

# **GOODHUE COUNTY EDA REVOLVING LOAN FUND PROGRAM**

## **BACKGROUND**

Revolving Loan Funds (RLF) provide businesses with secondary direct loans, loan guarantees and other financial assistance. As the RLF receives the principal and interest from outstanding loans, the money is made available to another borrower. This recycling of funds makes RLFs particularly valuable in light of the growing scarcity of development funds.

RLFs are designed to alleviate the high cost and short supply of capital for businesses by providing flexible loan terms. Typically, RLFs lower the rate, lengthen the term or reduce the risk of a loan. By increasing accessibility to capital, RLFs are an effective tool of leveraging. RLFs are typically combined with other public or private dollars and are used to initiate, facilitate and promote the county's legitimate economic development interests. Economic development activities assisted with funds made available through the RLF Programs are intended to encourage the creation and retention of permanent jobs, increase property tax base, and promote travel, tourism and the arts.

This program is intended to complement, not replace, existing local development incentives.

## **ELIGIBLE USES OF THE REVOLVING LOAN FUND**

1. Must be a for profit business
2. Applicant can be a municipality or township on behalf of a for-profit economic development project
3. Land & Building Acquisition
4. Land Improvements
5. New Building Construction
6. Building Renovation
7. Machinery, Equipment & Fixtures – the remaining effective life must be equal to or exceed the life of the loan.

## **INELIGIBLE USES OF THE REVOLVING LOAN FUND**

1. Debt Refinancing
2. Working Capital
3. Equipment Relocation
4. Residential Real Estate
5. Taxes
6. Professional Fees
7. Gambling

## **ADMINISTRATION**

### **REVOLVING LOAN FUND ADVISORY COMMITTEE**

A five (5) member Revolving Loan Fund Advisory Committee (Committee) shall review and recommend applications for loan participation to the EDA Board. County Board members will be appointed annually. A business member will be appointed by the County Board to serve a three (3) year term.

- |  |          |
|--|----------|
| 1. A Goodhue County Commissioner (Serves as Chair) | 1        |
| 2. Goodhue County EDA Board Member:                | 1        |
| 3. County Administrator                            | 1        |
| 4. County Finance Director                         | 1        |
| 5. Local Business Representative:                  | <u>1</u> |
| <i>Total RLF Advisory Committee Members:</i>       | <u>5</u> |

\*EDA Consultant will act as an Ex-officio member of the Committee

Revolving Loan Advisory Committee meetings shall be held on an as-needed basis. The County Administration will coordinate with Committee members and County staff to schedule meetings as needed. Written records of any meetings must be prepared and maintained. Copies will be maintained on file with the County Administrator.

## **TERMS AND CONDITIONS**

- Terms are recommended by the RLF Advisory Committee and based on factors such as the use of funds, collateral and repayment ability.
- Minimum loan fixed interest rate shall be 4% annually or as recommended by Committee.
- Maximum loan amount shall not exceed available funds in the revolving loan account.
- There is no minimum loan amount but shall be determined on a case by case basis by the Committee.
- RLF Loan shall not exceed 50% of the total project costs.
- Applicant will pay 1 point towards legal, recording and other fees (1% of loan value).
- The applicant must establish and maintain the business within the boundaries of Goodhue County.
- All construction and renovation must comply with the applicable codes and policies; repairs may include the following: 1) mechanical, heating, plumbing and electric 2) structural, including the facade and energy related improvements.
- No building construction may commence until the required permits are secured.
- Security and personal guaranty requirements will be determined by the Committee. These requirements shall be consistent with the financial industry standards.
- Life insurance, key man policy and business interruption policies may be required.
- No project may commence until the Goodhue County Board has approved the loan. Any costs incurred before the loan application has been approved are not eligible expenditures.
- The City or Township in which the applicant's business resides must submit a letter of support and document its level of willingness, if any, to guarantee the loan.

## **APPLICATION PROCEDURES**

Application forms are available on line at [www.co.goodhue.mn.us](http://www.co.goodhue.mn.us) or can be received from Goodhue County Administration at 509 W 5<sup>th</sup> St., Red Wing, MN, 55066.

Applicant should allow for a reasonable timeframe once the completed application and all required documentation are submitted. County Administration will assist the applicant through all stages of the application process. The Revolving Loan Fund Advisory Committee will review the loan request utilizing financial industry standards including but not limited to:

- Applicant is credit worthy
- Applicant can show lender commitments
- Applicant is willing to sign a personal guaranty
- Applicant can pledge adequate collateral
- Applicant can inject adequate equity

## **Review Process**

1. Applicant submits the completed preliminary application form to County Administration who will review the application for completeness and verify the proposed project meets the minimum requirements. If the application is not complete, the applicant will be informed of the deficiencies.
2. County Administration forwards the preliminary application to the RLF Advisory Committee for review.
3. County Administration schedules a meeting of the RLF Advisory Committee to review the application.
4. The RLF Advisory Committee reviews application and makes a recommendation to the Goodhue County EDA Board of Commissioners. The RLF Advisory Committee is expected to give their approval or state their reason for disapproval within 30 days.
5. If a favorable recommendation is determined, County Administration will place this item on the agenda for the next regularly scheduled Goodhue County EDA Board of Commissioners meeting.
6. EDA consultant or County Administration makes the presentation to the EDA Board of Commissioners with the applicant in attendance.

