

# **Sargent County Job Development Authority**

## **Investment Policy**

### **I. General Investment Policy**

The overall investment objective of Sargent County Job Development Authority (SCJDA) is to promote job creation, job retention, business and industrial development, business and industrial diversification, creation and fostering of business and trade activities, and facilities or infrastructure improvements for economic or jobs development. All projects funded by SCJDA must demonstrate an ability to create or retain jobs within a reasonable period of time; generally within two years. Economic benefit may also be defined in terms of:

- i. Creation of new payroll or save or expand existing payroll;
- ii. Importation of new wealth into the county, primarily from out-of-state;
- iii. Expansion of local/county tax base through capital investment in buildings and real estate;
- iv. Diversification of the local/county economy;
- v. Improve the entrepreneurial climate of the region; and,
- vi. Generally expand the primary sector financial base of the area.

Board investment decisions will reflect the expected economic benefit of each project. The intent of the SCJDA is to create a revolving fund that will generate income for re-lending to new and expanding businesses and industries in the county.

The following overriding objectives have been developed for utilization of Economic Development Fund proceeds:

- i. The program should provide a distinct economic advantage to companies wishing to locate or expand in Sargent County or regional trade area.
- ii. Whenever possible and practical, funds should be both recycled and leveraged against other sources of economic development financing. As such, local dollars are stretched and multiplied.
- iii. The program should not be administratively cumbersome for the applicant, cities or the county.
- iv. The program needs to be flexible in its approach so each project can be tailored to meet individual circumstances and needs.
- v. The application process should be streamlined for quick response to proposals.

### **II. Investment Options**

The SCJDA may consider participating in proposed development projects in a variety of ways. The rationale for a particular method of participation will be tailored to each individual project and contingent on the needs of the project. Funds may be employed in any of the following ways.

1) Loans, subordinated or unsubordinated;

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2) Preferred stock, with stipulated buyout provisions;

3) Equipment and building purchase and lease-back;

4) Loan guarantees;

5) Interest buy-downs, in the form of loans or grants;

6) Grants, as further defined in Section V.

Interest rates will not be fixed, but will be based upon the relative risk involved, the desirability of the project to the area and the immediate and long term growth potential of the business. To the greatest extent possible, financial packages shall be structured to meet the needs of the applicant while weighing the impact of the business venture of the area economy. Creative repayment schedules, which provide a significant increase in the probability of project success, may be used.

### **III. Eligible Uses of Funds**

Sargent County development Funds may be used to provide:

- i. Temporary or permanent financing for any business cost related to the relocation and/or establishment of a new business or the expansion of an existing business;
- ii. Infrastructure improvements;
- iii. Construction, acquisition or renovation of buildings;
- iv. Fees, services, construction interest and other costs associated with construction;
- v. Purchase and installation of machinery, furniture and equipment
- vi. Inventory; and,
- vii. Working capital.

In addition, funds also may be used in certain circumstances for business plans, marketing studies, feasibility studies, cooperative development, research studies and capacity building efforts deemed important to the economic development of the county. Funds will be available for leveraging related financing through venture capital, participating financial institutions or other sources of financing.

Funds may be used for participation in the Bank of North Dakota Flex PACE Interest buy-down program, which is open to all businesses. The Economic Development funds portion of the interest buy-down is a loan which is paid back to the economic development fund at a negotiated interest rate, to be determined at the beginning of the loan, after the loan is satisfied. If the original loan is in default, the Bank of ND returns the unused portion of the SCJDA buy-down to SCJDA. SCJDA will pursue re-payment of the balance owed according to the legal documents signed at the time of the original agreement between SCJDA and the project principal(s).

It is understood that any funds utilized for projects outside of Sargent County shall not be raised through real property taxes.

Generally, funds will NOT be used for restructuring existing debt unless it can be demonstrated the restructuring involves either the creation of new jobs or will result in saving existing jobs and continuation of the business is otherwise feasible.

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#### **IV. Eligible Applicants**

Eligible applicants are:

- 1) Individuals;
- 2) Corporations;
- 3) Partnerships;
- 4) Sole Proprietorships
- 5) Limited Liability Companies;
- 6) Cooperatives;
- 7) Non-Profit corporations, including local development corporations.

Eligible industries include:

- 1) Primary Sector
  - a. Industries that add value to products to raw materials or components through manufacturing, processing or assembly.
  - b. Businesses that import outside wealth into the county; measured in terms of percentage of sales made to out-of-state customers.
- 2) Wholesale;
- 3) Retail; and,
- 4) Local Service Companies

No municipal or county officer or members of the SCJDA , or a spouse, child or other immediate family member of such officer or member, shall be directly interested in:

- a. Any contract, work, or business for which assistance from the Economic Development Fund is being requested or made;
- b. The sale of any article from which the expense , price or consideration is paid from the Economic Development Fund; and
- c. The purchase of any real estate or other property belonging to a city or the county or which shall be sold for taxes or assessments or by virtue of any process issued in any suit brought by a city or the county.

Provided, however, the foregoing shall not be applicable if it is determined to be in the best interest of the County and is unanimously approved by the County Commission. No municipal/county officer or member of the SCJDA shall refuse or fail to disclose to SCJDA and the County Commission any personal interest, direct or indirect, concerning themselves or their spouses, children, or other family members, in any contract or request or application concerning Economic Development Fund.

## **V. Terms of Participation**

### 1) Loans

- a. Interest rates are negotiable and will depend upon the individual requirement of each project.
- b. Repayment periods will vary depending upon the specified use of funds. Generally, the following limits will apply:
  1. Real Estate - 15 to 20 years
  2. Equipment - 7 to 10 years
  3. Inventory and working capital - 1 to 5 years
- c. Collateral - the SCJDA will secure first positions where possible with loan to value ratio of approximately 70 to 80%. The SCJDA will take second positions where required to make a project fundable by all participants. Third positions will be taken only when no other alternative exists and when the project is deemed worthy by the Board.

### 2) Preferred Stock

- a. Annual dividends will be negotiable and will depend upon the individual project characteristics.
- b. A plan for buy back of stock will be negotiated with each company. Stock must be fully redeemed within a 5 to 7 year period.

### 3) Grants

Grants are an eligible activity, under certain conditions, and will be considered when:

- a. All other financing techniques have been explored; and,
- b. The applicant has demonstrated the project is exemplary in achieving the county's other established goals for Economic Development funds.

Direct grants generally may not exceed 10% of the total project cost. Applicants for funds must provide a 10% minimum equity contribution unless waived by the SCJDA and approved by the County Commission. Tax exempt applicants may be required to pay a fee in lieu of local property taxes.

Community Development Projects are public improvement projects and funds may be committed in a manner consistent with the General Purposes for projects. Any Community Development Project must be initiated and requested by the governing body of a political subdivision, including, but not limited to, the communities throughout Sargent County.

Qualifying Community Development Projects may not be projects for the maintenance, repair, or replacement of existing public improvements, but may be in the nature of providing enhancements to existing or planned public improvements.