

City of Brainerd
Economic Development Authority

Meeting

7:30 A.M.

Tuesday, August 29, 2017

Council Chambers

AGENDA

1. Call to Order; Roll Call President Menk
2. Approval/Amendment of Agenda
3. Approval of Minutes of March 21, 2017 Meeting
4. Approval of Financial Report Finance Director Hillman
5. Overview of City's Revolving Loan Funds Jennifer Bergman, HRA;
Sheila Haverkamp
6. A. Request of Phelps Developers For Grant Funds (Downtown)
B. Update on Downtown Grant Fund to Rehab/Improve Jennifer Bergman
7. BLAEDC Unified Fund Update Sheila Haverkamp
8. "River to Rails" Concept Update Bruce Buxton; Sheila
9. 2018 EDA Budget Discussion Administrator; Connie
10. Other Business
11. Adjourn (*Target: 8:30 a.m.*)

BRAINERD ECONOMIC DEVELOPMENT AUTHORITY

Tuesday, March 21, 2017

Official Minutes

Pursuant to the call and notice thereof, President Menk called the meeting of the Brainerd Economic Development Authority to order at 5:03 p.m.

Present were Commissioners Ed Menk, Jerry Sinner, Matt Mallie, Wayne Erickson, Kelly Bevans and Gabe Johnson, who arrived at 5:18 p.m. Absent was Commissioner Dale Parks. Also present were City Administrator Thoreen, Finance Director Connie Hillman, BLAEDC Executive Sheila Haverkamp, Brainerd HRA Director Jennifer Bergman, and Brainerd Dispatch reporter Spenser Bickett.

The Authority reviewed the standing of the current officers and proceeded to elect its leadership.

Commissioner Bevans nominated Ed Menk as Chair of the Authority for a 2 year period. On motion of Bevans, seconded by Erickson and unanimously carried the Authority elected Ed Menk as Chair for 2017 and 2018.

Commissioner Bevans nominated Dale Parks as Secretary-Treasurer for a 2 year period. On motion of Bevans, seconded by Erickson and unanimously carried the Authority elected Dale Parks as Secretary-Treasurer for 2017 and 2018.

Commissioner Bevans nominated Matt Mallie as Vice Chair for a 2 year period. On motion of Erickson, seconded by Bevans and unanimously carried the Authority elected Matt Mallie as Vice Chair for 2017 and 2018.

Moved and seconded by Commissioners Erickson and Bevans and duly carried the agenda was approved as presented; the minutes of the November 12, 2015 meeting were approved.

City Finance Director Connie Hillman reviewed the status of the EDA's 2017 budget as well as the Authority's Cash and Investment Balances and Loan Receivable Balances.

Moved and seconded by Commissioners Bevans and Erickson to approve the Financial Report as presented, duly carried.

The City Administrator briefly reviewed with the Commissioners the organizational background of the EDA from both the ordinance creating the Authority as well as its by-laws.

Brainerd Lakes Area Economic Development Corporation Executive Director Sheila Haverkamp presented an update on that agency's activities. She outlined for informational purposes the concept to create a Brainerd Unified Fund (BUF) with the intention that now-underutilized funds among the various communities could be made available for projects on a larger scale with the intent that "when one community's project is accomplished we all benefit." She will report back at the next Authority's meeting.

Brainerd Housing and Redevelopment Authority (HRA) Director Jennifer Bergman reported progress on several of the agency's activities. She noted that the HRA received \$650,000 from the Small Cities Development Program which will assist the HRA to rehab a minimum of 17 downtown rental units and 9 commercial properties. Ms. Bergman informed the Authority that the projects to construct single family homes in the subdivisions of Brainerd Oaks, Serene Pines, and Dal Mar Estates is underway through the agreement with Paxmar-Brainerd, LLC as approved by the City and the Crow Wing County HRA. She also reported that the Brainerd Riverfront Committee, appointed by the Brainerd HRA Board, has received a \$100,000 grant from the Brainerd Lakes Area Foundation to initiate plans and procedures to improve, re-purpose, and make more attractive the Mississippi riverfront in proximity to downtown.

Commissioner Bevans offered complements to both agencies for jobs well done, but the money available within funds dedicated for specific purposes, with narrow windows of opportunity to utilize them, is beyond frustrating. New approaches to funding projects are necessary.

Commissioner Sinner stressed the need for the EDA to communicate with the City Council and other decision-makers how we are here to assist businesses. The EDA will need to present to the Council its mission and how we can work in concert to aid all businesses.

The City Administrator provided an overview of forthcoming City actions to eliminate the blight of the motel on So. 6th Street, between Norwood and Oak. He also summarized forthcoming action to revoke or suspend the rental license for 12 units on the second floor of 217 South 7th Street.

The Authority discussed the need to review and consider its current year and future year Goals and Objectives, which will occur in a future meeting. Times and dates for future meetings will be considered on a quarterly basis.

On motion of Bevans, seconded by Erickson and unanimously carried the Authority adjourned at 6:15 p.m.

Financial Report for EDA

As of July 31, 2017

	Cash & Investments	Receivable Balance	Deferred Loans (as of 12/31/16) **
General Funds:			
EDA Fund - #295	\$ 22,690	\$ -	\$ -
Total	\$ 22,690	\$ -	\$ -
CDBG (Housing/Commerical (Slum & Blight/Federal Objective)):			
Downtown - #298	\$ 62,014	\$ 75,864	\$ 31,599
SE Brainerd - #215	(6,713)	-	596,277
Willows Project - #209	15,000	-	97,000
Old Housing - #209	145,816	65,475	-
Local Income - #275	39,560	8,580	8,665
Total	\$ 255,676	\$ 149,919	\$ 733,542
Federal & State MIF (Commerical (Jobs)):			
Commerical - #210 ^^^	\$ 155,790	\$ 65,004	\$ -
Federal MIF - #296	399,367	79,563	-
Total	\$ 555,157	\$ 144,566	\$ -
Grand Total	\$ 833,523	\$ 294,485	\$ 733,542

** Portion of the loan that is forgivable with the passage of time

^^^ The Receivable Balance does NOT include the \$694,427 borrowed to pay for the industrial park land.

C I T Y O F B R A I N E R D
REVENUE REPORT - BUDGET TO ACTUAL
AS OF: JULY 31ST, 2017

295-EDA FUND
REVENUES

	CURRENT BUDGET	CURRENT PERIOD	Y-T-D ACTUAL	BUDGET BALANCE	% OF BUDGET
<u>TAXES AND PENALTIES</u>					
295-31010 CURRENT AD VALOREM	118,980.00	18,862.29	64,516.13	54,463.87	54.22
295-31020 DELINQUENT AD VALOREM	<u>0.00</u>	<u>766.84</u>	<u>873.19</u> (	<u>873.19)</u>	<u>0.00</u>
TOTAL TAXES AND PENALTIES	118,980.00	19,629.13	65,389.32	53,590.68	54.96
<u>PROGRAM INCOME</u>					
<u>STATE GRANTS & AIDS</u>					
<u>PRINCIPAL & INTEREST</u>					
<u>OTHER REVENUE</u>					
295-36210 INTEREST INCOME	<u>250.00</u>	<u>0.00</u>	<u>63.69</u>	<u>186.31</u>	<u>25.48</u>
TOTAL OTHER REVENUE	250.00	0.00	63.69	186.31	25.48
TOTAL REVENUE	119,230.00	19,629.13	65,453.01	53,776.99	54.90
	=====	=====	=====	=====	=====
<u>OTHER FINANCING SOURCES</u>					
TOTAL REVENUE & OTHER FINANCING SOURCES	119,230.00	19,629.13	65,453.01	53,776.99	54.90
	=====	=====	=====	=====	=====

295-EDA FUND
ECONOMIC DEVELOPMENT AUTH
DEPARTMENTAL EXPENDITURES

	CURRENT BUDGET	CURRENT PERIOD	Y-T-D ACTUAL	BUDGET BALANCE	% OF BUDGET
<u>PERSONAL SERVICES</u>					
295-46510-1101 SALARY	26,023.00	1,896.61	13,238.16	12,784.84	50.87
295-46510-1121 PERA	189.00	6.67	10.27	178.73	5.43
295-46510-1122 FICA	1,613.00	118.83	832.15	780.85	51.59
295-46510-1123 MEDICARE	377.00	27.77	194.53	182.47	51.60
295-46510-1131 HEALTH INSURANCE	1,613.00	101.99	508.84	1,104.16	31.55
295-46510-1133 LIFE INSURANCE	22.00	1.56	13.26	8.74	60.27
295-46510-1134 LTD INSURANCE	<u>40.00</u>	<u>0.00</u>	<u>25.38</u>	<u>14.62</u>	<u>63.45</u>
TOTAL PERSONAL SERVICES	29,877.00	2,153.43	14,822.59	15,054.41	49.61
<u>SUPPLIES</u>					
<u>SERVICES</u>					
295-46510-3300 PROFESSIONAL SERVICES	77,500.00	38,750.00	38,750.00	38,750.00	50.00
295-46510-3361 INS - GENERAL LIABILITY	95.00	0.00	25.50	69.50	26.84
295-46510-3430 MISCELLANEOUS	250.00	0.00	0.00	250.00	0.00
295-46510-3435 BOOKS/PAMPHLETS/DUES	<u>6,350.00</u>	<u>0.00</u>	<u>5,350.00</u>	<u>1,000.00</u>	<u>84.25</u>
TOTAL SERVICES	84,195.00	38,750.00	44,125.50	40,069.50	52.41
<u>CAPITAL OUTLAY</u>					
<u>DEBT PAYMENTS</u>					
TOTAL ECONOMIC DEVELOPMENT AUTH	114,072.00	40,903.43	58,948.09	55,123.91	51.68
	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	114,072.00	40,903.43	58,948.09	55,123.91	51.68
	=====	=====	=====	=====	=====
<u>OTHER FINANCING USES</u>					
TOTAL EXPENDITURES & OTHER FINANCING (USES)	114,072.00	40,903.43	58,948.09	55,123.91	51.68
	=====	=====	=====	=====	=====

City of Brainerd

Funds for Community Development, Rehab and Economic Development

Program	Description	Eligible Uses	Fund(s) #	Cash Available
SCDP (Small Cities Development Program)	The Department of Housing and Urban Development (HUD) provides the Department of Employment and Economic Development (DEED) with approximately \$15 million annually of Community Development Block Grant Funds (CDBG). With those funds, DEED created the Small Cities Development Program (SCDP) which are awarded to cities and counties on a competitive basis. The funds must meet a federal objective: 1) Benefit People with Low to Moderate Income 2) Eliminate Slum or Blight 3) Eliminate an Urgent Threat to Public Health or Safety	1) Housing Grants - Funds are granted to local units of government, which, in turn, lend funds for the purpose of rehabilitating local housing stock. Loans may be used for owner-occupied, rental, single-family or multiple-family housing rehabilitation. 2) Public Facility Grants - Funds are granted for wastewater treatment projects, including collection systems and treatment plants; wells, water towers and distribution systems. 3) Comprehensive Grants - Comprehensive projects frequently include housing and public facility activities described above. In addition, comprehensive projects may include an economic development activity, which consists of loans from the grant recipient to businesses for building, rehabilitation related to facade improvements, code violations, and health and safety issues.	215 298 275	(\$6,713) \$62,014 \$39,560
CDBG (Community Development Block Grant)	Prior to the development of the SCDP, DEED received CDBG funds from HUD annually but did not have a specific program of their own. These are funds that the City of Brainerd received prior to the creation of the SCDP.	The funds must meet a federal objective: 1) Benefit People with Low to Moderate Income 2) Eliminate Slum or Blight 3) Eliminate an Urgent Threat to Public Health or Safety And, must be an eligible activity: 1) Acquisition of Real Property	209	\$160,816

		2) Disposition 3) Public Facilities 4) Clearance 5) Public Service 6) Relocation 7) Loss of Rental Income 8) Privately-Owned Utilities 9) Rehabilitation 10) Construction of Housing 11) Code Enforcement 12) Special Economic Development Activities 13) Microenterprise Assistance 14) Homeownership Assistance		
MN Investment Fund (MIF) GENERAL INFO	- Created in the mid 1980s - Two similar programs – one State Funded (legislation) and the other Federal Funded (CDBG funds). They have different rules and regulations. - Local units of government (cities, counties, EDAs) serve as intermediaries. Grants provided to local governments who then make loans to businesses. - MIF's goal is to provide Gap Financing - Loan size is based on: jobs (created within 2 years), pay/benefits of those jobs, and businesses' ability to repay loan "But For Test" - Funding application includes detailed business information and project details - Documentation includes: grant contracts, loan agreement, promissory note, security agreement, personal/corporate guarantees, and others	Eligible businesses include: - Manufacturing - Warehouse, - Distribution, - Information technology, - Finance, - Insurance, or - Professional or technical services Eligible business activity includes: - Property Acquisitions - Site Improvements - New construction - Renovation of Existing Building - Purchase of Machinery and Equipment - Other Related Project Costs		
MIF – State	Local units of government may be able to	See above	210	\$155,790

	keep 40% of the loan repayment, up to \$100,000, if the job and wages goals are met • Once state funds, always state funds. The revolving loan funds seeded by MIF repayments must follow MIF laws and guidelines • MN Legislature has authorized a one-time exception to how RLF dollars seeded from State MIF project are used through June 2018. • Prevailing Wage requirements for loans of \$500,000 or more • Job listing requirements • Business Subsidy Law			
MIF – Federal	• Local units of government may be able to keep <u>all</u> loan repayments if job and wages goals are met • Once federal funds, <u>always</u> federal funds with one exception: LDOs (BLAEDC is proposing to become an LDO through the BLAEDC Unified Fund) Funding Requirements Include: • National objective with most projects meeting the requirement for Jobs for Low and Moderate Income (LMI) • Job listing requirements • Job and Wage Goals • Davis Bacon and related acts • Environmental requirements	See above	296	\$399,367



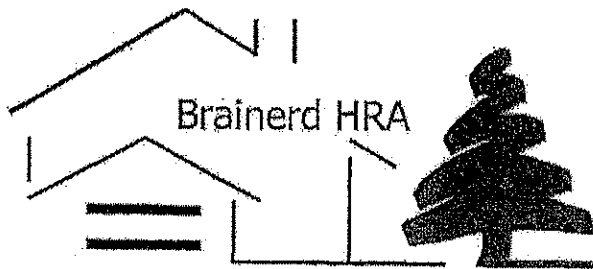
To: EDA Board Members
From: John Schommer, Rehabilitation Coordinator
Date: August 22, 2017
Re: Revolving Loan Request for 711/715 Laurel Street

Background – The property located at 711/715 Laurel Street was recently rehabilitated utilizing the SCDP (Small Cities Development Program) grant, after which the space has been rented to Crossing Arts Alliance and Lakes Area Music Festival, respectively. The rehab addressed needed exterior improvements including roofing, façade, windows, awnings, and entire new storefronts.

The building owners have asked for additional assistance as the tenants need a handicapped accessible bathroom to accommodate their customers and the boiler for the building has since started leaking and needs to be replaced (see attached application). The SCDP funds have been exhausted with the previous work, so we are requesting to use the balance in Fund 275, which is approximately \$39,500, to assist with these items.