## **Notice of Award/Terms**

7. If a favorable recommendation is determined, County Administration will ask for this item to be placed on the next regularly scheduled meeting of the Goodhue County Board of Commissioners.
8. If the County Board approves the recommendation as presented or with adjustments, Administration or the EDA consultant will prepare the necessary documentation detailing the conditions that must be met for the loan and have the documentation reviewed by the County Attorney.
9. Upon completion of the documentation, the loan is closed upon and documents are recorded.
10. Applicant commences with monthly payments per the repayment schedule.

## **Rejection of Award:**

If the applicant(s) is not approved, the County Administrator will send a letter to the applicant stating the reasons for rejection.

## **LOAN PROCEDURES**

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan process:

1. Notice of Award - The RLF Advisory Committee must have reviewed and approved a complete application for an eligible applicant
2. Loan Agreement - A loan agreement shall be executed by the Chairman of the County Board. This agreement shall be signed by the principal owner(s) or officer(s) of the business. The agreement

must be dated; must state the agreement between the County Board and the business; and must specify the amount and terms of the loan funds delivered.

3. Security - Mortgage or lien instruments must be executed at the time of the loan closing. The County Attorney shall record the instrument and place the original in the project file which is kept in County Administration.
4. Amortization Schedule - An amortization schedule shall be prepared by the Finance and Taxpayer Services Department with a copy provided to the borrower. Copies also are retained on file with County Administration.
5. Evidence of Permits - Documentation must be proved by the applicant.
6. Other Documentation - The borrower may be asked to provide other types of documentation as appropriate or necessary.

### **Post-Approval Requirements of Loan Recipient**

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

- To use loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
- To permit inspections by persons authorized by the County of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections which include but may not be limited to, materials, equipment and condition of employment. Requests for inspection shall be complied with by the borrower.
- To maintain records on the projects as may be requested by the County. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
- To maintain fire and extended coverage insurance on the project property required during the term of the loan. Goodhue County EDA shall be listed as Loss Payee, Mortgagee, or “additional insured” on the policy.
- The business must maintain an actual physical presence within Goodhue County.

### **POST CLOSING AND MONITORING**

#### **General Procedures**

1. When the loan closing is completed and the funds are disbursed, County Administration will establish a loan servicing file to contain:
  - a. All closing documents;
  - b. A log of all conversations and correspondence relating to the loan
  - c. A master follow-up file to ensure loan monitoring functions are performed on a timely basis.
2. The calculation of principal and interest, and monthly payment reports will be executed at the time of the loan closing and will be forward to the County’s Finance Department for payment collection.

## **Monitoring**

County Administration will be responsible for collecting and maintaining evidence of ongoing compliance with any loan requirements, including job creation and retention, insurance, financial reporting and any special conditions in the initial agreement.

## **Default**

In the event the business is in default on any of the terms and condition of the loan agreement, all sums due and owing, including penalties, shall, at the Goodhue County EDA's option, become due and payable. To exercise this option, the County Attorney shall prepare a written notice to the business. The notice shall specify the following:

- The default
- The action required to cure the default
- A date, not less than thirty (30) days from the date of the notice, by which the default must be secured to avoid foreclosure or other corrective action.
- Any penalties incurred as a result of the default, inability to create jobs, etc.

The Goodhue County EDA shall use its discretion in terms of when and how to collect and liquidate secured collateral.

## **USE OF LOAN REPAYMENTS AND REPORTING**

Repaid loans shall be re-deposited into the Revolving Loan Fund account and used in a manner consistent with these policies and procedures. A separate accounting record for each loan shall be kept to account for all funds loaned.

**GOODHUE COUNTY REVOLVING LOAN FUND PROGRAM  
APPLICATION**

- Goodhue County RLF
- Restricted RLF for Pine Island only (expires May 2015)

Name of Business: \_\_\_\_\_

Business Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Type of Business: \_\_\_\_\_ Sole Proprietorship \_\_\_\_\_ Partnership \_\_\_\_\_ Corporation \_\_\_\_\_ Other

Date Established: \_\_\_\_\_ SIC Code: \_\_\_\_\_

Employers Federal Identification Number: \_\_\_\_\_

Employers State Identification Number: \_\_\_\_\_

Name of Owner #1	Name of Owner #2
Percentage Owned: _____ %	Percentage Owned: _____ %
Home Address: _____ (City, State, Zip) _____	Home Address: _____ (City, State, Zip) _____
Home Phone: _____	Home Phone: _____
E-mail: _____	E-mail: _____
Social Security #: _____	Social Security #: _____

