

CITY OF MENAHGA

REVOLVING LOAN FUND POLICIES AND PROCEDURES

Effective 6-24-24

6. MENAHGA REVOLVING LOAN FUND POLICIES AND PROCEDURES

The Menahga Revolving Loan Fund will be made available to existing and potential Menahga Businesses. A loan application review will be done by an independent agency selected by the Council.

6.01 Purpose and Goals: The purpose of the Revolving Loan Fund (RLF) is to create new employment opportunities or to maintain existing employment opportunities and for businesses start-up, expansion, and retention. This may be accomplished by the following means:

- A. Creation or retention of permanent private-sector jobs in order to create above-average economic growth;
- B. Stimulation or leverage of private investment to ensure economic renewal and competitiveness;
- C. Increasing the local tax base;
- D. Improvement of employment and economic opportunity for citizens in the region to create a reasonable standard of living; and,
- E. Stimulation of productivity growth through improved manufacturing of new technologies.

6.02 Eligible Expenditures:

- A. Acquisition and/or improvement of land, buildings and equipment;
- B. New construction or renovation of existing buildings;
- C. Demolition and site preparation;
- D. Equipment purchases; and,
- E. Working capital i.e., inventory and accounts receivable.

6.03 Ineligible Use of Loan Funds:

- A. Refinancing of debt;

- B. Professional Fees; and,
- C. Owner salary, draw or payroll.

6.04 Project Criteria:

- A. The maximum Revolving Loan Fund loan to any individual business shall not exceed \$25,000;
- B. The loan shall not exceed 50% of the total project cost if the loan is greater than \$10,000;
- C. The minimum of 10% owner equity must be committed to the project;
- D. The project should leverage new investment by the local financial institution, which can be waived;
- E. The interest rate of the direct RLF loan shall be the prime interest rate by the Ninth Federal Reserve on the date of the commitment;
- F. The City may accept a subordinate position on collateral; and,
- G. Businesses applying for a RLF loan must show a positive cash flow and projections, ability to service the debt and proven management expertise.

6.05 Loan Fees: A Loan Origination Fee of \$300.00 shall be charged at the time the independent agency selected by the Council authorizes the submittal of a formal loan application. All origination fees will be used only for the administration of the fund. All loan-related costs and fees shall be the responsibility of the borrower.

6.06 Municipal Rights, Powers and Duties: An officer of the City, or an RLF Committee Member, may not have a personal financial interest or personally benefit financially from the business to be assisted, unless authorized in Minnesota Statute 469.009.

6.07 Government Data Practices: Information contained in the application for assistance will become a matter of public record except for those items protected under the Minnesota Government Data Practices Act.

7. LOAN POOL POLICIES:

7.01 Purpose and Goals: The purpose of the loan pool is to facilitate, promote and encourage new and existing business development and increased employment opportunities by providing loans to new and expanding industries and businesses in the City of Menahga.

7.02 Administration: The management and control of the pool shall be controlled by the Menahga City Council, with the assistance from Consultants, as needed. Consultants, after

conducting their financial analysis, shall give written recommendations to the City Council for their consideration and action.

7.03 General Guidelines for Lending: The general guidelines and supporting documentation for the making and servicing of loans and disbursements of funds shall include, but not be limited to, the following:

- A. Refinancing of existing debt will not qualify;
- B. Business plans will be required before funding will be considered;
- C. A qualifying business will be non-competitive within the community;
- D. Loans for existing businesses shall require at least three (3) years of financial statements and complete tax returns, to be provided by the prospective borrower;
- E. For either new or existing businesses, two (2) years of projections shall be provided by the prospective borrower with the basis for the projections provided;
- F. For new businesses, background of principals must be provided by the prospective borrower;
- G. For either new or existing businesses, when said business is a closely held corporation, personal financial statements of each stockholder shall be projected by the prospective borrower;
- H. After any loan is approved for either new or existing businesses, interim financial statements and complete tax returns are to be provided by the borrower upon request in the following manner:
 - 1. Annual financial statements and complete tax returns, are to be provided by the borrower, said financial statements and tax returns to include reconciliation of net worth and a sources and uses schedule;
 - 2. Guarantors are to provide an annual statement, and complete tax returns;
 - 3. Other requirements or security, including life insurance, at the discretion of the RLF Committee;
 - 4. Personal guarantees will be required unless waived by the RLF Committee;
 - 5. All notes shall be payable at a specified date and may not be called in the event of a default, change of ownership, or other reasonable cause.

