

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

10-0517R

RESOLUTION AUTHORIZING A FOURTH AMENDMENT TO THE MINNESOTA INVESTMENT FUND (MIF) AGREEMENT WITH THE STATE OF MINNESOTA AND FURTHER AUTHORIZING A FOURTH AMENDMENT TO THE MIF LOAN AGREEMENT AND A FOURTH PROMISSORY NOTE MODIFICATION AGREEMENT WITH NORTHSTAR MACHINE & TOOL, INC., D.B.A. NORTHSTAR AEROSPACE, ALLOWING INTEREST-ONLY PAYMENTS FOR AN ADDITIONAL NINE-MONTH PERIOD.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into a fourth amendment to the MIF loan agreement and a fourth promissory note modification agreement substantially in the form of those on file in the office of the city clerk as Public Document No. _____ with Northstar Machine and Tool, Inc., d.b.a. Northstar Aerospace, allowing Northstar to make interest-only payments retroactive to July 1, 2010, through March 31, 2011.

FURTHER RESOLVED, that the proper city officials are hereby authorized to execute a fourth amendment to the grant agreement with the state of Minnesota, such amendment to reflect the fourth amendment to the MIF loan agreement and fourth promissory modification agreement.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

BD/ATTY JC:bel 10/1/2010

STATEMENT OF PURPOSE: In 2006, the city applied to the Minnesota department of employment and economic development (DEED) for a MIF grant in order to provide Northstar funds to purchase new facility expansion equipment. The city received a grant in the amount of \$500,000 from DEED and made a MIF loan of the same amount to Northstar. The subsidy is in the form of one percent interest. In exchange, Northstar agreed to create 50 new full-time equivalents by February 23, 2009.

In January 2009, the city and Northstar entered into an amendment to the MIF loan agreement and a promissory note modification agreement pursuant to which the time within which the jobs were to be created was increased by one year, until February 23, 2010. Additionally, Northstar was allowed to make interest only payments from January 1, 2009, through June 30, 2009. In June 2009, the city and DEED approved a second six-month extension of interest-only payments with a second amendment to the MIF loan agreement and a second promissory note modification agreement. In December 2009, the city and DEED approved a third six-month extension of interest-only payments with a third amendment to the MIF loan agreement and a third promissory note modification agreement.

Northstar is requesting that the time within which interest only payments are to be made be extended an additional nine-month period, retroactive to July 1, 2010, through March 31, 2011. The fourth amendment to the MIF loan agreement and the fourth promissory note modification agreement provide for this. Northstar's reason for this request is set forth in the letter attached to the hard copy of this resolution. Northstar will fully repay the loan and is current on its payments.

Extension of interest only payments for the MIF loan requires similar approval by the other two lenders involved in the 2006 financing project—Republic Bank and the 1200 Fund. Approval from both lenders was recently secured, allowing this request from Northstar to be considered by the city. DEED has agreed to the fourth extension of interest only conditioned upon city council approval.