A scope of work was developed and bids were solicited. The low bid we received for these two projects totals \$71,897.00 (see attached bid summary). Should our request be approved, I recommend following the existing guidelines of 1/3 revolving loan, 1/3 deferred loan and 1/3 owner contribution. Since the balance of the pool is \$39,500 I would recommend offering a deferred loan of \$19,750.00, a traditional low-interest loan of \$19,750.00, with the balance coming from the owners' personal resources.

Requested Action – Approve a deferred and traditional loan from the Revolving Loan Fund for handicapped accessibility and health and safety improvements for 711/715 Laurel Street, Brainerd, MN.



Brainerd HRA

324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

Commercial Rehabilitation
Loan Application

Applicant Information

Name of Applicant: NJMS Phelps Block, LLC
DUNS Number: 08-038-3257
Federal ID Number or Social Security Number: 81-1527388 ☒ Owner or ☐ Tenant
Street Address of Applicant: 2200 Princeton Ave. ^{cell} Office Phone: 808-291-3600
City, State, Zip Code: St. Paul, MN 55105 Home Phone: _____
Contact Person: Joe Phelps Office Phone: 808-291-3600
Home Phone: _____

Property Information

Address of Building to be Rehabilitated: 711 Laurel Street and 715 Laurel Street,
Brainerd MN
Estimated Age of Building: 100 years old
Number of Stories: 2
Estimated Market Value: \$200,000
Current Property Taxes: \$4,500
General Description of Building: two story brick building, commercial units on
ground level with apartments above
Existing Building Use: commercial / residential
Proposed Use of Building: "

Is this building within a correct zoning classification? ☒ Yes ☐ No

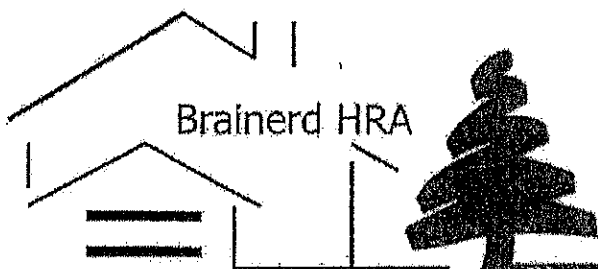
Current zoning? commercial / Apartment
Variances/special use permits? none

Is the building in a Historic District? ☐ Yes ☒ No

Is it on the National Historic Register? ☐ Yes ☒ No

Is it in a Floodplain? ☐ Yes ☒ No





Brainerd HRA

324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

**Commercial Rehabilitation
Loan Application**

Ownership Information

Ownership interest in property to be improved:

- ☐ Contract for Deed
☒ Free and Clear, with mortgage debt
☐ Mortgage
☐ Lessee: Specify terms of Lease: _____
☐ Other: Specify: _____

Name(s) on Title: Specify ownership interest of each name on the title:

NJMS Phelps Block, LLC - Fee title

Amount of Outstanding Principal owed on Building:

\$165,000

NOTE: Attach proof that mortgage is current and proof of insurance on the building

Estimated Rehabilitation Costs and Requested Loan Information

Describe Proposed Improvements: (SCDP funds can only be used for exterior improvements and to correct code violations.)

Exterior:

Signs:

Awnings:

Mechanical Systems: Boiler: ~ \$50,000

Architectural Services:

Interior: ADA Bathroom: ~ \$27,500

Estimated Total Cost of Proposed Rehabilitation Work: \$ 77,500

Requested Loan Amount from Program: \$ 51,666

Matching Amount: \$25,834

Sources of Match: ☒ Personal Savings ☒ Mortgage ☐ Private Loan ☐ Other _____

I/we certify that all statements on this application are true and correct to the best of my/our knowledge. I/we understand that any intentional misstatements will be grounds for disqualification. I authorize program representatives the right to access the property to be improved for the purpose of inspecting or obtaining information for the rehabilitation loan program.

Applicant: [Signature]

Date: 8/2/17

manager, NJMS Phelps Block, LLC





Brainerd HRA

324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

Bid Summary

Property Owner: NJMS Phelps Block LLC Project Number: 711-715 DT RLV LN
Address: 711-715 Laurel St.
Brainerd, MN 56401

Bidders	Unsuccessful Bid Amount	Successful Bid Amount
Hy-tec Construction (Bathroom)		\$26,146.00
Hytec Construction (Boiler)		\$45,748.00
Nu-Way Construction (Bathroom)	\$27,920.00	
Nu-Way Construction (Boiler)	\$47,680.00	

Contract Awarded	Total Project Cost	Funding Source Amount
<u>1.</u>	\$	SCDP: \$
<u>2.</u>		Other: \$
<u>3.</u>		

Contractor Information: *Provide for each contractor*

Female Owned: ☒ Yes X No
Race Code*: 1
Hispanic Ethnicity: ☐ Yes X No

Race Code: 1 = White; 2 = Black or African American; 3 = Asian; 4 = American Indian/Alaskan Native;
5 = Native Hawaiian/Other Pacific Islander; 6 = American Indian/Alaskan Native & White; 7 = Asian & White;
8 = Black/African American & White; 9 = American Indian/Alaskan Native & Black/African American; 10 = Other Multi-Racial





324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

To: EDA Board Members
From: Jennifer Bergman, Executive Director 
Date: August 24, 2017
Re: Brainerd HRA Update

Downtown Brainerd

The Brainerd HRA is administering a rental and commercial loan program for downtown Brainerd which will result in over \$1 million in rehab. We applied for and were awarded \$650,105 through the Small Cities Development Program (SCDP) through DEED, an additional \$100,000 in program income and \$265,000 in owner match. The SCDP application stated that we would rehab 17 rental units and 9 commercial; however, we anticipate 32 rental units.

We currently have three properties in construction:

- 711/715 Laurel Street (Lakes Area Music Festival/Crossing Arts Alliance)
- 602 Laurel Street (Olde Open Window)
- 606 Laurel Street (former Blue Ox)

Four properties in the bidding process:

- 605 Laurel Street
- 216 South 7th Street
- 214 South 8th Street S
- 216 South 8th Street S

Two Applications in process:

- 217 South 7th Street
- 719 Laurel Street

Brainerd Oaks/Serene Pines/Dal Mar Estates

In 2011, the County asked for the CWC HRA's assistance in getting Brainerd Oaks back on the tax rolls. These lots went tax forfeiture in 2007. The CWC HRA explored a few options; however, the County is required to sell the lots for the estimated market value plus any outstanding special assessments, which made the lots undesirable for any developer.



In April of 2016, a developer approached the City of Brainerd interested in purchasing not only Brainerd Oaks but also two other tax forfeited subdivisions (Serene Pines and Dal Mar Estates) for a total of 113 lots. In order to facilitate this sale, the developer asked that the special assessments be waived and that he be able to purchase the land for the estimated market value.

This was a very complex process which required several steps including conveyance of the lots from the County to the CWC HRA, an agreement by the City of Brainerd to waive the special assessments, elimination of the Common Interest Community and negotiations of the Development Agreement between the CWC HRA and the developer, Paxmar-Brainerd, LLC.

Crow Wing County successfully conveyed 113 lots tax forfeited lots (83 in Brainerd Oaks, 23 in Serene Pines and 7 in Dal Mar Estates) to the Crow Wing County HRA in October of 2016. To date, the CWC HRA has conveyed 20 lots (16 in Brainerd Oaks and 4 in Serene Pines) to Paxmar-Brainerd LLC.

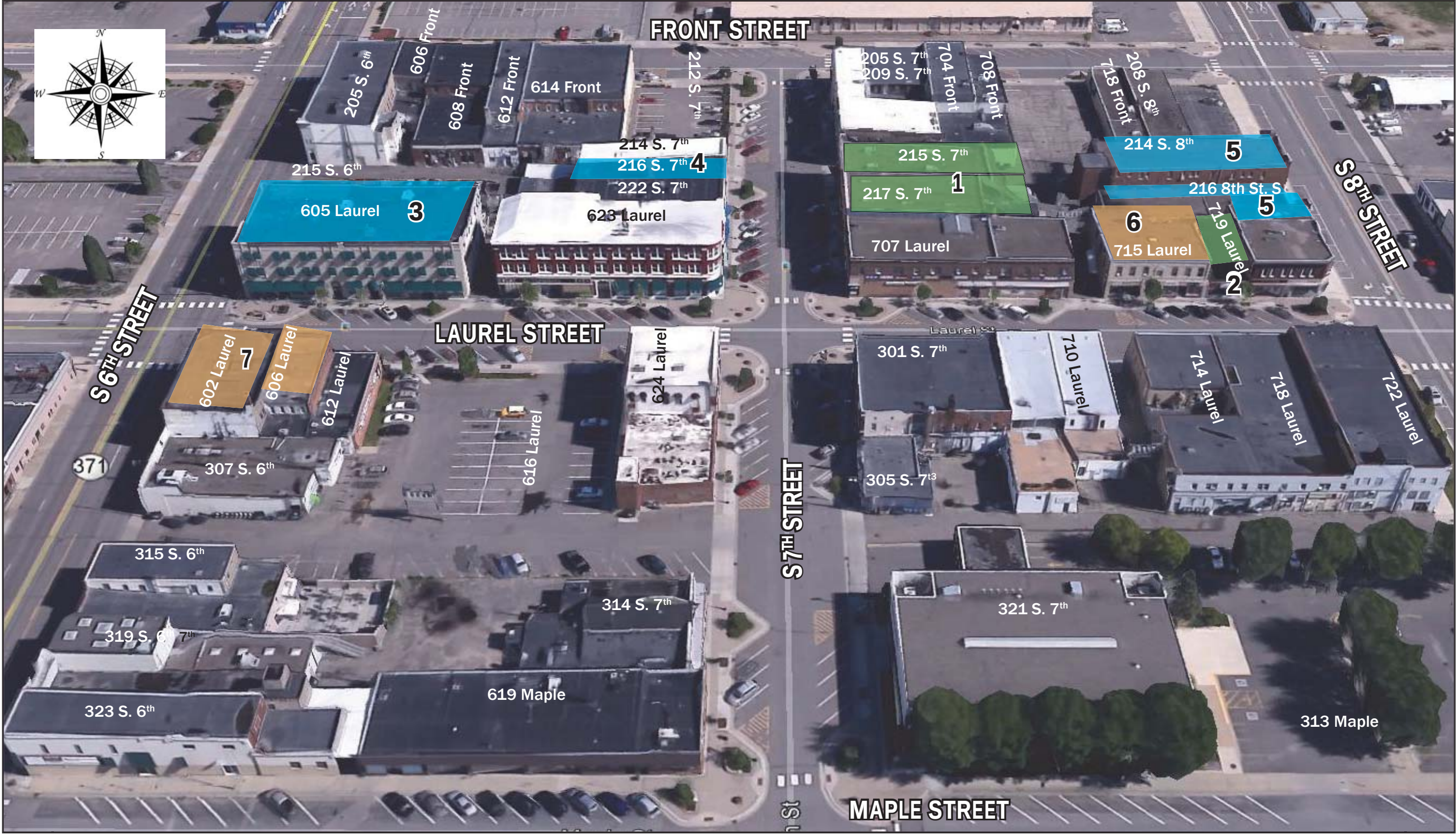
There are 13 homes in some part of construction and to date four homes have been sold (see attached pictures).

Revival of Brainerd Oaks, Serene Pines & Dalmar Estates



324 East River Road ■ Brainerd, MN 56401 ■ ph: 218.828.3705 ■ fax: 218.828.8817

DOWNTOWN BRAINERD - 4-BLOCK CORE As of 8/24/17



BUSINESSES UTILIZING the SCDP PROGRAM

- | | |
|---|--|
| 1. 215-217 South 7th / David Pueringer | 5. 214-216 8th St. S. / Mattson Properties |
| 2. 719 Laurel St. / Phelps Block LLC | 6. 711-715 Laurel St. / Phelps Block LLC |
| 3. 605 Laurel St. / Moores Properties, Inc. | 7. 602-606 Laurel St. / Sarah Hayden Shaw |
| 4. 216 S. 7th St. / Jon & Debra Luhrs | |

= Application Process = Bidding Process = In Construction





Brainerd Lakes Area
ECONOMIC DEVELOPMENT
Corporation

We're ready. Let's grow!

August 25, 2017

Re: BLAEDC's Unified Fund

Dear Mayor, Brainerd City Council and EDA Members,

BLAEDC has identified an initiative to bring enhanced economic development opportunities to Crow Wing County through the establishment of a business financing capital pool for entrepreneurs, existing businesses and new companies that locate in our community. Below is information that further defines the proposed project.

BLAEDC Overview and Enhanced Economic Development Opportunity

The Brainerd Lakes Area Development Corp, (BLADC), doing business as Brainerd Lakes Area Economic Development Corporation (BLAEDC) is a private non-profit 501c3 organization with a mission to expand business, build community, and grow jobs and is funded by local units of government, businesses, community leaders, and individuals who believe that together we create our own destiny and make a difference in our community. The organization has been very successful over the years with a wide variety of accomplishments. Private sector businesses and community leaders frequently engage BLAEDC's professional staff and volunteer business leaders to assist with their individual needs. Some of our success stories include

- Assisting new businesses to start,
- Aiding local companies to secure financing to purchase equipment and build new facilities,
- Attracting new companies to the community,
- Obtaining shovel ready site certification for industrial park property,
- Supporting redevelopment of existing facilities,
- Promoting and marketing the economic development opportunities of the area.
- Leading special project initiatives to spur economic development such as the EXEC's and Tech Services Programs.

We are very proud to share that as a result of BLAEDC's and other organization's work over the years, several Crow Wing County communities/entities have secured funding to support development projects. This has resulted in multiple economic development funds in our area. Due to these pools of money, we are in a great position to collaborate and create a streamlined process for business to access these funds. The proposal described below is an outline of

BLAEDC's aspirations to assemble the funds in an organized way in order to bring numerous benefits to business and the area's economic development efforts.

Existing Funding Pools in Crow Wing County

There are nearly a dozen funding pools currently in Crow Wing County. The original source of funds includes a variety of sources such as:

- MN Dept. of Employment and Economic Development (MNDEED) Minnesota Investment Fund program, both federal and state dollars
- United States Dept. of Agriculture Rural Utility Services (RUS) dollars
- Tax Increment Financing dollars
- Other

The total amount of money includes more than \$3 million of which nearly \$2.5 million is in cash accounts. (It should be noted that these funds are restricted and can only be used for specified purposes such as community/economic development. A one-time exception for State MIF dollars was recently approved by the legislature. See attached information.)

BLAEDC frequently has the opportunity to assist companies in securing financing to help make their projects a reality. There are a variety of private sources and economic development funds to support business growth. However, our local revolving loan funds are frequently not tapped by companies due to a variety of reasons including the relatively low balances in each pool, complicated or confusing public processes, lack of marketing, and unknown outcomes.

BLAEDC's vision is to assemble the resources into a "BLAEDC Unified Fund" that will coordinate marketing and management processes in order to streamline customer-friendly access to financing for businesses and result in the funds being invested in development projects in Crow Wing County.

