



**ECONOMIC DEVELOPMENT AUTHORITY MEETING
VIRTUAL MEETING HELD VIA WEBEX
APRIL 20, 2020
7:15 PM (IMMEDIATELY FOLLOWING THE HRA MEETING)**

Call to Order

Attendance

Open Forum

Approval of the minutes of the regular Economic Development Authority meeting of March 16, 2020.

AGENDA APPROVAL

1. Approval of the Agenda

RESOLUTIONS

2. Consideration of a motion to suspend the Economic Development Authority Small Business Revolving Loan Fund and a resolution establishing a COVID-19 Small Business Assistance Forgivable Loan.

Staff Report No. 12

EDA DISCUSSION ITEMS

3. EDA Discussion Items

EXECUTIVE DIRECTOR REPORT

4. Executive Director's Report

CLAIMS AND PAYROLLS

5. Claims

6. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



ECONOMIC DEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

March 16, 2020

CALL TO ORDER

The meeting was called to order by President Supple at 7:15 p.m. in the Council Chambers.

EDA Members

Present: Mary Supple, President; Maria Regan Gonzalez; Sue Sandahl; and Pat Elliott.

EDA Members

Absent: Erin Vrieze Daniels

Staff Present: John Stark, Executive Director; and Julie Urban, Housing Manager.

OPEN FORUM

No speakers

APPROVAL OF MINUTES

M/Sandahl, S/Regan Gonzalez to approve the minutes of the regular Economic Development Authority meeting of January 21, 2020.

Motion carried 4-0

Item #1	APPROVAL OF THE AGENDA
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M/Sandahl, S/Regan Gonzalez, to approve the agenda.

Motion carried 4-0

Item #2	CONSIDERATION OF THE CONSENT CALENDAR
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Executive Director Stark presented the Consent Calendar and noted that the attached Resolution for item B was inaccurate and an updated version was provided at the meeting.

- A. Consideration of an amendment to the guidelines to the Kids @ Home Program to allow an increase in allowable income up to 60% of the Area Median Income (AMI). (S.R. No 9)
- B. Consideration of a resolution granting the Executive Director authority to extend EDA contracts and agreements in the event of an emergency. (S.R. No. 10)

RESOLUTION NO. 21

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR OF THE ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD TO EXTEND CONTRACTS AND AGREEMENTS

M/Regan Gonzalez, S/Sandahl to approve the Consent Calendar.

Motion carried 4-0

Item #3	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM CONSENT CALENDAR
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None.

Item #4	DISCUSSION OF CREATION OF A DISPLACED BUSINESS GRANT (S.R. NO. 11)
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Executive Director Stark presented Staff Report 11.

Commissioner Regan Gonzalez inquired about current businesses located in a potential redevelopment site and the Uniform Relocation Act.

Executive Director Stark provided information regarding the Uniform Relocation Act, and when it would be applicable.

Additional EDA funding sources that are already in place were discussed.

Commissioners Supple, Sandahl and Regan Gonzalez agreed with the program guidelines presented.

The effects on current projects due to the Covid-19 Stay at Home order were discussed.

Item #5	EDA DISCUSSION ITEMS
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None

Item #6	EXECUTIVE DIRECTOR'S REPORT
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Executive Director Stark reported that the EDA's energy efficient business loan program is up and running and on the EDA webpage, and mentioned staff is looking into partnering with other agencies in the future to offer more programs. The revolving loan fund should be up and running in the near future.

Item #7	CLAIMS AND PAYROLLS
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M/Regan Gonzalez, S/Elliott that the following claims and payroll be approved:

U.S. BANK	3/16/2020
EDA Checks: 20346-20360	\$9,736.00
TOTAL	\$9,736.00

Motion carried 4-0

Item #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:35 p.m.

