City of Minot

MAGIC Fund Screening Committee Meeting
Friday, February 21, 2025, at 7:30 AM
City Council Chambers, City Hall (10 3rd Ave SW)
Any person needing special accommodation for the meeting is requested to notify the City Clerk's office at 857-4752.

1. ROLL CALL

2. APPROVAL OF MINUTES

   2.1. APPROVAL OF MINUTES FROM FEB *17, 2023*

   It is recommended the committee approve the Minutes from the February 17, 2023 MAGIC Fund Screening Committee meeting.

3. NEW BUSINESS

   3.1. MAGIC FUND GUIDELINES DISCUSSION

   3.2. SOURIS BASIN PLANNING COUNCIL APPLICATION FOR FUNDS

   3.3. FINANCIAL REPORT FOR MAGIC FUND

4. ADJOURNMENT

MAGIC Fund Screening Committee Meeting Minutes
February 17, 2023
Meeting was called to order by Todd Harris at 7:30am

ROLL CALL

Members Present: Kelly Perrin, Dan Ternes, Todd Harris, Kevin Seehafer, Todd Telin, & Travis Mowbray
Jordan Nelson- VIA TEAMS

APPROVAL OF MINUTES

Todd Telin moved the October 21, 2022 meeting minutes be approved as submitted. The Above motion was seconded by Jordan Nelson and passed by the following roll call votes:
Ayes: Todd Telin, Travis Mowbray, Jordan Nelson, Kelly Perrin, Dan Ternes, Todd Harris, & Kevin Seehafer. Nays: None

SOURIS BASIN PLANNING COUNCIL REQUEST OF FUNDS

Souris Basin Planning Council (SBPC) is requesting an additional $805,300 investment into an existing program, the Business Accelerator Fund (BAF). The BAF is used as the regional match program for the Bank of North Dakota Flex PACE program. SBPC anticipates using the funds over the next year.

Mark Lyman introduced himself and Spoke on behalf of the Minot Area Chamber EDC in favor of the Souris Basin Planning Council (SBPC) requesting the $805,300. MACEDC feels this program fits all the criteria of being a good fit with use of MAGIC Fund dollars. Mark Introduced Briselda Hernandez the Executive Director for Souris Basin Planning Council.

Briselda Hernandez went over her PowerPoint Presentation for the Committee. Business Accelerator Fund Request of 805,300.00. March 2019 the SBPC went before the MAGIC Fund Committee to help with matching funds for the PACE and FLEX Programs. They found that the MAGIC Fund was a great Source of Funding.
Souris Basin Planning Council serves the communities and counties within North Dakota Region 2 (Bottineau, Burke, McHenry, Mountrail, Renville, Pierce, and Ward Counties). SBPC has been a partner in progress for cities, counties, nonprofits, and entrepreneurs since 1972. They are a solutions-based team of entrepreneurs, elected officials, volunteers, and staff finding and creating opportunities within our region’s communities.
The Business Accelerator Fund was established by SBPC with the approval of $1 million in funds from the City of Minot MAGIC Fund in 2019. The goals of the BAF are to build resilient communities and enhance quality of life in North Dakota Region 2. The BAF has been established as a community source for Bank of North Dakota’s (BND) PACE and Flex PACE programs. At this point, the use of the funds has been strictly for Flex PACE programs.

Projects at a glance: Allocated Funds $1,634,610.
They have approved 34 projects totaling $44.8 mm
Projects in Minot Alone 29 totaling $39.4mm
Projects in our Minot Downtown 12 totaling $15mm

A couple of business that have been helped through this program are Mi Mexico with a business expansion. They help with business startups, First Time Entrepreneurs, Building Renovations & Restorations such as The Station - Urban Gourmet. This was an old gas station and they have since made this into a coffee house. Axel Building- Prairie Sky Breads in our Downtown area and the renovated the building, rejuvenating our downtown area.

Since 2015- 2022 BND Invested $29,434,369 in Flex Pace and Pace Loans

2015-200m
2016- Nothing
2017- 748m
2018- Nothing
2019- 1.24mm
2020- 1.67mm
2021- 4.14mm
2022- 21.43mm

Travis Mowbray moved to approve the Souris Basin Planning Council request of 805,300 investment into the existing program, the Business Accelerator Fund. The Above motion was seconded by Todd Harris and passed by the following roll call votes:
Ayes: Travis Mowbray, Jordan Nelson, Kelly Perrin, Dan Ternes, Todd Harris, Kevin Seehafer & Todd Telin. Nays: None

FINANCIAL REPORT

Jenna Zelinski the City of Minot Comptroller was present and asked if the committee had any questions with the Balance Sheet and Incomes Statements from December 2022.
Jordan Nelson asked

ADJOURNMENT

Travis Mowbray approved the adjournment with no other business to discuss and Kelly Perrin second the motion.

Adjournment at 8:06am
Respectfully submitted by Anna Schraeder.

