Joint Finance Committee

Tuesday, September 24, 2024
7:30 AM
Elk River City Hall

Special Meeting
Agenda

1. CALL MEETING TO ORDER

2. CONSIDER AGENDA

3. CONSIDER MINUTES

   3.1 May 14, 2024 Meeting Minutes

4. GENERAL BUSINESS
   Items in which the information is presented by city staff or consultants, then deliberation and action occur. General Business items are not opportunities to receive or provide public input. However, the presiding officer may, at its sole discretion, solicit public feedback.

   4.1 Modern Construction Microloan Application

   4.2 General Updates

5. ADJOURNMENT

Special Meeting of the Elk River
Joint Finance Committee
Held at Elk River City Hall
Tuesday, May 14, 2024

Members Present:	Lynn Caswell, Charlie Blesener, Ryan Hardin, Jim Gromberg, Chad Vitzthum, Dan Tveite, Tony Sofio, and Nate Ovall
Members Absent:	Rhonda Magnussen
Staff Present:	Economic Development Director Brent O'Neil, and Economic Development Specialist Joshua Mollan
Others Present:	Annie Deckert – All Day Companies (virtual)

1. Call Meeting to Order

Pursuant to due call and notice thereof, the meeting of the Elk River Joint Finance Committee was called to order at 7:31 a.m. by Chair Tveite.

2. Consider Agenda

Moved by Gromberg and seconded by Hardin to approve the agenda. Motion carried 8-0.

3. Consent Agenda

Moved by Blesener and seconded by Vitzthum to approve the April 30, 2024, meeting minutes. Motion carried 8-0.

4.1 Heritage Millwork (HMI) Project and Incentive Applications

Mr. O'Neil presented the staff report.

Chair Tveite asked if there is a proposed interest rate set on the loan.

Brent advised that the program policy states a 3% interest rate.

Hardin asked if adequate funds are available.

Brent advised that there are funds available between multiple funds that have different requirements.

Moved by Blesener and seconded by Gromberg to approve the recommendation of approving Heritage Millwork's microloan application to the EDA. Motion carried 7-0. Chad Vitzthum abstained.

4.2 Open Discussion

Mr. O'Neil advised the HMI is anticipating groundbreaking on July 1st.

Blesener inquired on the former theater property.

Mr. O'Neil advised that Price Homes is utilizing a portion of the building for a showroom and the other portion is aimed at becoming leasable space.

Ovall asked about if there was any business feedback on the Carson Ct/Ave businesses.

Mr. Mollan shared that the Together Elk River Committee has mobilized multiple efforts to support those businesses.

5. Motion to Adjourn

Moved by Vitzthum and seconded by Caswell to adjourn the special meeting of the Joint Finance Committee. Motion carried 8-0.

The meeting adjourned at 7:48 a.m.

Minutes prepared by Joshua Mollan.

____

Brent O'Neil
Economic Development Director

____

Tina Allard
City Clerk

Request for Action

To
Joint Finance Committee

Item Number
4.1

Meeting Date
September 24, 2024

Prepared By
Brent O'Neil, Economic Development Director
Joshua Mollan, Economic Development Specialist

Item Description
Modern Construction Microloan Application

Reviewed by
Brent O'Neil

Action Requested
Consider and provide a recommendation to the EDA on a microloan application received from Modern Construction. The Joint Finance Committee may recommend approval, approval with conditions, or denial of the request.

Background/Discussion
Jesse Hartung, owner of Modern Construction and Tipsy Chicken, has completed the purchase of the former Daddy-O's property at 709 Main Street. The property will be owned by Modern Construction, with Tipsy Chicken moving into the building as a tenant prior to the end of October. Jesse intends to make modifications to the property prior to Tipsy Chicken relocation and has estimated $130,000 in construction/renovation costs. All-in costs, including property acquisition, are $685,000. Jesse has requested a loan through the Downtown Revitalization Program (DRP) for $74,999 to assist in the renovation. This would be the first DRP loan issued in recent years, if approved.

The DRP is sourced from the EDA's microloan fund, which has a present balance of approximately $1,300,000. The fund also sources the Industrial, Energy, and Micro-brewery loan programs and the fund has blanket criteria as well as specific criteria for each program. The program scoresheet is attached and provides a score of 35 out of 50 for this project, which is in the "high desirability" category.

Staff is supportive of this application as it helps continue the property's use as a restaurant as well as provides a freshening of the space, including the façade. In addition to requesting the committee's recommendation on this loan, there are a couple other considerations. The present owner equity is less than the 10% required by the program. Additionally, the leasehold improvements may exceed the $25,000 permitted by the program.

Financial Impact
If the committee agrees this loan meets the goals of the city and EDA, the loan would be funded from the EDA's microloan fund which has a balance of approximately $1,300,000.

Mission/Policy/Goal
Support existing Elk River businesses.

Attachments
1. Business Microloan Fund Policy and Application
2. Submitted Application
3. Business Plan, Resume, Letter of Commitment
4. Remodel Cost Breakdown
5. Future Floor Plans and Facade
6. Loan Scoresheet

Powered by Nature

Economic Development
Business Microloan Fund
Guidelines, Policy & Application

Amended:
May 2011
November 2013
July 2014
November 2014
December 2016
April 2017
August 2017
May 2020
May 2022

City of Elk River
Economic Development Division
13065 Orono Parkway
Elk River, MN 55330
763.635.1040

ELK RIVER ECONOMIC DEVELOPMENT BUSINESS MICROLOAN FUND GUIDELINES, POLICY & APPLICATION

1. POLICY PURPOSE

The Economic Development Authority for the city of Elk River (EDA) recognizes the need to stimulate private sector investment into manufacturing and certain commercial facilities and equipment in order to create new jobs, boost productivity and retain existing jobs for local residents. Additionally, the need exists to encourage investment in the expansion and/or rehabilitation of commercial and retail buildings in order to maintain the economic viability of the city and in the Downtown District. Subsequently, the purpose of this microloan program is to provide low interest, long-term (i.e. greater than one year) loans as incentives for new industrial and commercial development within the city of Elk River and to encourage commercial and retail business owners in the Downtown District to rehabilitate their existing buildings.

2. ELIGIBLE BUSINESSES

Any project located or proposed to be located within the city limits of Elk River as defined by this microloan program, may be eligible for a Microloan as further defined herein:

- Unless otherwise stated, business must be a for-profit corporation, partnership, or sole proprietorship.
- Business must be a *small business* as defined by the Small Business Administration (SBA).
- Religious, political, and pornographic enterprises are not eligible.

3. MICROLOAN FUND TERMS & CONDITIONS

Loan Structure
All Economic Development Microloans shall be structured as direct loans unless otherwise approved by the EDA Finance Committee. If a participation loan is requested, an agreement will be signed by the borrower, primary lender and the EDA.

The EDA may require additional agreements to be signed by the borrower (i.e. security agreement, personal guarantees, business subsidy agreement).

Simultaneous Microloans
The simultaneous use of different EDA microloan programs by any one borrower or for any one project is prohibited.

