is available*. The application process will include the following steps:

1. Meet with Staff to review project.
Projects requesting EDIF will have been working with Staff prior to applying for funds. Staff and the applicant/business will have reviewed all available programs available through the city/EDA and programs available through economic development partners. The EDIF is intended to supplement other economic development programs and incentives – and should not be considered a sole-funding source.
2. Fill out application and include supporting documentation.
All of the following must be Included with the application – Project Narrative that describes why the EDIF assistance is essential, project scope, cost/investment information, proposed timeline, summary of all financial incentives.

Completed Application with supporting documentation (and any additional document as requested) must be returned to:

City of Faribault
Attn: Community and Economic Development Director
208 1st Ave NW Faribault, MN 55021

Email: dkuennen@ci.faribault.mn.us

3. Staff will screen all submitted applications for eligibility and conduct an analysis to determine the total maximum EDIF award that the project would qualify for. The analysis and recommendation will be forwarded to the EDA for consideration at their next regularly scheduled meeting.
4. The EDA will consider EDIF requests on an ongoing basis.
The applicant is required to attend the meeting to present the project, discuss project benefits, and address need for funding. The EDA has the authority to approve, deny, and/or modify any EDIF requests and recommendations. All awards will be authorized via an approving resolution.
5. If an award is approved, the applicant will be required to enter into a Repayment Agreement.
The Repayment Agreement will identify the conditions of the award (job creation, investment, etc.). A Repayment Agreement and a Promissory Note will be executed and recorded. Once executed and recorded, funds will be dispersed.
6. All EDIF awards will be due and payable if the terms of the Repayment Agreement are not met.
7. Applicants/businesses may only apply for EDIF once.

QUESTIONS AND REQUESTS FOR FURTHER INFORMATION

Please direct all EDIF questions to:
Deanna Kuennen, Community & Economic Development Director
507.333.0376
dkuennen@ci.faribault.mn.us

Resolution 2021-04

APPROVING THE 2021 ECONOMIC DEVELOPMENT INCENTIVE FUND PROGRAM GUIDELINES

WHEREAS, the Economic Development Authority for the City of Faribault serves as the development arm for the City of Faribault; and

WHEREAS, “thriving economic development” is a strategic priority for the City of Faribault as identified in the vision – with the specific goal of developing a comprehensive business incentive package to attract, retain, and grow quality businesses and industries; and

WHEREAS, the Economic Development Authority for the City of Faribault recognizes that some projects require incentives outside of traditional revolving loans in order to move forward; and

WHEREAS, the Economic Development Authority for the City of Faribault desires to create the Economic Development Incentive Fund (EDIF) as a flexible program that supplements the existing tools and resources available to cultivate business growth and investment and support and encourage projects that bring quality development and quality jobs to the community; and

WHEREAS, \$200,000 of the Economic Development Revolving Loan Funds (Fund 292) will be earmarked for the EDIF in 2021; and

WHEREAS, the Economic Development Authority for the City of Faribault has reviewed the following Economic Development Incentive Fund (EDIF) Program Policy and Guidelines as set forth in Exhibit “A” and desires to adopt such policy.

NOW, THEREFORE, BE IT RESOLVED, by the Economic Development Authority for the City of Faribault, Minnesota that the recitals and exhibits set forth in this Resolution are incorporated into and made a part of this Resolution.

BE IT FURTHER RESOLVED, by the Economic Development Authority for the City of Faribault, Minnesota that the Economic Development Authority adopts the following Economic Development Incentive Fund Policy and Guidelines, as essentially set forth and attached in Exhibit “A”.

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ADOPTED: May 20, 2021

ATTEST:

Rodney Gramse, President

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