



**POLICY AND PROCEDURE**  
**FOR**  
**APPLICATION TO THE**  
**CITY OF CLOQUET, MINNESOTA**  
**FOR**  
**PRIVATE ACTIVITY REVENUE BOND FINANCING**

Effective as of March 15, 2011



**POLICY AND PROCEDURE FOR APPLICATION  
TO THE CITY OF CLOQUET FOR  
PRIVATE ACTIVITY REVENUE BOND FINANCING**

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**PART I**

**GENERAL**

Under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 to 469.1651 (the “Industrial Development Act), the City of Cloquet has authority to issue industrial, commercial, and health care revenue bonds or notes to attract or promote economically sound industry and commerce to the City.

Under Minnesota Statutes, Chapter 462C (the “Housing Act”), the City is authorized to issue housing revenue bonds to finance multi-family residential housing projects for low and moderate income persons and elderly persons. Projects must be embodied in a Housing Program as these terms are defined in the Housing Act.

The Council is aware that such financing for certain private activities may be of benefit to the City and will consider requests for tax exempt financing subject to these guidelines. The Council considers tax exempt financing to be a privilege, not a right.

It is the judgment of the Council that tax exempt financing is to be used on a selective basis to encourage certain development that offers a benefit to the City as a whole, including significant employment and housing opportunities. It is the applicant’s responsibility to demonstrate the benefit to the City, both in writing and at the required public hearing. The applicant should understand that although approval may have been granted by the City for the issuance of financing for a similar project or a similar debt structure, that is not a basis upon which approval will be granted. Each application will be judged on the merits of the project as it relates to the public purposes of the Housing Act or the Industrial Development Act and the benefit to the City at the time the request for financing is being considered.

The policy is intended as a general guide to be followed by the City Council in considering applications for private activity revenue bond financing. It is not binding on the Council and may be modified by the Council in the case of any projects in which, in the sole discretion of the Council, such modification is deemed necessary or appropriate in the interest of the City.

The City staff shall have the option of amending or waiving sections of this policy when determined necessary or appropriate and when such changes do not affect the overall impact of this policy.

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**PART II**

**GUIDELINES**

1. The Council will consider tax exempt financing for commercial, industrial and health care projects under the Industrial Development Act and housing projects under the Housing Act. An applicant for tax exempt financing pursuant to the Industrial Development Act must submit to the City the application contained in Part IV of these Guidelines. An applicant for tax exempt financing, pursuant to the Housing Act, must submit to the City the application contained in Part V of these Guidelines.
2. Projects must be compatible with the overall development plans and objectives of the City and comply with the zoning and land use regulations of the City.
3. An application will not be considered by the Council until tentative City Code findings and requirements have been made with respect to planning, zoning, building plans, platting, streets and utility services. The application must be accompanied by the addendum contained in Part VI of these Guidelines and must provide information as to the project's need for municipal services including, but not limited to, street improvements, water and sewer services, and police and fire protection.
4. The project must be a positive benefit to the City. The project must be of a nature that the City wishes to attract, or an existing business which the City wishes to have expand within the City, considering employment opportunities, incentive for further development, impact on City services and support for the industrial, commercial or health care operations currently located in the City.

A housing project must provide significant housing opportunities for low and moderate income persons or the elderly. The developer must certify to the City and trustee, compliance with the federal low-to-moderate income requirement. The frequency of certification shall be determined on a case-by-case basis. Further, the project must be financially feasible, as determined in accordance with paragraph 6 of this Part II.

A written opinion, with supporting justification, from an expert acceptable to the City Administrator, to document that the development will not adversely affect similar, existing developments. This requirement may be waived if there are no similar developments in the area of the project, or if it is an existing development.

The trustee is to inform the City of non-compliance trends with federal low-to-moderate income requirements. Developer must stipulate the federal law requirements for the set-aside of low-to-moderate income units and any other set-aside provisions agreed to by the developer.

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5. The Council will, if requested, grant an applicant a pre-application review. The purpose of the pre-application review is to inform applicants of the possibility of rejection or the possible bases for such rejection. The fact that the project is not rejected at the pre-application stage is not to be construed as approval of the project or as an indication that the project will be approved upon formal request to the Council. Requests for tax exempt financing may be rejected by the City whether or not the project was submitted to a pre-application review and regardless of the outcome or recommendation of the pre-application review.