Benefits for Business

Enhanced understanding and knowledge of available local resources including BLAEDC

Streamlined approach to securing financial resources at a local level

(Identical process to tap into all the pools of funds, limited public meetings)

BLAEDC staff support

(Initial contact with companies, vetting financing probability, interaction with decision-makers and ability to direct financing process through to completion.)

Benefits for Communities

Promoting and marketing of funding pool

Project vetting, loan management, streamlined process

Investment diversification opportunities

Greater likelihood of funds being invested in private sector business projects

Enhanced ability to secure additional resources for economic development

Mechanics and Technicalities

BLAEDC's hope is that a program will be created that benefits all of our communities/entities and creates economic development opportunities. To move this concept forward, a legal opinion was attained, draft documents and agreements were prepared, and the program was fully vetted. It has been determined that the city is eligible to participate in this process. According to the State of Minnesota, the city can designate BLAEDC as their local development organization (LDO) and appropriate their funds to the BLAEDC Unified Fund. BLAEDC will utilize the funds by the city and others to create the BLAEDC Unified Fund and offer loans to local and regional businesses.

The City of Brainerd's Federal MIF funds are currently held by the Brainerd EDA, acting as the city's LDO. The state of MN and the BLAEDC Unified Fund attorney have indicated the action required by the city is to include verbiage in the resolution rescinding the EDA as the LDO and naming BLAEDC as the LDO. A public hearing process is required to name BLAEDC as the LDO and agree to participate in the BLAEDC Unified Fund program.

Each participating entity or local unit of government will receive:

Representation - Each participating entity or local unit of government will appoint a BUF board member.

Accountability - An annual report will be provided including financing priorities, fund activity, and other accomplishments and performance measures.

Marketing and Project Vetting – BLAEDC will actively promote this program and available funds to applicable projects.

Loan Processing (Application Review, Underwriting, Loan Committee Presentation, Loan Documentation, Security Documents, Collections, Portfolio Review, Workouts, etc.) –BLAEDC will support these components of the BLAEDC Unified Fund loan program, either through internal management or through a contractual relationship with an existing loan servicing entity.

We look forward to meeting with you to further articulate the BLAEDC Unified Fund, and ask you to consider taking action.

Respectfully Submitted,



Sheila Haverkamp

Attachments:

- Kennedy and Graven Legal Opinion
- Resolution approving the agreements to participate in the BLAEDC Unified Fund and designate BLAEDC as the LDO
- State MIF Funds - BLAEDC Unified Fund/LDO Participation Agreement between BLADC and City of Brainerd
- Federal MIF Funds - BLAEDC Unified Fund/LDO Participation Agreement between BLADC and City of Brainerd
- Resolution calling public hearing to consider above action
- BLAEDC Unified Fund Marketing Piece
- BLAEDC Unified Fund Application



Minnesota Investment Fund One-Time Exception

One-time Exception to Restrictions on Use of State Funded Minnesota Investment Fund Local Government Loan Repayment Funds

The Minnesota Legislature has authorized a one-time exception to how revolving loan fund (RLF) dollars seeded from State funded Minnesota Investment Fund (MIF) project are used. These dollars have been retained by local units of government from repayments of their MIF grants. The funds are generally required to be re-used for economic development projects in their jurisdiction.

For More Information

Contact [Lisa Dargis](mailto:lisa.dargis@state.mn.us) (<mailto:lisa.dargis@state.mn.us>) at 651-259-7446.

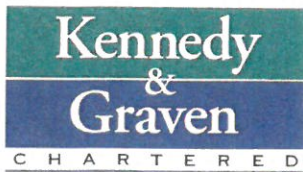
[Overview](#)[FAQs](#)[Contacts](#)[Reporting](#)

Overview

The one-time exception would allow a home rule charter or statutory city, county, or town that has uncommitted money in their RLF fund to use 80% of the balance as a general purpose aid for any lawful expenditure. In order to be eligible for the exception, the city, county or town would need to return 20% of the uncommitted balance to the State's general fund prior to June 30, 2018.

By February 15, 2019, any home rule charter or statutory city, county or town that exercises the option to utilize 80% of their balance as general purpose aid must submit to the chairs of the legislative committees with jurisdiction over economic development policy and finance, an accounting and explanation of the use and distribution of the funds.

In order to take advantage of the one-time exception, the local unit of government must submit the [MIF RLF Request for Exception Form](#) ([//deed/assets/rlf-exception-request_tcm1045-299340.docx](#)) prior to June 1, 2018. Once the Request for Exception has been approved by the DEED Loan Officer, you will receive authorization and instructions on how to remit the required 20% of the RLF balance to the State general fund.



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December 8, 2016

Sheila Haverkamp
Executive Director
Brainerd Lakes Area Development Corporation
224 West Washington Street
Brainerd, MN 56401

RE: Legal Authority of BLADC to Create and Manage BLADC Unified Fund

Dear Sheila:

Per your request, the following is my legal opinion regarding the legal options of the Brainerd Lakes Area Development Corporation ("BLADC") with regard to creating and managing a pooled fund made up of various revolving loan funds currently administered by local governmental units and rural utilities.

Question

Does BLADC have authorization under current State law to receive dedicated revolving loan funds from governmental or other entities?

Facts

BLADC, a nonprofit corporation established pursuant to Minnesota Statutes, Chapter 317A and designated as a 501(c)(3) charitable corporation under the Internal Revenue Code, is considering the possibility of creating a revolving loan fund ("RLF") for the purpose of offering economic development and redevelopment assistance to private developers. BLADC is considering the creation of a unified RLF, to be known as the BLADC Unified Fund ("BUF"), which would consist of funds allocated to BLADC by several local government units and rural utility companies that currently administer individual RLFs. These RLFs would be pooled together to offer a more streamlined loan program for potential applicants. Local governments and utilities with existing RLFs or interests in existing RLFs include the Cities of Baxter, Brainerd, Crosslake and Deerwood, the Housing and Redevelopment Authority in and for the County of Crow Wing (the "County HRA"), The Brainerd Economic Development Authority, as previously-designated Local Development Organization for the City of Brainerd, Crow Wing

County (the "County"), Lake Edward Township, Crow Wing Power, and Consolidated Telephone Communications. The funding sources for the various existing RLFs include (a) funds allocated by the Minnesota Department of Employment and Economic Development ("DEED") through its Minnesota Investment Fund ("MIF") authority, both from federal sources and from State sources; (b) funds allocated by the United States Department of Agriculture/Rural Development ("RD") to rural utilities through its Rural Economic Development Loan and Grant Program (the "RD Program"); (c) funds allocated to an RLF from tax increments generated by a decertified tax increment financing ("TIF") district; and (d) general funds of various local government units ("LGUs") in the Brainerd Lakes area.

Each of the funding sources for the existing RLFs has its own particular rules and guidelines as to the ownership, use and administration of the funds. In addition, depending on the proposed use of the funds by private developers, business subsidy law and other rules create varying procedural requirements that may create obstacles for potential users of these funds. BLADC would like to offer a more streamlined loan program for economic development and redevelopment by private developers. For ease of administration and to the extent possible, BLADC would prefer to have the funds in existing RLFs appropriated to the BUF to create a true pooled RLF, rather than administering the funds in each RLF on behalf of the individual municipalities. You have requested our opinion as to whether and to what extent the creation of the BUF would accomplish this goal.

Discussion

Does BLADC have authorization under current state law to receive dedicated revolving loan funds from governmental or other entities and to create the BLADC Unified Fund?

The existing funding sources being considered for the BUF are state MIF dollars, federal MIF dollars, RD Program dollars, TIF dollars, and general fund dollars from local LGUs. Each of these funding sources will be discussed separately, as they are subject to separate rules.

A. Federal MIF Funds. The law governing both federal and State MIF grants is Minnesota Statutes, Section 116J.8731 (the "MIF Act"). Under the MIF Act, Minnesota cities and other LGUs may receive federal funds pursuant to federal grants given to the State under State Community Development Block Grant (CDBG) regulations. The primary authority for determining eligible activities under the CDBG regulations is Section 105(a) of the Housing and Community Development Act of 1974 (the "HCDA Act"). Generally speaking, these eligible activities are quite broad and comprise most forms of economic development activities, including "assistance to ... local development corporations" (see Section 105(a)(15) of the HCDA Act).

DEED has interpreted the HCDA Act to allow federal MIF dollars to flow from LGU grantees to a local development corporation, which the LGU must designate by resolution as a Local Development Organization ("LDO"). The DEED guidelines contemplate that the LGU will designate an LDO, hold a public hearing on the transfer of MIF funds to the LDO, and enter

into an agreement with the LDO providing for the administration of the grant funds prior to the making of any loans to a private business, and that the LDO will establish RLF policies and procedures and administer all RLF loans from that point on. Under this scheme, the first loans made by the LDO must meet all federal MIF requirements, but once the funds are repaid to the LDO, subsequent loans are not subject to federal CDBG or State MIF requirements and may presumably be made for any purpose allowed under the LDO's own RLF policies and procedures (which must be approved by DEED).

DEED's guidelines allow for both the transfer of federal MIF dollars from an LGU to an LDO using preexisting MIF dollars that have already been used to establish a revolving loan fund, and the designation of new federal MIF grant awards to be allocated to the LDO. The DEED guidelines provide that any LGU considering the option of transferring its federal MIF funds to an LDO should contact a DEED Senior Loan Officer for guidance, and we would recommend this step to ensure that the existing RLFs are transferred to BLADC following the procedures set forth by DEED. Once transferred, these funds are fully under the control of BLADC and may not be returned to the LGU (unless BLADC ceases its existence as a development corporation).

B. State MIF Funds. In addition to CDBG funds, the MIF is funded in part through the allocation of State funds to the program. These funds are subject to the HCDA Act and to additional State requirements, primarily the requirement that any economic development grant awarded must meet the following state economic development objectives: A. creation or retention of permanent private sector jobs; B. stimulation or leverage of private investment; C. increase in local tax base; or D. improved employment and economic opportunity for Minnesota citizens to create a reasonable standard of living (see Minnesota Rules, Chapter 4300.1901).

The MIF Act and DEED's guidelines for the use of State MIF dollars both contemplate that an LGU may allocate grant money to a "regional development commission [or] other regional entity" to capitalize or provide a local match required for capitalization of a regional RLF. The language in the MIF Act does not expressly state that a nonprofit development corporation such as BLADC would be considered a regional development commission, or whether a regional development commission is an alternative term for an LDO. However, DEED advice and guidelines suggest that development corporations such as BLADC would qualify as an LDO for state MIF funds as well as federal MIF funds as long as it receives DEED approval. As with federal MIF dollars, DEED approval would be required for the LDO designated by any LGU wishing to transfer its revolving loan fund. And as with federal MIF funds, any State MIF-funded RLF that is transferred to BLADC by an LGU would become BLADC funds and may not be returned to the LGU.

The single biggest difference between the ongoing character of federal MIF dollars and State MIF dollars is that under HUD regulations, federal MIF dollars may, upon the first repayment of any loan to a private borrower, be considered cleansed of CDBG and MIF requirements, as discussed above, but that the MIF Act contains no similar authorization. As a result, State MIF dollars retain their characterization as MIF funds forever, and remain subject to the requirements of the MIF Act and State reporting requirements. Thus, if existing RLFs

funded through MIF funds are appropriated to BLADC, it will be important to retain separate sub-accounts within the BUF and to comply with all relevant MIF reporting requirements.

C. RD Program Funds. As described above, RD developed the RD Program to provide funding to rural projects through local utility organizations. These utilities receive grant funds from RD to create a revolving loan fund, and use the revolving loan fund to make loans to local businesses for projects intended to create and retain employment opportunities in rural areas. If the revolving loan fund is terminated, the grant must be repaid to RD. Under the RD Program, LGUs are not eligible to receive and administer grant funds. Only rural utilities of various types (primarily electric or telecommunications utilities) may hold an RLF through the RD Program.

RD Program RLF funds may be used for eligible projects, which include business incubators, community development assistance, facilities and equipment for education and training of rural residents for economic development purposes, medical facilities and equipment, start-up venture capital costs, business expansion, and technical assistance.

Although the RD Program does not permit an entity other than a rural utility to hold RLF funds, the RD Program guidelines themselves are silent as to whether a rural utility holding and RLF through the RD Program is authorized to enter into an agreement with a third party (such as BLADC) to administer and market the RLF on behalf of the utility. However, 7 Code of Federal Regulations (“CFR”), Section 4280.27, which governs the RD Program, provides that utilities “may contract with a third party for administrative services regarding the [RLF, provided that] the Intermediary must permanently retain all Project review, approval, and monitoring authority and responsibility. This authority and responsibility cannot be delegated to any other person or entity.” The capitalized term “Project” is defined in the CFR to provide that a “revolving fund established in whole or in part with grant funds will be considered a Project.”

Currently, two rural utilities in the Brainerd Lakes area, Crow Wing Power and Consolidated Telephone Communications, hold and administer RLFs through the RD Program. From the CFR language cited above, it appears that BLADC has limited authority with regard to RLF funds established through the RD Program. BLADC may enter into a contract with either or both of these utilities for “administrative services,” which could include marketing these funds as part of the BUF, processing and reviewing applications from potential borrowers, and ongoing coordination of approved and closed loans. Based on the CFR provision that the utilities must “permanently retain all Project review, approval, and monitoring authority and responsibility,” however, I do not believe that a BUF loan committee may formally approve or reject loan applications in place of the utilities that hold the RD Program RLFs. In the case of these RLFs, it appears that the BUF loan committee would be required to play an advisory role only, but that ultimate decision-making for any loans funded through RD Program RLFs would rest solely with the utilities.

D. TIF Funds. The County HRA is a county housing and redevelopment authority established pursuant to Minnesota Statutes, Sections 469.001 to 469.047 (the “HRA Act”). In 1995, after receiving an opinion of Mackall, Crounse & Moore, PLC as to the legality and

mechanics of establishing a development account funded in part by tax increments, the County HRA created an RLF made up of tax increments from the County's Tax Increment Financing ("TIF") District No. 1 (the "TIF District"). The TIF District was an economic development TIF district established by the County and the County HRA in 1989, and thus the TIF District is not subject to pooling limitations. The tax increments comprising the County HRA's RLF are increments that had been budgeted in the TIF Plan for the TIF District, but not expended. Under the guidelines for the RLF, use of the funds is limited to loans for purposes generally qualified under Minnesota Statutes, Sections 469.174 to 469.1791 (the "TIF Act").

Pursuant to a 1997 amendment, Section 469.174, subd. 25 of the TIF Act defines tax increment to include "principal and interest received on loans or other advances made by the authority with tax increments." Although the TIF RLF was created in 1995, prior to the amendment to the TIF Act that added this provision to the definition of increment, no loans were actually made from the TIF RLF until 1997, after the change in law became effective. Therefore, funds in the TIF RLF must be considered tax increment for as long as the RLF remains in existence. These TIF funds must remain under the control of the County HRA, and must be included in the County HRA's annual TIF reporting. There does not appear to be any prohibition against entering into an agreement with BLADC for the coordination of funds in the TIF RLF (similar to funds in the RD Program), but BLADC is not authorized to accept full ownership of these funds. Therefore, my recommendation would be to treat these funds similarly to any RD Program funds coordinated by BLADC. That is, these funds could be used and loaned through the BUF, but the County HRA would have the final authority as to the use of the funds and would retain the responsibility for reporting them as tax increment in its annual reporting.