The City Council shall have the authority at any time, before or after the approval of any loan made hereunder, to request additional or further information as deemed by a majority vote of its' members.

The City Council shall have the authority to modify, change, vary, or negate any of the terms, provisions, or conditions when, the majority of the members thereof, such modification, variance or negation shall best meet the purpose of the loan pool.

CITY OF MENAHGA

Application for Business Assistance – Revolving Loan Fund

GENERAL INFORMATION:

Business name: _____ Date: _____

Address: _____

Type of Business, i.e., Partnership etc. _____

Authorized Representative: _____

Listing of twenty percent (20%) or greater owners or stockholders:

Description of Business: _____

Legal Counsel Name/Address/Phone Number:

FINANCIAL BACKGROUND:

1. Have you ever filed bankruptcy and if so, please give the date: ___Yes ___No Date: _____

2. Have you ever defaulted on any loan commitment(s)? If so, give names and dates:

3. Have you applied for conventional financing for the project? If so, provide name(s):

4. List Financial References:

a. _____

b. _____

c. _____

5. Have you ever used any business subsidy before? If yes, where, and when?

PROJECT INFORMATION:

1. Location of Proposed Project: _____

2. Amount of Business Subsidy Assistance; _____
3. Why the need for Business Subsidy Assistance: _____
4. Present ownership of site: _____
5. Number of permanent jobs created as a result of the project? _____
6. Estimated annual sales: Present: _____ Future: _____
7. Market Value of project following completion: _____
9. Name and address of architect: _____
10. Anticipated start date: _____ Completion Date: _____

FINANCIAL INFORMATION:

1. Estimated Project related costs:

- | | |
|----------------------------------|-----------------|
| a. Land Acquisition: | \$ _____ |
| b. Site Development | \$ _____ |
| c. Building Cost | \$ _____ |
| d. Equipment | \$ _____ |
| e. Architectural/Engineering Fee | \$ _____ |
| f. Legal Fees | \$ _____ |
| g. Off-site Development Costs | \$ _____ |
| TOTAL ESTIMATED COSTS: | \$ _____ |

SOURCE OF FINANCING:

- | | |
|---|-----------------|
| a. Private Financing Institution: | \$ _____ |
| b. Revolving Loan Fund: | \$ _____ |
| c. Other Public Funds: | \$ _____ |
| d. Developer Equity: | \$ _____ |
| TOTAL ESTIMATED SOURCES | \$ _____ |
| (Should equal total estimated costs above) | |

OTHER INFORMATION:

Addendum shall be attached hereto addressing in detail the following:

1. A map showing the exact boundaries of the proposed development.
2. A general description of the project, including the following:
 - a. Project size, parcel number(s) and location of building(s);
 - b. Business type or use;
 - c. Traffic information, including parking, projected vehicle counts and traffic flow;
 - d. Timing of the project; and
 - e. Estimated market value following completion.
3. The existing Land Use designation and zoning of the property, to include a statement as to how the proposed development will conform to the Land Use designation and how the property will be zoned.
4. A statement identifying how the Revolving Loan Fund assistance will be used and why it is necessary to undertake the project.
5. A statement identifying the public benefits of the proposal including estimated increase in property valuation, new jobs to be created and other community assets.
6. A written perspective of the developer's company or corporation, principals, history, and past projects.

PLEASE INCLUDE:

1. Preliminary financial commitment from bank(s).
2. Plans and drawing of the project.
3. Background material of company.
4. Pro Forma analysis.
5. Financial statements.
6. Statement of property ownership or control.
7. Payment of the application fee (\$300).