Loan Repayment
Jobs Incentive funds, including principal and interest received may not be used to support restaurant, retail, casinos, or sports facilities.

Call of Loan
A loan shall become due and payable in full if a business relocates outside of the city of Elk River prior to the maturity date of the loan.

Late Payment Charge
A late payment charge of 8% of the installment amount will be enforced following a grace period of 10 calendar days.

4. REGULATION FOR NEW CONSTRUCTION AND IMPROVEMENTS

All buildings which public funds will be used for construction or renovation are to be brought into conformance with city ordinances and state building codes.

5. LOAN SECURITY AND GUARANTEES

Applicant must be able to secure the loan by providing the EDA with a minimum of a subordinate mortgage upon the building and/or assets or other approved collateral equal to the amount of the loan.

Applicant must demonstrate the financial means to repay the loans, as determined by the EDA.

Whenever possible, personal, corporate, and/or entity guarantees will be made part of any loan agreement.

Key person life insurance may be required as determined by the EDA Finance Committee based on loan amount and company ownership partners.

6. TIMING OF PROJECT EXPENSES

No project should commence until the EDA has approved the loan application. Any costs incurred prior to the approval of the loan application are not eligible expenditures.

No building construction should commence until the required city permits are secured.

The applicant will be responsible for all legal, recording, and other fees required for protection of a security interest in the loan, payable by a $500 processing fee, which is paid at the time of application. In addition to the processing fee, all legal and filing fees shall be paid by the borrower at loan closing.

Closing of the Microloan should be simultaneous with the borrower's primary funding. The EDA should be given two weeks' notice before closing.

7. PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL

1. All applicants shall first contact a primary lending institution to determine if additional equity is needed, and if so, how much (if applicable).

2. The applicant shall then meet with city staff to obtain information about the microloan program, discuss the project, and obtain application forms.

3. The applicant shall complete and submit an application form to the city, along with a $500 processing fee. The fee is used to cover processing expenses and any remaining funds will be returned to the applicant. The applicant must provide evidence of their ability to meet the 10% equity requirements or provide a letter of commitment for conventional financing from the primary lending institution.

4. The EDA is a governmental entity and as such must provide public access to public data it receives. Data deemed by Applicant to be nonpublic data under State law should be so designated or marked by Applicant. See Minn. Sat. Sections 13.59, Subd. 1, respectively.

5. The application will be reviewed by the city staff to determine if it conforms to all city policies and ordinances and to consider the following:
   a. The availability and applicability of other governmental grants and/or microloan programs.
   b. Whether the proposed project will result in conformance with building and zoning codes.
   c. Whether it is desirous and in the best interests of the public to provide funding for the project.

6. The EDA Finance Committee and EDA Commissioners will review each application in terms of its consistency with the goals of the city's Comprehensive Plan and Economic Development Strategic Plan and in relation to the project's overall impact on the community's economy. Downtown Revitalization Loan applications will also be reviewed by a Housing & Redevelopment Authority Commissioner in conjunction with the EDA Finance Committee. Energy Efficiency Improvement Loan applications will also be reviewed by an Energy City Commissioner in conjunction with the EDA Finance Committee.

   The EDA Finance Committee will evaluate the project application in terms of the following:

   a. Project Design - Evaluation of project design will include review of proposed activities, timelines and a capacity to implement the project.

   b. Financial Feasibility - Availability of funds, private involvement, financial packaging and cost effectiveness.

      - Appropriate ratio of private funds to Microloan funds.

- Sufficient cash flow to cover proposed debt service as demonstrated by financial statements and projections.
- Letter of Commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
- Letter of Commitment from other financing sources stating terms and conditions of their participation in the project if applicable.
- Sufficient collateral.

c. All other information as required in the application and/or additional information as may be requested by the Economic Development staff.

d. Project compliance with all city codes and policies.

e. Microloan Objectives - In addition to quality job and wage creation/retention requirements, the applicant must meet all Microloan Fund criteria and demonstrate how the proposed activities will meet at least one of the following objectives:

- The project contributes to the fulfillment of the city's approved and adopted economic development and/or redevelopment plans.
- The project prevents or eliminates slums and blight.
- The project increases the local tax base.
- The project brings a structure into compliance with an existing building code violation.

7. A written request for an extension shall be accompanied by a copy of current financial statements and a $500 upfront processing fee. The processing fee is used to cover processing expenses. The application for an extension beyond the original term should include a letter of denial from a conventional lender.

8. The EDA Finance Committee will recommend the approval, denial, or request a resubmission. A recommendation from the Finance Committee will be forwarded to the EDA for recommendation of approval, denial to the City Council for final action.

8. MICROLOAN POLICY REVIEW

The above criteria will be reviewed on an annual basis to ensure that the policies reflected in this document are consistent with the economic development goals set forth by the city.

9. RIGHT OF REFUSAL

The EDA may deny any application if it is found not consistent with the goals of the city's Comprehensive Plan and Economic Development Strategic Plan and in relation to the project's overall impact on the community's economy.

10. COMPLIANCE WITH MN BUSINESS SUBSIDY LAW

All developers/businesses receiving financial assistance from the City of Elk River shall be subject to the provisions and requirements set forth by the City's Business Subsidy Policy as amended and Minnesota Statutes Sections 116J.993 to 116J.995 (the "Minnesota Business Subsidy Law") if applicable.

11. Agreement to Pay Costs of Review

It is the policy of the city of Elk River to require applicants to pay costs incurred by the city in reviewing and acting upon applications, so that these costs are not borne by the taxpayers of the city. These costs include all of the city's out-of-pocket costs for expenses, including the city's costs for review of the application by the city's Financial Consultant and City Attorney, or other consultants, recording fees, and necessary publication costs.

The application processing fees cover anticipated costs; costs incurred above the application fee will be invoiced as they are incurred, and payment will be due within thirty (30) days. Any unused portion of the application fee will be returned to the applicant. If payment is not received as required by this agreement, the city may suspend the application review process and may deny the application for failure to comply with the requirements for processing the application. Payment for costs will be required whether the application is granted or denied.

12. Microloan Programs

In order to meet the economic and community development objectives of the EDA, five distinct microloan programs exist within the Business Microloan Fund.

Industrial Incentive Loan

Purpose:	The purpose of the Industrial Incentive Loan is to encourage industrial and high technology business development that supports the tax base and brings quality jobs to the city.
Amount:	Up to $200,000 of secondary financing not to exceed 20% of the total project cost.
Remaining Principal:	Must have private-sector commitments for 50% of the project cost. Borrower must provide 10% or more of project financing.
Rate:	Fixed at 3%
Term:	Loans must mature within 5 years, but must be amortized over a longer period of time. The balloon payment must not be longer than the balloon payment of the participating bank if applicable. Loans may be amortized up to the following limits:

20 years on real estate uses;
10 years on equipment uses.

Extension: In the event that the Borrower is unable to pay off the loan or refinance the Microloan at the end of five years, the loan may be extended up to two additional years at 3% interest.

