



**City of Belle Plaine
Economic Development Authority**

**REVOLVING LOAN FUND POLICY
2015**

Belle Plaine Economic Development Authority

Staff

Executive Director
Administrative Assistant

Chelsea Alger
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Members

Name

Rick Krant, President, 2015
Lisa Fahey
Dick Coleman
Mike Jacobs
Crystal Doyle
Council liaison Scott Schneider
Council liaison Cary Coop

2015 Financial Subcommittee

Chelsea Alger, Executive Director
Mike Jacobs (2014-2015)
Lisa Fahey (2015-2016)
Crystal Doyle (alternate)

Professional Services

Legal/Bond Counsel
Engineer
Auditor
Financial Advisor

Kennedy and Graven, Julie Eddington
Bolton and Menk, Joe Duncan
Abdo, Eick and Meyers
Ehlers and Associates

POLICY AND PROCEDURES FOR THE REVOLVING LOAN FUND OF THE BELLE PLAINE
ECONOMIC DEVELOPMENT AUTHORITY (BPEDA)

IN AND FOR THE CITY OF BELLE PLAINE

I. PURPOSE

The purpose of the Revolving Loan Fund (RLF) is to establish a low interest loan program to provide the capability and incentive for owners and tenants of new and existing businesses to upgrade the appearance, structural condition, and operating efficiency of their places of business, thereby improving their marketability and retaining and expanding job opportunities.

II. GOALS FOR THE USE OF RLF FUNDS

By providing low interest loans to existing or new businesses, the BPEDA has established the following goals:

1. The project will remove, prevent or reduce slums and/or blight, thereby protecting property values and the general public’s health, safety and welfare.
2. The project must be a conforming use in the Zoning District in which it is located and generally consistent with the City of Belle Plaine’s Comprehensive Plan.
3. The project use of the RLF requires quality construction and must promote the highest and best use of the land.
4. The project will not significantly or adversely increase the impacts on existing utility service needs in the City.
5. The project must meet the design guidelines established by the Belle Plaine Zoning Ordinance, and Belle Plaine Design Manual, adopted July, 2008.
6. The project should seek to utilize local contractors, suppliers, vendors, professionals, and/or financial institutions.

III. QUALIFYING IMPROVEMENTS AND USE OF FUNDS

RLF proceeds may be used for the following purposes:

1. To improve the exterior appearance of buildings and property, including land or building acquisition; building construction; expansion, renovation and/or modernization of buildings; façade improvements; or energy efficiency improvements within the City of Belle Plaine.
2. For interior improvements; however, in addition to the goals set forth in Section II above, must be made for one or more of the following reasons:
 - A. Job creation and/or retention,

- B. Required compliance with an existing Building Code violation,
 - C. Necessary to obtain a valid certificate of occupancy from the City of Belle Plaine,
 - D. Meet any City approved economic development or redevelopment plans,
 - E. Meet any City sponsored or established design guidelines; or
 - F. Prevention or elimination of slums or blight.
3. Other fixed asset financing, including machinery and equipment; for purposes of job creation and/or retention. These items must be defined to have a useful life of at least five (5) years.

Loan proceeds may NOT be applied to work in process or purchases already made at the time of application. Additionally, loan proceeds may not be applied to properties located in the flood plain, refinancing existing debts, non-fixed asset improvements, “soft” costs, working capital, inventory, or sweat equity (payment for the applicant’s own labor and performance for construction or improvements. Qualifying Improvements must begin construction (Section III, Items 1 and 2) or be purchased (Section III, Item 3) within 90 days of loan closing, unless an extension is requested and approved.

IV. APPLICANT ELIGIBILITY

Applicants may be individual owners, partnerships, corporations, tenant operators, or contract for deed purchasers of property and building within the City of Belle Plaine and shall provide all documentation of entity status requested in the application forms. Applicants must have the ability to repay the loan and be an acceptable credit risk as determined by the participating lender and/or by the BPEDA.

V. NATURE OF LOANS

The BPEDA will review each loan application, pursuant to the goals and policies set forth in this document, on a case by case basis.