MINOT AREA GROWTH BY INVESTMENT AND COOPERATION (MAGIC) FUND GUIDELINES

AS APPROVED BY THE CITY COUNCIL OF THE CITY OF MINOT ON:
June 2, 2003

AMENDED BY THE CITY COUNCIL:
February 6, 2006

AMENDED BY THE CITY COUNCIL:
April 6, 2009

AMENDED BY THE CITY COUNCIL:
December 3, 2018

AMENDED BY THE CITY COUNCIL:
December 18, 2023

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HISTORY AND GENERAL PURPOSE

In 1990, the voters of the City of Minot approved a portion of the 1-percent City sales tax for use in economic and industrial development. The funds accumulated for this purpose shall be called the Minot Area Growth by Investment and Cooperation (MAGIC) Fund. The MAGIC Fund is intended to provide financing incentives to businesses that desire to expand or locate in the greater Minot trade area.

These Guidelines are designed to assist the City Council, City staff, the MAGIC Fund Steering Committee, and City consultants and agents with selecting economic development projects that are financially viable and will result in the most effective use of MAGIC Funds.

The eligible uses of the Fund are:

1. Program Administration, Partnerships, and Tools;
2. Primary Sector Business Program;
3. State of North Dakota Program Initiatives– PACE/Flex PACE;
4. City of Minot Community Development Projects;
5. Non-Primary Sector Small Business Program;
6. Flood Control Projects.

These eligible uses, their limits, and fiscal controls are described in further detail on pages 2-6 of these guidelines.

All uses of the MAGIC Fund must support one or more of the following goals:

- Create new jobs;
- Save existing jobs;
- Expand the local tax base;
- Increase capital investment;
- Improve the economic climate of the region;
- Enhance workforce solutions.

As part of the annual City of Minot budgeting process, the Minot City Manager will consult with the Minot Area Chamber EDC President | CEO for a recommendation regarding the level of funding to be allocated to each eligible use. The funding recommendation shall be acted upon by the Minot Area Chamber EDC Board of Directors and a recommendation from the Minot Area Chamber EDC Board of Directors shall be considered by the Minot City Council.

Funds shall be allocated in accordance with the funding schematic attached to these Guidelines as Exhibit 1.

DEFINITIONS

As used in these guidelines, unless the context otherwise requires:

"Lead Agency" shall as established in the program description of each Magic Fund Program.

"MACEDC" shall mean the Minot Area Chamber Economic Development Corporation.

"MAGIC Funds" means funds that have been allocated by the City of Minot's sales tax ordinance.

"Minot Trade Area" means any location that contributes to the economic and/or population growth of the City of Minot.

"Non-Primary Sector Small Business" any business that does not fall under the definition of Primary Sector Business and is not otherwise excluded under these Guidelines.

"Permanent Financing" means financing that commences when principal and interest payments start.

"Primary Sector Business" shall have the same definition as set forth in North Dakota Century Code § 1-01-49(13).

"Small Business" shall have the same definition as the U.S. Small Business Administration (SBA)'s definition of a small business.

"Temporary Financing" means financing that commences before principal and interest payments start, to include short term, bridge, interim, or construction loans.

FUND USES, LIMITS, AND FISCAL CONTROLS

A. FUND USES AND LIMITS

MAGIC Funds may be used for the administrative costs to administer the MAGIC Fund, the Primary Sector Business Program, City of Minot Community Development Projects, State of North Dakota Programs that support economic development, the Non-Primary Sector Small Business Program, and Flood Control Projects.

Non-profit organizations will be considered for funds only when it can be determined that the non-profit venture meets a purpose and goal for which the MAGIC Fund can be used based on these guidelines.

1. Program Administration, Partnerships, and Tools

MAGIC Funds may be used to finance economic program administration costs, including the cost of the City's consultant contracts for MAGIC Fund Administration, economic retention and protection programs such as Task Force 21, and programs to provide insight into the economic climate of the Minot Trade Area, such as Retail Coach and Location One Information System (LOIS).

An agreement shall be made between the City of Minot and Souris Basin Planning Council which governs the use of MAGIC Funds for capitalization of a revolving loan fund for small businesses who qualify for the Bank of North Dakota's FlexPACE Buydown program, administered by Souris Basin Planning Council.

For contracts with consultants and service providers (such as the Minot Area Chamber EDC), there should be expectations and performance standards built into the contract. The return from the service providers and consultants should be proportionate to the money they receive. An audit on the use of these funds may be required as part of the contract.

The lead agency administering the Program Administration program shall be the City of Minot.

2. Primary Sector Business Program

The goal of the Primary Sector Business Program is to facilitate the growth of primary sector businesses in the Minot Trade Area. Businesses with certificates from the North Dakota Department of Commerce Division of Economic Development and Finance certifying them as Primary Sector businesses or Tourism Primary Sector businesses are eligible for funding under this program.

Funds available to Primary Sector businesses may be used to provide temporary or permanent financing of any cost related to the eligible project. Temporary financing may only be in the form of a non-forgivable loan. Permanent financing may be in the form of a non-forgivable loan or combination of forgivable loan and non-forgivable loan with a forgivable loan being no more than 20 percent of total project financing from all sources, both public and private. If an applicant can demonstrate through detailed financial documentation that project feasibility requires a forgivable loan greater than 20 percent of total project financing, the application may be approved with a supermajority of the Minot City Council. The MAGIC Fund may not be used for restructuring existing debt, unless it can be demonstrated that the restructuring will create definable, measurable benefits for the greater Minot Trade Area that meet at least one of the MAGIC Fund goals.