Criteria: Borrower must be an industrial or high technology business and create or retain one new full-time job for each $20,000 loaned within 2 years. Said jobs must pay a minimum wage of $15.00 per hour excluding benefits required by law. Loans of $75,000 or more shall meet the city of Elk River Business Subsidy Policy for the creation of new jobs at a minimum wage of $15.00 per hour excluding benefits required by law, as well as a 5-year location requirement.

In the case where multiple sources of public financing are requested (e.g. Microloan and Tax Increment Financing) job creation goals shall not be double-counted.

Borrower must comply with the provisions of the city's Industrial and Business Park zoning ordinances as applicable.

Permitted Fund Uses:

a. Building construction
b. Land acquisition
c. Machinery
d. Furniture, fixtures, and equipment (FF&E)
e. Renovation and modernization of buildings
f. Public infrastructure needed for economic development expansions
g. Investment real estate with a minimum of 50% of the space pre-leased

Ineligible Fund Uses:

a. Expenditures for the construction and/or renovation of residential units
b. Inventory
c. Refinancing of existing debt
d. Working capital

Downtown Revitalization Financing Loan

Purpose: The Downtown Revitalization Financing Loan is available to business and property owners in the Downtown Area primarily for the rehabilitation and restoration of older buildings, as well as new business development. Non-profit organizations may be considered. The Downtown Area shall be described as that area in the attached in Exhibit A.

Amount: Up to $74,999 of secondary financing not to exceed 20% of the total project cost.

Remaining Principle: Must have private-sector commitments for 50% of the project cost. Borrower must provide 10% or more of project cost.

Rate: Fixed at 3%.

Term: Financing with a balloon payment in up to 5-years. Loans may be amortized up to the following limits:
20 years on real estate uses;
10 years on equipment uses.

Extension: In the event that the Borrower is unable to pay off the loan or refinance the Microloan at the end of five years, the loan may be extended up to two additional years at 3% interest.

Criteria: At a minimum, 20% of Microloan dollars must be used for the improvement of the building façade, with exceptions to be considered when it appears the façade improvements are not necessary. Financing of leasehold improvements will be considered at a limit of $25,000.

Permitted Fund Uses:

a. Building construction
b. Renovation and modernization of buildings
c. Furniture, fixtures, and equipment (FF&E)
d. Exterior renovation of retail or commercial buildings
e. Financing of leasehold improvements including façade improvements will be considered at a limit of $25,000
f. Expenditures for the construction and/or renovation of residential units

Ineligible Fund Uses:

a. Inventory
b. Refinancing of existing debt
c. Working capital

Energy Efficiency Improvement Loan

Purpose: The Energy Efficiency Improvements Loan is available to property owners of commercial or industrial buildings in Elk River to provide low interest loans to businesses to invest in energy efficiency and improve their profitability through reduced energy costs. In addition, the microloan program helps the city of Elk River use energy conservation as an economic development tool. Non-profit organizations may be considered.

Amount: Applicants may apply for the cost of improvements up to $74,999

Equity: Must have a minimum of 10% equity provided by the borrower.

Rate: Fixed at 3%

Term: The maximum maturity date of the loan will be determined by the useful life of the improvement and the energy payback achieved as determined by ERMU.

For projects that have a shorter length of payback (2-5) years as calculated according to energy savings, the loans will have an initial maturity of up to 5 years from the date of closing.

Longer life improvements (6-15 years) may apply for a longer maturity of up to 10 years.

Criteria: Microloan funds shall be spent on energy efficiency improvements outlined below or related building improvement costs

Applicant must agree to energy audits conducted under the utility company's Conservation Improvement Program (CIP). If warranted, engineering studies then are performed on facilities with conservation opportunities under the utility company's CIP Program.

Energy efficiency is defined as improvements that are rebatable by the Elk River Municipal Utilities (ERMU) or the utility provider for the property if not ERMU. Proposed energy efficiency improvements that do not qualify for the utility's prescriptive rebate program will be reviewed and approved by the utility company servicing the upgrade measures (e.g. Elk River Municipal Utilities, Connexus, CenterPoint) along with a letter indicating eligible utility rebates.

Utility rebates as applicable will be assigned to the Elk River EDA and applied toward principal repayment of the loan.

An Elk River Energy City Commission member will be asked to participate in the EDA Finance Committee review.

The loans will be secured by personal and corporate guarantees, and if applicable a lien on equipment financed and subordinate mortgage on the property.

Installation must be certified through a licensed contractor and electrician. New construction is eligible when participating with a utility company rebate program. Eligible costs shall include only incremental costs over industry design standards.

Permitted Fund Uses:

a. Energy efficiency measures installed in or on a building include:
b. Facility systems optimization (commissioning/re-commissioning)
c. Facility systems control improvements
d. Process efficiency improvements (CenterPoint Energy)
e. Lighting efficiency improvements
f. Heating, ventilation and air conditioning system modifications
g. Exterior envelope improvements
h. Motor and pump efficiency improvements
i. Ground-source heat pump systems used to heat or cool a facility
j. Installation of equipment or devices that use renewable energy sources to generate electricity or heat or cool a building including solar electricity (photovoltaic), wind turbine or solar thermal.

Ineligible Fund Uses:

a. Inventory
b. Refinancing of existing debt
c. Working capital
d. Expenditures for the construction and/or renovation of residential units

Micro-Brewery Loan

Purpose: The Micro-Brewery microloan is available to business and property owners located within the city of Elk River.

Amount: Up to $74,999 of secondary financing not to exceed 20% of the Total project cost.

Equity: Must have private-sector commitments for 50% of the project cost. Borrower must provide 10% or more of project financing.

Rate: Fixed at 3%.

Term: Financing with a balloon payment in up to 5-years. Loans may be amortized up to the following limits:

10 years on equipment uses

Extension: In the event that the Borrower is unable to obtain conventional financing to replace the Microloan at the end of five years, the loan may be extended up to two additional years at a market rate of interest.

Criteria: At a minimum, 50% of Microloan dollars must be used for the purchase of equipment.

Loans must be supported by sufficient collateral, which will include personal guarantees.

Permitted Fund Uses:

e. Renovation and modernization of buildings
f. Furniture, fixtures, and equipment (FF&E)
g. Exterior renovation of retail or commercial buildings
h. Financing of leasehold improvements including façade improvements will be considered at a limit of $25,000

Ineligible Fund Uses:

a. Inventory
b. Refinancing of existing debt
c. Working capital

ELK RIVER ECONOMIC DEVELOPMENT
MICROLOAN FUND APPLICATION

1. CONTACT INFORMATION

Legal Name of Business: ______________________________

Project Site Address: ______________________________

City / State / Zip ______________________________

Contact Person(s) ______________________________

Business Phone ____________________ Fax____________________

Home Phone ____________________Email____________________

Check One: _______ Proprietor _______Corporation ______ Partnership

Federal ID # ____________________ State ID #____________________

2. NATURE OF LOAN REQUEST

Which Microloan Program are you applying for?