- 1. Minimum Loan Amount. The minimum loan amount shall be \$5,000.
- 2. Maximum Loan Amount. The maximum loan amount is at the discretion of the BPEDA but shall not exceed 75% of the funds on deposit in the RLF; or 40% of the total project cost for land/building purchase/construction/renovation, or 25% of the total purchase price of machinery or equipment; whichever is less.
- 3. Loan Terms. The terms for any loan will be determined by the BPEDA, depending on the purpose of the funds, based on the parameters outlined below:

<u>Loan Purpose</u>	<u>Limits</u>	<u>Maximum Term*</u>	<u>Rate**</u>
Land/Building Purchase; Building Construction or Renovation	The BPEDA loan may not exceed 40% of project cost	10-years	2.50%
Purchase of Machinery or Equipment	The BPEDA loan may not exceed 25% of purchase price	7-years	3%

*The term for any loan will be determined by the EDA

**The interest rate will be a fixed rate, and set at 2% below the prime interest rate established at the time of closing, or the percentage allowed depending on the use of the RLF proceeds, based on this chart, whichever is greater

4. Equity Participation. There shall be a minimum of 10 percent equity investment of total project costs required of all applicants.
5. Loan Costs. The applicant is responsible for all hard loan costs such as title opinions, appraisals, abstracting costs, recording fees and mortgage tax. Amounts collected on the loans shall be allocated first to interest due, then to principal due, then to reasonable collection costs.
6. Loan Security and Guarantees. The applicant must be able to secure the loan with a first or second mortgage upon the building and/or assets involved, or other approved collateral. The value of approved collateral will be discounted up to a maximum of 80% of appraised market value for land/building, and up to 65% for machinery and equipment. Personal guarantees from company owners (greater than 20% ownership) shall be required. The BPEDA may also require additional agreements, such as a security agreement and a business subsidy agreement. The applicant must demonstrate the financial means to repay the loans as determined by the BPEDA and/or financial institution. The applicant must further demonstrate that the assets involved are insured for an amount not less than the total outstanding loans.
7. Balance Due. If the applicant sells or transfers title to the improved building or equipment, or relocates any portion or all of the business outside the City of Belle Plaine, prior to full repayment of the loan, the loan must be paid in full with interest.

VI. PARTICIPATING LENDERS

For Loan applications in which there is a participating lender as part of the project financing package; the participating lender shall supply to the EDA a Letter of Intent to participate in the project funding; along with copies of any supporting documents generated by the participating lender, such as a financial statements, tax returns, projections, credit report or UCC lien search, and any other items as required as part of the application. In the event a participating lender is not utilized as part of the project financing, the applicant may be required to work with one to prepare the financial documents required for the application. The BPEDA and/or participating lenders shall be a part of the loan closing, obtaining properly executed mortgages, promissory notes and all other forms and documents required by law or regulations from loan recipients. The BPEDA and/or participating lenders shall close the loans, obtaining properly executed mortgages, promissory notes and all other data required by regulations from recipients.

VII. REVIEW GROUP

The BPEDA shall appoint a Finance Subcommittee who will serve as the Review Group for loan applications prior to being forwarded to the full BPEDA. The Finance Subcommittee shall be made up of the Executive Director and two members of the BPEDA, plus one alternate Other than the Executive Director, EDA members shall serve two-year, alternating, terms. The alternate shall become an active member of the Finance Subcommittee the subsequent year after being appointed and serve a two-year term from that point.

IIX. GUIDELINES FOR APPLICATION AND APPROVAL

Any interested loan applicant should meet with the BPEDA Executive Director to obtain information about the RLF, discuss the proposed project, and obtain application forms.

