

CHECKLIST FOR JSDC POLICIES AND PROCEDURES

AND

STATEMENT FOR THE ECONOMIC DEVELOPMENT FUND

The Economic Development Fund [Fund] is financed by sales and property taxes and is dedicated solely to economic and jobs development in Jamestown and Stutsman County, North Dakota, and its surrounding trade area by means including job creation, job retention, business and industrial development, and business and industrial diversification; the creation, fostering and maintenance of business and trade activities; and the building of facilities and infrastructure improvements for economic and jobs development.

The Fund's purpose is to provide financing incentives to businesses to start-up, expand and locate in Jamestown and Stutsman County, North Dakota, and its regional trade area by:

1. Creating new jobs;
2. Saving existing jobs;
3. Creating new wealth;
4. Expanding the local tax base;
5. Increasing capital investment;
6. Diversifying the local economy;
7. Improving the region's entrepreneurial climate; and
8. Generally expanding the primary sector financial base of the area.

The principal focus of the Fund is primary sector job creation. The primary sector is composed of industries and business producing goods or services mainly sold outside the area thereby importing dollars into the community. Industries and business producing goods and services, which result in the retention of dollars presently exported from the area, will also be considered to be in the primary sector.

The retail sector is defined as those businesses involved in the direct sale of goods or services to the ultimate consumer within the area, thereby tending to recirculate dollars within the community.

Notwithstanding the above, tourism is recognized as a major North Dakota industry and a vital sector of our regional economy.

Tourism is eligible for funding even though tourism has, by its nature, a retail component and its project developers, may in some

instances, be non-profit or public organizations. Bringing in new tourism dollars, creating new jobs and services, preventing local tourism dollars from being spent elsewhere and developing new local facilities and activities beneficial to the growth of tourism are matters for consideration for funding tourism related projects.

GUIDELINES FOR AND OBJECTIVES OF THE FUND

Guidelines and overriding objectives for utilization of the Fund are:

1. Job creation is the number one priority.
2. Priority is given to the utilization of vacant buildings.
3. Priority is given to firms which create primary sector employment opportunities for regional residents.
4. No assistance is provided which results in an unfair competitive advantage over existing local business (Establishment of a business in a rural area similar to a business found within Jamestown does not necessarily in and of itself constitute an unfair advantage).
5. No funding is given to retail projects within the City of Jamestown when the retail services/products are readily available.
6. Funding is authorized for retail projects with products/services not readily available in the county which create or save significant employment and the continuation or creation of the retail business is otherwise feasible.
7. Authorization of projects outside Stutsman County requires a determination by the City Council that the location of the project is at that time within the trade area.
8. Projects outside Stutsman County cannot be funded with real property taxes.
9. Applicants for funds must provide a 10% minimum equity contribution unless waived by JSDC and approved by the City Council and County Commission (tax exemption applicants may be required to pay a fee in lieu of local property taxes).
10. For requests in excess of \$25,000, the applicant must

obtain some level of bank/financial institution participation unless waived by JSDC and approved by the City Council and County Commission.

11. Projects of less than \$10,000 must be cost effective in terms of job creation and economic impact.
12. Security for funding is determined by JSDC and approved by the City Council and County Commission. Every effort must be made to secure loans with mortgages, liens, personal guarantees or other instruments as may be feasible and practical.
13. The use of personal guarantees by the project developer, while not mandated, shall be considered in developing appropriate security requirements for any project.
14. Funding of projects shall provide for reasonable consequences for failure of a project developer to fulfill commitments such as job creation promises by providing for specific consequences, including, but not limited to subsequent personal guarantees, reimbursement of funding incentives, additional security, and adjusting of interest rates.
15. Whenever possible and practical, funds are recycled and leveraged against other sources of economic development financing.
16. Funds are not used for repayment or restructuring of existing debt unless it can be demonstrated the restructuring involves either the creation of new jobs or retention of existing jobs and continuation of the business is otherwise feasible;
17. No loan is assumable without prior written approval from the City Council and County Commission.
18. A sunset date is set for any project that is approved for funding and an applicant must apply for re-authorization of funding of any project not commenced by the date set.
19. Funds are used to develop private enterprise and non-profit organization projects are funded only under the most unusual circumstances and only when the project meets the general purposes for which the fund is established.
20. Community Development Projects are funded only when the project meets the general purposes for which the fund is

established and, in the case of a public improvement, it is in the nature of an enhancement to an existing or planned public improvement.

