

Minnesota Investment Fund Disaster Recovery Financing

The purpose of Minnesota Investment Fund (MIF) disaster recovery assistance is to help communities rebuild by providing financing needed by businesses and qualified non-profit organizations to resume operations. MIF flood recovery funds are awarded to a local unit of government (LGU) that then loans the assistance to individual businesses.

The MIF disaster recovery assistance is geared to fund capital expenses, reestablish operations and ultimately retain and create jobs for businesses that were damaged in the storms and floods as detailed in the “Presidential Declaration of a Major Disaster” FEMA-4069-DR, as amended, and are not adequately covered by insurance or other applicable assistance approved under Chapters 1 and 2, 2012 1st Special Legislative Session.

Eligibility

Eligible applicants:

- Counties and tribal lands included in the Presidential Declaration are: Aitkin, Carlton, Cass, Cook, Crow Wing, Dakota, Goodhue, Itasca, Kandiyohi, Lake, Meeker, Pine, Rice, Sibley, St. Louis, and the Fond du Lac Band of Lake Superior Chippewa, Grand Portage Band of Lake Superior Chippewa, and the Mille Lacs Band of Ojibwe.

Organizations eligible for assistance:

- Businesses, cooperatives, utilities, industrial, commercial, retail and nonprofit organizations located in the disaster area identified in DR-4069 and in operation before June 14, 2012.

Eligible expenses:

- Repair of buildings, leasehold improvements, fixtures and/or equipment, loss of inventory and cleanup costs. Eligible costs incurred prior to loan execution may be covered by the MIF financing if proper documentation is available.

Ineligible expenses:

- Economic injury losses, relocation, management fees, financing costs, franchise fees, debt consolidation, moving costs, refinancing of debt existing prior to the date of the disaster and operating costs. However, other lenders, including the SBA, may finance these activities.

Process

Local Unit of Government:

- Submits local governmental unit (LGU) guidelines for administering the MIF disaster recovery funds. *(It is strongly recommended that the LGU use the sample guidelines developed by DEED. Any suggested revisions should be discussed with DEED prior to submission. If revisions to DEED’s sample guidelines are ultimately necessary, they must be attached as an amendment to DEED’s recommended guidelines.)*
- Submits MIF application with the LGU Guidelines.
- Executes grant agreement between State of MN and LGU.
- Receives, reviews, and recommends business loan applications to DEED for review and approval. Disbursements are made on a project by project basis, not lump sum.
- Closes and services loans with businesses.

- Reports annually to DEED on the business and loan status, jobs retained/created and wages paid. These reports are required until all loans are paid in full.

Business:

Once the LGU has an approved grants agreement with the State of Minnesota, businesses should work directly with the local unit of government to determine eligibility for MIF assistance. Eligible applicants must provide information as requested in the LGU’s approved guidelines.

Loan Structure & Terms

- **Loan Amount.** The loan amount will be based on documented losses offset by other assistance received from insurance and other organizations like Northland Foundation.
- **Terms:** All loans will be interest-free and have a 10-year term. Payments will be deferred for one year from the date of the loan. Fifty percent (50%) of the principal amount will be amortized over 9 years and fifty percent (50%) may be forgiven (see below).
- **Forgiveness:** Fifty percent (50%) of the loan will be forgiven if the business remains in the community for 10 years. The entire outstanding loan balance is immediately due if the business leaves the community within the 10-year period.
- **Collateral:** All loans must be collateralized to the extent possible. Losses incurred in the disaster should be considered to determine appropriate collateral. Security agreements must be required and personal guarantees may be required.
- **Subordination:** The loan may be subordinate to existing or new private lenders.
- **Loan repayments:** Loan repayments will be submitted to the LGU. The LGU will submit all loan repayments received during the prior calendar year to DEED by January 31.

Administration

Partners: Communities should strongly consider using a county, EDA, HRA, CAP agency and or Port Authority to assist them with loan origination and reporting.

Administrative Fees: The LGU may use up to 3% or \$5,000, whichever is higher, of the MIF award to cover documented expenses related to the administration of the MIF assistance. Additional local administrative funding may be approved by DEED upon request.

Guiding Legislation

Chapters 1 and 2, 2012 1st Special Session
 MN Statutes 116J.8731, Subdivision 1, 2, 6 and 8. Minnesota Investment Fund
 MN Statutes 12A. Natural Disaster; State Assistance
 Presidential Declaration of Major Disaster, DR-4069, as amended
 U. S. SBA Disaster Declaration #13219/13220