

ECONOMIC DEVELOPMENT AUTHORITY REVOLVING LOAN FUND GUIDELINES

The primary objective to be considered in administering the Lanesboro Revolving Loan Fund (RLF) is the upgrade or repair of commercial building exteriors in Lanesboro. It is intended not as the sole funding mechanism for business activity and should be considered a single piece of a larger funding scheme.

Use of funds: construction

Types of businesses: New or expanding businesses, including manufacturing, service, retail, and other commercial entities

Financing: Direct/low interest loans

The establishment of the RLF allows the City to assist businesses for growth and success. The City will receive dividends of a healthier business community, more jobs for its residents, and an expanded, diverse tax base.

Goals and Objectives

- **Expand and diversify tax base** - Assist businesses to remain and expand in Lanesboro, providing larger tax revenues and greater diversity.
- **Manage the portfolio** - Assure repayment so the capital base of the loan fund can grow over time. To have a permanent impact the funds must be available to future borrowers using funds repaid by earlier borrowers.

Service Area

The Lanesboro EDA will operate and service loans made to companies located within Lanesboro.

Types of Financing

Direct loans up to 50 percent of total project cost, not to exceed \$25,000. Minimum of 15 percent owner equity investment in project required. The term and rate of each loan will be determined by needs of each project based on:

- Term of other lenders and the economic life of the asset being financed
- The interest rate for any loan will be the prime interest rate as published in the Wall Street Journal the day of application.

Eligible Borrowers

The program will be open to any eligible legitimate business whose primary place of business is in Lanesboro. Proposals will be reviewed by the EDA.

Use of Loan Proceeds

Eligible uses:

- Site Improvements
- New Building Construction or Rehabilitation
- Renovation and Modernization of Exterior of Buildings

Other Criteria to be considered:

- Creation of new jobs or retention of existing jobs
- Increase in the tax base
- The project can demonstrate that investment of public dollars induces private funds
- The project can demonstrate an excessive public infrastructure or improvement cost beyond the means of the affected community and private participants in the project
- The project provides higher wage levels to the community or will add value to current workforce skills
- Whether assistance is necessary to retain existing businesses
- Whether assistance is necessary to attract out-of-city business

Credit Policies

Loan decisions will be based on demonstrated ability to repay debt, firm project costs, demonstrated need for financing, and financial statements of the company. Equity investment and collateral will be determined on a case by case basis. Subordinated positions will be accepted.

Application Process

1. An Interested loan applicant meets with EDA staff to obtain information about the loan program, discuss the proposed project, and obtain application forms.
2. A completed application, together with a nonrefundable loan origination fee of \$250 must be submitted before review and consideration. This fee pays the costs associated with preparation, structuring, and evaluation of applications, such as accounting and credit examinations. If the loan is denied, the fee is not refunded. Borrowers are also responsible for any additional fees related to the closing of the RLF loan.
3. The EDA reviews the application and makes the final decision. Staff informs applicant of decision.
4. Staff from Community Economic Development Associates (CEDA) process the application and requisite filings and paperwork.

It is the objective of the Lanesboro EDA to maximize the use of available assets. If all requirements of the applicant have not been completed within six (6) months of the date the EDA approved the application, the application will be considered abandoned by the applicant. Any funds held in reserve for that application will be released to support any waiting applicants. Any applicant having so abandoned their application may re-apply. All applications will be reviewed and processed, if applicable, in the order received.

Application Review Process

When a completed application is received, EDA will conduct a thorough review of the application. Items to be considered:

- Applicability of the project to the goals of business subsidy policy
- Benefits of the proposed project to the City
- Compliance with all City ordinances, policies, and restrictions.
- Availability and applicability of other governmental grants and/or loan programs.
- Ratio of private funds to loan funds
- Financial feasibility – availability of funds, private involvement, financial packaging and cost effectiveness.
- Project design
- Repayment ability and sufficient cash flow to cover proposed debt service.
- Balance sheet/ratio analysis
- Letter of commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
- Letter of commitment from regulated financial institution stating terms and conditions of their participation in project, if applicable, or turn down letters.
- Management skills
- Sufficient collateral and lien position

Other Policies

Loan closing will be handled by CEDA staff and other appropriate City staff. Staff will notify EDA of any account delinquencies

Any modifications of loan terms and conditions must be requested in writing by the applicant and approved by the EDA.

Defaults will be handled on a case by case basis. Specific action, including legal interventions and judgements, will depend on the nature and circumstances of the loan, amount and availability of collateral and costs versus benefit of liquidating assets or other collateral. Any action taken will be initiated under direction from the EDA.

Conflict of Interest

A loan application must stand on its own merits. A voting member of the EDA may not vote or otherwise influence other voting members on measures regarding a loan request where they or their immediate family stand to benefit either personally or financially.

Government Data Practices

Information contained in the application for assistance will become a matter of public record with the exception of those items protected under the Minnesota Government Data Practices Act, MS § 13.

Right of Ultimate Review

Due to the fluctuating nature of business and communities, this policy must remain able to accommodate the changing needs of the City. Due to the inherent inability to fully anticipate future situations and projects, this granting body retains the right to grant loans to projects that are deemed in the public interest, yet may deviate from the above criteria.