**Professional Services/References:**

**Name of Bank:** \_\_\_\_\_ **Phone:** \_\_\_\_\_

**Bank Address:** \_\_\_\_\_

**City, State, Zip:** \_\_\_\_\_

**Contact Person:** \_\_\_\_\_ **Account #:** \_\_\_\_\_

**Working Capital Line of Credit:** \$ \_\_\_\_\_ **Fax:** \_\_\_\_\_

**Name of Attorney:** \_\_\_\_\_

**Attorney Address:** \_\_\_\_\_

**Phone:** \_\_\_\_\_ **Fax:** \_\_\_\_\_

Name of Accountant: \_\_\_\_\_

Accountant Address: \_\_\_\_\_  
 \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

**Current and Projected Employment:**

Type of Employment	Employment Projections						Wage
	Existing Jobs		First Year		Second Year		
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
Professional/Managerial/Technical							\$___/___
Skilled							\$___/___
Unskilled/Semi-skilled							\$___/___
Totals							

**Sources and Uses of Funds:**

	RLF	Bank	Equity	Other	Total
Acquire Land	\$	\$	\$	\$	\$
Acquire Building	\$	\$	\$	\$	\$
New Building	\$	\$	\$	\$	\$
Improve/Renovate Building	\$	\$	\$	\$	\$
Purchase Equip/Machinery	\$	\$	\$	\$	\$
Inventory	\$	\$	\$	\$	\$
Working Capital	\$ N/A	\$	\$	\$	\$
Other _____	\$	\$	\$	\$	\$
Other _____	\$	\$	\$	\$	\$
Totals	\$	\$	\$	\$	\$

**Project Summary:**

	RLF	Bank	Other	Other
Loan Amount	\$	\$	\$	\$
Loan Term (Years)				
Loan Interest Rate	%	%	%	%
Annual Debt Service	\$	\$	\$	\$
Type of Collateral				
Security Position				
Type of Guarantee				

## Checklist of Required Attachments:

(indicate N/A if not applicable)

\_\_\_ Business Plan including description of project, business history, scope of business, product offered

\_\_\_ Financial Information

- Signed personal financial statements dated as of the date of application for any person who owns 20% or more interest in the business.
- Federal tax returns filed by the business for the previous two years or audited financial statements.
- Profit and loss statement for last three years; current statement (less than 90 days) and at least two year projections.
- Statement of any other outstanding debt.

\_\_\_ Any other information, including any key person insurance, which may be available to secure the loan.

\_\_\_ Information concerning any pending or threatened litigation or administrative proceeding, and outstanding administration orders, judgments or injunctions or involvement in any bankruptcy.

\_\_\_ Certification of business compliance with all state laws affecting the conduct of business within the state including:

- evidence of payment of last quarters payroll tax
- evidence of workers compensation insurance coverage.

\_\_\_ Letter from:

- The County Recorder verifying there are no outstanding judgments against the business or business owners.
- The County Recorder verifying there are no outstanding State or Federal Tax Liens against the business or business owners.
- The County Finance Director verifying there are no past due real estate taxes owed by the business or business owners.

\_\_\_ Statement from the applicant that the project could not be done but for this financing.

\_\_\_ Statement concerning the source of equity for the project, and how it will be obtained and appraised.

\_\_\_ Statement concerning how the project will benefit the community and impact the local tax base.

\_\_\_ Copy of the last Commitment letters from the bank:

- indicating the working capital line of credit.
- regarding the financing the bank will provide for this project.

\_\_\_ Support letter from the City or Township where this business is located.



**Signatures:**

I declare that any statement in this application and in its required attachments, or information provided herein, is true and complete in substance and in fact. I am aware that the Goodhue County Revolving Loan Fund Committee is subject to the open meeting laws of the State of Minnesota and that the application information and required attachments will become public data once a funding decision has been reached. I am aware that until such time as a funding decision has been reached that the application materials will be considered nonpublic data other than company name, address and other identifying information.

Name of Business: \_\_\_\_\_

By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

By: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

## INFORMATION RELEASE AUTHORIZATION

To Whom It May Concern:

You are hereby authorized to release to the Goodhue County Economic Development Authority, its successors and assigns any information you may possess regarding the following:

- \* Employment history, dates of employment, title, income, stability, etc.
- \* Banking and savings accounts, deposits and balance verifications.
- \* All Loan ratings, opening date, high credit, payment amount, loan balances, payment records and pay off information.
- \* Any other information requested in connection with a determination of credit worthiness.

This information is for the use of the Goodhue County Economic Development Authority and its investors, successors and assigns in connection with my/our application and the conduct of Post-Closing Quality Control Audits as required by various government and quasi-government agencies.

A photocopy of this authorization for the business and individuals, bearing the photocopied signatures of the undersigned, may be deemed to be the equivalent of the original and may be treated and used as a duplicate original.

This authorization expires on: \_\_\_\_\_

\_\_\_\_\_  
Business Name

\_\_\_\_\_  
Federal Tax Identification Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
State Tax Identification Number

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Applicant's Full Name

\_\_\_\_\_  
Social Security Number & Date of Birth

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Applicant's Full Name

\_\_\_\_\_  
Social Security Number & Date of Birth

\_\_\_\_\_  
Applicant's Signature