

**PORT AUTHORITY OF THE
CITY OF NORTH MANKATO, MINNESOTA**

PRIVATE ACTIVITY REVENUE BOND (CONDUIT DEBT) POLICY

I. INTRODUCTION

The Port Authority of the City of North Mankato, Minnesota (the "Port") has the authority to issue revenue bonds pursuant to Minnesota Statutes, Sections 469.152 to 469.165 (the "Industrial Development Act") and Minnesota Statutes, Chapter 462C (the "Housing Act"). The Board of Commissioners of the Port (the "Board") will consider the issuance of private activity bonds (both taxable and tax-exempt) to finance the following types of projects:

- (1) Manufacturing / industrial facilities;
- (2) Multifamily housing;
- (3) Health care facilities;
- (4) Other projects on behalf of 501(c)(3) organizations; and
- (5) Other projects authorized by state statutes and federal law.

II. GENERAL REQUIREMENTS

The following are the general guidelines and requirements the Port will use to evaluate requests for private activity bond financing. The Port has complete discretion regarding whether to issue private activity bonds and reserves the right to approve or deny any and all applications. In order to be considered for private activity bond financing, all proposals for the issuance of private activity bonds must meet the following general requirements:

- A. Fulfill all applicable federal and state requirements for the issuance of bonds.
- B. Comply with all applicable federal, state, regional, and City laws, including zoning and land use regulations and ordinances applicable to the project.
- C. The applicant agrees to use the legal services of a bond attorney designated by the Port.

- D. The applicant for bond financing and the applicant's chosen bond underwriter, placement agent or lender shall hold the City, the Port, and their respective officers, consultants, and agents harmless from any alleged or actual violations of any securities laws, state or federal, in connection with the issuance of bonds for the project. In addition, the City and the Port shall not be held responsible for any debt repayment of the bond issue or other costs relating to the project to be financed, should it fail financially for any reason.
- E. The Port is to be reimbursed and held harmless for and from any out-of-pocket expenses related to the bonds including , but not limited to, legal fees, financial analyst fees, bond counsel fees, the Port's staff 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 Port undertaking to pay all such expenses. A form of the required letter is set forth in Exhibit C.
- F. If the Port determines that issuance of the bonds requested by the applicant is reasonably expected to cause governmental bonds issued by the City or the Port, as applicable, in that calendar year to be ineligible for designation as "qualified tax exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (also known as " bank qualified"), the applicant will be required to reimburse the City or the Port, as applicable, at the time of issuance of the Port's bonds, for any interest rate differential between bank qualified and non-bank qualified bonds.
- G. Applications for financing must be made on the forms attached to this Private Activity Revenue Bond Policy.
- H. The applicant must deposit all required fees on a timely basis.
- I. The Board 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 Board may consider appropriate on a case-by-case basis.
- J. The Board may, in its sole discretion, withdraw its preliminary approval of a project any time if in its judgment the purposes of the Industrial Development Act or the Housing Act will not be served by going forward with the project and its financing.

III. TYPES OF PROJECTS

1. Manufacturing/ Industrial Facilities

Bonds for manufacturing facilities are issued under the Industrial Development Act and either Section 144(a) or Section 141 of the Internal Revenue Code, as amended (the " Code"). In addition, the bonds are generally subject to the volume cap allocation requirements of Minnesota Statutes, Chapter 474A, as amended. The purpose of issuing bonds for such facilities is to encourage the development of appropriate industrial projects that will benefit the community by providing jobs and economic development, eliminating blight, and increasing property values. Manufacturing bonds are available only for "core" manufacturing projects, and only for relatively small manufacturers (cannot expect to have more than the maximum IRS allowable capital expenditures in the City in the six-year period surrounding issuance of the bonds).