A request for pre-application review must be in writing, addressed to the City Administrator, and set forth the name of the project, the type of project intended and the name, address and telephone number of the person who will be representing the applicant at the pre-application review, together with such additional information as the applicant desires to submit.

6. The applicant must select a qualified financial advisor or underwriter to assist the applicant in preparing all necessary application documents and materials. The financial advisor or underwriter will submit a letter that establishes the financial feasibility of the project. Applications may, in the alternative, include a signed letter from a responsible financial institution indicating that the project is economically feasible and viable and stating that bonds can be successfully sold for the project or that an individual or institution intends to purchase all of the bonds. Submissions from the applicant's advisor are subject to review by the City's regular financial advisor.

The applicant must receive approval from the appropriate state agencies, secure financing and commence construction within one year of the date of the resolution giving preliminary approval to the project or the housing program. Upon application, the Council may approve an extension of the preliminary approval.

The City will appoint bond counsel for the bond issue, which will normally be the City's regularly retained bond counsel.

7. Pursuant to the Industrial Development Act and the Housing Act, consideration of an application for tax exempt financing must be done at a public hearing held by the Council. Modifications to the project after the public hearing and preliminary approval must be consistent with the scope of the project as proposed at the time of preliminary approval.
8. The City is to be reimbursed and held harmless for and from any out-of-pocket expenses related to the tax exempt financing including, but not limited to, legal fees, financial analyst fees, bond counsel fees, the City staff's expenses in connection with the application, and any deposits or application fees required under state law in order to secure allocation of bonding authority. The applicant must execute a letter to the City undertaking to pay all such expenses. A form of the required letter is set forth as Part VII of these Guidelines.

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A non-refundable application fee in the amount of \$5,000 must be included with the submission of the application. This fee is separate from the out-of-pocket expenses identified above.

9. Prior to closing and delivery of the bonds for the project, the applicant must pay, or commit to pay an annual administrative fee in the amount of 1/8th of 1% (.125%) of the outstanding principal balance of the bonds. The administrative fee may be paid semiannually while the bonds are outstanding at the times specified in the bond documents. The administrative fees required by this paragraph will be adjusted at or paid prior to delivery of the bonds if necessary to ensure compliance with the Internal Revenue Code and regulations.

In lieu of an annual fee, the City at its sole election, may require the applicant to pay 1/2 of 1% (.50%) of the total principal of the bonds being issued. Such fee shall be paid in a lump sum at the closing on the bonds.

10. Applications for financing must be made on the forms attached to these Guidelines. In addition, the applicant must furnish a description of the project, a plot plan, elevation of proposed buildings, landscape, lighting, and site preparation, together with a brief description of applicant and the proposed financing in such form as required at the time of application.
11. The Council may, in its sole discretion, impose conditions exceeding those required under the City building code in respect to exterior building materials, landscaping, signage lighting, and such other aspects as the Council may consider appropriate on a case-by-case basis.
12. The Council may, in its sole discretion, withdraw its preliminary approval of a project any time if in its judgment the purposes of the Act will not be served by going forward with the project and its financing.
13. Contractors doing work on projects funded in whole or in part by taxable/tax-exempt financing:
- shall not discriminate in the hiring and firing of employees on the basis of race, color, creed, religion, national origin, sex, marital status, age, disability or the need for public assistance.

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**PART III**

**MISCELLANEOUS MATTERS**

1. Ratings. The City will give its most favorable consideration to proposed tax exempt bond issues that have the same rating as the City's obligations by Moody's Investment Service or Standard & Poor's Corporation. Issues carrying lower ratings or non-rated issues may be sold only to institutional or other investors on a private placement basis and must be in denominations of at least \$100,000. The Council may depart from this guideline when in its judgment the project is of a level of merit and public purpose to justify the departure; and in case of such a departure the Council must state its reasons therefor in the resolution awarding the sale of the bonds.
2. Refundings. The Council will normally approve the refunding of a tax-exempt issue but only upon a showing by the applicant of (i) substantial debt service savings, (ii) the removal of bond covenants significantly impairing the financial feasibility of the project, or (iii) both (i) and (ii). In the case of refunding of bonds for which the administrative fee listed in paragraph 9 of Part II have been paid in full, no new administrative fees are required; but the non-refundable application fee must be paid together with all City expenses in excess of that fee. If the administrative fees for the refunded bonds are not paid in full upon closing on the refunding bonds, such fees must continue to be paid for the refunding bonds.