Date Approved: April 20, 2020

Mary B. Supple
President

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



STAFF REPORT NO. 12
ECONOMIC DEVELOPMENT AUTHORITY
MEETING
4/20/2020

REPORT PREPARED BY: John Stark, Executive Director
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
4/15/2020

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a motion to suspend the Economic Development Authority Small Business Revolving Loan Fund and a resolution establishing a COVID-19 Small Business Assistance Forgivable Loan.

EXECUTIVE SUMMARY:

The Richfield Economic Development Authority (EDA) was formed in 2018 with one of its primary goals as providing business assistance as a means of helping Richfield's economy flourish. As in cities across the country, Richfield's business community is now struggling as social distancing measures and government mandated closures have been put in place in response to the COVID-19 global pandemic. In order to assist our local businesses in this difficult time, staff is proposing a COVID-19 Small Business Assistance Forgivable Loan.

EDA staff have participated in several telemeetings with the U.S. Small Business Association (SBA) and the Minnesota Department of Employment and Economic Development (DEED). These two organizations are taking the lead in providing federal and state funding. Staff has endeavored to learn as much as possible about the multiple COVID-19 related business grants and loans and have provided links about those programs on the City's website (at <https://www.richfieldmn.gov/departments/community-development/economic-development/covid-19-resources-for-businesses/-fsiteid-1>). We have also spoken with our peer cities in the metropolitan area, business associations and a few local businesses in an effort to determine where the federal and state programs may fall short or be inaccessible to local businesses. Among the things we have learned are:

- The need for assistance far exceeds the available funding;
- Much of the funding is being administered through banking institutions and a business is at a disadvantage if they do not have an established relationship with a medium to large bank;
- Most of the funding available is for payroll or COVID-19 specific expenses, while very little is for operating capital;
- Business owners who pay taxes through an Individual Taxpayer Identification Number (ITIN) rather than a Social Security Number are ineligible for most programs;
- The smallest businesses (under ten employees) seem to have a lower success rate in securing the emergency funding.

For these reasons, EDA staff is recommending that the EDA provide a local COVID-19 Small Business Assistance Forgivable Loan. The details of the loan program are provided on the attached draft summary of the proposed program.

Staff is recommending that the Small Business Revolving Loan Fund, which the EDA established earlier this year, be suspended for the remainder of 2020. There are several reasons for this recommendation, among

them are:

- The needs are more pressing for a COVID-19 specific program;
- The organization that was going to administer this program for the EDA (the Metropolitan Consortium of Community Developers or MCCD) has informed staff that they will be too busy administering COVID-19 grants and loans to dedicate the appropriate time to this program.

Staff is suggesting that the EDA use the funding that had been dedicated to this program, in part, to fund the COVID-19 Forgivable Loans.

The 2020 EDA budget allows for \$95,000 in business assistance. Staff is recommending that \$65,000 from this year's budget plus \$85,000 from the EDA's cash balance (which currently is around \$461,000) for a total program budget of \$150,000. Loans would vary from \$2,500 to \$7,500 (depending on business size). Staff is estimating that 25-40 loans would be made available to Richfield businesses.

Some of the details of the loans would include:

- \$2,500 for the first employee and \$500 for each additional employee up to \$7,500;
- For businesses that have operated in Richfield for at least a year;
- Businesses types that were forced to shut down the earliest and to the highest degree would be given preference;
- The loans would be 0% interest until 12/31/21;
- Up to 50% of the loan could be forgiven in 2020 if the business can demonstrate expenditures on staffing, COVID-19 related expenses or visible capital improvements;
- Up to 50% of the loan could additionally be forgiven in 2021 if the business reestablishes itself.

If the amount of loan requests exceed the amount of EDA funding, staff would either:

1. Return to the EDA at their May meeting to request that additional funding be made available;
2. Use the criteria provided on the attached summary to prioritize the awarding of funds, or
3. A combination of these in which staff provides loan funds to those meeting the most prioritization criteria and returning to the EDA with a further recommendation specific to the unfunded applicants. In the interest of time, staff's preference would be for the EDA Board to authorize staff to follow option 3.

