

LEWISTON ECONOMIC DEVELOPMENT AUTHORITY

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GUIDELINES

Use of funds: Acquisition, construction, machinery & equipment, and working capital.

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

Financing: Direct/low interest loans, loan guarantees.

The revolving loan fund (RLF) allows the City to assist businesses for growth and success. The fund will enhance conventional lender's ability to make adequate and affordable credit available to businesses through a public/private partnership. The city will receive dividends of a healthier business community, more jobs for its residents, and an expanded, diverse tax base.

Goals and Objectives

- **Collaboratively make credit more readily available to small businesses in the Lewiston community-** Provide gap financing for "good deals" which may not be conventionally bankable through structure of terms, interest rates, and type of participation.
- **Create jobs for the Lewiston community-** Expanded employment opportunities for residents of Lewiston.
- **Expand and continue to diversify the tax base-** Assisting businesses to remain and expand in Lewiston and to provide tax base 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 Lewiston EDA will operate and service loans made to companies located within the city of Lewiston.

Types of Financing

Direct loans up to 50% of total project cost, not to exceed \$50,000 (minimum of \$2,500). Minimum of 15% owner equity investment in the 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
- Rate of interest will be negotiable as determined by project need, and will be tied to the prime rate.

Eligible Borrowers

The program will be open to any eligible legitimate business whose primary place of business is in the City of Lewiston. Proposals will be reviewed by staff and the EDA Loan Committee.

Use of Loan Proceeds

Eligible uses:

- Land Acquisition
- Site Improvements
- New Building Construction or Rehabilitation
- Renovation and Modernization of Interior & Exterior of Buildings
- Machinery, Equipment, and Fixtures
- Inventory
- Working Capital: Limited to 25% of total project costs to a maximum of \$5,000
- Workforce Development
- Utilities or Public Infrastructure

The City has the authority to grant RLF funds to a regional or state pool to provide the local match required for capitalization of a regional or state revolving loan fund.

Ineligible uses:

- Taxes (except for Sales & Use Tax when paid in connection with the purchase of eligible items)
- Refinancing Debt (Unless Debt is current RLF Loan)
- Residential Real Estate
- Professional Fees
- Construction and/or Renovation of Residential Units
- Organization Expenses
- Financing of Speculative Product Development

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-state 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

An Interested loan applicant will meet with Staff to obtain information about the loan program, discuss the proposed project and obtain application forms.

A completed application, together with a loan origination fee of \$250 must be submitted with the application prior to review and consideration. This fee is used to pay the costs associated with the preparation and structuring of applications and related costs such as accounting to conduct an appropriate review of such applications and legal fees. If the loan is not approved, the fee is not refunded. Borrowers are also responsible for any additional associated fees relating to the closing of the RLF loan.

Staff will prepare recommendations to be presented to the Loan Committee based on their review of the application. Staff may pull credit reports and verify all background information. If the applicant is working with commercial or other lenders, the EDA will work together with those lenders to determine credit worthiness and the best financial package for the applicant.

The Loan Committee reviews full applications, staff recommendations and makes a decision on the application. The Loan Committee will then make a recommendation to the EDA.

The EDA reviews the recommendation of the Loan Committee. If the loan is approved for \$25,000 and above, the Lewiston City Council will make the final credit decision. Any loan approved for \$25,000 and under will be approved by the EDA and does not need to go to City Council for approval.

Staff informs the applicant of the decision.

If the application is approved by city council, the payments will be on monthly basis.

There will be a 30 day grace period from the application date of approval until the first payment should be completed.

Application Review Process

When a completed application is received, EDA staff 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 institutions stating terms and conditions of their participation in the project, if applicable. Or turn down letters. ·
- Management skills
- Sufficient collateral and lien position

Other Policies

Loan closing will be handled by EDA 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 will depend on the nature and circumstances, amount and availability of collateral and costs versus benefit of liquidating assets or other collateral. Any action taken will be handled by EDA staff and at the direction of the EDA.

Conflict of Interest

A loan application must stand on its own merits. A voting member of the EDA or City Council 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.

Business Subsidy Law

The project must conform to the Minnesota Business Subsidy Law, MS § 116J.994.

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.