______ Industrial Incentive Loan
______ Downtown Revitalization Financing Loan
_______Energy Efficiency Improvement Loan
______ Micro-Brewery Loan
______ COVID-19 Small Business Loan

Amount Requested: $______________ Total Project Cost: $________________

Type of project:
______ New construction for a start-up business
______ New construction for an existing business
______ On site expansion
______ Equipment purchase
______ Remodeling: *(circle one)* Commercial / Retail / Industrial
______ Other ______________________________

Please give a brief summary of your business and its products or service:

Please give a brief summary of the project:

Please describe how this loan will impact your project:

3. FINANCING

Project Costs

Land	$__________________
Site improvements	$__________________
Buildings (attach plans & costs)	$__________________
Equipment/Machinery/Fixtures (attach list and estimated costs)	$__________________
Remodeling	$__________________
Industrial Inventory/Working Capital	$__________________
Other (attach description)	$__________________
Total Costs	**$__________________**

Comments:

Proposed Sources of Financing

SOURCE	NAME	TERMS	AMOUNT
Bank Loan	____________________	___________	$____________
Bank Loan	____________________	___________	$____________
Other Private Funds	____________________	___________	$____________
Applicant Contribution	___________________	___________	$____________
Other	____________________	___________	$____________
Fed Grant/Loan	____________________	___________	$____________
State Grant/Loan	____________________	___________	$____________
EDA Microloan	____________________	___________	$____________
Tax Increment Financing	_________________	___________	$____________
Tax Abatement	____________________	___________	$____________
Total Financing			**$**____________

Collateral Assignments

	Description of Collateral	Lien Position
To Bank 1	____	______
To Bank 2	____	______
To Private Sources	____________________________________	______
To Other Sources	____________________________________	______
To Federal Govt	______________________________________	______
To State	____	______
To EDA Microloan	___________________________________	______

Value of Collateral

	Book Value	Cost	Existing Liens
Land	$__________	$_____________	$____________
Buildings	$__________	$_____________	$____________
Machinery & Equip.	$__________	$_____________	$____________
Other____________	$__________	$_____________	$____________
Other____________	$__________	$_____________	$____________

4. JOB & WAGE GOALS

Present # of Employees_______________ Total Payroll_______________

Jobs To Be Created*

Please provide the following information on jobs you expect to create within 2-years.

Job Title	Number of Jobs	Average Hourly Wage	Annual Salary	Are the Jobs Permanent or Temporary?	Expected Hiring Date

*If loan is for job retention only, please explain in Business Plan.

Microloan Program Objectives

(Check all that apply)

______ The project contributes to the fulfillment of the city's approved and adopted economic development and/or redevelopment plans.

______ The project prevents or eliminates slums and blight.

______ The project increases the local tax base.

______ The project brings a structure into compliance with an existing building code violation.

5. PROJECT CONTACTS

Attorney

Name ____

Address ____

Phone ____

Accountant

Name ____

Address ____

Phone____

Financing Sources (lenders, partners, etc…)

Name ____

Address ____

Phone____

Name ____

Address ____

Phone____

Parent Company

Name ____

Address ____

Phone____

Others

Name ____

Address ____

Phone____

Name ____

Address ____

Phone____

6. ATTACHMENTS CHECK LIST

Please attach the following:

______A) Written Business Plan:
1. Description of Business
2. Ownership
3. Management
4. Date Established
5. Products/Services
6. Future Plans

_______B) Financial Statements for Past Three Years and Year to Date
1. Profit & Loss Statements
2. Balance Sheets

_______C) Financial Projections for up to Three Years

_______D) A Project Proforma to include:
1. Projected revenues,
2. Operating expenses,
3. Net Operating Income, and
4. Annual Debt Service and Loan Payments.

_______D) Resume of Owner/Management

_______E) Personal Financial Statements of Proprietor, Partners, Guarantors

_______F) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration

_______G) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project

_______H) Processing Fee of $2,000 (Waived for COVI-19 Small Business Loan)

7. AGREEMENT

I / We certify that all information provided in this application is true and correct to the best of my/our knowledge. I / We authorize the city of Elk River and the Finance Committee to check credit references and verify financial and other information. I / We agree to provide any additional information as may be requested by the city and the Finance Committee.

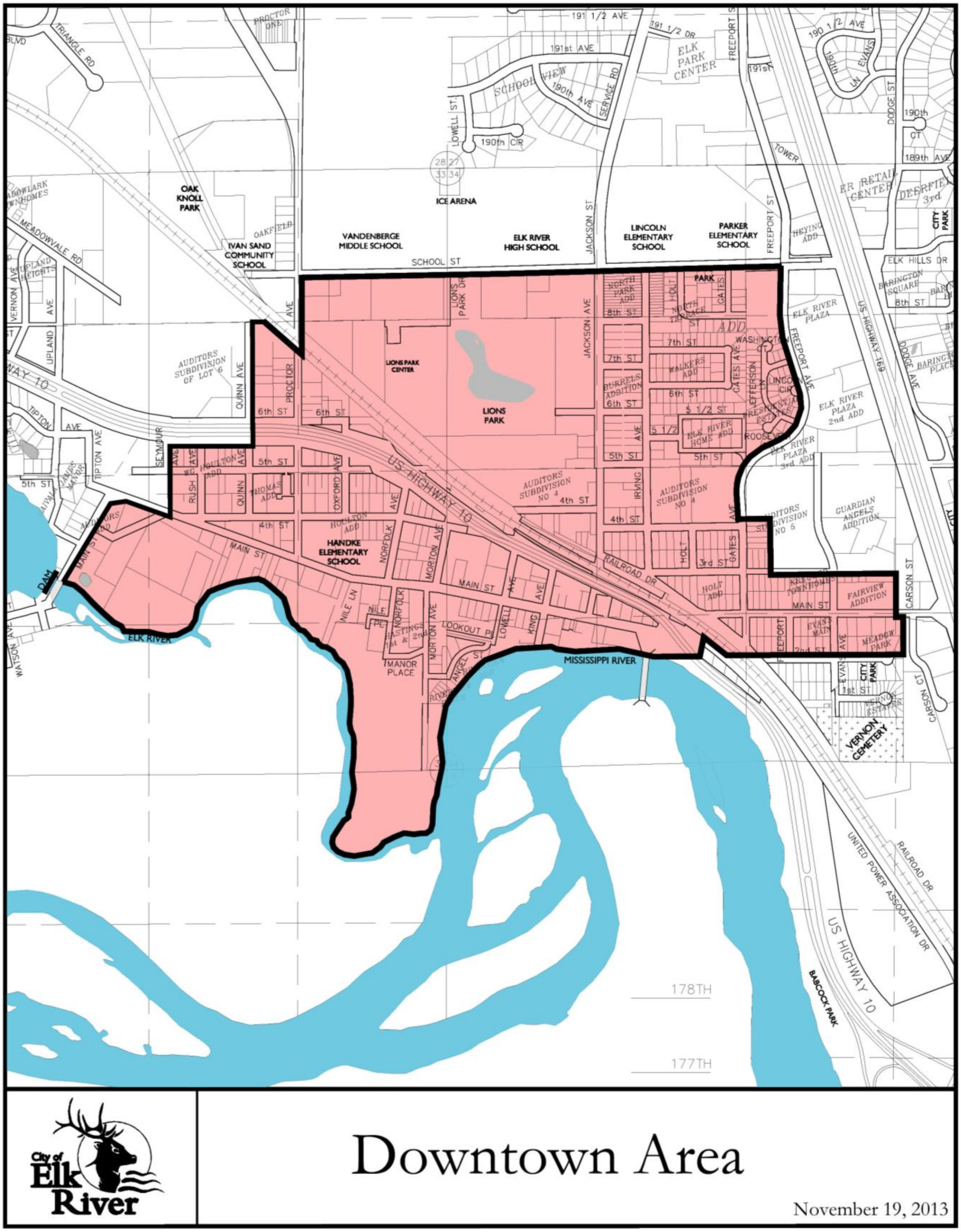
The undersigned has received the city's policy regarding the payment of costs of review, understands that reimbursement to the city of costs incurred in reviewing the application will be required, agrees to reimburse the city as required in the policy and make payment when billed by the city, and agrees that the application may be denied for failure to reimburse the city for costs as provided in the policy.