RECOMMENDED ACTION:

By motion: Suspend the Economic Development Authority Small Business Revolving Loan Fund for the remainder of 2020; and adopt a resolution to establish a COVID-19 Small Business Assistance Forgivable Loan.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- There is no historical precedent of a global pandemic having such profound negative impacts on Richfield businesses.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- Minnesota state statutes give Economic Development Authorities the ability to provide business loans, including forgivable loans.

C. CRITICAL TIMING ISSUES:

- We are hearing from businesses and business organizations that the "cash on hand" for many small business will be depleted in a matter of weeks.

D. FINANCIAL IMPACT:

- \$65,000 of the recommended funding is already in the 2020 EDA budget;
- The additional \$85,000 would come from the EDA's cash balance. The EDA refrained from expending much of its funding in its first two years of existence in order to build a reserve for

unforeseen needs or opportunities;

- There is an ample cash balance (currently around \$461,000).

E. LEGAL CONSIDERATION:

- EDA attorney Julie Eddington has reviewed the proposed COVID-19 Small Business Forgivable Loan and believes it to be a legally permissible use of EDA funds.
- EDA attorney Julie Eddington prepared the attached Resolution.

ALTERNATIVE RECOMMENDATION(S):

- Approve the COVID-19 Small Business Forgivable Loan with modifications to the proposed details of the program;
- Do not approve the COVID-19 Small Business Forgivable Loan.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

	Description	Type
□	Resolution - COVID-19 Business Loan	Resolution Letter
□	Proposed Grant	Backup Material

RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. _____

**RESOLUTION IMPLEMENTING A COVID-19 SMALL BUSINESS ASSISTANCE FORGIVABLE
LOAN PROGRAM**

WHEREAS, the spread of COVID-19 in the United States and Minnesota has raised serious public health concerns and resulted in a great deal of uncertainty, and much remains unknown about the virus and how it spreads; and

WHEREAS, on March 11, 2020, the World Health Organization determined that the COVID-19 outbreak constitutes a pandemic, and on March 13, 2020, President Trump declared a national state of emergency as a result of the pandemic; and

WHEREAS, on March 13, 2020, Governor Tim Walz issued Emergency Executive Order 20-01 declaring a state of peacetime emergency to address the COVID-19 pandemic in Minnesota, which triggered activation of the emergency management plan of the City of Richfield, Minnesota (the “City”) and enabled the City to exercise its emergency powers; and

WHEREAS, the Governor has subsequently issued additional Executive Orders to combat the impacts of COVID-19 within the State of Minnesota, which include closures of schools, bars, restaurants, and other places of public accommodation, and directing Minnesotans to stay at home (with exceptions for obtaining necessary supplies, healthcare and similar needs) unless they are engaged in critical sector work; and

WHEREAS, on March 16, 2020, the Mayor of the City issued a proclamation declaring a local emergency invoking the City’s emergency plan and authorizing other appropriate community containment and mitigation strategies and authorizing city staff to take actions deemed necessary to protect the public health and safety; and

WHEREAS, the Richfield Economic Development Authority (the “Authority”) has the power of a housing and redevelopment authority and an economic development authority and may provide forgivable loans to businesses for purposes of preventing blight and preventing substantial and persistent unemployment; and

WHEREAS, in order to retain small businesses in the City, the Authority has determined to create the COVID-19 Small Business Assistance Forgivable Loan Program (the “COVID-19 Loan Program”) to assist area businesses with the expenses incurred and specifically caused by the impact of the Governor’s Emergency Executive Orders; and

WHEREAS, the COVID-19 Loan Program is expected to be funded in an amount of up to \$150,000; and

WHEREAS, guidelines for the COVID-19 Loan Program are on file with the Executive Director and have been presented before the Board of Commissioners of the Authority; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Richfield Economic Development Authority as follows:

1. The implementation of the COVID-19 Loan Program by the Authority is hereby approved.
2. This resolution shall be in full force and effect as of the date hereof.

Adopted by the Richfield Economic Development Authority this 20th day of April, 2020.