The lead agency administering the Primary Sector Business Program will be MACEDC.

3. State of North Dakota Program Initiatives – PACE/Flex PACE

The MAGIC Fund may be considered to satisfy the local match requirements associated with state programs that support economic and industrial development and encourage and assist in the development of employment, including the Bank of North Dakota's

PACE and Flex PACE programs. MAGIC Funds awarded under this program can be in the form of a forgivable or non-forgivable loan, or any combination of the two loans. The lead agency administering State of North Dakota program initiatives will be MACEDC.

Flex PACE applications shall be reviewed, considered, approved, and administered exclusively by the Souris Basin Planning Council (SBPC). The lead agency administering the Flex PACE Program will be SBPC.

Capitalization of the SBPC Business Accelerator Fund can be funded through this program once per calendar year. SBPC cannot be funded more than 25% of the available funds in the MAGIC Fund account for State of North Dakota Program Initiatives. Pending applications for State of North Dakota Program Initiative funding shall not be used for calculating available funding for capitalization of the SBPC Business Accelerator Fund. MACEDC shall be the lead agency for capitalization requests from SBPC for the Business Accelerator Fund.

4. City of Minot Community Development Projects

MAGIC Funds may be used to finance economic development projects authorized by the City of Minot's City Council.

The lead agency administering City of Minot Community Development Projects will be the City of Minot.

5. Non-Primary Sector Small Business Program

The goals of the Non-Primary Sector Small Business Program are to support economic development through the growth of new, non-primary sector businesses, enhance the entrepreneurial climate of the Minot Trade Area, and expand the local tax base.

Funds available through the MAGIC Fund Non-Primary Sector Small Business Program may be used to capitalize and address the financial needs of non-primary sector businesses not available through traditional financing institutions. Applicants are encouraged to provide letters of support from a Primary Sector industry along with their application.

Financial assistance will not be approved for any new or existing business that gives the applicant an unfair business advantage over other like or similar businesses through the use of the financing from the MAGIC Fund unless the location is in an area the city has identified as requiring new investment such as the downtown district and/or is through a capitalized revolving loan fund serving a rural area of the Minot Trade Area which does not have products, services, or other benefits otherwise accessible in such area.

MAGIC Funds awarded under this program can be in the form of a forgivable or non-forgivable loan, or any combination of the two loans.

The lead agency administering the Non-Primary Sector Small Business program shall be MACEDC.

Limits in relation to Non-Primary Sector Small Business Program:
Businesses that do not qualify for funding under this program include the following: gaming establishments, retail trade, adult entertainment, public administration, food and beverage establishments, and hotels (lodging).

<u>6. Flood Control Projects</u>

MAGIC Funds can be used to finance Flood Control projects. The lead agency administering the Flood Control projects will be the City of Minot.

B. THE FUNDING SCHEMATIC ('The Bucket Chart')

MAGIC Funds shall be distributed in accordance with the funding schematic attached to these Guidelines as Exhibit 1.

The City Council shall dedicate the MAGIC Funds necessary for Program Administration through its annual budget ordinance or amendments thereto.

The City Council, through its annual budget ordinance, may dedicate funds to the Primary Sector Business Program Fund. The City Council shall make every effort to maintain a minimum balance of 3 million dollars in the Primary Sector Business Program Fund. The Primary Sector Business Program Fund shall not exceed 10 million dollars. Should the Primary Sector Business Program Fund balance fall below 3 million dollars, this fund shall become the priority fund to receive MAGIC Funds for future fiscal years until the fund balance reaches the 3 million dollars.

Following funding of the Program Administration and Primary Sector Business Program Funds, MAGIC Funds will be allocated into the remaining programs as recommended by the MACEDC President | CEO and City Manager and approved by the City Council.

Once all other funds are fully funded at their maximum thresholds, any additional MAGIC Fund dollars will be placed in a fund for local flood control projects.

Revenue Projection Variations
The City's Finance Department shall advise the City Manager and MACEDC President | CEO of any significant revenue projection variations during the fiscal year.

Upon receipt of notice of any anticipated funding shortfall, the City Manager will meet and confer with the MACEDC President | CEO to discuss and make a recommendation to the City Council on how address the funding shortfall. Any anticipated surplus shall be rolled over into the following fiscal year.

Changing the Thresholds

The City Council may change the program fund thresholds by amending its annual budget ordinance, a simple majority vote is required.

C. FISCAL CONTROLS

MAGIC Funds shall not be transferred from one program to another without first receiving approval from a supermajority of the City Council. Transfers from Primary Sector Business program will only be permitted to the State of North Dakota Program Initiative program, such transfers can not reduce the balance in the Primary Sector program to less than 3 million dollars and those funds cannot be further transferred to any other fund.

Expenditures from the MAGIC Fund must be listed with the monthly bills approved by the City Council before payment is made. To the extent applicable to the features of a particular project, as part of such process, detailed invoices and receipts must be provided to the City.