In the case of refunding of bonds where no administrative fee has been paid, the administrative fees listed in paragraph 9 of Part II must be paid. The application form is to be appropriately modified.

3. Subsequent Proceedings. Where changes to the underlying documents or credit facilities of outstanding bond issues are to be made and require Council action (including changes that are a "deemed reissuance" under Internal Revenue Service regulations), no administrative fee is charged but a non-refundable fee of \$1,500 must be deposited with the City to cover administrative costs. No formal application form is required.
4. Issue by Another Political Subdivision. The City will consider requests for tax exempt financing of projects in the City by other political subdivisions. In these cases the non-refundable application fee must be paid and all procedures through the approval of the preliminary resolution followed. No administrative fee is charged.
5. City Contact. Initial contacts about tax-exempt financing are made by contacting:

City Administrator  
City of Cloquet  
101 14<sup>th</sup> ST  
Cloquet MN 55720

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6. Deadlines. The Council conducts all tax exempt financing matters at regularly scheduled Council meetings held on the first and third Tuesday of each month. Documents for Council consideration must be at the City office on the Monday preceding the Council meeting at which the matter is to be considered. In the case of a publicly offered bond, issue the documents, when submitted, may specify a maximum price and maximum effective interest rate if prices and rates have not yet been established.

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**PART IV  
CITY OF CLOQUET  
APPLICATION FOR PRIVATE ACTIVITY REVENUE BOND FINANCING  
(Commercial, Industrial or Health Care)**

CITY OF CLOQUET  
101 14<sup>th</sup> ST  
Cloquet MN 55720

OFFICE USE ONLY:

Date Received: \_\_\_\_\_

Received by: \_\_\_\_\_

Type of Request: (check one)

- Taxable Bond Issue
- Tax-Exempt Bond Issue
- Refunding of Previous Bond Issue

**GENERAL APPLICANT INFORMATION**

1. Applicant/business name: \_\_\_\_\_

Contact person (incl. telephone number): \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone:      Work: \_\_\_\_\_ Home: \_\_\_\_\_

Cell: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

2. Applicant's legal counsel: \_\_\_\_\_

Contact person (incl. telephone number): \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone:      Work: \_\_\_\_\_ Home: \_\_\_\_\_

Cell: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

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3. Property owner(s) of record: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone: Work: \_\_\_\_\_ Home: \_\_\_\_\_

Cell: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

4. Applicant's business form (corporation, partnership, sole proprietor-ship, etc.) and state of corporation or organization:

\_\_\_\_\_  
\_\_\_\_\_

5. If the applicant is a corporation, list the officers, directors and stockholders holding more than 5% of the stock of the corporation. State their name, address, telephone number and relationship to the applicant. (If a corporation is not formed, list the potential officers, directors and stockholders):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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6. If the applicant is a partnership, list the general partners and any limited partners with more than 5% interest. (If the partnership is not formed, give as much data as possible concerning the potential partners):

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7. List any cities to which the applicant has applied for taxable/tax exempt bond financing within the last five years:

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8. Has the applicant ever been in bankruptcy? If yes, please explain:

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9. Has the applicant ever defaulted on any bond or mortgage commitment? If yes, please explain:

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**PROJECT INFORMATION**

1. Project name: \_\_\_\_\_
2. Project address: \_\_\_\_\_
3. Applicant's interest in property if not owner: \_\_\_\_\_  
\_\_\_\_\_
4. Purpose of requested financing:
  - a. New facility (describe): \_\_\_\_\_  
\_\_\_\_\_
  - b. Expansion (describe): \_\_\_\_\_  
\_\_\_\_\_
  - c. Refunding (attach explanatory letter) \_\_\_\_\_
5. Brief description of the nature of the business, such as principal services or products, etc.:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Estimated project costs: (not required for refunding)