APPLICANT SIGNATURE____

BY____

DATE___________________

Exhibit A: Downtown Area



MICROLOAN APPLICATION SCORING WORKSHEET

TO BE COMPLETED BY CITY STAFF

1. **The project meets the criteria set forth in the appropriate the Microloan policy**.

______ a) Meets at least one of the microloan objectives in Section 7; 6(e).
______ c) Consistent with all city plans and ordinances.
______ d) Meets the wage requirements as defined in the city's business subsidy policy.

2. Ratio of Private to All Public Investment in Project: **Points:_____**

$____________ Private Investment
$____________ Public Investment
____________ **Ratio Private: Public Financing**

	5:1	5
	4:1	4
	3:1	3
	2:1	2
Less than	2:1	1

3. Job Creation in the City of Elk River: **Points:_____**

______ Number of new jobs as a result of the project.
______ Number of existing/retained jobs
______ **Total**

	25+	5
	20+	4
	15+	3
	10+	2
Less than	10	1

4. Ratio of Public Investment to Job Creation: **Points:_____**

$____________ Public Investment
____________ Number of new jobs created/retained
$____________ of Public Investment per new job

$8,000 or less	5
$10,000 or less	4
$12,000 or less	3
$15,000 or less	2
Over $15,000	1

5. Wage Level of jobs created/retained or relocated **Points:_____**

Minimum hourly wage
of jobs created/retained: ___________

Over $21/ hour	5
$18-21 / hour	4
$15 / hour	3

6. Project size: **Points: _____**

The project will result in the construction
of square feet _____________

40,000+	5
30,000+	4
20,000+	3
10,000+	2
10,000 or less	1

POWERED BY NATURE

7. Market Value/Tax Base Generation: **Points: _____**

The project will result in a per square foot estimated market value (land and building) of_________________

	Industrial	Commercial	
	$80/sf+	$110/sf+	5
	$70/sf+	$100/sf+	4
	$60/sf+	$90/sf+	3
	$50/sf+	$80/sf+	2
	$40/sf+	$70/sf+	1

8. Type of Project: **Points:_____**

_______ 100% Owner Occupied	5
_______ Mix Owner Occupied & Investment	4
_______ Investment Property	3

9. Use: **Points:_____**

_______ Industrial or Business Park Project	5
_______ Commercial/Retail Rehabilitation/Redevelopment	4
_______ Downtown Revitalization or Microbrew	3

10. Likelihood that the project will result in unsubsidized, spin-off development. **Points:_____**

_______High	5
_______Moderate	3
_______Low	1

Sub - Total Points: ______________ of a possible 45 points.

11. Point Adjustments **Point Adjustments: _______**

_______ The project contributes to the goals of *Energy City*. 5 points

- Product promotes sensible use of energy, *OR*
- Project utilizes significant energy efficient design &/or materials in construction.

Total Points: _______

Overall project desirability:		
	High	**50-35 points**
	Moderate	**34-29 points**
	Low	**28-20 points**
	Not Eligible	**19-0 points**

ELK RIVER ECONOMIC DEVELOPMENT MICROLOAN FUND APPLICATION

1. CONTACT INFORMATION

Legal Name of Business: Modern Construction of Minnesota

Project Site Address: 709 Main ST

City / State / Zip: Elk River MN 55330

Contact Person(s): Jesse Hartung

Business Phone: 952-217-1627 Fax: —

Home Phone: ______ Email: Jesse@ModernConstructionmn.com

Check One: ______ Proprietor X Corporation ______ Partnership

Federal ID # [redacted] State ID # ______

2. NATURE OF LOAN REQUEST

Which Microloan Program are you applying for?

- ______ Industrial Incentive Loan
- X Downtown Revitalization Financing Loan
- ______ Energy Efficiency Improvement Loan
- ______ Micro-Brewery Loan
- ______ COVID-19 Small Business Loan

Amount Requested: $ 75,000 Total Project Cost: $ 685,000

Type of project:

- ______ New construction for a start-up business
- ______ New construction for an existing business
- ______ On site expansion
- ______ Equipment purchase
- X Remodeling: *(circle one)* Commercial / ~~Retail~~ / Industrial
- ______ Other ______

POWERED BY NATURE

Please give a brief summary of your business and its products or service:
Remodel space to Lease to a resturant

Please give a brief summary of the project:
Front facade and dinning Room remodel

Please describe how this loan will impact your project:
it allows us to Lease to a resturant that does not have a space. This keeps Jobs and a Local buisness open

3. FINANCING

Project Costs

Land	$ —
Site improvements	$ —
Buildings (attach plans & costs)	$ 540,000.00
Equipment/Machinery/Fixtures (attach list and estimated costs)	$ —
Remodeling	$ 145,000.00
Industrial Inventory/Working Capital	$ —
Other (attach description)	$ —
Total Costs	$ 685,000.00

Comments:

POWERED BY NATURE

Proposed Sources of Financing

SOURCE	NAME	TERMS	AMOUNT
Bank Loan	ALC Investments		$ 565,000
Bank Loan			$
Other Private Funds			$
Applicant Contribution	Modern		$ 45,000
Other			$
Fed Grant/Loan			$
State Grant/Loan			$
EDA Microloan	Elk River		$ 75,000
Tax Increment Financing			$
Tax Abatement			$
Total Financing			$ 685,000

Collateral Assignments

	Description of Collateral	Lien Position
To Bank 1	Property	1st
To Bank 2		
To Private Sources		
To Other Sources		
To Federal Govt		
To State		
To EDA Microloan	Property & FF&E	1st and 2nd

POWERED BY NATURE

Value of Collateral

	Book Value	Cost	Existing Liens
Land	$	$	$
Buildings	$695,000	$540,000*	$540,000
Machinery & Equip.	$75,000	$NA	$None
Other	$	$	$
Other	$	$	$

4. JOB & WAGE GOALS (this is for the tenant)

Present # of Employees 20 + Total Payroll $600,000 yearly

Jobs To Be ~~Created~~ Retained* will otherwise be lost

Please provide the following information on jobs you expect to create within 2-years.