One additional legal requirement applies to the TIF RLF funds. Any loans made using these funds must be reviewed to see if the loan terms cause the loan to be a business subsidy under Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Act"). The County HRA will retain control over these funds, and is a "grantor" as defined in the Business Subsidy Act. Thus, if BLADC and the County HRA determine to make a loan that meets the definition of a business subsidy under the Business Subsidy Act, the requirements of the Business Subsidy Act will apply, including the holding of a public hearing, a written business subsidy agreement containing job and wage goals, and annual reporting to DEED. It should be noted that this additional requirement is unique to loans funded through TIF RLF funds. BLADC itself is not a grantor for purposes of the Business Subsidy Act, so any loans made from funds under the control of BLADC are free from Business Subsidy Act requirements. Similarly, loans made by the rural utilities using RD Program funds are exempt from the requirements of the Business Subsidy Act, since the rural utilities are also not grantors as defined in the act.

E. General Funds. The County HRA currently also has an RLF created using funds other than MIF funds, Program funds, or TIF funds. The source of funds for this RLF is HRA tax levies.

The HRA Act does not expressly authorize a housing and redevelopment authority to appropriate funds to a development corporation. However, Section 469.012, subd. 1w of the

HRA Act provides that an authority may “sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interests therein,” and Section 469.012, subd. 2a provides that the authority may “make expenditures necessary to carry out the purposes of [the HRA Act].” Reading these two provisions together, it appears clear that the County HRA may pledge any RLF funds to BLADC, as long as the funds are used consistent with the existing RLF guidelines. An additional requirement also applies, given the original source of the non-TIF RLF funds: Since pursuant to the HRA Act, HRA levies may only be spent for authorized purposes of a housing and redevelopment authority, loans made from the County HRA’s existing non-TIF RLF are presumably limited to the housing and redevelopment activities permitted under the HRA Act. Although these funds can be appropriated by the County HRA to the BUF, BLADC would be required to make sure that any loans made using this funding source would conform to the same housing and redevelopment activities that are currently authorized under the HRA Act.

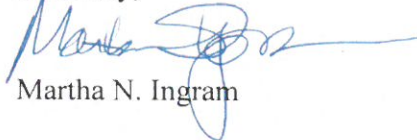
It should be noted that a single set of guidelines currently exists for the County HRA’s two RLFs. The TIF RLF was established first, and because the tax increments used to create the RLF came from an economic development TIF District, loans from this portion of the RLF may be used for new businesses and other economic development uses, as long as such uses would comply with the requirements of the TIF Act. It appears that when the guidelines were revised to include the non-TIF sources of funds, the guidelines erroneously allowed loans made from non-TIF HRA funds to be used for economic development purposes. BLADC will need to ensure that if these funds are appropriated to the BUF, BLADC establishes a separate account for the portion of the BUF funded through the HRA levy dollars, and uses these funds only for purposes authorized under the HRA Act.

Conclusion

BLADC has legal authority to receive funds from the existing RLFs and to consolidate such funds into a unified pool for revolving loan purposes, subject to the various constraints discussed above. BLADC does not have legal authority to accept an appropriation of RUS Program funds or any tax increment (but is authorized to coordinate loans using these funds on behalf of the rural utilities and County HRA). In addition, BLADC will be required to account for each of the funding sources described above separately, and will be required to limit loans made from each funding source to the purposes authorized by the existing rules for such funding source.

If you have any questions about this opinion, please contact me at the number above.

Sincerely,



Martha N. Ingram

CITY OF BRAINERD, MINNESOTA

RESOLUTION NO. _____

RESOLUTION APPROVING AGREEMENTS CONCERNING
PARTICIPATION IN THE BLADC UNIFIED FUND BETWEEN THE CITY OF
BRAINERD AND THE BRAINERD LAKES AREA DEVELOPMENT
CORPORATION, AND DESIGNATING THE BRAINERD LAKES AREA
DEVELOPMENT CORPORATION AS THE CITY'S LOCAL
DEVELOPMENT ORGANIZATION

BE IT RESOLVED By the City Council ("Council") of the City of Brainerd, Minnesota ("City") as follows:

Section 1. Recitals.

1.01. The City is the recipient of federal and state Minnesota Investment Fund ("MIF") grants from the Minnesota Department of Employment and Economic Development ("DEED"), and has recouped payments of principal and interest to utilize as revolving loan funds (the "Loan Funds").

1.02. The City and the Brainerd Lakes Area Development Corporation ("BLADC") have proposed to enter into an LDO and BLADC Unified Fund Participation Agreement in connection with both the federal and state Loan Funds (the "Agreements"), setting forth the terms and conditions of participation by the City in a pooled revolving loan fund to be known as the BLADC Unified Fund (the "BUF") to be administered by BLADC on behalf of local governments and other entities in the greater Brainerd Lakes and Cuyuna Lakes area (the "Region"), including the City. The Agreements, along with the BLADC Unified Fund Governance Guidelines and Policies governing the BUF (the "Guidelines"), are on file in the offices of the City and available for public inspection.

1.03. Pursuant to the Agreement related to the federal Loan Funds, the City also proposes to rescind its prior designation of the Brainerd Economic Development Authority ("EDA") as the City's LDO for the federal portion of the Loan Funds, to designate BLADC as the City's local development organization ("LDO") and to appropriate both its federal and state Loan Funds to BLADC. BLADC will utilize such funds, along with funds contributed by other local entities, to create the BUF and to offer economic development loans to local and regional businesses, subject to the terms of the Agreements and Guidelines.

1.04. Also pursuant to the Agreements and Guidelines, the City will designate an authorized representative to serve as a member of the BUF Board and BUF Loan Committee.

1.05. The Council has reviewed the Agreements and Guidelines and finds that the execution of the Agreements and performance of the City's obligations thereunder are in the public interest and will further the objectives of its general plan of economic development, because it will facilitate marketing and closing of business loans that foster economic development goals for the City and Region.

Section 2. City Approval; Further Proceedings.

2.01. The Council hereby rescinds and terminates its designation of the EDA as its LDO in connection with the federal Loan Funds.

2.01. BLADC is hereby designated as the LDO for the City. The Agreements as presented to the Council are hereby in all respects approved, subject to approval by DEED and further subject to modifications that do not alter the substance of the transaction and that are approved by the Mayor and City Administrator, provided that execution of the documents by such officials shall be conclusive evidence of approval.

2.02. The Mayor and City Administrator are hereby authorized to execute on behalf of the City the Agreements and any documents referenced therein requiring execution by the City, and to carry out, on behalf of the City, its obligations thereunder, including without limitation the transfer of the Loan Funds to BLADC as the City's designated LDO.

2.03. The Council hereby designates _____ as the City's authorized representative to serve on the BUF Board and BUF Loan Committee, as appropriate, on behalf of the City.

2.04. City staff are authorized and directed to take all actions necessary to implement the Agreements.

Approved by the City Council of the City of Brainerd this __ day of _____, 2017.

Mayor

ATTEST:

Clerk

**LDO AND BLADC UNIFIED FUND PARTICIPATION AGREEMENT BETWEEN
CITY OF BRAINERD
AND THE BRAINERD LAKES AREA DEVELOPMENT CORPORATION
(State MIF)**

THIS AGREEMENT is entered into this ____ of _____, 2017, by City of Brainerd (the “City”) and the Brainerd Lakes Area Development Corporation (“BLADC”), a nonprofit corporation serving the economic development needs of the Brainerd Lakes and Cuyuna Lakes region.

WHEREAS, BLADC’s mission is to expand business, build community, and grow jobs, and thereby foster economic development and redevelopment throughout the Brainerd Lakes and Cuyuna Lakes area (the “Area”) and provide streamlined services to potential developers and employers throughout the Area; and

WHEREAS, the City is the recipient of state Minnesota Investment Fund (“MIF”) grants from the Minnesota Department of Employment and Economic Development (“DEED”), and has recouped payments of principal and interest to utilize as revolving loan funds (the “Loan Funds”); and

WHEREAS, BLADC has proposed the establishment of a consolidated revolving loan fund to be known as the BLADC Unified Fund (the “BUF”), made up of multiple revolving loan funds currently administered by individual governmental and utility entities within the Area; and

WHEREAS, BLADC has submitted proposed BLAEDC Unified Fund Governance Guidelines and Policies (the “Guidelines”) for review by the City, in the form attached to this Agreement as Exhibit A and incorporated herein by reference, and has requested that the City become a member of the BUF subject to the terms of such Guidelines and this Agreement and designate BLADC as its local development organization (“LDO”); and

WHEREAS, the City desires to designate BLADC as its LDO pursuant to DEED guidelines and grant the Loan Funds to the LDO, and to engage the LDO to administer the Loan Funds as part of the BUF; and

WHEREAS, BLADC is qualified as a public or private nonprofit organization serving the development needs of the communities of nonentitlement areas as defined by §105 (a) (15) of Title I of the Housing and Community Development Act; and

WHEREAS, BLADC’s use of the Loan Funds must adhere to all state program and reporting requirements; and

WHEREAS, BLADC will be subject to audit by the local unit of government and must provide access to all Loan Funds records to the City upon request.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. All capitalized terms, if not otherwise defined in this Agreement, shall have the meanings provided in the Guidelines.
2. The City designates BLADC as its LDO for purposes of the Loan Funds.
3. With the Loan Funds and all repayments of any outstanding loans from the Loan Funds, BLADC will establish and retain the BUF for the benefit of all eligible businesses located within the Brainerd Lakes and Cuyuna Lakes region, and will use repayments of all loans made from the BUF to offer additional loans meeting the requirements of the Guidelines and this Agreement.
4. BLADC will administer the full \$_____ of the Loan Funds as part of the BUF. BLADC will administer all moneys in the BUF, and subject to the Guidelines and this Agreement, will review applications, make recommendations to the BUF Board and/or BUF Loan Committee (as applicable), make and administer loans to qualifying businesses, and account for all repayments of loans made under the BUF.
5. The City will appoint an authorized representative (the "City Representative") to the BUF Board and BUF Loan Committee, and the City Representative will participate in the loan application review and approval process. The term of service of the City Representative will be as provided in the Guidelines.
6. The parties expressly agree and acknowledge that the BUF Loan Committee or BUF Board, as applicable, shall have the final authority for making decisions regarding the approval or denial of loan applications for loans using the account, except as otherwise provided in the Guidelines.
7. BLADC will provide all staff required to perform services under this Agreement. BLADC will appoint BLADC's Executive Director, who will be responsible for communication with the City, as liaison to the City.
8. BLADC will retain in its possession the principal and interest from the repayment of all loans made from the Loan Funds, and will utilize such funds solely for additional BUF loans as described in Exhibit B; provided that BLADC will not use any of the Loan Funds to pay administrative costs.
9. The City may not recall the Loan Funds from the LDO unless:
 - a. The LDO fails to carry out its obligations to administer the Loan Funds, and/or
 - b. The LDO ceases to exist.
10. The City will remain responsible for compliance reporting for the Loan Funds.
11. The City and BLADC have approved this Agreement by action of their respective governing bodies.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed as of the date first written above.

CITY OF BRAINERD

BRAINERD LAKES AREA
DEVELOPMENT CORPORATION

Chair

President

Administrator

Executive Director

Date

Date

EXHIBIT A

Brainerd Lakes Area Economic Development Corporation Unified Fund (BUF)

BLAEDC's vision is to assemble existing revolving loan fund resources into a "BLAEDC Unified Fund" that will coordinate marketing and management processes in order to streamline customer-friendly access to financing for businesses and result in the funds being invested in development projects in the greater Brainerd Lakes and Cuyuna Lakes area.

Current Issue – Local revolving loan funds are frequently not tapped by companies for a variety of reasons, including the relatively low balances in each fund, relatively small maximum loan amounts by each entity, complicated and confusing public processes, lack of marketing, and unknown outcomes.

The Unified Fund offers several benefits for business including:

- An enhanced understanding and knowledge of available local resources
- A streamlined approach to securing financial resources at a local level
(Identical process to tap into all the pools of funds, limited public meetings)
- BLAEDC staff support
(Initial contact with companies, vetting financing probability, interaction with decision makers and ability to direct financing process through to completion.)

The Unified Fund offers several benefits for partners including:

- Promotion and marketing of funding pool
- Project vetting, loan management, streamlined process
- Investment diversification opportunities
- Greater likelihood of funds being invested in private sector business projects
- Enhanced ability to secure additional resources for economic development

BLAEDC Unified Fund Governance Guidelines and Policies

The primary purpose of the BLAEDC Unified Fund (the "BUF") is to offer economic development financing for business to enhance the economic base and vitality of the greater Brainerd Lakes and Cuyuna Lakes area (the "Region").

Authority

BLAEDC Board of Directors is the governing entity of the BUF program. It has the oversight of the program development, operating guidelines and procedures, loan policies, committee structure, fund management, contractual agreements, insurance and accounting requirements, reporting, compliance with original funding sources, and all aspects of the program.

Partner Organizations – Partner organizations and entities are being asked to consider partnering with BLAEDC and the BUF program. They will utilize the BUF program for marketing, vetting, loan packaging, committee review and approval of loans, and loan documentation, collections, and workout.

Note: Consolidated Telephone Communications (CTC) and Crow Wing (CW Power) have revolving loan funds that were capitalized in part by USDA Rural Utility Service (RUS) funds, which require that the revolving loan funds must remain under the control of CTC and CW Power, and which subject the funds to certain federal law requirements, which are available upon request. Once these organizations commit to BUF, they will utilize the BUF program for marketing, vetting, loan packaging, committee review, approval recommendations, and loan documentation, collections, and workout. However, CTC and CW Power will have final approval authority for loans made with RUS funds.

Similarly, the Housing and Redevelopment Authority in and for the County of Crow Wing (the Crow Wing HRA) administers a revolving loan fund comprised of tax increment from a decertified City of Brainerd tax increment financing district. State law requires that the Crow Wing HRA retain final approval and state reporting responsibilities with regard to this fund, but like CTC and CW Power, the Crow Wing HRA will utilize the BUF program for marketing, vetting, loan packaging, committee review, approval recommendations, and loan documentation, collections, and workout.

Operating Guidelines and Procedures – See Exhibit A.

Loan Policies – See Exhibit A.

Structure/Organizational Chart

BUF Board Members – A standing BUF Board of Directors exists to implement the BUF operating guidelines and procedures and loan policies. The BUF Board members include:

- 2 BLAEDC Board Members
- 1 Cuyuna Range Economic Development Inc. (CREDI) Board Member
- One designated representative of each entity that has allocated its funds to the BUF pool, or in the case of RUS- or TIF-funded revolving loan funds, has committed to participate in and utilize the BUF process. The City of Crosslake will also participate as a member of the BUF Board in recognition of its transfer of RUS funds from the former Crosslake Telecommunications Company to the Crow Wing Cooperative Power and Light Company.