Land	\$	_____
Building	\$	_____
Equipment	\$	_____
Architectural, Engineering	\$	_____
Costs of issuance	\$	_____
Capitalized Interests	\$	_____
(including discount)		
Other	\$	_____
Total Financing Requested:	\$	=====
7. Amount of bond issue requested: \$ \_\_\_\_\_ ( \_\_\_\_\_ % of project costs)
8. Total project costs: \$ \_\_\_\_\_

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9. Type of financing proposed: \_\_\_\_\_ Bonds  
\_\_\_\_\_ Tax-exempt mortgage
- Expected term: \_\_\_\_\_ years
- Security:
- \_\_\_\_\_ Mortgage
  - \_\_\_\_\_ Letter of Credit
  - \_\_\_\_\_ Guaranty (third party)
  - \_\_\_\_\_ Guaranty (personal)
  - \_\_\_\_\_ Unsecured
  - \_\_\_\_\_ Other (specify)
10. Estimated date of construction: \_\_\_\_\_ Completion: \_\_\_\_\_
11. a. Project architect: \_\_\_\_\_  
Address: \_\_\_\_\_
- b. General contractor: \_\_\_\_\_  
Address: \_\_\_\_\_
- c. Underwriter (name and contact person): \_\_\_\_\_  
\_\_\_\_\_
- d. Corporate Counsel: \_\_\_\_\_
- e. Underwriters Counsel: \_\_\_\_\_

**BUSINESS INFORMATION**

1. Number of employees in Cloquet?
- |                         | Full Time | Part Time |
|-------------------------|-----------|-----------|
| A. Before this project: | _____     | _____     |
| B. After this project:  | _____     | _____     |
2. Is the project associated with an existing Cloquet business? \_\_\_\_\_ Yes \_\_\_\_\_ No
3. Length of time in business: \_\_\_\_\_

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I certify that the information provided above contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge. I have been furnished a copy of the Policy and Procedure for Application to the City of Cloquet for Private Activity Revenue Bond Financing and am aware of its content and agree to be bound by its terms and the terms of the indemnification letter.

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Signature

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Date

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Title

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**PART V**

**APPLICATION FOR TAX-EXEMPT FINANCING**  
**(Multi-Family Housing)**

Date of Application: \_\_\_\_\_

Applicant: \_\_\_\_\_

Contact person: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone:    Work: \_\_\_\_\_ Home: \_\_\_\_\_

                  Cell: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Project Name: \_\_\_\_\_

Project Location: \_\_\_\_\_

<u>Project Information</u>	<u>Rent</u>	<u>Units</u>
Efficiency	\$ _____	_____
One Bedroom	\$ _____	_____
Two Bedroom	\$ _____	_____
Three Bedroom	\$ _____	_____
Parking (included in rent/ not included in rent)	\$ _____	_____
Laundry	\$ _____	_____

Utilities included in monthly rent: \_\_\_\_\_

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Operating Expenses

\_\_\_\_\_ % of Gross (Annual)

Total Project Cost:     \$ \_\_\_\_\_                      Developer Equity:     \$ \_\_\_\_\_

Debt Service:             \$ \_\_\_\_\_                      \*Hard Costs:             \$ \_\_\_\_\_

Land Value:              \$ \_\_\_\_\_                      Soft Costs:              \$ \_\_\_\_\_

\*(Hard Costs are all project costs the IRS has determined to be eligible items for depreciation.)

Anticipated Interest Rates:

Amortization Schedule:

\_\_\_\_\_ %

\_\_\_\_\_ Year Amortization Schedule

If the project were conventionally  
financed, what interest rate would  
you expect to pay? \_\_\_\_\_ %

Sales Assumption:

Depreciation Method:

How many years do you plan to  
hold the property before you  
sell? \_\_\_\_\_ years  
At what percent to you feel the  
value of the project will  
appreciate? \_\_\_\_\_

Years: \_\_\_\_\_

Type: \_\_\_\_\_

Amount of Total Basis: \$ \_\_\_\_\_

Equipment:

\$ \_\_\_\_\_ of project cost is for equipment (e.g., washers/dryers)