Job Title	Number of Jobs	Average Hourly Wage	Annual Salary	Are the Jobs Permanent or Temporary?	Expected Hiring Date
GM	1		100 K	Perm	11-1
chef	1		75 K		
Cook	10	24			
Servers	10	12			
Dish	3	16			
other	3	16			

*If loan is for job retention only, please explain in Business Plan.

Microloan Program Objectives

(Check all that apply)

X The project contributes to the fulfillment of the city's approved and adopted economic development and/or redevelopment plans.

X The project prevents or eliminates slums and blight.

X The project increases the local tax base.

____ The project brings a structure into compliance with an existing building code violation.

5. PROJECT CONTACTS

Attorney

Name ______________________
Address NONE
Phone ______________________

Accountant

Name Jesse Hartung
Address ______________________
Phone 752-217-1627

Financing Sources (lenders, partners, etc…)

Name ALC Investments
Address Lakeville mn
Phone 763-245-4055

Name ______________________
Address ______________________
Phone ______________________

Parent Company

Name ______________________
Address NONE
Phone ______________________

Others

Name ______________________
Address None
Phone ______________________

Name ______________________
Address ______________________
Phone ______________________

POWERED BY NATURE

6. ATTACHMENTS CHECK LIST

Please attach the following:

__X__A) Written Business Plan:

1. Description of Business
2. Ownership
3. Management
4. Date Established
5. Products/Services
6. Future Plans

__X__B) Financial Statements for Past Three Years and Year to Date

1. Profit & Loss Statements
2. Balance Sheets

(taxes included)

_____C) Financial Projections for up to Three Years N/A

__X__D) A Project Proforma to include:

1. Projected revenues,
2. Operating expenses,
3. Net Operating Income, and
4. Annual Debt Service and Loan Payments.

(Remodeling swom)

__X__D) Resume of Owner/Management

_____E) Personal Financial Statements of Proprietor, Partners, Guarantors N/A

__X__F) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration

__X__G) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project (Availibe upon Request)

__X__H) Processing Fee of $2,000 (Waived for COVI-19 Small Business Loan)
(was told $500^{00})

7. AGREEMENT

I / We certify that all information provided in this application is true and correct to the best of my/our knowledge. I / We authorize the city of Elk River and the Finance Committee to check credit references and verify financial and other information. I / We agree to provide any additional information as may be requested by the city and the Finance Committee.

The undersigned has received the city's policy regarding the payment of costs of review, understands that reimbursement to the city of costs incurred in reviewing the application will be required, agrees to reimburse the city as required in the policy and make payment when billed by the city, and agrees that the application may be denied for failure to reimburse the city for costs as provided in the policy.

APPLICANT SIGNATURE____________________

BY Jesse Harting

DATE 9-5-24

POWERED BY NATURE

Business Plan:
Modern Construction plans to remodel the property at 709 Mains street and lease it to a restaurant tennant to attract new business to the community and revitalize the downtown area and bring over 20 jobs to the area that would otherwise be leaving the community due to a lack of available space to lease.

Resume of Owner:
Modern Construction of Minnesota is owned by Jesse Hartung. Jesse hartung has over 25 years of construction and business experience. Jesse Hartung served in the US Army elite 82nd Airborne Division and received an honorable discharge at the end if his service. After his service in the military he started in the construction industry growing Modern into a multi million dollar company and has completed over 100 residential, multifamily, and commercial projects to include multi million dollar land development projects. In addition to his construction experience Jesse is also Part owner of the Tipsy chicken restaurant which has increased sales from $650K a year to over 1.3 million in sales in a period of 6 years during the pandemic.

Letter of Commitment:
I hearby commit to complete the remodeling and leasing of 709 Main ST, Elk River with 90 days of permit issue. Modern has already secured a tenant for the space.

Modern 709 Main st remodel sworn

Permits	$ 1,500.00
admin	$ 3,500.00
Soft cost/bank fees	$ 17,000.00
demo	$ 7,500.00
flooring	$ 10,500.00
walls	$ 12,000.00
Bar build	$ 6,500.00
furniture and fixtures	$ 10,000.00
Paint	$ 6,500.00
Trim and carpentry	$ 9,500.00
Siding/framing/ façade	$ 21,500.00
Engineer and plans	$ 3,500.00
Kitchen testing and equipment install	$ 2,500.00
Electrical	$ 9,500.00
Plumbing	$ -
Lumber and materials	$ 15,000.00
Cleaning	$ 2,500.00
Misc / contingency	$ 7,500.00
Total remodel cost	$ 145,000.00
Building cost	$ 540,000.00
Total project cost	$ 685,000.00

origination and const. interest and closing fees
tear out flooring and wall panels, front siding, booths
1500sqft of flooring removal and reinstall and refinish
wall panels and trim, bathroom updates
tear out and reinstall bar and bar top
total refinish of all booths and chairs
walls and misc
frame up new façade and move exterior window
new siding on front elevation and framing work

professional install and equipment maintenance
lights, food warmers, exterior lights fire exit lights
hook up bar plumbing, update bathrooms