2. Multifamily Housing

Housing bonds to finance privately-owned multifamily housing facilities within the City are authorized under the Housing Act and either (a) in the case of facilities owned by 501(c)(3) entities, Section 145 of the Code or, (b) in the case of facilities owned by non-501(c)(3) entities, Section 142(d) of the Code. The purpose of issuing multifamily housing bonds is to benefit the community by encouraging the availability of multifamily housing opportunities for residents of the City. The City within its sole discretion will determine whether or not to approve Housing bonds and if so, which multifamily project or projects it will finance. All housing projects financed with tax-exempt bonds must comply with the restrictions set for in the Housing Act and Section 142(d) of the Code and the Treasury Regulations promulgated thereunder.

3. Health Care Facilities

Health care facility revenue bonds are issued to finance hospitals, nursing homes, or assisted living facilities within the City owned and operated by 501(c)(3) entities. Such bonds are issued in accordance with the Industrial Development Act or the Housing Act and Section 145 of the Code. The purpose of issuing health care bonds is to benefit the community by encouraging the availability of affordable health care services for residents of the City.

4. Facilities for other 501(c)(3) Organizations

Bonds may be issued to finance facilities within the City providing services that benefit the City and its residents (including, without limitation, educational services) owned and operated by 501(c)(3) entities. Such bonds are issued in accordance with the Industrial Development Act or the Industrial Development Act and Section 145 of the Code. The purpose of issuing such bonds is to benefit the community by encouraging the availability of beneficial services for residents of the City.

5. Facilities Outside of City

In the Board's discretion, bonds may be issued for any of the types of facilities described

above in jurisdictions outside of the City, at the request of the borrower upon the consent of the jurisdiction within which such facility is located.

IV. DESIGN AND MAINTENANCE STANDARDS

- A. The project to be financed shall use building and design materials that are in compliance with applicable state and local building and licensing codes and designated maintenance standards.
- B. The design and maintenance must be compatible with other neighboring land uses, building architecture, and landscaping.

V. FEES

- A. A non-refundable application fee of \$1,000 is due at the time the application is made. This fee shall be due in the case of an application for either a new money bond issue or a refunding bond issue. This application fee is in addition to the other fees set forth below and is not a credit against said additional fees.
- B. A bond administration fee of the greater of \$10,000 or 0.50% of the principal amount of the bonds is due at the time of closing on the bonds, subject to a maximum fee of \$50,000. This fee shall be due in the case of all new money issues.
- C. For bonds to be issued to refund a bond issue previously issued by the Port or the City and for which the bond administration fee in paragraph B was previously paid to the Port or the City, no additional bond administration fee will be required.
- D. For bonds to be issued to refund a bond issue not previously issued by the City or the Port, a bond administration fee of the greater of \$10,000 or 0.50% of the principal amount of the refunding bonds is due at the time of closing on the bonds, subject to a maximum fee of \$50,000.
- E. All fees and expenses in relation to the issuance of the bonds (in addition to the foregoing application fee and bond administrative fee), including the fees of the City's bond counsel, shall be the responsibility of the applicant, regardless of whether the bonds are issued.
- F. For applications requiring an allocation of bonding authority from Minnesota Management and Budget ("MMB") pursuant to the provisions of Chapter 474A, an application, in the form prescribed by MMB, must be submitted to MMB along with the appropriate application deposit and nonrefundable application fee due to MMB.

VI. REFUNDING BONDS

Previous issuance of bonds by the City or the Port does not commit the Port to the issuance of refunding bonds at a future date. Applications for the refunding of bonds previously issued by the City or the Port will be evaluated in terms of general benefit to the City and the Port based on

such factors as financial benefit to the applicant, the project's past operating history, including property maintenance and employment, and the applicant's future plans for operations in the City. To the extent appropriate, the provisions of this Private Activity Revenue Bond Policy shall apply to refunding bonds.

It is recognized that projects previously financed by the City or the Port may not have met the foregoing requirements applicable to new financing requests. Applications that include the refunding of previously issued bonds will be evaluated based on such factors as substantial debt service savings, removal of bonding covenants significantly impairing the financial feasibility of the project, significant rehabilitation or physical improvements of the property, or enhancements to the affordability of existing rents.