Each entity will appoint a designated representative to serve on the BUF Board upon approval of entry into the BUF. The designated representative will serve until the earlier of such representative's resignation or termination of such representative by the member entity. A new designated representative will be appointed by such entity in a timely manner.

BUF Board Decision-Making Process and Oversight – The BUF Board's responsibilities include:

- Implementing the operating guidelines, procedures and loan policies.
- Periodically reviewing the operating guidelines, procedures, and loan policies and approving necessary changes.
- Holding 2 standing meetings per year
- Holding meetings as needed to review and approve loan applications (or to recommend approval to CTC and CW Power if RUS funds are proposed, or to Crow Wing HRA if TIF funds are proposed as part of the overall BUF financing structure for a given loan). In the case of loan applications that have been reviewed by the BUF Loan Committee, but for which the BUF Loan Committee has been unable to reach a consensus, the BUF Board shall have final authority to approve or deny such loan applications.
- Supporting the BUF program including fundraising activities and promotion and marketing initiatives.

BUF Loan Committee Members – An ad hoc loan committee will be established to make loan decisions as authorized in the operating guidelines and procedures and loan policies. The loan committee members include:

- One BLAEDC Board Member
- One representative from each proposed loan pool and/or geographic location of the proposed project, if represented on the BUF Board.
- Additional BUF Board members if required to reach a minimum of five BUF Loan Committee members in connection with consideration of any loan. Additional BUF Board members will be selected on a rotating basis from the membership of the BUF Board.

BUF Loan Committee Decision Making Process and Oversight – The BUF Loan Committee's responsibilities include:

- Holding meetings as needed to review and approve or deny loan applications (or to recommend approval to CTC and CW Power if RUS funds are proposed, or to Crow Wing HRA if TIF funds are proposed as part of the overall BUF financing structure for a given loan).
- Supporting the BUF program including fundraising activities and promotion and marketing initiatives.
- In the event that the BUF Loan Committee fails to reach a consensus as to approval or denial of a loan application, the application will be presented to the BUF Board as a whole for final determination of approval or denial.

The BLAEDC Board of Director's governance of the BUF program will include:

Fund Management - As a prudent management practice, BLAEDC will invest funds in risk-free financial instruments such as Certificates of Deposit in City of Brainerd FDIC-insured financial institutions. The economic development opportunities that result from funds being available to our local lenders outweigh the potential of additional interest income that may result from alternative risk investment strategies.

Contractual Agreements – BLAEDC will enter into contractual relationships to support the management and operational efficiencies of the program.

Insurance – The BUF program will be incorporated into BLAEDC's insurance policies.

Accounting – BLAEDC has an outside accounting firm and will have all financial records included in year-end reporting.

Reporting and Compliance – All reporting and compliance reports will be conducted by BLAEDC staff and consultants, with the exception of RUS and TIF reporting.

Legal – Legal services will be provided by BLAEDC legal counsel as needed.

Notice as to loans made with RUS funds:

This institution is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

EXHIBIT A to Guidelines

General Operating Guidelines & Procedures and Loan Policies

Eligible Applicants and Costs

Eligible Applicants – The BUF program is open to considering all applicants regardless of size or business type, assuming they meet the overall public purpose of private sector investment, job creation and/or retention, and economic growth in the greater Brainerd Lakes and Cuyuna Lakes area (the “Region”).

Project Costs – All capital project costs are potentially eligible, assuming they meet the overall public purpose to encourage private sector investment, job creation and/or retention, and economic growth and/or redevelopment in the Region. Loans for working capital are not eligible.

“Funding Pool Specific” Eligible Projects, Costs and Other Items

The BUF program is a consortium of many funding pools that were originally capitalized from a variety of sources including TIF funds, Minnesota Investment Fund (MIF) funds (both federal and state), RUS funds, and others. Specific rules and limitations apply to loans made from some of these sources. BUF staff and consultants will identify and match appropriate sources of funds based on the specifics of a project.

Type of Financing

The BUF Board and BUF Loan Committee will consider loans, loan guarantees, and other financing needs a business may have, in order to encourage private sector investment, job creation or retention, and economic growth in the Region. Incentive financing may also be considered under special circumstances.

Requirements and Terms

The BUF program has significant flexibility. BLAEDC desires to partner with private sector banking institutions to have a positive financial impact on high-quality economic development or redevelopment projects. In general, projects should include local bank financing, equity contributions, and livable-wage job creation, and have a positive reception in our community.

Financing Terms

Minimum Loan Size – \$25,000

Maximum Loan Size – \$500,000

Loan Origination Fee – 1% or minimum of \$1,500

Loan Application and Processing/Closing Fees – Paid by borrower.

Loan Terms – Loans will typically be amortized over 3-15 years, to match the useful life of the capital asset that is being financed. Balloon payments will frequently be structured.

Interest Rates, Including Loan Servicing Fees – Varies but typically market rate.

Collateral Requirements – All loans must be collateralized. Personal guarantees will be required.

Application and Approval Process

Loan applications will be accepted as long as funds are available and will be processed on an ongoing basis. Following staff review and vetting, financing applications for assistance of \$100,000 or more will be presented to the BUF Board, and applications for assistance of less than \$100,000 will be presented to the BUF Loan Committee. The BUF Board and BUF Loan Committee are authorized to approve loans from any funding source other than RUS and TIF dollars. In the case of loans funded by RUS or TIF funds, the BUF Board or BUF Loan Committee, as appropriate, will make recommendations to the entity that administers the RUS or TIF funds in question, but the governing body of the entity controlling these funds will make the final determination to approve or deny the loan. The BLAEDC board of directors must also approve loans if more than \$300,000.

Loan Documentation, Closing, Servicing Arrangements

BLAEDC will support these components of the BUF loan program, either through internal management or through a contractual relationship with an existing loan servicing entity.

Conflict of Interest Provisions

Any conflicts of interest by BLAEDC board, BUF Board members, BUF Loan Committee members, BLAEDC staff or others, should be noted immediately, and the member disclosing the conflict shall not participate in the consideration or approval of any loan request related to such conflict.

EXHIBIT B

Administrative Fees

As provided in the BUF Management Services Agreement between BLADC and the Initiative Foundation ("IF"), the administrative duties connected to the BUF are called "Management Services," and consist of the following:

- a. Marketing the BUF;
- b. Prescreening BUF Loan applicants;
- c. Review of proposed terms;
- d. Write-up and presentation of proposed terms to BUF Loan Committee and/or BUF Board;
- e. BUF Loan documentation;
- f. BUF Loan closing;
- g. BUF Loan servicing and administration;
- h. BUF Loan workouts.

Pursuant to the Management Services Agreement, Management Services to be performed by IF consist of items c, d, f, g, and h, provided that IF shall perform item h solely upon authorization by BLADC and BLADC coverage of third-party expenses. Items a and b will be performed by BLADC or its legal counsel. Item e may be performed by either IF or BLADC, depending on the circumstances.

The Management Services Agreement further provides that the compensation for performance of the Management Services shall consist solely of the following:

- A BUF Loan origination fee equal to the greater of \$1,500.00 or 1% of the total principal amount of the BUF Loan will be charged to the borrower at the time of closing on any BUF Loan. This origination fee will be allocated equally between BLADC and IF.
- A servicing fee equal to an annualized rate of two percent (2%) of the principal balance of all outstanding BUF Loans shall be retained upon receipt of monthly loan payments by each BUF Loan borrower. This servicing fee will be allocated equally between BLADC and IF.
- Borrowers will be required to pay all reasonable legal and other loan closing costs, including those costs that may be incurred by or attributable to IF.

Illustration of the compensation for Management Services:

Borrower applies for BUF Loan of \$100,000 at 4% annual interest, and the BUF Loan is approved. At closing, the borrower pays \$1,500 as an origination fee. This fee will be divided equally between BLADC and IF. The Borrower also pays the costs necessary to close the loan.

On a monthly basis, the Borrower pays principal and interest payments. Principal payments are deposited into the BUF. Interest payments are split such that on an annualized basis, the BUF will retain an amount equal to payment of 2% interest on the outstanding principal balance, which will be added to BUF funds available for further loans,* and 2% will be retained for Management Services. Under the proposed Management Services Agreement, this Management Services fee will be allocated equally between BLADC and IF.

*For BUF Loans made from RD Loan Funds, the BUF will retain an amount equal to payment of 2% interest on the outstanding principal balance, which may be added to RD Loan Funds available for other BUF Loans or expended for other permissible uses under federal regulations, at the sole option of the RD Loan grantor.

**LDO AND BLADC UNIFIED FUND PARTICIPATION AGREEMENT BETWEEN
CITY OF BRAINERD
AND THE BRAINERD LAKES AREA DEVELOPMENT CORPORATION
(Federal MIF)**

THIS AGREEMENT is entered into this ____ of ____, 2017 , by the City of Brainerd, Minnesota (the “City”) and the Brainerd Lakes Area Development Corporation, a nonprofit development organization serving the economic development needs of the community (“BLADC”).

WHEREAS, BLADC’s mission is to expand business, build community, and grow jobs, and thereby foster economic development and redevelopment throughout the Brainerd Lakes and Cuyuna Lakes area (the “Area”) and provide streamlined services to potential developers and employers throughout the Area; and

WHEREAS, the City was the recipient of a grant funded through a Community Development Block Grant – Economic Development Set Aside by the Minnesota Department of Employment and Economic Development (hereafter, “DEED”), and has recouped payments of principal and interest to utilize as revolving loan funds (hereafter, “the Account”); and

WHEREAS, by Resolution No. 09:03, adopted February 3, 2003, the City designated the Brainerd Economic Development Authority (the “EDA”) as its local development organization (“LDO”) for purposes of administering the Account; and

WHEREAS, BLADC has proposed the establishment of a consolidated revolving loan fund to be known as the BLADC Unified Fund (the “BUF”), made up of multiple revolving loan funds currently administered by individual governmental and utility entities within the Area; and

WHEREAS, BLADC has submitted proposed BLAEDC Unified Fund Governance Guidelines and Policies (the “Guidelines”) for review by the City, in the form attached to this Agreement as Exhibit A and incorporated herein by reference, and has requested that the City become a member of the BUF subject to the terms of such Guidelines and this Agreement, rescind and terminate its designation of the EDA as LDO for the Account, and designate BLADC as its LDO; and

WHEREAS, the City desires to grant the funds in the Account and any outstanding payments of principal and interest to BLADC and engage BLADC as its LDO to administer the Account as a participant in the BUF; and

WHEREAS, BLADC is qualified as a public or private nonprofit organization serving the development needs of the communities of nonentitlement areas as defined by §105 (a) (15) of Title I of the Housing and Community Development Act (the “Act”), and is therefore a qualified LDO; and

WHEREAS, the funds from the Account have been loaned and paid back to the EDA as the City's original LDO, and therefore, are considered miscellaneous revenue and are not subject to federal program income or reporting requirements.

NOW, THEREFORE, BE IT RESOLVED, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto represent, warrant and agree as follows:

1. All capitalized terms, if not otherwise defined in this Agreement, shall have the meanings provided in the Guidelines.
2. The City hereby rescinds and terminates its designation of the EDA as its LDO, and designates BLADC as its LDO.
3. BLADC will administer the Account [and all outstanding loan repayments of (\$_____)], to be used as a funding source of BUF loans to prospective borrowers.
4. BLADC will establish and maintain the BUF for the benefit of all eligible businesses located within the Area, and will use repayments of all loans made from the BUF to offer additional loans meeting the requirements of the Guidelines and this Agreement.
5. BLADC will administer all moneys in the BUF, and subject to the Guidelines and this Agreement, will review applications, make recommendations to the BUF Board and/or BUF Loan Committee (as applicable), make and administer loans to qualifying businesses, and account for all repayments of loans made under the BUF.
6. The City will appoint an authorized representative (the "City Representative") to the BUF Board and BUF Loan Committee, and the City Representative will participate in the loan application review and approval process. The term of service of the City Representative will be as provided in the Guidelines.
7. The parties expressly agree and acknowledge that the BUF Loan Committee or BUF Board shall have the final authority for making decisions regarding the approval or denial of loan applications for loans using the Account, as provided in the Guidelines, and that neither the City or BLADC individually shall have such authority.
8. BLADC will provide all staff required to perform services under this Agreement. BLADC will appoint a liaison who will be responsible for communication with the City Representative and with the governing body of the City when warranted.
9. BLADC will retain in its possession the principal and interest from the repayment of all loans made from the Account, and will utilize such funds solely for additional BUF loans and reasonable administrative fees as described in Exhibit B.
10. The City may not recall the Account funds from BLADC unless:
 - a. BLADC fails to carry out its obligations to administer the BUF, and/or

CITY OF BRAINERD, MINNESOTA

Mayor

Clerk

EXHIBIT A

Brainerd Lakes Area Economic Development Corporation Unified Fund (BUF)

BLAEDC's vision is to assemble existing revolving loan fund resources into a "BLAEDC Unified Fund" that will coordinate marketing and management processes in order to streamline customer-friendly access to financing for businesses and result in the funds being invested in development projects in the greater Brainerd Lakes and Cuyuna Lakes area.

Current Issue – Local revolving loan funds are frequently not tapped by companies for a variety of reasons, including the relatively low balances in each fund, relatively small maximum loan amounts by each entity, complicated and confusing public processes, lack of marketing, and unknown outcomes.

The Unified Fund offers several benefits for business including:

- An enhanced understanding and knowledge of available local resources
- A streamlined approach to securing financial resources at a local level
(Identical process to tap into all the pools of funds, limited public meetings)
- BLAEDC staff support
(Initial contact with companies, vetting financing probability, interaction with decision makers and ability to direct financing process through to completion.)

The Unified Fund offers several benefits for partners including:

- Promotion and marketing of funding pool
- Project vetting, loan management, streamlined process
- Investment diversification opportunities
- Greater likelihood of funds being invested in private sector business projects
- Enhanced ability to secure additional resources for economic development

BLAEDC Unified Fund Governance Guidelines and Policies

The primary purpose of the BLAEDC Unified Fund (the "BUF") is to offer economic development financing for business to enhance the economic base and vitality of the greater Brainerd Lakes and Cuyuna Lakes area (the "Region").

Authority

BLAEDC Board of Directors is the governing entity of the BUF program. It has the oversight of the program development, operating guidelines and procedures, loan policies, committee structure, fund management, contractual agreements, insurance and accounting requirements, reporting, compliance with original funding sources, and all aspects of the program.

Partner Organizations – Partner organizations and entities are being asked to consider partnering with BLAEDC and the BUF program. They will utilize the BUF program for marketing, vetting, loan packaging, committee review and approval of loans, and loan documentation, collections, and workout.

Note: Consolidated Telephone Communications (CTC) and Crow Wing (CW Power) have revolving loan funds that were capitalized in part by USDA Rural Utility Service (RUS) funds, which require that the revolving loan funds must remain under the control of CTC and CW Power, and which subject the funds to certain federal law requirements, which are available upon request. Once these organizations commit to BUF, they will utilize the BUF program for marketing, vetting, loan packaging, committee review, approval recommendations, and loan documentation, collections, and workout. However, CTC and CW Power will have final approval authority for loans made with RUS funds.