Mary B. Supple, President

John Stark, Executive Director

Richfield Economic Development Authority
Proposed COVID-19 Small Business Assistance Forgivable Loan

Funding: \$150,000

Loan/Grant Amount: \$2,500 for first employee + \$500 for each add'l employee up to \$7,500

Eligible Businesses:

- a. Businesses continuously operating in Richfield for at least a 12-month period (from March 1, 2019 to March 1, 2020).
- b. Businesses with no more than 25 FTE Employees as of January 2020.
- c. For-profit businesses only (public agencies or nonprofit organizations are not eligible).
- d. Businesses who primarily sell pawned merchandise, guns, tobacco or vaping products are not eligible.

Consideration of applications will be weighted with more preference given to those who:

- Were impacted by Minnesota Executive Order 20-04, 20-08 and 20-09; including (but not limited to):
 - a. Restaurants
 - b. Coffee Houses and Cafes
 - c. Beauty Salons, Barber Shops, Nail Salons, Spas, etc.
 - d. Medical or Dental facilities primarily performing elective procedures
 - e. Fitness Centers and Recreational Facilities
- Have operated in Richfield the longest
- Owner/General Manager is a Richfield Resident
- Can demonstrate a high number or percentage of employees are Richfield residents
- Can demonstrate some extraordinary hardship related to COVID-19
- Can demonstrate that the business contributed to the fight against COVID-19 (by providing PPE's, cleaning supplies, childcare to essential workers, etc.)
- Is a woman or minority owned business

Loan Terms

- Loan shall be documented by a Loan Agreement.
- 0% interest accrual until 12/31/21; 2.25% APR thereafter with biannual payments of 12.5% of the principal due every 6 months beginning 1/31/22.
- 50% (up to \$3,750) forgiven upon evidence that the business has incurred commensurate expenses in the following after receiving it's EDA loan funding:
 - COVID Expenses (PPE's, cleaning supplies, etc.)
 - Payroll Expenses
 - Capital Improvements visible from a public street
- 50% (up to \$3,750) forgiven by 12/31/21 if the business is operational for at least 9 consecutive weeks in 2021
- In circumstances deemed by the EDA Board to constitute a hardship, a portion or the entirety of the remaining loan balance may be forgiven after 12/31/21.

Applicants must provide (by May 15, 2020):

1. Name of business
2. Address of Business
3. Type of business (by 4-digit NAICS code; see <https://classcodes.com/naics-4-digit-industry-group-code-list/>)
4. Owner's Name & Home Address
5. Federal or state documentation that the business is a woman or minority owned business
6. General Manager's (or equivalent) Name & Home Address
7. Evidence that they were in operation in Richfield on, or about, March 1, 2019 and on, or about, March 1, 2020
8. Documentation of the number and position of employees at some point in 2020 designating which are full-time and which are part-time.
9. Addresses for any employee(s) residing in Richfield.
10. A 1-2 page narrative statement of the impact of COVID-19 on the business, including any extraordinary hardship of the business or its employees.
11. Many businesses and their functions are obvious or could be easily researched on the internet; if a business is less obvious in its legitimacy, staff may request further documentation (such as MN Secretary of State business filing, tax returns, etc.).

The EDA COVID-19 Forgivable Loan is being considered at the discretion of the Richfield Economic Development Authority (EDA) and should not be considered as an entitlement.

Data Privacy

The EDA is subject to Minnesota Statutes Chapter 13 (the "Minnesota Government Data Practices Act"). Under the Minnesota Government Data Practices Act, when businesses apply for a loan from the EDA, the financial information about the business, including credit reports; financial statements; net worth calculations; business plans; income and expense projections; balance sheets; customer lists; income tax returns; and design, market, and feasibility studies not paid for with public funds are all private data. However, once the business receives a loan from the EDA, the information provided will be public data, except that the following data remain private: business plans; income and expense projections not related to the financial assistance provided; customer lists; income tax returns; and design, market, and feasibility studies not paid for with public funds.