VII. POST-ISSUANCE COMPLIANCE

The Port requires that each applicant demonstrate to the Port that it will comply with substantially the same procedures for post-issuance compliance that apply to governmental bonds under the City's Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds. The Port may require that applicants retain a dissemination agent and/or an independent arbitrage consultant for the term of the bonds.

VIII. APPLICATION PROCESS

The process for obtaining bond financing is as follows:

- A. An application for the issuance of bonds must be submitted in the form specified by Port staff along with the required application fee. Please submit applications to:

Finance Director
Port Authority of the City of North Mankato
1001 Belgrade Ave.
PO Box 2055
North Mankato, MN 56002-2055
- B. Port staff will complete an initial review to evaluate the proposal and determine whether it qualifies for consideration for financing.
- C. Staff will consult with the Port's bond counsel to verify the project's qualifications for financing.
- D. For bonds requiring a bond allocation from the Department prior to issuance, the proposal will be presented to the Board for a preliminary resolution. The resolution will identify the preliminary intent of the Port to issue bonds, a description of the proposed project, and the amount of bonds to be issued. Upon adoption of the preliminary resolution, the applicant, working with the Port's bond counsel, shall prepare the application to be submitted by the Port for a bond allocation to MMB.
- E. All bonds for new money projects described in this Private Activity Revenue Bond Policy require a public hearing, which shall be held by the Port on behalf of both

the Port and the City. Following such public hearing, the Port will adopt a final bond resolution approving the documentation to be executed by the Port and authorizing the execution of said documents and the issuance of the bonds. In addition, following such public hearing, the City will adopt a resolution consenting to the issuance of the bonds by the Port.

- F. Housing bonds under Chapter 462C require, prior to publication of notice of the public hearing, submission of a Housing Program to the regional development commission. The Housing Program must be approved by the regional development commission.

- G. Prior to the issuance of bonds under Minnesota Statutes, Section 469.152 to 469.165 (i.e. bonds that are not housing bonds issued under the Housing Act), and following the public hearing, the Port must file an application for approval of the bond issue with the Minnesota Department of Employment and Economic Development ("DEED"). The application is considered routine if the proper documentation is filed, including the completed application form, the Port's bond resolution, a preliminary bond counsel opinion, evidence of the public hearing, and a letter of preliminary intent from the applicant's chosen bond underwriter, placement agent, or lender to underwrite the bond issue. DEED approval is required before issuance of the bonds.

- H. Until the bonds are issued, the Port reserves the right to:
 - (1) Reject applicant's choice of underwriter, trustee, paying agent, placement agent, or legal counsel.
 - (2) Require corrections or amendments to any legal document.
 - (3) Reject the proposal and the issuance of the bonds if the Port determines, in its sole discretion, that the financing is not in furtherance of the City's or the Port's goals or is otherwise unacceptable, even if preliminary approval for the proposal or any part of the proposal being separately considered has previously been given.

APPROVED AND ADOPTED this 16th of September, 2019 by the Board of Commissioners of the Port Authority of the City of North Mankato, Minnesota.

PORT AUTHORITY OF THE CITY OF NORTH
MANKATO, MINNESOTA

By: David C. Arnold
_____, Chair

ATTEST:
[Signature]
_____, Secretary

Exhibit A

APPLICATION FOR ISSUANCE OF PRIVATE ACTIVITY BONDS

(Industrial, Health Care or Other Non-Housing Non-Profit Projects)

1. APPLICANT

a. Business Name: _____ Date of Application: _____

b. Business Address: _____

c. Primary Business Contact Name: _____

Telephone number: _____ Email: _____

d. Authorized Business Representative: _____

e. Structure:

Corporation Partnership Sole Proprietorship LLC Other: _____

2. PURPOSE OF REQUESTED FINANCING:

New Facility Expansion Refunding

3. ESTIMATED PROJECT COSTS: (Not required for refunding)

Land	
Building	
Equipment	
Architectural, Engineering	
Costs of Issuance	
Capitalized Interest (including discount)	
Other	
Total Financing Requested	

5. AMOUNT OF FINANCING REQUESTED: \$ _____ (___ % of project costs)

6. TYPE OF FINANCING PROPOSED:

a. Publicly Sold Bonds Privately Placed Bonds (Bonds sold to a Bank)

b. Expected Term of Financing ___ Years

c. Security:

- Mortgage Letter of Credit Guaranty (third party)
 Guaranty (personal) Unsecured Other (specify)

7. BUSINESS PROFILE: (Not required for refunding)

a. Job Information

1. Current number of Full Time Equivalent Employees: _____

*Full Time Equivalent (FTE) is based on total annual hours of 2080

2. Number of New Permanent Jobs to be Created: _____

3. Number of Construction Jobs to be Created: _____

4. Number of Jobs to be Relocated: _____

b. Length of Time in Business: _____

c. Do you have facilities in other locations? Yes No

If yes, where: _____

8. NAMES OF:

a. Underwriter, Place Agent or Lender Name:

Contact Person Name: _____

Telephone: _____ Email: _____

b. Corporate Counsel Name: _____

Telephone: _____ Email: _____

c. Counsel to Underwriter, Place Agent or Lender Name: _____

Telephone: _____ Email: _____

9. WHAT IS YOUR TARGET DATE FOR:

a. Construction start: _____

b. Construction completion: _____

10. ATTACHMENTS;

Attach the following information with the application. Application is not considered complete until all documents have been received.

- a) Description of the project;
- b) Give a brief description of the nature of the business, principal products, etc.;
- c) Plot plan, elevation of proposed buildings, landscape, lighting, and site preparation;
- d) Preliminary sources and uses for financing project;
- e) Initial application fee; and
- f) Indemnification Letter of Agreement.

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 Procedure for Application to the Port Authority of the City of North Mankato for Private Activity Revenue Bond Financing and I am aware of its content and agree to be bound by its terms and the terms of the indemnification letter. I understand that the Port reserves its right to deny any and all applications, and that I am not entitled to private activity bond financing through the Port.

Signature/ Title

Date

NOTICE TO COMPANY; Data Practices Act

The information that you supply in your application to the Port Authority of the City of North Mankato ("Port") will be used to assess your eligibility for financial assistance. The Port will not be able to process your application without this information. The Minnesota Government Data Practices Act (Minnesota Statutes, Chapter 13) governs whether the information that you are providing to the Port is public or private. If financial assistance is provided for the project, the information submitted in connection with your application will become public, except for those items protected under Minnesota Statutes, Section 13.59, Subdivision 3(b) or Section 13.591, Subdivision 2.

I have read the above statement and I agree to supply the information to the Port with full knowledge of the matters contained in this notice. I certify that the information submitted in connection with the application is true and accurate.

Signature / Title

Date

Exhibit B

APPLICATION FOR PRIVATE ACTIVITY BONDS

(Multi-Family Housing)

1. APPLICANT

- a. Business Name: _____ Date of Application: _____
- b. Business Address: _____
- c. Primary Business Contact Name: _____
Telephone number: _____ Email: _____

2. PROJECT INFORMATION

- a. Project Name: _____
- b. Business Location: _____

3. RENTAL INFORMATION

	Monthly Rent	Units
Efficiency		
One Bedroom		
Two Bedroom		
Three Bedroom		
Parking (included in rent)		
Parking (not included in rent)		
Laundry		
Utilities included in monthly rent: _____		

- 4. OPERATING EXPENSES: _____ % of Gross (Annual)
- 5. TOTAL PROJECT COST: \$ _____
- 6. DEVELOPER EQUITY: \$ _____
- 7. DEBT SERVICE: \$ _____
- 8. *HARD COSTS: \$ _____
- 9. LAND VALUE: \$ _____
- 10. SOFT COSTS: \$ _____

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

11. ANTICIPATED INTEREST RATES: _____ %

12. ANTICIPATED TERM OF DEBT: _____

13. If the project were conventionally financed, what interest rate would you expect to pay? _____ %

14. EQUIPMENT: \$ _____ of project cost is for equipment (e.g., washers/dryers)

15.