Similarly, the Housing and Redevelopment Authority in and for the County of Crow Wing (the Crow Wing HRA) administers a revolving loan fund comprised of tax increment from a decertified Crow Wing County tax increment financing district. State law requires that the Crow Wing HRA retain final approval and state reporting responsibilities with regard to this fund, but like CTC and CW Power, the Crow Wing HRA will utilize the BUF program for marketing, vetting, loan packaging, committee review, approval recommendations, and loan documentation, collections and workout.

Operating Guidelines and Procedures – See Exhibit A.

Loan Policies – See Exhibit A.

Structure/Organizational Chart

BUF Board Members – A standing BUF Board of Directors exists to implement the BUF operating guidelines and procedures and loan policies. The BUF Board members include:

- 2 BLAEDC Board Members
- 1 Cuyuna Range Economic Development Inc. (CREDI) Board Member
- One designated representative of each entity that has allocated its funds to the BUF pool, or in the case of RUS- or TIF-funded revolving loan funds, has committed to participate in and utilize the BUF process. The City of Crosslake will also participate as a member of the BUF Board in recognition of its transfer of RUS funds from the former Crosslake Telecommunications Company to the Crow Wing Cooperative Power and Light Company.

Each entity will appoint a designated representative to serve on the BUF Board upon approval of entry into the BUF. The designated representative will serve until the earlier of such representative's resignation or termination of such representative by the member entity. A new designated representative will be appointed by such entity in a timely manner.

The BLAEDC Board of Director's governance of the BUF program will include:

Fund Management - As a prudent management practice, BLAEDC will invest funds in risk-free financial instruments such as Certificates of Deposit in Crow Wing County FDIC-insured financial institutions. The economic development opportunities that result from funds being available to our local lenders outweigh the potential of additional interest income that may result from alternative risk investment strategies.

Contractual Agreements – BLAEDC will enter into contractual relationships to support the management and operational efficiencies of the program.

Insurance – The BUF program will be incorporated into BLAEDC's insurance policies.

Accounting – BLAEDC has an outside accounting firm and will have all financial records included in year-end reporting.

Reporting and Compliance – All reporting and compliance reports will be conducted by BLAEDC staff and consultants, with the exception of RUS and TIF reporting.

Legal – Legal services will be provided by BLAEDC legal counsel as needed.

Notice as to loans made with RUS funds:

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If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

EXHIBIT A to Guidelines

General Operating Guidelines & Procedures and Loan Policies

Eligible Applicants and Costs

Eligible Applicants – The BUF program is open to considering all applicants regardless of size or business type, assuming they meet the overall public purpose of private sector investment, job creation and/or retention, and economic growth in the greater Brainerd Lakes and Cuyuna Lakes area (the “Region”).

Project Costs – All capital project costs are potentially eligible, assuming they meet the overall public purpose to encourage private sector investment, job creation and/or retention, and economic growth and/or redevelopment in the Region. Loans for working capital are not eligible.

“Funding Pool Specific” Eligible Projects, Costs and Other Items

The BUF program is a consortium of many funding pools that were originally capitalized from a variety of sources including TIF funds, Minnesota Investment Fund (MIF) funds (both federal and state), RUS funds, and others. Specific rules and limitations apply to loans made from some of these sources. BUF staff and consultants will identify and match appropriate sources of funds based on the specifics of a project.

Type of Financing

The BUF Board and BUF Loan Committee will consider loans, loan guarantees, and other financing needs a business may have, in order to encourage private sector investment, job creation or retention, and economic growth in the Region. Incentive financing may also be considered under special circumstances.

Requirements and Terms

The BUF program has significant flexibility. BLAEDC desires to partner with private sector banking institutions to have a positive financial impact on high-quality economic development or redevelopment projects. In general, projects should include local bank financing, equity contributions, and livable-wage job creation, and have a positive reception in our community.

Financing Terms

Minimum Loan Size – \$25,000

Maximum Loan Size – \$500,000

Loan Origination Fee – 1% or minimum of \$1,500

Loan Application and Processing/Closing Fees – Paid by borrower.

Loan Terms – Loans will typically be amortized over 3-15 years, to match the useful life of the capital asset that is being financed. Balloon payments will frequently be structured.

Interest Rates, Including Loan Servicing Fees – Varies but typically market rate.

Collateral Requirements – All loans must be collateralized. Personal guarantees will be required.

Application and Approval Process

Loan applications will be accepted as long as funds are available and will be processed on an ongoing basis. Following staff review and vetting, financing applications for assistance of \$100,000 or more will be presented to the BUF Board, and applications for assistance of less than \$100,000 will be presented to the BUF Loan Committee. The BUF Board and BUF Loan Committee are authorized to approve loans from any funding source other than RUS and TIF dollars. In the case of loans funded by RUS or TIF funds, the BUF Board or BUF Loan Committee, as appropriate, will make recommendations to the entity that administers the RUS or TIF funds in question, but the governing body of the entity controlling these funds will make the final determination to approve or deny the loan. The BLAEDC board of directors must also approve loans if more than \$300,000.

Loan Documentation, Closing, Servicing Arrangements

BLAEDC will support these components of the BUF loan program, either through internal management or through a contractual relationship with an existing loan servicing entity.

Conflict of Interest Provisions

Any conflicts of interest by BLAEDC board, BUF Board members, BUF Loan Committee members, BLAEDC staff or others, should be noted immediately, and the member disclosing the conflict shall not participate in the consideration or approval of any loan request related to such conflict.

EXHIBIT B

Administrative Fees

As provided in the BUF Management Services Agreement currently in final stages of negotiation between BLADC and the Initiative Foundation ("IF"), the administrative duties connected to the BUF are called "Management Services," and consist of the following:

- a. Marketing the BUF;
- b. Prescreening BUF Loan applicants;
- c. Review of proposed terms;
- d. Write-up and presentation of proposed terms to BUF Loan Committee and/or BUF Board;
- e. BUF Loan documentation;
- f. BUF Loan closing;
- g. BUF Loan servicing and administration;
- h. BUF Loan workouts.

Pursuant to the Management Services Agreement, Management Services to be performed by IF consist of items c, d, f, g, and h. Items a, b, and e will be performed by BLADC or its legal counsel.

The Management Services Agreement further provides that the compensation for performance of the Management Services shall consist solely of the following:

- A BUF Loan origination fee equal to the greater of \$1,500.00 or 1% of the total principal amount of the BUF Loan will be charged to the borrower at the time of closing on any BUF Loan. This origination fee will be allocated equally between BLADC and IF.
- A servicing fee equal to an annualized rate of two percent (2%) of the principal balance of all outstanding BUF Loans shall be retained upon receipt of monthly loan payments by each BUF Loan borrower. This servicing fee will be allocated equally between BLADC and IF.
- Borrowers will be required to pay all reasonable legal and other loan closing costs, including those costs that may be incurred by or attributable to IF.

Illustration of the compensation for Management Services:

Borrower applies for BUF Loan of \$100,000 at 4% annual interest, and the BUF Loan is approved. At closing, the borrower pays \$1,500 as an origination fee. This fee will be divided equally between BLADC and IF. The Borrower also pays the costs necessary to close the loan.

On a monthly basis, the Borrower pays principal and interest payments. Principal payments are deposited into the BUF. Interest payments are split such that on an annualized basis, the BUF will retain an amount equal to payment of 2% interest on the outstanding principal balance, which will be added to BUF funds available for further loans, and 2% will be retained for Management Services. Under the proposed Management Services Agreement, this Management Services fee will be allocated equally between BLADC and IF.

CITY OF BRAINERD

RESOLUTION NO. _____

RESOLUTION CALLING A PUBLIC HEARING REGARDING
DESIGNATION BY THE CITY OF THE BRAINERD LAKES AREA DEVELOPMENT
CORPORATION AS THE CITY'S LOCAL DEVELOPMENT ORGANIZATION

WHEREAS, the City of Brainerd ("City") has received a proposal from the Brainerd Lakes Area Development Corporation ("BLADC") to participate in a pooled revolving loan fund for economic development purposes to be known as the BLADC Unified Fund (the "BUF"), serving the Brainerd Lakes and Cuyuna Lakes region; and

WHEREAS, the City is the recipient of federal and state Minnesota Investment Fund ("MIF") grants from the Minnesota Department of Employment and Economic Development ("DEED"), and is authorized to transfer the administration of its grant funds to a designated Local Development Organization ("LDO"); and

WHEREAS, in order to participate in the BUF, the City must designate BLADC as its LDO; and

WHEREAS, DEED requires an entity designating an LDO to hold a duly noticed public hearing on such designation, and the City Council has determined to hold the required public hearing and consider the terms of participating in the BUF and designating BLADC as its LDO.

NOW, THEREFORE, BE IT RESOLVED by the City Council (the "Council") of the City of Brainerd that:

1. The Council directs staff and consultants to prepare the required City documentation for designation of BLADC as the City's LDO, for consideration by the Council at a public hearing on _____, 2017, including without limitation preparation of an agreement on the terms and conditions of participating in the BUF and a resolution designating BLADC as the City's LDO.

2. The City Administrator is authorized and directed to publish a notice in the City's official newspaper announcing a public hearing before the City Council on _____, 2017 at approximately _____ p.m.. in the Council Chambers, regarding the LDO designation. The notice shall be published in the newspaper at least 10 days but less than 30 days prior to the public hearing, and shall be in substantially the form attached as Exhibit A to this resolution.

Approved by the City Council of the City of Brainerd this __ day of September, 2017.

Mayor

ATTEST:

City Administrator

EXHIBIT A

NOTICE OF PUBLIC HEARING

Notice is hereby given that the City Council of the City of Brainerd, Minnesota will meet at approximately ____ p.m. on _____, _____, 2017 in the City Council Chambers at the City Hall, 326 Laurel Street, Brainerd, Minnesota, to conduct a public hearing regarding (i) rescinding and terminating the designation of the Brainerd Economic Development Authority as the City's local development organization ("LDO") for purposes of administering the City's existing loan fund of approximately \$_____ in federal Minnesota Investment Fund dollars (the "Federal Loan Fund") granted to the City for economic development purposes by the Department of Employment and Economic Development; and (ii) designating the Brainerd Lakes Area Development Corporation ("BLADC") as the City's LDO for purposes of administering both of the City's existing revolving loan funds, which consist of the Federal Loan Fund and an additional revolving loan fund of approximately \$_____ in state Minnesota Investment Fund dollars granted to the City for economic development purposes by the Department of Employment and Economic Development.

Information concerning the proposed LDO designation, including a draft copy of the resolution and a copy of the LDO agreements, will be on file at the City offices and available for inspection during regular business hours on and after the date of this notice. Any person wishing to express an opinion on the matters to be considered at the public hearing will be heard orally or in writing.

Dated: [Date of publication]

/s/

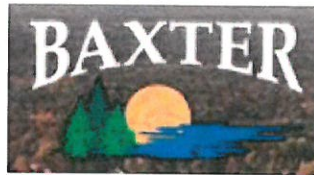
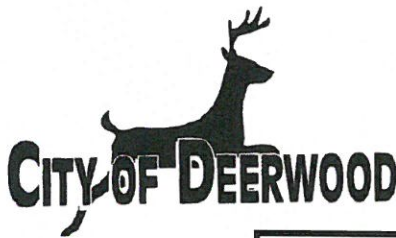
City Administrator

BLAEDC Unified Fund

We are very proud to share that as a result of BLAEDC's and other organization's work over the years, several Crow Wing County communities have secured funding to support development projects. This has resulted in multiple economic development funds in our communities. Our local revolving loan funds are frequently not tapped by companies due to a variety of reasons including the relatively low balances in each pool, complicated or confusing public processes, lack of marketing, and unknown outcomes. Due to these pools of money, we are in a great position to collaborate and create a streamlined process to access these funds.

***BLAEDC's vision is to assemble the resources into a
"BLAEDC Unified Fund"
that will coordinate marketing and management processes in order to
streamline customer-friendly access to financing for businesses and
result in the funds being invested in development projects in
Crow Wing County.***

Possible BLAEDC Unified Fund participants are listed below:



LAKE EDWARD TOWNSHIP



Crow Wing County HRA

BRAINERD EDA



**BRAINERD
MINNESOTA**

Private Contributions

"This institution is an equal opportunity provider and employer."

BLAEDC Unified Fund Loan Application
2017



Dear BLAEDC Unified Fund Loan Applicant:

In order for your application to be reviewed and considered, please submit:

- Completed, signed BLAEDC Unified Fund loan application
- Copies of required documents listed below

If you have any questions regarding the completion of this application, please contact BLAEDC staff at 218-828-0096.

Mail or deliver documents to: BLAEDC
224 W. Washington St.
Brainerd, MN 56401

BLAEDC reserves the right to accept or reject any and all applications.

REQUIRED DOCUMENTS TO ACCOMPANY APPLICATION:

Financial/Business Information:

- ☐ Business Plan (including project information and owner and management team)
- ☐ Financial Projections:
 - ☐ Monthly Cash Flow and Profit/Loss Projections (*2 years*)
 - ☐ Notes to Financial Projections detailing supporting assumptions
- ☐ Financial Statements: Balance Sheet and Profit & Loss Statement
 - ☐ Current Interim Statements (*dated within 90 days*)
 - ☐ Historical Statements (*year end for last 3 years*)
- ☐ Current Aging Schedules: Accounts Receivable and Accounts Payable
- ☐ Copies of Business Income Tax Returns (*for 3 years including all schedules*)
- ☐ IRS SS-4 Application showing Employer Identification Number (EIN) issues by IRS
- ☐ Legal documentation for business entity:

**Limited Liability
Corporation (LLC)**

- Certificate of Organization
- Articles of Organization (with amendments)
- By Laws / Operating Agreement
- Roster of Managers

Corporation

- Certificate of Incorporation
- Articles of Incorporation (with amendments)
- By Laws
- Roster of Officers

Sole Proprietorship

- Certificate of Assumed Name
- Affidavit of Publication

Personal Financial Information (owners >20%):

- ☐ Personal Financial Statements (*signed and dated*)
- ☐ Copies of Personal Tax Returns (*including all schedules for 3 years*)
- ☐ Source/Amount of owner equity for project
- ☐ Resumes for principal owners and key management

BLAEDC Unified Fund Loan Application

Name of Business: _____
 Address: _____ City: _____ Zip: _____
 Telephone: _____ Fax: _____ Website: _____
 Federal ID #: _____ Contact Name: _____
 Work Phone: _____ Mobile Phone: _____ Email: _____

It is agreed that in the event that we make a credit application elsewhere either prior to, during the term of, or following the making of the loan sought by this application, BLAEDC is also authorized to receive additional credit information through the credit reporting agency of its choice and to answer any questions by third parties on its credit experiences with the undersigned.