final clean and construction cleaning

JIM MACKEY ARCHITECT
1723 LAFOND AVENUE, SAINT PAUL, MN 55104
PHONE/FAX (651)644-0869
E-MAIL jim.mack@q.com

Tipsy Chicken

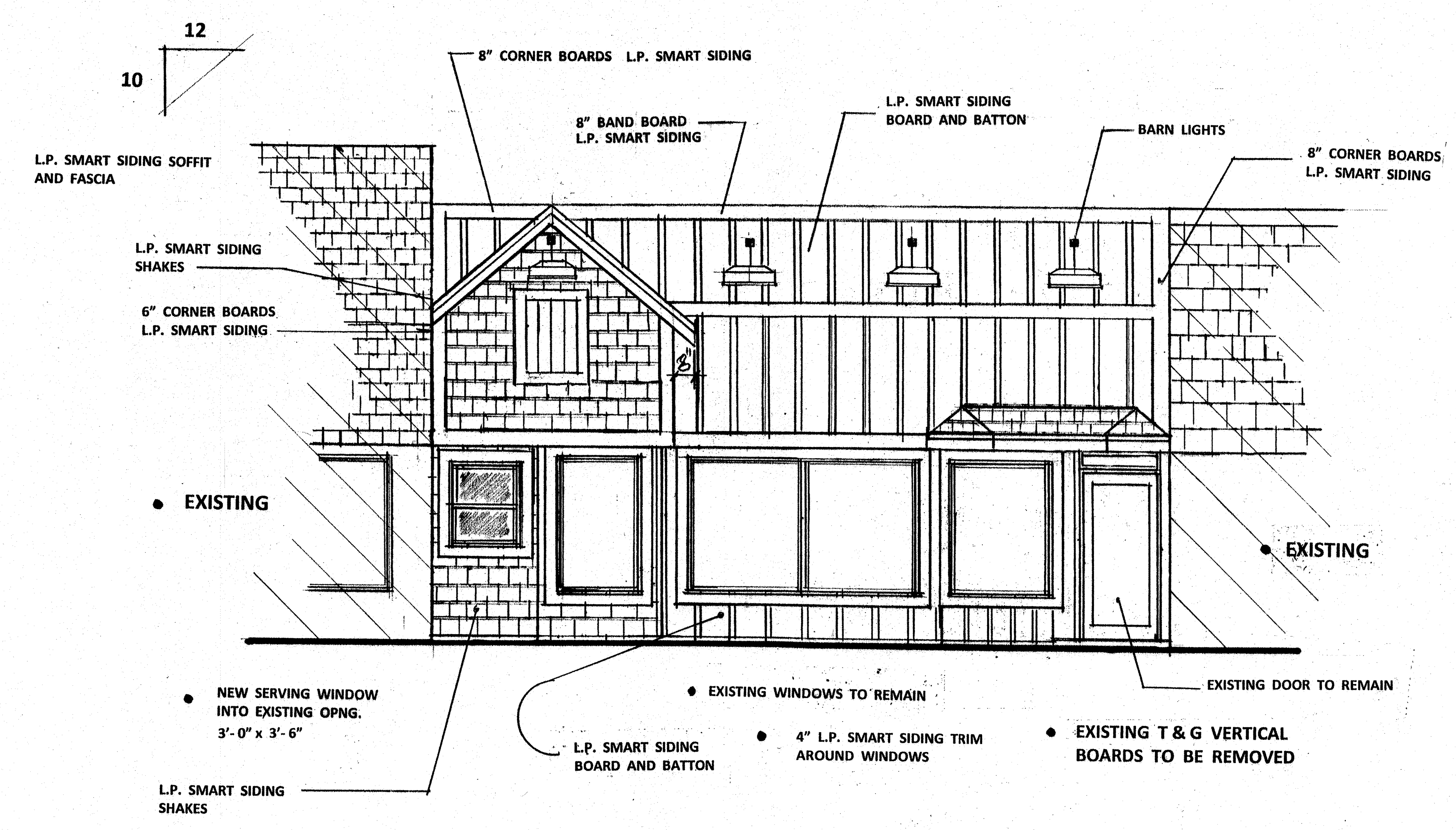
Finishes
709 Main Street NW
Elk River , MN

CODE SUMMARY

SCOPE OF WORK:	NEW EXTERIOR FRONT PARAPET OF EXISTING BUILDING FOR AN EXISTING RESTAURANT + NEW FINISHES IN DINING AREA
APPLICABLE CODES:	2020 MINNESOTA BUILDING CODE 2020 MINNESOTA BUILDING CONSERVATION CODE
OCCUPANCY TYPE:	A-2 (MBC SECTION 303.4)
CONSTRUCTION TYPE:	V-B – N1 (MBC TABLE 506.2) EXISTING 1 STORY WOOD FRAME BUILDING
OCCUPANT LOAD: (MBC TABLE 1004.5)	EXIST. KITCHEN: 910 SQ. FT. / 200 = 5 OCCUPANTS SEATING AREA: 1394 SQ. FT. / 15 = 93 OCCUPANTS TOTAL: 98 OCCUPANTS
EXIT LIGHTING:	EXISTING LED TYPE EXIT/EMERGENCY LIGHTS LOCATED AT EACH EXIT PER IBC SECTION 1008
AUTOMATIC FIRE SPRINKLER: (MBC 903.2.1.2)	NONE REQUIRED
TRAVEL DISTANCE: (MBC TABLE 1017.2)	MAXIMUM ALLOWED: 250' PROPOSED: 40'
PLUMBING FIXTURES: (MBC TABLE 2902.1)	FIXTURES REQUIRED: 1 WC / 1 LAV PER SEX EXISTING PROVIDED: 1 WC / 1 LAV PER SEX + SERVICE SINK.
GROSS FLOOR AREA:	MAIN FLOOR: 2286 SQ. FT. BASEMENT: 356 SQ. FT.
BUILDING HEIGHT:	EXISTING 1 STORY

GENERAL NOTES

1. THE GENERAL CONTRACTOR IS RESPONSIBLE FOR FIELD VERIFYING ALL DIMENSIONS AND EXISTING CONDITIONS.
2. SIMILAR MATERIALS INDICATED ON DIFFERENT PLANS, SECTIONS AND DETAILS, AND ANNOTATED ON ONE OR MORE PLAN, SECTION OR DETAIL SHALL BE CONSIDERED ANNOTATED, NOTED OR LABELED COMPLETELY ON ALL PLANS, SECTIONS AND DETAILS.
3. IN THE CASE OF AMBIGUITIES, DISCREPANCIES OR IRREGULARITIES IN THE DRAWINGS, SPECIFICATIONS, MANUFACTURING INSTRUCTIONS, SITE CONDITIONS OR APPLICABLE CODES AND STANDARDS, REQUEST CLARIFICATION FROM THE ARCHITECT OR ENGINEER BEFORE PROCEEDING. THE COST OF CORRECTING WORK DONE AS A RESULT OF PROCEEDING WITHOUT OBTAINING CLARIFICATION WILL BE BORNE SOLELY BY THE CONTRACTOR.
4. THE CONTRACTOR AND/OR OWNER MUST VERIFY AND CHECK ALL NOTES, FLOOR PLANS, ELEVATIONS, SECTIONS AND DETAILS AND NOTIFY THE ARCHITECT OF ANY ERRORS OR OMMISSIONS FOR POSSIBLE CORRECTION PRIOR TO START OF CONSTRUCTION.
5. ELECTRICAL, MECHANICAL AND PLUMBING PLANS (IF REQUIRED) SHALL BE SUPPLIED BY THE CONTRACTORS PERFORMING THE WORK.
6. ALL WORK SHALL COMPLY WITH ALL LOCAL AND STATE BUILDING CODES & ORDINANCES.
7. SEE CONSTRUCTION PLANS FOR ADDITIONAL INFORMATION.



FRONT ELEVATION
SCALE : 1/4" = 1'- 0"

REVISIONS

JIM MACKEY ARCHITECT
1723 LAFOND AVENUE
SAINT PAUL , MN 55104
PHONE/FAX 651-644-0869
E-MAIL jim.mack@q.com

I HEREBY CERTIFY THAT THIS PLAN, SPECIFICATION OR REPORT WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND THAT I AM A DULY LICENSED ARCHITECT UNDER THE LAWS OF THE STATE OF MINNESOTA.
JAMES A. MACKEY
DATE 9-17-24 LIC.NO. 23018

TIPSY CHICKEN
KITCHEN & COCKTAILS
709 MAIN STREET NW
ELK RIVER, MN. 55330

HOME PLANNING ASSOCIATES INC
PLANNERS DESIGNERS
1900 7th ST NW
NEW BRIGHTON, MN. 55112
763-786-6069 homeplanning@att.net