Anticipated Increases:

Anticipated Vacancy Rate:

Revenue:     \_\_\_\_\_ % per year

First Year:     \_\_\_\_\_ %

Expenses:    \_\_\_\_\_ % per year

After First Year:    \_\_\_\_\_ %

Construction Schedule:

Anticipated construction commencement date: \_\_\_\_\_

Anticipated construction completion date: \_\_\_\_\_

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Additional Information:

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I certify that the information provided above contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge. I have been furnished a copy of the Policy and Procedure for Application to the City of Cloquet for Private Activity Revenue Bond Financing and am aware of its content and agree to be bound by its terms and the terms of the indemnification letter.

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Signature

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Date

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Title

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**PART VI**

**ADDENDUM TO APPLICATION**

The following items must be attached to each application:

**APPENDIX A**

A brief description of the organization structure of applicant, including parent subsidiary and affiliate organizations (if applicant is other than an individual).

**APPENDIX B**

Statement of applicant's business history, including any multi-family rental projects.

**APPENDIX C**

The name, address, and telephone number of:

1. The applicant's legal counsel.
2. The applicant's accountant.
3. The architect of the proposed project.
4. The engineer of the proposed project.
5. The general contractor of the proposed project.

**APPENDIX D**

1. Present ownership of the proposed project site and applicant's interest therein.
2. Present zoning of the project site and a description of what city land use approvals are needed for this project.
3. The projected number of new employees to be added to the applicant's permanent work force because of the project (for commercial, industrial or health care only.)
4. Other financing attempted or available to the project including any interim financing.
5. Statement regarding whether or not this project has all required city approvals. If the project does not have all of the required approvals, list the approvals still needed and a tentative time schedule.

**APPENDIX E**

Indemnification Letter of Agreement.

**APPENDIX F**

Proforma analysis of the project.

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**PART VII**

**INDEMNIFICATION LETTER OF AGREEMENT**

To: The Mayor of the City of Cloquet and members of the City Council  
101 14<sup>th</sup> ST, Cloquet MN 55720

RE: Application of \_\_\_\_\_ for  
Tax-Exempt Revenue Bond Financing by the City of Cloquet

Dear Mayor and members of the City Council:

This letter of agreement is given by \_\_\_\_\_, a \_\_\_\_\_  
under the laws of Minnesota (“Applicant”) as required by the City of Cloquet, Minnesota, in connection  
with its consideration of an application for tax exempt revenue bond financing for the project described as  
follows:

Applicant agrees as follows:

1. Applicant agrees to pay or reimburse the City for any and all costs and expenses which the City may incur in connection with its consideration of the project and the granting of tax exempt revenue bond financing therefore, whether or not the project is preliminarily approved by the City, whether or not the project is approved by the State of Minnesota, whether or not revenue bond financing is finally approved by the City, whether or not the bonds are issued and sold, and whether or not the project is carried to completion.
2. Applicant agrees to indemnify and hold the City, its officers, employees and agents harmless against any and all losses, claims, damages, expenses or liabilities, including attorney’s fees incurred in their defense, to which the City, its officers, employees and agents may become subject in connection with the City’s consideration, issuance or sale of the bonds for Applicant’s project and the carrying out of the transactions contemplated by this agreement and any resolutions adopted, or agreements executed by the City in connection with the issuance of its bonds for this project.
3. Applicant hereby releases the City, its officers, agents and employees from any claims, causes of action, losses, damages, or liabilities which it may have against the City, its officers, agents, and employees or which it may incur in connection with the City’s consideration of the application for industrial development revenue bond financing for Applicant’s project; the failure of the City, in its discretion, to issue tax-exempt revenue bonds for Applicant’s project; the issuance and sale of the bonds; the construction of the project; or any other matter or thing of any type or nature whatsoever which may arise in connection with the foregoing.

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4. Applicant is aware of the City's application and administrative fee structure for tax exempt financing and agrees and covenants that all such fees will be paid in the amount and at the times required.
5. I certify that the information provided in the application contains no misrepresentations, omissions or concealments of material facts and that the information given is true and complete to the best of my knowledge.

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Applicant

Its \_\_\_\_\_