%

Principal(s)	Address	Ownership	SSN #	Principal(s) Signature

Amount of Loan Requested from BLAEDC Unified Fund \$ _____

Total Financing Package (include all sources) \$ _____

Please Select Appropriate Answer for Type of Business:

☐ Sole Proprietorship
 ☐ Partnership
 ☐ S Corporation
 ☐ C Corporation
 ☐ Limited Liability Corporation
☐ Start-up Business
 ☐ Existing Business
 Date Business Established: _____

DESCRIPTION

#1 Describe the type of business that the applicant is engaged in:

#2 Describe the project for which the applicant is seeking funding, including geographic location, site and facility information, and required permit information:

#3 How does this project benefit and/or impact the region?

#4 Does the project have any potential adverse impacts to the community or region?

Primary Participating Lender: _____

Contact Person: _____

Address: _____

Telephone: _____ Fax: _____ Email: _____

Jobs which will be created or retained as a result of this project:

	Full Time	Hourly Wage (average)	Part Time	Hourly Wage (average)
Number of Existing Employees:				
Number of New Jobs Created:				

Employee Benefits (*check all that apply*):

☐ Health
 ☐ Dental
 ☐ Life
 ☐ 401K
 ☐ Retirement
 ☐ Disability
 ☐ Sick
 ☐ Vacation
 ☐ Holiday
 ☐ Profit Sharing
☐ Other _____

SOURCE AND USE OF FUNDS

Use of Funds	BLAEDC Unified Fund Loan Request	Participating Lender	Other (Specify)	Your Equity	Total
Property Acquisition					
Site Improvement					
Building Renovation					
New Construction					
Machinery/Equipment					
Inventory					
Other (Specify)					
TOTAL					

Please describe any loan terms and conditions that you are requesting, including security and collateral information.



Brainerd Lakes Area
ECONOMIC DEVELOPMENT
Corporation
We're ready. Let's grow!

SCHEDULE OF EXISTING BUSINESS DEBT

Creditor Name & Address	Original Date/Amount	Current Debt Balance	Terms	Monthly Debt Service	Security
1.					
2.					
3.					
4.					
5.					

INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans in order to monitor the Lender's compliance with equal credit opportunity, and Title VI of the Civil Rights Act of 1964. You are not required to furnish this information, but are encouraged to do so. The law provides that a Lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this Lender is required to note race and sex on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below.

Applicant 1 ☐ Applicant 2 ☐ I do not wish to furnish this information Race Categories ☐ American Indian or Alaskan Native ☐ Black or African American ☐ Asian ☐ White ☐ Native Hawaiian or Pacific Islander Ethnic Categories ☐ Hispanic or Latino ☐ Not Hispanic or Latino	Applicant 1 ☐ Applicant 2 ☐ Military Service ☐ Veteran ☐ Non Veteran Sex ☐ Female ☐ Male Low Income Households – Information from Business ☐ % ☐ Do not know
--	--

ENVIRONMENTAL CONCERNS

No Net Loss Wetlands

Will your project result in the loss or diminution of wetlands?

☐ Yes ☐ No

Litigation

Are you or your business currently involved or have any history of being involved in litigation? If yes, please provide details on a separate page.

☐ Yes ☐ No



Brainerd Lakes Area
ECONOMIC DEVELOPMENT
Corporation

We're ready. Let's grow!

JOB AND WAGE AGREEMENT

By submitting this application, the business is committed to the following:

1. A commitment that it will create the new jobs identified above within two years after the loan is made;
2. A commitment to retain those jobs for at least three years;
3. A commitment to provide information, as requested, to BLAEDC documenting the creation and/or retention of jobs, to include wage and benefit information.

INFORMATION RELEASE AUTHORIZATION

I certify that all statements made in this application are an accurate representation of my financial condition on this date and are made for the purpose of obtaining the loan indicated. Verification and re-verification of any information contained in this application may be made at any time by BLAEDC, the Initiative Foundation (a partner with BLAEDC and underwriting the loan request), its agents, successors and assigns, either directly or through a credit reporting agency or another source named in this application at any time while checking the credit worthiness of this loan, or if approved, at any time while said loan has an outstanding balance due.

PRIVACY ACT NOTICE

The information to be obtained will be used by the lender and any federal agency insuring, guaranteeing, or purchasing the mortgage to determine whether you qualify as a prospective borrower under the lender's and the agency's underwriting standards. The information will not be disclosed outside the lender or the federal agency without your consent except to the person or company verifying the information, including but not limited to your employer, bank, lender, and any other credit reference as needed to verify other credit information and as permitted by law. You do not have to give us this information but if you do not, your loan application may be delayed or rejected. The information we will obtain is authorized by Title 38, U.S.C., Chapter 37 (if VA); and 12 U.S.C., Section 1701 et seq. (if FHA/HUD).

BLAEDC, its agents, successors and assigns will rely on the information contained in this application and I/we have a continuing obligation to amend and/or supplement the information provided in this application if any of the material facts which I/we have represented herein should change prior to advancement of funds by BLAEDC, or the Initiative Foundation or at any time thereafter if requested.

It is further agreed that in the event that we make a credit application elsewhere either prior to, during the term of, or following the making of the loan sought by this application, BLAEDC is also authorized to receive additional credit information and to answer any questions by third parties on its credit experiences with the undersigned.

I further acknowledge that BLAEDC shares cursory information about loan recipients in press releases and other media in marketing programs and reporting to constituents. In addition, I/we understand that BLAEDC has created a partnership of many entities to streamline accessing funds in Crow Wing County. Funding for this loan may include multiple sources that will be packaged into one loan for the applicant's convenience through the Initiative Foundation.

Applicant's Full Name **(ORIGINAL SIGNATURE REQUIRED)**
(faxsimile or electronic signature **not** accepted)

Date

Applicant's Full Name (Printed)

Applicant's Title

"This institution is an equal opportunity provider and employer."

DATA COLLECTION SYSTEM AND DISCLOSURE STATEMENT FOR RD RECIPIENTS



The BLAEDC Unified Fund is an equal opportunity provider and employer.

USDA Rural Development (RD) Staff is responsible for advising federally assisted program recipients of data collection requirements and ensuring an acceptable data collection system is in place for acquiring information required by Civil Rights compliance reviews. The BLAEDC Unified Fund partners with USDA Rural Development Loan fund recipients as one source of funds in their revolving loan program. Rural Development financed programs are required to maintain ethnic, racial, and gender data for participants/beneficiaries, employees, Board of Directors and applicants to monitor adherence to Title VI and other civil rights laws. The recipient of Federal financial assistance agrees to this requirement by signing the Form RD 400-4 Assurance Agreement.

The Standards for the Classification of Federal Data on Race and Ethnicity can be found in the Federal Register Volume 62, No.210. The five categories for race and the two categories for ethnicity are listed below. For Multi-Family Housing projects, refer to HB-2-3560, Chapter 6 (section 6.18), for data collection and disclosure statement requirements on applications and waiting lists.

Business and Community Program recipients are encouraged to collect the required data at the time of service, application, registration, eligibility determination, screening, membership or intake, etc. All application type forms for RD financed programs must include the following disclosure and data collection options below the signature and date block. The disclosure statement, which outlines the parameters for this requirement must precede the data collection options.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at

http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

“The following information is requested by the Federal Government in order to monitor compliance with Federal Laws prohibiting discrimination against applicants seeking to participate in this program. You are not required to furnish this information, but are encouraged to do so. This information will not be used in evaluating your application or to discriminate against you in any way. However, if you choose not to furnish it, we are required to note the race, ethnicity and sex of applicants on the basis of visual observation or surname.”

☐ I do not wish to furnish this information

Ethnicity:

☐ Hispanic or Latino

☐ Not Hispanic or Latino

Race: (Mark all that apply)

☐ White

☐ Black or African American

☐ American Indian or Alaska Native

☐ Asian

☐ Native Hawaiian or Other Pacific Islander

Sex:

☐ Male

☐ Female

EDA Fund

	Actual 2016	2017 Amended Budget	2018 Requested Budget	Difference
Revenues				
Taxes & Penalties				
31010 Current Ad Volorem	113,065	118,980	122,223	3,243
31020 Delinquent Current Ad Volorem	727	-	-	-
	<u>113,792</u>	<u>118,980</u>	<u>122,223</u>	<u>3,243</u>
Other Revenue				
36210 Interest Income	46	250	100	(150)
39200 Sale of Land	-	-	-	-
	<u>46</u>	<u>250</u>	<u>100</u>	<u>(150)</u>
TOTAL REVENUE	<u>113,838</u>	<u>119,230</u>	<u>122,323</u>	<u>3,093</u>
Expenditures				
Personnel Services				
-1101 Salary	25,637	26,023	26,325	302
-1121 PERA	239	189	1,974	1,785
-1122 FICA	1,573	1,613	1,632	19
-1123 Medicare	368	377	382	5
-1131 Health Ins	1,900	1,613	4,660	3,047
-1133 Life Ins	20	22	29	7
-1134 LTD	42	40	29	(11)
	<u>29,778</u>	<u>29,877</u>	<u>35,031</u>	<u>5,154</u>
Services				
-3300 Professional Serv - BLADC	77,500	77,500	77,500	-
-3361 Ins. General Lib	100	95	110	15
-3365 Ins.- Other	-	-	-	-
-3430 Miscellaneous	300	250	500	250
-3435 Memberships *	5,200	6,350	5,350	(1,000)
	<u>83,100</u>	<u>84,195</u>	<u>83,460</u>	<u>(735)</u>
-7720 Transfers Out	-			
TOTAL EXPENDITURES	<u>112,878</u>	<u>114,072</u>	<u>118,491</u>	<u>4,419</u>
NET REVENUE OVER EXPEND.	<u>960</u>	<u>5,158</u>	<u>3,832</u>	<u>(1,326)</u>

* \$5,350 to the Initiative Foundation (increase of \$0)



Brainerd Lakes Area
ECONOMIC DEVELOPMENT
Corporation

We're ready. Let's grow!

July 26, 2017

Mayor Ed Menk
Brainerd City Council & EDA
501 Laurel Street
Brainerd, MN 56401

RE: BLAEDC 2018 Funding Support

Dear Mayor Ed Menk, City Council and EDA Members,

The Brainerd Lakes Area Economic Development Corporation is a private, non-profit economic development organization that has been working in the community since the mid-eighties with a mission to expand business, build community, and grow jobs in Crow Wing County. Our traditional work was expanded this past year to include enhanced workforce development and the KEY Recruitment program, based on the financial support and guidance of the private sector. These programs have brought a heightened awareness of economic development to our communities that will help us to grow our area economy.

Attached is an informational fact sheet about BLAEDC, the services we provide and the impact BLAEDC has on our community.

Recognizing that you are at the stage of considering your 2018 budget, we respectfully request that you continue your support to BLAEDC. We ask that you make a contribution of **\$77,500 (Traditional Economic Development \$47,200, Additional Services including retail \$11,450 and 2020 Enhanced Economic Development \$18,850)** for the upcoming year. We have incurred increased costs and need your support to keep our programs relevant and successful. Your funding support helps us to continue to be proactive in our approach and minimize the missed opportunities for our area.

Please advise if you would like BLAEDC representatives to meet with you to discuss our funding request. Your on-going support and participation is greatly appreciated and also critical for the growth and prosperity of the Brainerd Lakes Area.

Sincerely,

Sheila Haverkamp, Exec. Director
Brainerd Lakes Area Economic Development Corp.



Brainerd Lakes Area ECONOMIC DEVELOPMENT Corporation

We're ready. Let's grow!

Mission Statement:

Expanding Business, Building Community, and Growing
Jobs in Crow Wing County

How Do We Support Business?

- Technical assistance
- Sites and Facilities
- Financing



- Area Data
- Workforce Development
- One-Stop-Shop for Business Needs

21.6

Average # of miles CWC
residents travels to work

Who Do We Serve?

BLAEDC serves all of
Crow Wing County

- Brainerd/Baxter
- Lakes Region
- Cuyuna Lakes

By Supporting CREDI



Wealth Creation

	2014	2015	Δ
Avg. Weekly Wages	\$665	\$689	+\$24
Unemployment	5.8%	5.2%	-0.6%

**The Best Way to Do Business is
in Person—BLAEDC is always
available to meet!**

Key Industries

- Tourism
- Energy
- Healthcare
- Manufacturing
- Tech Services



EXECS Program



Tech Services

KEY Recruitment Program

BLAEDC Special Initiatives



BLAEDC Unified Fund

Brainerd River to Rail



Area Growth

Year	CWC Jobs	Δ
1985	13,792	
2014	26,665	+12,873
2015	26,819	+154

BLAEDC Successes to Date

431 Projects

\$693.98 Million Capital Investments

4,894 Jobs Created

2016 Public and Private Partnerships

105 Private Sector Members

10 Gov. Entity Supporters

BLAEDC Business Retention and Expansion (BRE) Visits

27 Formal 2016 BRE Visits

12 Informal 2016 BRE Visits

Property Tax Examples

Pequot Tool & Manufacturing, Jenkins \$48,597

Stewart Forest Products, Fort Ripley Twnshp \$26,153

Crow Wing Recycling, Irondale Twnshp \$32,221

Clow Stamping, Lake Edward Twnshp \$129,762

Lexington, Brainerd \$125,347

LINDAR Corp., Baxter \$118,803

Payable 2018

KEY Recruitment Program Successes to Date

5 # of Hires to Date

BLAEDC has interviewed and/or hired for multiple companies in our area including: GrowthZone, Consolidated Telecommunications Co., Stern Companies, Quality Equipment and Sales and others.

10 # of New People to our Area

The program also includes spousal and marketing initiatives.

BLAEDC Testimonials

Karlo Goerges, Pequot Tool & Manufacturing - "Pequot Tool & Mfg. started working with BLAEDC back in the late 1980's with our parents. BLAEDC helped them find affordable financing to build a new building and add machinery and expand our business, so we could bring on new employees to grow our sales. Today, we see value in BLAEDC helping us find key people, to continue to help grow our business."

Brad and Paula Chapulis, Baxter Residents—"BLAEDC was instrumental in our move to Baxter. Mike and Sheila met with us to connect us to organizations and individuals in this area that paved the way to a smooth transition for our family. Mike not only introduced us to business contacts, but also set up meetings for us to meet with the school district and tour Forestview Middle School at which both our children will attend this fall. We appreciated the warm welcome to the Baxter/Brainerd area!

Mike Dillon, Lexington—"BLAEDC has been instrumental in helping us develop relationships that led us to locate and more importantly grow our business in the Brainerd Lakes area over the last 20 years."

Tom and Ellen Haglin, LINDAR Corp./Avantech—"Navigating complex financing paths can be stifling. BLAEDC is very instrumental in making those connections as well as business contacts and site selection."

Aimee Jobe, Northern Pacific Center—"BLAEDC has been an integral part of helping connect the dots and identify financial strategies for future business growth and development "

Exciting Sample Projects in Pipeline

- Boat Manufacturer Start-up
- Development Site Selection Opportunity
- Manufacturer Expansion
- Property Acquisition and New Business Opportunity

June 15, 2017



(320) 632-9255

405 First Street SE
Little Falls, MN 56345



ifound.org

Jim Thoreen
Administrator
City of Brainerd
501 Laurel St
Brainerd, MN 56401-3595

RECEIVED

JUN 19 2017

**CITY OF BRAINERD
ADMINISTRATION**

Dear Mayor Menk, City Council and Mr. Thoreen,

Your partnership has proven to be a vital part of our ability to stimulate business growth, create and maintain quality jobs and ensure a climate for economic success. Together, we have provided favorable opportunities to advance community and economic health. We appreciate your past investment and request continued support in 2018.