Any proposal to obligate MAGIC Fund money beyond what is currently available, plus what is expected to accrue by the end of the current fiscal year, will be clearly stated to the public during a public hearing prior to City Council action.

A public hearing is required prior to City Council action when the proposed use of the MAGIC Funds is for infrastructure related projects. The MAGIC Fund Screening Committee will specifically address and communicate to the City Council when the proposal is for infrastructure and the basis of the infrastructure project connected to job creation/retention, retention of existing business/industry, and/or creation of new business/industry consistent with the MAGIC Fund guidelines.

MAGIC Fund recipients are required to enter into a Development Agreement. A previous MAGIC Fund recipient that meets or exceeds its obligations under a previous Business Incentive Agreement may be eligible for additional funding from the MAGIC Fund for new or expansion initiatives.

MAGIC FUND SCREENING COMMITTEE

The MAGIC Fund Screening Committee, appointed by the Mayor and confirmed by the City Council, will have flexibility in the types of financing tools available to it to pursue general economic and industrial development goals guided by the following examples: unsecured loans, mortgages or secured financial instruments, equity positions, equipment and building purchase and lease-back, interest buy-downs, grants, and other financing vehicles as may be necessary and appropriate. All methods of financing which are utilized must be supported by vetted and verified applicant financials, business plan, and clearly measurable performance benchmarks.

Members will be appointed to retain expertise on the Committee in the following areas:

Number	**Expertise / Profession / Background**
1	Professional
2	Labor
1	Business
1	Trade Area
2	Finance

The MAGIC Fund Screening Committee will make an annual written report to the City Council, which the Council may choose to be supplemented or superseded by a report prepared by an independent private consultant. The chairperson of the Committee will make an oral report to the Council and answer questions from both the Council and the public. The oral report will be made concurrent with the public release of the written report. The annual report shall include:

(1) City of Minot Finance Department shall provide a financial accounting for all tax money spent during the reporting period from the economic development portion of City of Minot sales tax by category of spending. This portion of the report will include MAGIC Fund balance information as of the report closing date.

(2) An assessment of the performance of each program funded through the MAGIC Fund using the "Project Tracking" guidance found in these guidelines. The assessment shall include:

- An assessment of each program fund, including demand and performance; and

  A compliance report regarding the outstanding contracts funded through the MAGIC Fund.

- A list of all applications that were not approved by the MAGIC Fund Screening Committee.

(3) An assessment of the financial and management health of the MAGIC Fund, including any recommendations to amend or redefine these guidelines.

CONFLICTS OF INTEREST

Officers, directors, members or employees of the City of Minot, Minot Area Chamber EDC, MAGIC Fund Screening Committee or Minot City Council that have a direct and substantial personal or pecuniary interest in a matter before the board, council, commission, or other body, must disclose that fact to the body of which that person is a member. The disclosure shall be made in a written letter or email to the corresponding board, committee, or city council and announced verbally before the item is considered by the corresponding board, committee or city council.

A board member, committee member, or city council member shall not vote on any matter in which they have a conflict of interest, nor shall they participate in any activities to evaluate or debate the merits of an application to the MAGIC Fund in which they have a conflict.

APPLICATION PROCESSES

The City of Minot and MACEDC shall develop application procedures and administrative processes that are comprehensive enough to protect the community interests, assuring prudent and accountable use of all funds, but are streamlined enough so as not to discourage potential applicants from seeking financial assistance.

Depending on the program applied for, applicants may be required to submit a complete business plan, financial statements (if an existing concern), and identification of all sources and uses of funds for the proposed project. If the lead agency believes that the application has merit, it may negotiate financial terms with the applicant to include performance and measurable benchmark standards. The MAGIC Fund Screening Committee may contract for professional advice/services to assist in its deliberations, in addition to the Minot Area Chamber EDC which by contract with the City of Minot shall provide specified services and support to the MAGIC Fund Screening Committee. Any such procurements should follow the City of Minot′s procurement policies and procedures.

At least one authorized representative of the applicant must present the application to the MAGIC Fund Screening Committee and respond to questions about their application. All applications and attendant paperwork must be submitted in sufficient time (according to the schedule adopted annually by the MAGIC Fund Screening Committee) to allow the MAGIC Fund Screening Committee to do its due diligence work.

Applicants requesting marketing funding shall submit an application, adequately outlining how the marketing directly supports the goals and purposes of the MAGIC Fund, and others sources of funds to match the requested amount. Applicants shall also specify the timeline for such use, measurable outcomes, and intended uses. An applicant must commit that, when the project is completed, a report will be issued by it to the MAGIC Fund Screening Committee, noting the completion.

The Committee may jointly participate with other political subdivisions in extending assistance to applicants. The MAGIC Fund Screening Committee shall consider impact to the Minot Trade Area when considering applications from political subdivisions.

At each level of review a MAGIC Fund application may have additional obligations or stipulations added by the reviewing parties, including proposing a different funding level not to exceed the initial requested amount.

Unless provided otherwise in these Guidelines, the City Council will review and consider all applications recommended for funding through the MAGIC Fund.