1. Five (5) copies of a completed application form must be submitted to the Executive Director of the BPEDA prior to review and consideration. The following items are required as part of the application:
 - A. An application fee of \$300 or 1.5% of the loan, whichever is greater. (For example, a loan request of \$5,000 would pay a \$300 application fee; and a loan request for \$25,000 would pay a \$312.50 application fee). Such application fee is non-refundable.
 - B. Quotes from vendors, contractors, subcontractors, etc, to support the loan request. Proposed contractors and subcontractors must be licensed, insured and bonded.
 - C. Letter of Commitment from the participating lender (if applicable).
 - D. Business Plan (template provided in application).
 - E. Financial Statements:
 - 1) Historical- at least three years (if established business)
 - 2) Projections- at least two years; identifying proposed cash flow and net income illustrating the ability to service existing and proposed debt.
 - F. Tax Returns- at least two previous years.
 - G. Credit Report for the business and all individuals listed as on the application.
 - H. Verification that real estate taxes are current for the business and personal property.
 - I. Identified collateral. If the collateral is:
 - 1) Building/Land- the following items are required:
 - a) Appraisal or purchase price of the property; or assessed value, whichever is lower.
 - b) Title Commitment identifying prior liens.
 - c) Proof of insurance on the property.
 - 2) Machinery/Equipment- the following items are required:
 - a) UCC lien statement(s)
 - b) Purchase price or established Fair Market Value of the item(s).
 - J. Any other information requested by the BPEDA Executive Director deemed necessary to review the application.
2. Once an application is determined complete, it will be reviewed by the Financial Subcommittee to determine conformity to this Policy; and all City policies and ordinances.
3. If the project includes façade improvements, the Design Committee shall review to determine conformity to the Belle Plaine Design Manual and Zoning Ordinance.
4. Subsequent to review by the Financial Subcommittee and, if necessary, Design Committee, the application will be placed on the next available meeting schedule for the BPEDA and City Council; subject to any hearing requirements associated with the request. Specially requested meetings shall be paid by the applicant; per the City's Fee Schedule, as amended. In considering whether to recommend approval of an

application, or which application to give priority, in addition to the Purpose and Goals listed above, the BPEDA may consider:

- A. The date of the application;
 - B. The nature and extent of improvements leveraged by the RLF;
 - C. The size and extent of the proposed structure; and
 - D. The extent of new or expanded business and employment opportunities resulting from the proposed improvements.
5. The BPEDA shall approve or reject such application and state the reasons for the decision. The City Council shall have final review and authority. Approvals shall be contingent upon, but not limited to, the following:
- A. Property taxes being current on the property in which funds are being used.
 - B. A credit bureau report has been obtained identifying a minimum score of 650.
 - C. A Secretary of State Name Search is completed, confirming the business is registered.
 - D. A Judgment search is completed.
 - E. A UCC lien search is completed.
 - F. Approval from the Financial Subcommittee and, if appropriate, the Design Committee.
6. If rejected, an application may be resubmitted with appropriate modifications.
7. If approved, an appropriate amount of money in the RLF shall be reserved to cover the RLF's anticipated participation in the loan or the BPEDA shall indicate that insufficient funds for such participation then exist, in which case the application shall be placed on a waiting list until such time as funds become available or the application is withdrawn.
8. At any time prior to closing on a loan, the City Council or participating lender may disapprove an application which had obtained preliminary approval, based upon changed circumstances or for any other reasonable cause.

IX. PAYMENT OF LOAN PROCEEDS

Loan proceeds shall be paid directly to applicants only after the work for which payment is requested has been performed and the work has been accepted in writing by the BPEDA or its Executive Director. The quality and progress of the work shall be monitored by the loan recipient and the BPEDA or its representative. All invoices and other necessary information as related to the project costs shall be provided to the BPEDA or its representative prior to the disbursement of funds. THE BPEDA may allow proceeds to be released earlier than upon completion of work if used as a down payment on a building purchase and/or to allow payment to be made directly to the participating lender, contractor or vendor.

All work is to be performed in accordance with all applicable laws and ordinances and shall be inspected by the City-designated Building Inspector, whether or not the work requires a permit, to insure compliance with specifications prior to final payment.

X. DURATION

Loans may be made under these policies to the extent that funds are available, as allocated to the fund by the BPEDA and so long as there are lenders participating and eligible loan recipients. The RLF may be terminated, upon written notice to all participating lenders of the BPEDA's intention to terminate the RLF. If the RLF is so terminated, such termination shall not affect the rights and obligations of the participating lenders nor those of the BPEDA with respect to loans outstanding on the effective date of such termination. A participating lender may withdraw from the program at any time, with respect to future loans, by giving written notice to the BPEDA of its intent to withdraw.