For more than 30 years the Initiative Foundation has focused on building strong local economies and vibrant communities. In Crow Wing County, we have contributed a total of \$3,910,175 in grants to support nonprofit organizations and local government projects, as well as \$8,253,014 in business loans to secure 1,834 quality jobs. Our grant-making, lending and community development activities are designed to make Central Minnesota a destination of choice to live, work, and play.

Our 2018 strategic priorities continue to include efforts to support and grow existing for profit and nonprofit businesses, and assist entrepreneurs with the start-up of new businesses and social enterprises. The enclosed Strategic Framework provides additional detail. Please contact us if you have any questions or to request a presentation at an upcoming council meeting.

We respectfully request that you consider allocating \$5,350 to the Initiative Foundation in your 2018 Budget.

This appropriation is essential to our ability to provide a climate for economic success in our region. An Initiative Foundation contribution has historically earned a substantial return on investment. For every local dollar invested, the Foundation has returned \$5.16 back to Crow Wing County communities in grants, loans and scholarships.

Thank you for your consideration. After your budget is finalized, please sign the enclosed budget confirmation form and return it in the self-addressed envelope.

All the best,

Matt Varilek
President

Carrie Tripp
Vice President for External Relations

Enclosures

*cc: City Admin
Mayor + Council
6/19/17 SB*



Powering Possible

Equal opportunity lender, provider and employer.



Strategic Framework

2017-19 ACTION PLAN

Mission

- To empower people to build thriving communities and a vibrant region across Central Minnesota.

Vision

- Central Minnesota is recognized as the ideal place where people choose to live, work, give and play.

Values

- Our primary resources are **local people** who invest their time, talent and assets.
- A shared vision among many **partners** is the best way to achieve lasting change.
- **Inclusiveness** and respect for **diversity** enriches communities and the region.
- We embrace our responsibility to introduce, promote and defend **pioneering ideas**.
- We will remain **responsive**, nimble and ready to adapt to emerging needs and opportunities.

Role

- **Convene** people and organizations to advance emerging economic and community issues.
- Provide access to **strategic funding** in the form of grants, loans, scholarships and fellowships.
- Deliver **expertise** and **build capacity** through technical assistance, training and referrals.
- Promote **philanthropy** and **leverage resources** through funding tools and volunteer opportunities.

Mission Critical Outcomes

- **Grow Economy:** Central Minnesota has an abundance of talented people and job-creating enterprises that contribute to economic growth and vitality.
- **Build Community:** Central Minnesota is a thriving region where people choose to live, work, give and play.
- **Foster Philanthropy:** The people of Central Minnesota give generously of their time, talent and resources.

5 Key Priorities

- Support and grow existing for profit and nonprofit businesses.
- Support new entrepreneurs and the start-up of businesses and social enterprise ventures.
- Improve the economic status of financially disadvantaged people.
- Enhance kindergarten readiness for children (ages 0-5) living in poverty.
- Cultivate the next generation of leaders (ages 40 and under) working and living in our region.

Measurable Impacts

- 900 quality jobs secured
- \$9 million new loans resulting in \$54 million in funds leveraged
- 975 people are positioned to succeed in skilled work environment
- 300 emerging entrepreneurs have increased skills
- 9,000 young children living in impoverished areas are enriched through literacy activities
- 456 nonprofits and 9 low-income communities increase capacity
- 900 early childhood caregivers and providers increase workforce skills
- 50 new businesses/social enterprises launched
- 900 new Americans and economically disadvantaged rural residents have greater economic opportunity
- 345 next generation leaders increase skills, serve in community, board or nonprofit roles
- 20% increase in endowment contributions



Initiative Foundation at work in
CROW WING COUNTY

\$2.3 MILLION

in local donations to the Initiative Foundation.

\$12.1 MILLION

returned to Crow Wing County in grants, loans, and scholarships.

Our Mission:

To empower people to
build thriving communities
and a vibrant region
across Central Minnesota.

405 First Street SE
Little Falls, MN 56345
(877) 632-9255
ifound.org



Powering Possible

Return on Investment

For every local dollar contributed, the Initiative
Foundation has invested **\$5.16** back into Crow Wing
County.

Economic Impact

[1986 to present]

- Awarded 670 grants totaling **\$3.91 million**
- Awarded 14 scholarships totaling **\$13,550**
- 173 loans totaling **\$8.3 million**
- Secured **1,834 quality jobs**
- Leveraged **\$39.9 million** in private business financing

Equal opportunity lender, provider and employer.



PROJECTS FUNDED IN CROW WING COUNTY | 2015 - 2017

	GRANT AWARDS	City	Project Title	Partner Fund	Amount
2017	Brainerd School District	Brainerd	Brainerd Lakes Area Early Childhood Coalition		\$15,000.00
	City of Fifty Lakes	Fifty Lakes	The Landing		\$2,895.80
	Crosby-Ironton Public Schools Foundation dba Cuyuna Lakes Education Foundation	Deerwood	Operating and Classroom Grant Support	Cuyuna Lakes Education Foundation	\$4,000.00
	Lake Region Christian School	Baxter	Grants & Operations Support	Lake Region Christian School Education Foundation	\$2,710.00
	Lakes Area Habitat for Humanity	Brainerd	ReStore Job Transition Training		\$5,000.00
	Lutheran Social Service	St. Paul	Camp Knutson	Anderson Brothers Family Fund	\$2,500.00
	Salem Lutheran Church	Deerwood	Salem WEST Fire Response Planning		\$5,000.00
2016	Brainerd Baxter Youth Center	Brainerd	Operating Support	Anderson Brothers Family Fund	\$600.00
	Brainerd Family YMCA	Brainerd	Operating Support	Anderson Brothers Family Fund	\$1,000.00
	Brainerd Housing & Redevelopment Authority	Brainerd	Brainerd Riverfront Business Plan		\$5,000.00
	Brainerd Lakes Area Chamber of Commerce Education Association	Brainerd	Brainerd Downtown Business Competition		\$5,000.00
	Brainerd Lakes Area Economic Development Corp	Brainerd	BLAEDC Workforce Attraction Website Update		\$10,000.00
	Brainerd School District	Brainerd	Brainerd Lakes Area Early Childhood Coalition		\$15,000.00
	Brainerd School District	Brainerd	Pre-K - Grade 3 Alignment		\$2,350.00
	Central Lakes College Foundation	Brainerd	Diversity in the Dental Workforce in Central MN		\$90,000.00
	Central Lakes College Foundation	Brainerd	Growth Curve Specialist Certification		\$1,000.00
	Central Lakes College Foundation	Brainerd	Scholarship for Native American Students		\$1,000.00
	Central Lakes College Foundation	Brainerd	Small Business Technical Assistance Support		\$10,000.00
	City of Crosslake	Crosslake	Design Team Implementation Project		\$2,500.00
	City of Fifty Lakes	Fifty Lakes	GoNorth Thriving Communities Initiative		\$10,000.00
	Community Giving	Saint Cloud	Brainerd Lakes Area Community Foundation Spirit of Hope Fund		\$5,000.00
	Crosby-Ironton Public Schools Foundation dba	Deerwood	Classroom Grants	Cuyuna Lakes Education Foundation	\$1,600.00

GRANT AWARDS		City	Project Title	Partner Fund	Amount
	Cuyuna Lakes Education Foundation				
	Crosby-Ironton Public Schools Foundation dba Cuyuna Lakes Education Foundation	Deerwood	Operating & Classroom Grants Support	Cuyuna Lakes Education Foundation	\$9,600.00
	Crow Wing County	Brainerd	Wakeboarder Outreach Campaign		\$84,484.00
	Cuyuna Range Youth Center	Crosby	Youth Development in Crosby		\$5,000.00
	Essentia Health Foundation	Brainerd	Reach Out & Read - Brainerd Lakes Area		\$2,750.00
	International Mountain Bicycling Association	Deerwood	Trail Development in Cuyuna Range		\$5,000.00
	Lake Region Christian School	Baxter	Grants & Operating Support	Lake Region Christian School Education Foundation	\$500.00
	Lakes Area Habitat for Humanity	Brainerd	Match Grant for Women Build Fundraising Breakfast		\$5,000.00
	Lakes Area Interfaith Caregivers	Baxter	Support Services for Brainerd Lakes Area Seniors		\$5,000.00
	Mid-MN Women's Center, Inc.	Brainerd	Brainerd Lakes Area Crisis Intervention Training		\$5,000.00
	Mid-MN Women's Center, Inc.	Brainerd	Holiday Support for Sheltered Families	Anderson Brothers Family Fund	\$600.00
	Prevent Child Abuse Minnesota	St. Paul	Radiothon to End Child Abuse		\$500.00
	Salem Lutheran Church	Deerwood	e-Learning Beta Testing Grant		\$1,000.00
	Sharing Bread Soup Kitchen	Brainerd	Operating Support	Anderson Brothers Family Fund	\$500.00
2015	American Legion - Ben Krueger Post #49	Pequot Lakes	Operating Support		\$5,000.00
	American Legion Post 500	Crosslake	Operating Support		\$5,000.00
	Brainerd Baxter Youth Center	Brainerd	Capacity Building Support		\$4,000.00
	Brainerd Baxter Youth Center	Brainerd	PC's for People Project		\$5,000.00
	Brainerd Family YMCA	Brainerd	Operating Support	Anderson Brothers Family Fund	\$1,300.00
	Brainerd Lakes Area Chamber of Commerce Education Association	Brainerd	Lakes Proud Campaign for "Buying Locally"		\$5,000.00
	Brainerd Lakes Area Economic Development Corporation	Brainerd	Tech Services Initiatives		\$10,000.00
	Brainerd Restoration	Brainerd	Capacity Building Support		\$4,000.00
	Brainerd School District	Brainerd	Brainerd Lakes Area Early Childhood Coalition		\$11,000.00
	Bridges of Hope	Brainerd	Brainerd Lakes Area Storm Relief		\$5,000.00
	Bridges of Hope	Brainerd	Capacity Building Support		\$4,000.00
	Bridges of Hope	Brainerd	Community Database & Referral System		\$5,000.00

GRANT AWARDS	City	Project Title	Partner Fund	Amount
Bridges of Hope	Brainerd	Financial Resiliency through Social Enterprise Program Participation		\$7,500.00
Bridges of Hope	Brainerd	Operating Support		\$10,000.00
Camp Vanasek, Inc.	Brainerd	Financial Resiliency through Social Enterprise Program Participation		\$7,500.00
Central Lakes College Foundation	Brainerd	Aligning Workforce Training & Manufacturing Needs		\$10,000.00
Central Lakes College Foundation	Brainerd	Small Business Assistance in Central Minnesota		\$10,000.00
Central MN Community Foundation	Brainerd	Brainerd Area "Spirit of Hope" Fund		\$5,000.00
City of Brainerd	Brainerd	Brainerd Public Library-1000 Books Before Kindergarten		\$2,500.00
Community Action Council of Crow Wing County	Brainerd	Paul Bunyan Trail Association		\$10,000.00
Crosslake Area Historical Society	Crosslake	Operating Support		\$10,000.00
Crosslake Food Shelf	Crosslake	Operating Support		\$10,000.00
Crow Wing County United Way	Brainerd	Get Connected Volunteer Recruitment		\$2,500.00
Crow Wing County United Way	Brainerd	Operation Sandwich	Anderson Brothers Family Fund	\$1,000.00
Crow Wing County United Way	Brainerd	Operating Support		\$10,000.00
Cuyuna Range Youth Center	Crosby	Crosby Area Youth Development		\$5,000.00
Lakes Area Habitat for Humanity	Brainerd	Operating Support		\$10,000.00
Lakes Area Interfaith Caregivers	Baxter	Operating Support		\$10,000.00
Lakes Area Interfaith Caregivers	Baxter	Services for Seniors		\$5,000.00
Lakes Area Restorative Justice Project	Brainerd	Crow Wing Safer Saner School Project		\$4,000.00
Mid-MN Women's Center	Brainerd	Capacity Building Support		\$4,000.00
Paul Bunyan Arboretum	Brainerd	Capacity Building Support		\$4,000.00
Pequot Lakes Historical Society	Pequot Lakes	Operating Support		\$10,000.00
PORT of Crow Wing County	Brainerd	Capacity Building Support		\$4,000.00
Saint Joseph's Medical Center	Brainerd	ACE's Interface Training, Brainerd		\$500.00
Salem Lutheran Church	Deerwood	Capacity Building Support		\$4,000.00
Salem Lutheran Church	Deerwood	Organizational Expansion in Crow Wing County		\$5,000.00
Salvation Army	Brainerd	Operating Support		\$5,000.00
Second Harvest North Central Food Bank Inc. Cass & Crow Wing Counties	Grand Rapids	Kids Packs to Go for Cass & Crow Wing Counties		\$4,000.00
Sharing Bread Soup Kitchen	Brainerd	Operating Support	Anderson Brothers Family Fund	\$1,000.00

GRANT AWARDS	City	Project Title	Partner Fund	Amount
Sharing Bread Soup Kitchen	Brainerd	Operating Support		\$10,000.00
Ski Gull	Nisswa	Capacity Building Support		\$4,000.00
University of St. Thomas	St. Paul	Nonprofit Leadership Development in Central MN		\$5,000.00

SCHOLARSHIP AWARDS	Recipient / Community	Award Amount
2016	Betty Ford Menzel Scholarship Fund	\$ 2,200
2015	Betty Ford Menzel Scholarship Fund	\$ 1,850

BUSINESS FINANCE INVESTMENTS	City	Participating Lender	Type of Business	L
2017 Dr. Spoden Investments, LLC	East Gull Lake	Entrepreneur Fund	Tourism	Existing
2016 Bandit Properties, LLC	Crosslake	Bremer Bank	Manufacturing	Existing
Corral Auto Repair, LLC.	Brainerd	(blank)	Service	Existing
Cuyuna Cycle Company, Inc.	Baxter	Bremer Bank	Retail Bicycle Store	Existing
HPH Holdings, LLC	Baxter	Bremer Bank	Holding Company for Chiroprator	Existing
Hunts Point LLC	Pequot Lakes	Riverland Bank	Recreation	Start-up
IFP, Inc.	Nisswa	Bremer Bank	Fire sprinkler distributor	Existing
New Earth Technologies, LLC	Baxter	Bremer Bank	Manufacturer	Existing
Pelican View Properties, LLC.	Baxter	(blank)	Service	Existing
Syvantis Technologies, Inc.	Baxter	Wells Fargo	Technology provider	Existing
2015 Branch 2 Properties, LLC	Waite Park	MidCountry Bank	Retail Flooring Store	Existing
Gullview Technologies, LLC	Baxter	Riverwood Bank, Baxter	Software Company	Start-up
SeaFood Markets, Ltd	Brainerd	Frandsen Bank & Trust	Retail Seafood Outlet	Existing