While reasonable, good-faith efforts will be made to maintain confidentiality of information submitted in connection with an application for MAGIC funds, no absolute or unconditional guarantee of confidentiality can be made and the obligations of the Minot Area Chamber EDC, MAGIC Fund Screening Committee and Minot City Council will, at all times, remain subject to North Dakota's Open Records Laws.

APPLICATION REVIEW GUIDANCE

The following guidelines are intended to serve as a source of general guidance for application reviewers (Minot Area Chamber EDC staff and board of directors, City of Minot staff, MAGIC Fund Screening Committee, Minot City Council, etc.) in the administration of the MAGIC Fund. It is important to note that the economic development needs of the area are such that a large degree of procedural flexibility may be necessary to capitalize on windows of opportunity. In that context, administration of the MAGIC Fund must be dynamic enough to ensure that the monies made available to the MAGIC Fund are prudently applied to the economic development needs of the area consistent with the MAGIC Fund Guidelines, which are regularly reviewed and updated by the Minot City Council.

The acid test of the value of an application will be the relative positive "impact mix" of the business on the economy of the region. "Impact mix" is defined in general terms as the number of jobs created or saved; quality of those jobs in terms of salary/benefit levels and the expected length of time the job will be viable; expansion of the tax base; financial mix—to include the appropriate level of owner's equity required to make the venture successful; organizational growth potential of the venture; environmental impact; uses of regional materials in the production process; the amount of third-party participation in the venture; and the amount of primary money generated by the project. The Committee will look for these factors in determining the relative worth of an applicant's venture to the economy of our region consistent with the uses defined and allowed with the MAGIC Fund.

Regardless of the factors upon which any recommendation in connection with an application is based, there must be clear, measurable performance benchmarks which can be used to regularly monitor compliance and performance.

MAGIC Fund administration may consider the applicant's previous MAGIC Fund applications when considering whether to award funding, and in what amount, if any. Applicants must disclose business principals, investors, managers, and any other associations if requested by MAGIC Fund administration. The applicant's business performance and affiliations may be considered by MAGIC Fund administration in reviewing their application and making funding recommendations.

The ratio of public-supported funding versus private-supported funding on each project should be carefully scrutinized so that the MAGIC Fund does not take a disproportionate equity position in any particular project. All funds (MAGIC Fund and matching funds) authorized for the project and activity must be documented and verifiable. If an applicant can demonstrate through a justifiable business plan with clear minimum five-year growth projections that it needs a higher contribution of MAGIC Fund participation than established through these MAGIC Fund Guidelines to assure project feasibility, then consideration can be given by the application reviewers. Final approval by supermajority (5 members) of the full City Council is necessary for projects which request a higher contribution of MAGIC Funds than established through these MAGIC Fund Guidelines.

Interest rates need not be fixed but, rather, may 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. It is important that, to the greatest extent possible, financial packages be tailored to meet the needs of the applicant, balanced with protecting the integrity and sustainability of the MAGIC Fund as well as clearly carrying out the intent and purposes of the Fund. Repayment schedules that provide a significant increase in the probability of project success may be considered, provided that the economic development potential of such arrangement justifies the non-traditional repayment arrangement.

Projects that call for expenditures by the MAGIC Fund to be made over a period of time, and then conditioned upon certain performance benchmarks being reached by the project, are to be preferred over projects that make heavy "up front" expenditure demands. Any project that is heavily front-ended must demonstrate offsetting desirable features not found in the average project. Any project involving front-ended distribution of the MAGIC Fund share prior to Applicant's contribution shall require Applicant guarantees offering reasoned and reasonable repayment of the MAGIC Fund contribution should all obligations not be met, and three years of certified, audited financial statements from the Applicant in the immediate three years prior to date of Application.

PROJECT TRACKING AND DEVELOPMENT AGREEMENTS

The Development Agreement shall specify project tracking procedures for each project approved. The procedures for tracking will provide periodic feedback from the company receiving job creation/retention funding on the status of business operations. The Development Agreement shall establish the specific frequency, content, and manner of presentation of these reports prior to funding disbursement and be made enforceable.

Standard Form (i.e. fillable blank) Development Agreements (or equivalent if Business Incentive Agreements are not applicable) shall be developed by the program's Lead Agency for the following programs to simplify and expedite the contracting process (i.e. Bank of North Dakota PACE Buydown Match). Each Development Agreement will still need to be presented to the City Council. An audit on the use of these funds may be required as part of the development agreement. To the extent appropriate under the circumstances of a particular project, its development agreement shall call for the provision of detailed receipts and invoices as a precondition of the expenditure of funds by the City pursuant to the contract. Development Agreements shall provide for suitable collateral or security to protect the City's interests and, in addition (or when necessary in lieu thereof), "claw-back" provisions. Development Agreements shall prescribe specific reporting requirements to be met by the recipient of funds.

The Lead Agency shall work with City staff and legal counsel to structure each development agreement. Any deviation from a standard form agreement must be described to the City Council.

Applicants for Flex PACE program funds shall enter into a standard form agreement with Souris Basin Planning Council which meets the requirements of the Bank of North Dakota and the City of Minot.

City staff should verify compliance with the contract requirements.