SIGNATURE:

Applicant's Signature: _____

Date: _____

CITY OF MENAHGA
Application for Business Assistance
Tax Increment Financing

GENERAL INFORMATION:

Business name: _____ Date: _____

Address: _____

Type of Business, i.e., Partnership etc. _____

Authorized Representative: _____

Listing of twenty percent (20%) or greater owners or stockholders:

Description of Business: _____

Legal Counsel Name/Address/Phone Number:

FINANCIAL BACKGROUND:

1. Have you ever filed bankruptcy and if so, please give the date: ___Yes ___No Date:

2. Have you ever defaulted on any loan commitment(s)? If so, give names and dates:

3. Have you applied for conventional financing for the project? If so, provide name(s):

4. List Financial References:

a. _____

b. _____

c. _____

5. Have you ever used any business subsidy before? If yes, where, and when?

PROJECT INFORMATION:

- 1. Location of Proposed Project: _____
- 2. Amount of Business Subsidy Assistance; _____
- 3. Why the need for Business Subsidy Assistance: _____
- 4. Present ownership of site: _____
- 5. Number of permanent jobs created as a result of the project? _____
- 6. Estimated annual sales: Present: _____ Future: _____
- 7. Market Value of project following completion: _____
- 9. Name and address of architect: _____
- 10. Anticipated start date: _____ Completion Date: _____

FINANCIAL INFORMATION:

1. Estimated Project related costs:

- a. Land Acquisition: \$ _____
- b. Site Development \$ _____
- c. Building Cost \$ _____
- d. Equipment \$ _____
- e. Architectural/Engineering Fee \$ _____
- f. Legal Fees \$ _____
- g. Off-site Development Costs \$ _____
- TOTAL ESTIMATED COSTS: \$ _____**

SOURCE OF FINANCING:

- a. Private Financing Institution: \$ _____
- b. Tax Increment Financing/Abatement Funds: \$ _____
- c. Other Public Funds: \$ _____
- d. Developer Equity: \$ _____
- TOTAL ESTIMATED SOURCES \$ _____**
(Should equal total estimated costs above)

What type of business assistance requested:

Tax Increment Financing: _____ **Business Development Tax Abatement:** _____

OTHER INFORMATION:

Addendum shall be attached hereto addressing in detail the following:

1. A map showing the exact boundaries of the proposed development.
2. A general description of the project, including the following:
 - a. Project size, parcel number(s) and location of building(s);
 - b. Business type or use;
 - c. Traffic information, including parking, projected vehicle counts and traffic flow;
 - d. Timing of the project; and
 - e. Estimated market value following completion.
3. The existing Land Use designation and zoning of the property, to include a statement as to how the proposed development will conform to the Land Use designation and how the property will be zoned.
4. A statement identifying how the increment assistance will be used and why it is necessary to undertake the project.
5. A statement identifying the public benefits of the proposal including estimated increase in property valuation, new jobs to be created and other community assets.
6. A written perspective of the developer's company or corporation, principals, history, and past projects.

PLEASE INCLUDE:

1. Preliminary financial commitment from bank(s).
2. Plans and drawing of the project.
3. Background material of company.
4. Pro Forma analysis.
5. Financial statements.
6. Statement of property ownership or control.
7. Payment of the application fee (\$5,000).

SIGNATURE:

Applicant's Signature: _____

Date: _____

PROCEDURES:

1. Meet with appropriate City Staff to discuss the scope of the project, public participation being requested, and other information as may be necessary.
2. Completion of Preliminary Business Subsidy Assistance Application form. This Form shall be submitted to the City Clerk with a non-refundable fee of \$5,000.
3. The request shall be reviewed on a preliminary basis as to the feasibility of the project.
4. The Application shall be placed on the City Council Agenda for concept review. The Applicant may make a formal presentation of the project.
5. If the Council's Preliminary Concept Review is positive, the Council may elect to proceed with the appropriate process for the business assistance requested.