21. 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 City's and County's other established goals for Economic Development Funds.
22. Direct grants shall not exceed 10% of the total project cost.
23. A consideration for any project is the timing and coordination of job creation relative to the scheduling of fund disbursements.
24. Project assistance should be tailored to meet individual circumstances and needs and streamlined to respond quickly to proposals.
25. Program administration should be fair and simple for the applicant, the City, and the County.
26. Applicants must make good faith efforts to procure goods, services, and labor from the local economy and demonstrate a reasonable basis for not doing so if the same are not used.
27. Applicants are required to comply with appropriate local growth and development policies, zoning and subdivision regulations, health and building codes and other local, state, and federal applicable codes, ordinances, rules and regulations and laws.
28. JSDC administers the Fund and processes all project applications. It has the authority to disapprove project applications but not to approve them. Where appropriate, it recommends to the Jamestown City Council and Stutsman County Commission approval of project applications.
29. The Jamestown City Council and Stutsman County Commission review projects recommended by JSDC and possess the sole approval authority for projects.

FUND USES

Generally, economic development funds may be used:

1. To provide temporary or permanent financing of any business cost related to the start-up of a new business or the expansion or relocation of an existing business including:
 - a. Purchase of land and associated site improvements;
 - b. Cost of construction, acquisition and renovation of buildings;
 - c. Fees, services and other costs associated with construction;
 - d. Leasing real estate;
 - e. Purchase and installation of machinery and equipment;
 - f. Leasing machinery and equipment;
 - g. Trade receivables, inventory, work-in-process, other working capital needs;
 - h. Seed capital; and
 - i. Infrastructure improvement of sites by means of construction of roads, streets, sidewalks, curb and gutter, water and sewer systems or other public infrastructure.
2. To administer the program including funding for adequate staff and administrative support, for profession services and consultants and for promotion of the program and for other purposes as required.
3. To administer other types of projects that have direct economic development implications, including projects throughout the Jamestown trade area.

FUNDING TOOLS

Substantial flexibility in the types of financing tools are available for pursuing general economic and industrial development goals. This includes:

1. Traditional and Non-Traditional Loans;

Unsubordinated & Subordinated
Guaranteed & Unguaranteed
Fully Secured & Under Secured
Regular & Extended Payback Terms
Market & Below Market Interest Rates

2. Flexible Interest Rates;

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.

3. Interest Write Downs;

4. Security As Determined by JSDC and Approved by the City Council and County Commission;

Blanket Security to Selected Security
First priority to Last Priority
Shared priority
Personal Guarantees & Co-signers
No Security & No Guaranties

5. Equity Positions;

6. Purchases of Real Estate and Equipment with Installment Sale, Lease-Back or Purchase Option;

7. Options to Lease and Purchase Equipment and Real Estate;

8. Grants; and

9. Other financing vehicles as may be necessary and appropriate as recommended by JSDC to the City Council and County Commission.

Creative repayment schedules, which provide a significant increase in the probability of project success, may be utilized but the economic development potential of the project must justify the non-traditional repayment arrangement.

GUIDANCE FOR PROJECT RECOMMENDATIONS

JSDC must be dynamic enough to optimize economic opportunity and realistic enough to ensure economic development funds are prudently applied to regional development needs. The acid test for determining the relative worth of a project is its "impact mix" in the regional economy. "Impact mix" is defined in general terms as the:

1. Number of jobs created or saved;
2. Quality of those jobs in term of salary/benefit level;
3. The expected length of time the job will be viable;
4. Expansion of the tax base;
5. Financial mix - including owner's equity - required for successful venture;
6. Organizational growth potential; and
7. Amount of primary money generated by the project.

PROJECT OVERSIGHT, TRACKING AND REPORTING

JSDC oversees and monitors all projects for compliance with agreement requirements, fund disbursements, confirmation of annual insurance coverage and premium payments, renewal of security instruments, submission of required company reports and such other items as are reasonable under the circumstances.

JSDC will establish tracking procedures for each project prior to loan disbursement to include:

- a. Status of business operations;
- b. Frequency, content and method of the company's reports; and
- c. Appropriate evaluation data.

JSDC shall submit a monthly activity report to the City Council and County Commission. JSDC will submit an annual report to the City Council and County Commission which includes, where relevant:

1. The number of primary and secondary jobs created or saved in each project;
2. The economic impact of each project in terms of tax base expansion, new wealth created, or impact on reversing the export of wealth, payroll, cost per job and private sector dollars leveraged;
3. The community impact of each project in terms of impact on municipal services and the social and business environment; and

4. The current status of each approved project and each application in the previous calendar year which was disapproved.