MAGIC FUND APPLICATION

I. MAGIC FUND CONTACT OFFICE OF RESPONSIBILITY: Minot Chamber EDC

II. PREVIOUS MAGIC FUND PROPOSALS/APPLICATIONS:

March 2019- $1 million application for initial BAF investment
March 2022- $780 thousand additional BAF investment
Marcch 2023- $805 thousand additional BAF investment

III. THE FIRM:

A. Name of Company: Souris Basin Planning Council

B. Corporate Address: 18 2nd Street NE, Suite 2, Minot, ND 58703

C. Project Address: ND Region 2 - Bottineau, Burke, McHenry, Mountrail, Pierce, Renville, and Ward counties

D. Telephone: 701.255.1982

E. Form of Business Ownership: 501 (c)(4)

1. If a Corporation, Indicate Federal Tax ID #: 45-0321353

F. Project Principal(s)/Contact(s):

Name	Address	% Ownership
Briselda Hernandez, Executive Director		N/A
Ashley Berg, Board Chairperson		N/A

G. Product or Service: BAF Program - community match for BND Flex PACE and PACE

H. Phase of Project: _____start-up _____expansion _____retention

I. Current Company Status:
1. Current Number of Employees
   a. Full Time: ___________ Average Hourly Wage: ___________
   b. Part Time: ___________ Average Hourly Wage: ___________

J. Primary Bank Account(s)
1. Name: Bravera Bank
2. Address: 925 20th Ave SW, Minot
3. Telephone: 701.420.5733
4. Contact Person: Cassie Simon

K. Company Attorney
1. Name: Jake Maxson, Maxson Law Office
2. Address: 320 16th Street NW, Minot
3. Telephone: 701.839.6704

IV. PROJECT FUNDS SOURCE/USE STATEMENT

Source	Amount/Form	Use
MAGIC Fund	$250,000	BAF investment
BND Flex PACE and PACE	$464,285	Interest Buydown
Other Funds	$3,000,000	Other/Private Investment
TOTAL	$	

V. CURRENT AND PROJECTED EMPLOYMENT

	Existing Jobs	Employment Projections	
	(date)	(year)	(year)
Professional			
Managerial			
Skilled			
Semi-Skilled			
Unskilled			
Total			
Average Hourly Wage Each Year			

VI. ALL APPLICANTS

A. A completed MAGIC Fund Application form.

A. Enclose information concerning any pending or threatening litigation or administrative proceeding or any outstanding administration orders, judgments, or injunctions to include company officials or any of the principals involved in bankruptcy (for the past five years)

VII. NEW BUSINESS VENTURES

A. List three professional and three personal references.

1. (professional) ______________________________
2. (professional) ______________________________
3. (professional) ______________________________
4. (personal) ______________________________
5. (personal) ______________________________
6. (personal) ______________________________

B. A business plan that include no less than three years pro-forma financial statements (balance sheet, income statement and cashflow statement).

C. Signed personal financial statements for all principals who hold more than 20% interest in the venture.

VIII. EXISTING BUSINESSES (Expansion/Retention/Relocation)

A. Enclose financial statements for the past three fiscal years, including: balance sheets, income statements. If unaudited, the statements must be signed and dated by an authorized financial officer of the business.

B. Enclose most recent interim financial statements (balance sheet and income statements).

C. Enclose Federal Tax returns filed by the business principals for the previous three years, if the applicant is a sole proprietorship, partnership, or corporation that does not have its financial statements audited or reviewed.

D. Enclose a business plan, which shall include no less than three years of pro-forma financial statements (balance sheet, income statement, and cashflow statement).

E. Attach a typewritten narrative describing the company, the project, markets served, jobs being retained/created, benefits offered, community/regional impact, competition, and any other information that may help describe the project and funding request.

The data which you supply to this department will be used to assess your firm's qualifications for MAGIC Fund assistance. Any information the company deems confidential/proprietary should be defined when presenting the application. All information submitted that can be protected by the North Dakota open records laws will be omitted from the public record as determined appropriate.

By signing below you represent that you are duly authorized to verify the foregoing application, that you have read it, and that you are familiar with the statements contained therein, which you verify are true.

SIGNATURE AND TITLE Briselda Hernandez, Executive Director

DATE: 1/20/2025

MAGIC Fund Proposal

February 7, 2025

Introduction

Souris Basin Planning Council (SBPC) serves the communities and counties within North Dakota Region 2, consisting of Bottineau, Burke, McHenry, Mountrail, Renville, Pierce, and Ward Counties. SBPC has been serving as an Economic Development District as designated by the US Department of Commerce since 1978.

Program Overview

The Business Accelerator Fund (BAF) was established by SBPC with funds from the City of Minot MAGIC Fund in 2019. The BAF has serves as a community source for Bank of North Dakota's (BND) PACE and Flex PACE programs.

BND supports communities to expand their economic base by combining the PACE and Flex PACE program with local community resources to buy down the interest rate on business loans. BND requires participation with a local lender and with the local community. The PACE and Flex PACE programs can reduce the borrower's rate of interest by as much as 5 percent (5%). BND assigns a community percentage factor to the 200 largest communities within the state. The factor determines the amount of BND's participation (65-85 percent) in the funding of the interest buy down.