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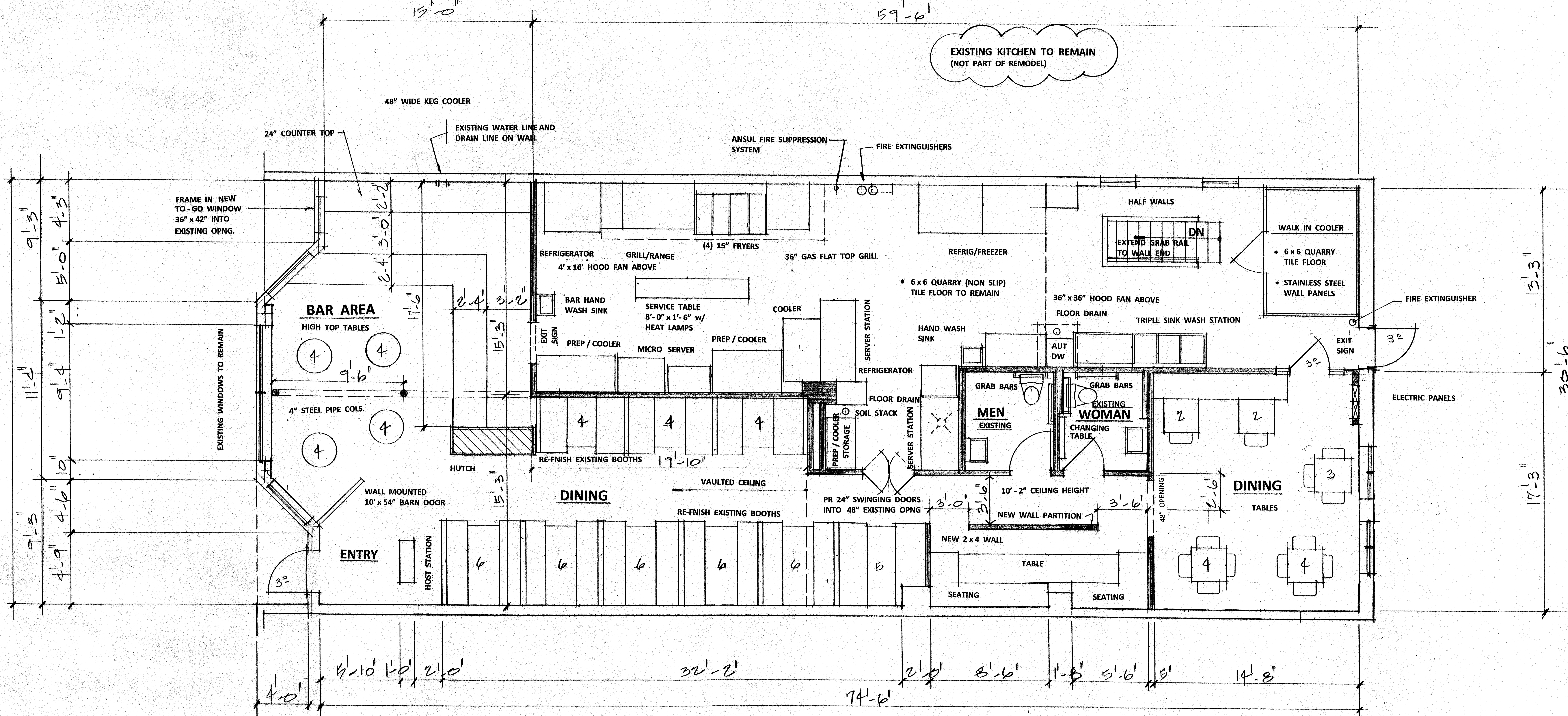
JAMES A. MACKEY
DATE
REG. NO. 23018
JIM MACKEY ARCHITECT
1723 LAFOND AVENUE
SAINT PAUL MN 55104
PHONE/FAX (651) 644-0869

MODERN CONSTRUCTION OF MINNESOTA, INC.
JESSE G. HARTUNG DIRECT 952-217-1627
EMAIL: jesse@modernconstructionmn.com
18837 OGDEN ST. NW
ELK RIVER, MN. 55330

SHEET #
A 1
OF5 SHEETS



FLOOR PLAN

SCALE: 1/4" = 1'-0"

NOTE: EXISTING LAVS TO REMAIN UNCHANGED

DINING AREA: NEW WALL FINISH
PAINTED CEILING
BOOTHS TO BE REFINISHED
NEW FLOORING

REVISIONS

JIM MACKEY ARCHITECT
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SAINT PAUL, MN 55104
PHONE/FAX 651-644-0869

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SHEET #
A 2
OF 5 SHEETS

MICROLOAN APPLICATION SCORING WORKSHEET

TO BE COMPLETED BY CITY STAFF

1. **The project meets the criteria set forth in the appropriate the Microloan policy.**

_✓_ a) Meets at least one of the microloan objectives in Section 7; 6(e).
_✓_ c) Consistent with all city plans and ordinances.
_NA_ d) Meets the wage requirements as defined in the city's business subsidy policy.

2. Ratio of Private to All Public Investment in Project: **Points:** 5

$610,000 Private Investment
$74,999 Public Investment
8.1:1 **Ratio Private: Public Financing**

	5:1	5
	4:1	4
	3:1	3
	2:1	2
Less than	2:1	1

3. Job Creation in the City of Elk River: **Points:** 5

0 Number of new jobs as a result of the project.
28 Number of existing/retained jobs
28 **Total**

	25+	5
	20+	4
	15+	3
	10+	2
Less than	10	1

4. Ratio of Public Investment to Job Creation: **Points:** 5

$74,999 Public Investment
28 Number of new jobs created/retained
$2,680 **of Public Investment per new job**

$8,000 or less	5
$10,000 or less	4
$12,000 or less	3
$15,000 or less	2
Over $15,000	1

5. Wage Level of jobs created/retained or relocated **Points:** 4

Minimum hourly wage
of jobs created/retained: $19.21

Over $21/ hour	5
$18-21 / hour	4
$15 / hour	3

6. Project size: **Points:** 1

The project will result in the construction
of square feet 0

40,000+	5
30,000+	4
20,000+	3
10,000+	2
10,000 or less	1

7. Market Value/Tax Base Generation: **Points:** 5

The project will result in a per square foot estimated market value (land and building) of $120

	Industrial	Commercial	
	$80/sf+	$110/sf+	5
	$70/sf+	$100/sf+	4
	$60/sf+	$90/sf+	3
	$50/sf+	$80/sf+	2
	$40/sf+	$70/sf+	1

8. Type of Project: **Points:** 4

____	100% Owner Occupied	5
✓	Mix Owner Occupied & Investment	4
____	Investment Property	3

9. Use: **Points:** 3

____	Industrial or Business Park Project	5
____	Commercial/Retail Rehabilitation/Redevelopment	4
✓	Downtown Revitalization or Microbrew	3

10. Likelihood that the project will result in unsubsidized, spin-off development. **Points:** 3

____	High	5
✓	Moderate	3
____	Low	1

Sub - Total Points: ________ of a possible 45 points.

11. Point Adjustments **Point Adjustments:** ______

______ The project contributes to the goals of *Energy City*. 5 points

- Product promotes sensible use of energy, *OR*
- Project utilizes significant energy efficient design &/or materials in construction.

Total Points: 35

Overall project desirability:

High	**50-35 points**
Moderate	**34-29 points**
Low	**28-20 points**
Not Eligible	**19-0 points**