XI. MINNESOTA BUSINESS SUBSIDY LAW

Pursuant to Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Law"), business loans subject to the Business Subsidy Law and recipients of such loans will be required to enter into a subsidy agreement with the BPEDA, which will require, among other things, the satisfaction of certain wage and job goals and a commitment to maintain operation of a business for a certain length of time. (See attached exhibit)

XII. CONFLICT OF INTEREST

The applicant shall submit the name(s) or the owner(s), shareholder(s), partner(s), sole proprietor, corporation member(s), or other person(s) or business(es) with any financial interest in the project and its financing in order to preclude any conflict of interest in the RLF loan review and approval process.

XIII. DISCRIMINATION PROHIBITED

All persons/businesses submitting an application and receiving RLF loan proceeds agree, by accepting said proceeds, to comply with all federal and state laws and related rules and regulations which prohibit discrimination. Generally, these laws and rules make it an unfair employment practice, except when based on limited, statutory exception or a bona fide occupational qualification, for an employer to refuse to hire, to discharge, or otherwise treat a person differently with respect to hire, compensation, terms, upgrading, conditions, facilities or privileges of employment because of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, age, or sexual orientation; or in reprisal for objection to, or participating in the investigation or litigation of, alleged discrimination or for associating with disabled person or persons of a different race, color, creed, religion, sexual orientation or national origin.

**BELLE PLAINE ECONOMIC DEVELOPMENT AUTHORITY
REVOLVING LOAN FUND (RLF) PROGRAM
APPLICATION FOR FUNDS**

COMPANY INFORMATION

Name of Business: _____

Current Address: _____

Telephone: _____ **E-mail (if applicable):** _____

Primary Contact Person: _____

Title: _____

Telephone: _____

Nature of Business: _____

Form of Business Organization:

CD Purchaser Tenant Operator Other _____

Sole Proprietorship Limited Partnership _____

Partnership Corporation (Cooperative)

Number of Employees: _____ **Full-Time:** _____ **Part-Time:** _____

Property Owner(s): _____

(If applicant is other than owner of business, a letter of project approval from the owner must accompany this application.)

PROJECT DESCRIPTION

Briefly describe the nature of the project: _____

Amount Requested from RLF: _____

Percent of total project cost: _____

Funds to be used for: _____

Is the proposed building a conforming use or legal non-conforming use under the City of Belle Plaine's Zoning Ordinance?

Yes No

Please detail your interest in restoring and/or maintaining the subject property:

Do you give permission to the City of Belle Plaine's representative to pre-inspect the subject property? Yes No

Please outline the scope and detail of the work to be performed: _____

What is the estimated completion date for the project?: _____

Please attach the following documents along with your application:

1. An application fee of \$100 or 1% of the loan, whichever is greater.
2. Quotes from vendors, contractors, subcontractors, etc, to support the loan request.
Proposed contractors and subcontractors must be licensed, insured and bonded.
3. Letter of commitment from the participating lender (if applicable).
4. Business Plan (template provided below).
5. Financial Statements:
 - A. Historical-at least three years (if established business)
 - B. Projections- at least two years; identifying proposed cash flow and net income illustrating the ability to service existing and proposed debt.
6. Tax Returns- at least two previous years.
7. Credit Report for the business and all individuals listed as on the application.

8. Verification that real estate taxes are current for the business and personal property.
9. Identified collateral. If the collateral is:
 - A. Building/Land- the following items are required:
 - 1) Appraisal or purchase price of the property; or assessed value, whichever is lower.
 - 2) Title Commitment identifying prior liens.
 - 3) Proof of insurance on the property.
 - B. Machinery/Equipment- the following items are required:
 - 1) UCC lien statement(s)
 - 2) Purchase price or established Fair Market Value of the item(s).
10. Other information requested by the BPEDA Executive Director deemed necessary to review the application: _____

NOTICE TO COMPANY: Data Practices Act

The information that you supply in your application to the City of Belle Plaine/Belle Plaine EDA ("City") will be used to assess your eligibility for financial assistance. The City 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 City 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 City 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. Further, I have read, understand, and agree to comply with the Plan for the Revolving Loan Fund of the Belle Plaine Economic Development Authority and the City of Belle Plaine.