The BAF program follows all PACE and Flex PACE guidelines and requirements. Additional information is available on the BND website: bnd.nd.gov/business/

Community Need

Since 2019, the BAF program has seen tremendous success and significantly passed the goals originally set for the program. With the $2.58 million investment, SBPC has approved 62 loans. These projects have been primarily located in Minot. Between 2015-2023, BND has invested more than $25.63 million in Minot through the Flex PACE program. Roughly $24.9 million was invested after the launch of the BAF program.

The BAF program was created as a revolving loan fund; funds begin revolving in 2024. As a requirement of the BND programs, SBPC cannot begin requesting principal payments until after the buy down period has passed. The average loan term for the current portfolio is just short of 5 years. In 2024, SBPC received loan payoffs from three (3) borrowers. As of December 2024, SBPC has an estimate of $100,000 in potential requests, with $141,000 available to lend. See revolving timeline attachment.

MAGIC Fund Request

SBPC projects needing an additional $1.05 million investment to cover projects over a 3-year period. We recognize that SBPC cannot be funded more than 25% of the available funds in the MAGIC Fund account for State of North Dakota Program Initiatives. Therefore, we are requesting the maximum amount of $250,000.

Capacity and Experience

SBPC manages and operates the following loan programs:

1. Business Accelerator Fund: a community source for Bank of North Dakota PACE and Flex PACE programs.
2. Resiliency Fund: low-interest flexible financing tool for businesses needing down payment assistance.
3. Impact Fund: low-interest financing tool for projects that may not fit the programs listed above, or other traditional financing.

SBPC LOAN REVIEW COMMITTEE MEMBERS	SBPC EXECTUIVE BOARD OF DIRECTORS
Jersey Benson, First Western Bank & Trust	Shannon Holter, Bowbells Mayor
Mike Mueller, United Community Bank	Jesse Baker, New Town City Councilman
Stacey LaCompte, ND Native Tourism Alliance	Lisa Olson, Minot City Councilwoman
Brandi Larson, Farmers Union Insurance	Ashley Berg, Pierce County representative
Jessica Aardahl, State Farm Insurance	Nathaniel Buynak, Bottineau County Commissioner
Zachary Broadwell, SBPC Board representative	Dianne Hensen, Glenburn representative
Lisa Olson, SBPC Board representative	Arlen Gartner, Kenmare Mayor
	Davis Mary Liz, Velva Commissioner
	Whitney Gonitzke, Bottineau County EDC
	Zachary Broadwell, Rugby JDA

Expected Community Benefit

Based on a $250,000 MAGIC Fund investment, we estimate $3.5 million in total funds leveraged (14:1 ratio) the first time it is lent, including $465,000 in BND PACE or Flex PACE interest buydown. Funds from the BAF program will be revolved and maintained in this fund - as loans are repaid by borrowers, the principal will be lent again to new borrowers. These funds will continue to leverage these investments over and over into the future as the funds are revolved. No portion of the MAGIC Fund investment will be utilized for administrative fees to underwrite and manage the program.

Business Accelerator Fund

DECEMBER 2025

Established with funds from the City of Minot MAGIC Fund.

62

new and expanding businesses received BAF financing in the region
56 in Minot

$2.61MM

$2,615,329 funding committed for new and expanding business in the region
96% funding to Minot businesses

$75.04MM

$75,044,281 in other funds invested in the region
$69.22MM in Minot

$4.85MM

$4,857,039 leveraged in interest buydown from the Bank of North Dakota.
96% in Minot

Souris Basin Planning Council

Business Accelerator Fund

Program Policy, Procedures, and Oversight

- SBPC serves ND Region 2 consisting of Bottineau, Burke, McHenry, Mountrail, Pierce, Renville, and Ward counties.
- The BAF program was created in 2019 to serve as a community match source for the Bank of North Dakota (BND) Flex PACE and PACE program.
- The community match is in a form of a loan; borrowers must repay the loan with interest.
- SBPC received funding from the MAGIC Fund in 2019, 2022, and 2023 for the BAF program. The total amount is $2,585,300.
- 100% of MAGIC Fund investment is used for lending.
- Individuals/businesses apply directly to SBPC, and we provide free technical assistance to all applicants. Our staff reviews BAF applications and presents them to the SBPC Loan Review Committee for final approval/denial.
- Prior to the BAF program, the City of Minot did not have a <u>local program</u> that could be used to meet the community match requirement for the BND Flex PACE program.

Souris Basin Planning Council

Business Accelerator Fund (BAF) MAGIC Fund Requests

Year	MAGIC Fund Request	MAGIC Fund Granted
2019	$1,000,000	$1,000,000
2022	$2,000,000	$780,000
2023	$805,300	$805,300
Total	$3,805,300	$2,585,300

BAF Funding Disbursement

Year	# of Loans Approved	Total Funds Approved
2019	4	$129,985.68
2020	5	$159,204.04
2021	12	$603,255.55
2022	13	$671,730.07
2023	14	$627,333.20
2024	14	$423,821.21
Total	62	$2,615,329.75

BAF Revolving Schedule

Key notes:

- SBPC cannot receive interest and principal payments during a project's interest buydown period.
- Starting in 2024, projects are generally tied to a 3-year buydown period.
- These values are based on receiving 100% of payments. Loan payment modifications and loan write offs will affect this schedule
- Future Payoff amount is contingent upon additional funding from the MAGIC Fund.
- Based on an assessment of previous years and current projects we estimate needing a minimum of $750,000 per year to meet demand. We anticipate meeting this in 2028.