ANTICIPATED INCREASES:	ANTICIPATED VACANCY RATE:
Revenue: _____ % per year	First Year: _____ %
Expenses: _____ % per year	After First Year: _____ %

16. CONSTRUCTION SCHEDULE

Anticipated construction commencement date: _____

Anticipated construction completion date: _____

17. ATTACHMENTS:

Attach the following information with the application. Application is not considered complete until all documents have been received.

- a) Description of the project;
- b) Plot plan, elevation of proposed buildings, landscape, lighting, and site preparation;
- c) Preliminary sources and uses for financing project;
- d) Initial application fee; and
- e) Indemnification Letter of Agreement.

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 Procedure for Application to the Port Authority of the City of North Mankato for Private Activity Revenue Bond Financing and I am aware of its content and agree to be bound by its terms and the terms of the indemnification letter. I understand that the Port reserves its right to deny any and all applications, and that I am not entitled to private activity bond financing through the Port.

Signature / Title

Date

NOTICE TO COMPANY: Data Practices Act

The information that you supply in your application to the Port Authority of the City of North Mankato ("Port") will be used to assess your eligibility for financial assistance. The Port will not be able to process your application without this information. The Minnesota Government Data Practices Act (Minnesota Statutes, Chapter 13) governs whether the information that you are providing to the Port is public or private. If financial assistance is provided for the project, the information submitted in connection with your application will become public, except for those items protected under Minnesota Statutes, Section 13.59, Subdivision 3(b) or Section 13.591, Subdivision 2.

I have read the above statement and I agree to supply the information to the Port with full knowledge of the matters contained in this notice. I certify that the information submitted in connection with the application is true and accurate.

Signature / Title

Date

EXHIBIT C

INDEMNIFICATION LETTER OF AGREEMENT

The Chair of the Port Authority of the City of North Mankato
and Members of the Board of Commissioners
City of North Mankato
PO Box 2055
1001 Belgrade Ave.
North Mankato, MN 56002-2055

RE: Application of _____ for Private Activity Bond Financing by the Port Authority
of the City of North Mankato

Dear Chair and Members of the Board of Commissioners:

This letter of agreement is given by _____, a, _____ under the laws of Minnesota ("Applicant") as required by the Port Authority of the City of North Mankato in connection with its consideration of an application for private activity bond financing for the project described in the application.

Applicant agrees as follows:

1. Applicant agrees to pay or reimburse the Port for any and all costs and expenses which the Port may incur in connection with its consideration of the project and the granting of bond financing therefor, whether or not the project is preliminarily approved by the Port, whether or not the project is approved by the State of Minnesota, if necessary, whether or not revenue bond financing is finally approved by the Port, and whether or not the bonds are issued and sold.
2. Applicant agrees to indemnify and hold the Port, 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 Port, its officers, employees and agents may become subject in connection with the Port'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 Port in connection with the issuance of its bonds for this project.
3. Applicant hereby releases the Port, its officers, agents and employees from any claims, causes of action, losses, damages, or liabilities which it may have against the Port, its officers, agents, and employees or which it may incur in connection with: the Port's consideration of the application for industrial development revenue bond financing for Applicant's project; the failure of the Port, in its discretion, to issue 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.

4. Applicant is aware of the Port's application and administrative fee structure for bonds and agrees and covenants that all such fees will be paid in the amount and at the times required.
5. Applicant understands that the Port reserves its right to deny any and all applications, and that the Applicant is not entitled to private activity bond financing through the Port.

Dated: _____

[APPLICANT NAME]

By _____

Its _____