Signature / Title

Date

Name (printed)

Economic Development Authority
in and for the City of Belle Plaine
c/o President or Executive Director
Belle Plaine Government Center
218 North Meridian Street
P.O. Box 129
Belle Plaine, MN 56011

RE: Participation in the Revolving Loan Fund

Dear Commissioner:

On behalf of the _____ (the lender) the undersigned hereby notifies you of the lender's intent to participate in the Revolving Loan Fund as described in the Plan and Policies adopted by the Belle Plaine Economic Development Authority. I warrant that I am authorized by the lender to issue this letter on its behalf and that the lender is an FDIC or FSLIC insured lender. The lender has received and reviewed a copy of the Plan and Policies and hereby agrees to its terms, including all responsibilities assigned therein to participating lenders.

The lender is submitting this Letter of Participation as a result of its decision to approve the loan application in the total amount of \$_____ (\$_____ from lender, \$_____ from BPEDA). After reviewing the aforementioned application, the lender, in its best judgment, deems _____ to be credit worthy and eligible to participate in the Revolving Loan Fund Program.

Dated: _____
Name of participating lender

By _____

Its _____

OUTLINE OF SIMPLIFIED BUSINESS PLAN

- I. Summary Statement**

- I. Business Analysis**
 - A. Business History
 - 1. History
 - 2. Keys to Success
 - 3. Customer Base

 - B. Management Team

 - C. Industry Analysis
 - 1. Industry Trends
 - 2. Market Share
 - 3. Competition

- III. Strategic Opportunities**
 - A. Business/Market Opportunity

- IV. Financial Information**
 - A. Funds/Resource Needed

 - B. Financial Statements (If Requested)
 - 1. Business
 - 2. Personal

Date: _____ **Name of Applicant:** _____

Home Address: _____

Telephone (Home): _____ **(Work):** _____

Proposed or Existing Business: _____

Address: _____

Landlord (if applicable): _____

Type of Business: _____

I. Summary Statement

The summary statement is used to summarize and emphasize the high points of the Simplified Business Plan. It should enable the reader to identify and understand the company's objective and strengths. Although the Summary Statement appears first in the Simplified Business Plan, it should not be written until the remainder of the plan has been completed.

II. Business Analysis
A. Business History

This section should contain a brief history of the business, its purpose and main product or service. It should also discuss the “competitive advantage” that has been the Key(s) to the success of the business and finally where the customer base is located.

II. Business Analysis
B. Management Team

This section should describe the experience, training and history of the management team.

II. Business Analysis
C. Industry Analysis

This section should discuss the characteristics and trends of the industry. It should also contain information about the competitors – their locations, strengths and weaknesses and finally the share of the market of each competitor.

III. Strategic Opportunities

A. Business/Market Opportunity

This section should discuss in detail the opportunity that exists and is the basis for the request for funds or resources.

IV. Financial Information

A. Funds/Resources Needed

This section should detail the funds/resources that are needed to take advantage of the opportunity that exists and how they are to be used.

IV. Financial Information

B. Financial Statements

Attach financial statements as required.

Minnesota Statutes. 116J.993 -116J.997

Subd. 3. Business subsidy.

"Business subsidy" or "subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

- (1) a business subsidy of less than \$150,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- (5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- (6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) assistance for housing;
- (8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;
- (9) assistance for energy conservation;
- (10) tax reductions resulting from conformity with federal tax law;
- (11) workers' compensation and unemployment insurance;
- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) assistance for a collaboration between a Minnesota higher education institution and a business;

(16) assistance for a tax increment financing soils condition district as defined under section [469.174, subdivision 19](#);

(17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;

(18) general changes in tax increment financing law and other general tax law changes of a principally technical nature;

(19) federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;

(20) funds from dock and wharf bonds issued by a seaway port authority;

(21) business loans and loan guarantees of \$150,000 or less;

(22) federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and

(23) property tax abatements granted under section [469.1813](#) to property that is subject to valuation under Minnesota Rules, chapter 8100.