Year	Current Payoff Schedule	MAGIC Fund Request/Need	Future Payoff	Available to lend
2024	$170,699			$170,699
2025	$42,079	$250,000		$462,778
2026	$342,707	$400,000		$742,707
2027	$310,040	$400,000		$710,040
2028	$418,003			$880,781
2029	$415,651		$462,778	$878,429
2030	$219,676		$742,707	$962,383
2031	$164,270		$710,040	$874,310
2032	$392,453		$880,781	$1,273,234
2033	$20,143		$878,429	$898,572
2034	$119,604		$962,383	$1,081,987
2035	$874,310		$874,310	$1,748,620

City of Minot, North Dakota
Balance Sheet
Sales Tax Economic Development
December 31, 2024
With Comparative Totals for December 31, 2023
(Preliminary & Unaudited)

	Dec 31, 2024	Dec 31, 2023
ASSETS		
Current Assets		
Cash and Investments	$ 7,399,950	$ 7,937,221
Restricted Cash and Investments	-	828,121
Investments current	1,750,000	-
Interest Receivable	168	168
Short-term Lease Receivable	316	316
Intergovernmental Receivable	-	116,208
Current Loans Receivable		
Cypress Development	539,850	539,850
Kalix	-	25,200
LPND1	313,000	626,000
Stevens Welding	102,857	25,714
United Pulse Trading	53,846	53,846
Hot Switch Heating Systems, LLC	71,795	71,795
Allowance for Loans Receivable @ 20%	(2,794,066)	(2,655,075)
Total Current Assets	7,437,716	7,569,364
Noncurrent Assets		
Long-term Lease Receivable	5,603	5,603
Loans Receivable		
Cypress Development	1,000,000	1,000,000
LPND1	626,000	939,000
Mouse River Players	63,998	63,998
Bradley 5 Properties, LLC	100,000	100,000
Stevens Welding	25,714	102,857
United Pulse Trading	161,539	215,385
Hot Switch Heating Systems, LLC	143,590	143,590
JK Hurt Rentals, LLC	100,000	100,000
Auslander, LLC	180,000	180,000
S-J One Eleven, LLC	145,987	145,987
Margie's Art Glass Studio	84,563	84,563
Boomtown Enterprises, LLC	180,000	-
Irene M. Pitner Trust	100,000	-
Total Noncurrent Assets	2,916,994	3,080,983
Total Assets	$ 10,354,710	$ 10,650,347
LIABILITIES		
Accounts Payable	$ 134,498	$ -
Deferred Inflows	6,051	6,051
Total Liabilities	$ 140,549	$ 6,051
FUND BALANCE		
Committed for Legacy MAGIC Fund	$ 6,763,200	$ 6,763,200
Committed for Program Administration	231,810	-
Committed for Primary Sector	2,207,433	-
Committed for City Community Development	1,011,718	3,881,096
Total Fund Balance	10,214,161	10,644,296
Total Liabilities and Fund Balance	$ 10,354,710	$ 10,650,347

City of Minot, North Dakota
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual
Special Revenue Fund
December 31, 2024
With Comparative Totals for December 31, 2023
(Preliminary & Unaudited)

	Sales Tax Economic Development				
REVENUES	**Original Budgeted Amounts**	**Final Budgeted Amounts**	**Dec 31, 2024 Actual Amounts**	**Variance with Final Budget**	**Dec 31, 2023 Actual Amounts**
Sales tax collections	$ 1,725,000	$ 1,725,000	$ 1,883,701	$ 158,701	$ 1,983,048
Interest income	-	-	379,520	379,520	382,590
Rents and royalties	500	500	500	-	1,000
Miscellaneous	-	-	-	-	336,363
Total revenues	1,725,500	1,725,500	2,263,721	538,221	2,703,001
EXPENDITURES					
Current					
Auditors	6,800	12,650	9,050	3,600	950
Consultants	702,150	702,150	668,400	33,750	652,791
Banking and credit card fees	-	-	25	(25)	60
Books and subscriptions	4,500	4,500	4,500	-	4,500
Community contributions	417,590	1,904,337	1,784,425	119,912	1,705,186
Total expenditures	1,131,040	2,623,637	2,466,400	157,237	2,363,487
Excess (deficiency) of revenues over (under) expenditures	594,460	(898,137)	(202,679)	695,458	339,514
OTHER FINANCING SOURCES (USES)					
Transfers out	(594,460)	(594,460)	(227,456)	367,004	(637,121)
Total other financing sources (uses)	(594,460)	(594,460)	(227,456)	367,004	(637,121)
Net change in fund balance	$ -	$ (1,492,597)	(430,135)	$ 1,062,462	(297,607)
Fund balance, January 1			10,644,296		10,941,903
Fund balance, December 31			$ 10,214,161		$ 10,644,296