

Revolving Loan Fund for Commercial Development – Summary*

Program Purpose:	To stimulate private sector investment in order to create new jobs, boost productivity, retain existing jobs for local residents, and further city redevelopment objectives.
How It Works:	Submit loan application to Owatonna Business Incubator. The EDA Loan committee reviews application and makes recommendations to the EDA Commissioners.
Project Eligibility:	Commercial development located within the City limits of Owatonna. Program objectives the applicant must meet are all Revolving Loan Fund criteria and demonstrate how the proposed activities will meet at least one of the following objectives: <ol style="list-style-type: none">1. Job creation and/or retention2. Meet EDA approved economic and/or redevelopment plans.3. Prevention or elimination of slum and blight.4. Increasing local tax base.5. Required compliance with an existing building code violation.
Minimum Requirements:	All building construction or renovation is to be brought into conformance with City codes and policies. If the proposed property is located in the “Central Business District,” the improvement resulting from this loan must comply with the MainStreet Owatonna Design Guidelines. See section IV of this loan fund application for additional details.
Use of Funds:	Land acquisition, building construction, renovation and modernization of buildings, equipment, and fixtures.
Maximum Available:	\$5,000. minimum, up to a maximum amount of 40% of the total project cost, or \$50,000 whichever is less.
Other Funds Required:	Ratio of private funds to Commercial Development Revolving Loan Funds (minimum threshold: \$2.00 private funds, \$1.00 Commercial Development Revolving Loan Fund).
Interest Rate:	Loans shall be at 2% less than the project’s participating lender’s rate. If there is no participating lender the interest rate shall be 2% above the Federal Prime Rate and fixed at the time a completed application form is presented for consideration. However, in no case shall the interest rate be less than 2%.
Terms:	Financing terms will not exceed seven (7) years. As part of loan closing, payment will be established by A.C.H. for automatic check withdrawal from the borrower’s checking account.
Collateral Requirements:	Personal guarantees, junior mortgage on building and/or assets.
Fees:	\$50 Processing Fee
Applications Accepted:	On a year-round basis through the Economic Development Authority single application process.
Approving Authority:	Owatonna Economic Development Authority
Disbursement of Funds:	Upon approval of the loan application and satisfaction of any conditions of approval.
Contact:	Owatonna Business Incubator, 1065 24 th Ave. SW, P.O. Box 505, Owatonna, MN 55060 (507) 451-0517

*The cover is only a summary. Please refer to the complete program description for details.

REVOLVING LOAN FUND FOR COMMERCIAL DEVELOPMENT

1. PURPOSE

It is the purpose of this document to establish a Revolving Loan Fund for Commercial Development in the City of Owatonna.

2. POLICY STATEMENT

The Economic Development Authority (EDA) of Owatonna recognizes the need to stimulate private sector investment in order to create new jobs, boost productivity, and retain existing jobs for local residents. It is the intent of the loan program to supplement private financing by providing affordable loans for expansion and/or rehabilitation of commercial and retail businesses in order to maintain the economic viability of Owatonna's business community.

3. PROJECT ELIGIBILITY

Program Objectives – the applicant must meet all Revolving Loan criteria and demonstrate how the proposed activities will meet at least one of the following objectives:

1. Job creation and/or retention
2. Meet EDA approved economic and/or redevelopment plans.
3. Prevention or elimination of slum and blight.
4. Increasing local tax base.
5. Required compliance with an existing building code violation.

Commercial Development Revolving Loans may be used for the following:

- Building construction
- Land acquisition
- Renovation and modernization of buildings
- Equipment
- Fixtures

If the proposed property is located in the "Central Business District," the improvement resulting from this loan must comply with the MainStreet Owatonna Design Guidelines. See Section IV of this loan fund application for additional details.

Any project meeting the above criteria, and located within the City limits of Owatonna, is eligible to apply for an Economic Development Revolving Loan.

Ineligible fund uses are as follows:

- Inventory
- Expenditures for the construction and/or renovation of residential units
- Refinancing of existing debt
- Working capital
- Financing Fees

4. LOAN AMOUNT

Minimum loan amount will be \$5,000 and the maximum amount will be 40% of the total project cost, or \$50,000, whichever is less.

A loan cannot exceed 90% of the estimated market value of the property upon completion of the project, less the outstanding balance of any prior mortgages.

Loans shall be at 2% less than the project's participating lender's rate. If there is no participating lender the interest rate shall be 2% above the Federal Prime Rate and fixed at the time a completed application form is presented for consideration. However, in no case shall the interest rate be less than 2%.

Financing terms will not exceed seven (7) years.

As part of loan closing, payment will be established by A.C.H. for automatic check withdrawal from the borrower's checking account

5. REGULATION FOR NEW CONSTRUCTION AND IMPROVEMENTS

All building construction or renovation is to be brought into conformance with City codes and policies. If the proposed

property is located in the “Central Business District,” the improvement resulting from this loan must comply with the MainStreet Owatonna Design Guidelines. See Section IV of this loan fund application for additional details. Repairs may include the following systems and portions of real property:

- Mechanical heating, plumbing and electrical
- Structural; including the façade of the structure and energy related improvements

6. LOAN SECURITY AND GUARANTEES

Applicant must be able to secure the loan with at least a junior mortgage upon the building and/or assets involved for other approved collateral.

Applicant must demonstrate the financial means to repay the loans, as determined by the EDA.

The applicant must demonstrate that the assets involved are issued for an amount not less than the total outstanding loans.

7. TIMING OF PROJECT EXPENSES

No project may commence until the EDA has approved the loan application. Any costs incurred prior to the approval of the loan application are not eligible expenditures.

No building construction may commence until the required City permits are secured.

The applicant will be responsible for all legal, recording and other fees required for protecting a security interest in the loan.

8. PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL

A. Application and Review

An interested loan applicant will meet with EDA's designated loan officer to obtain information about the Commercial Development Revolving Loan Fund, discuss the proposed project and obtain application forms.

A completed application form, together with a processing fee of \$50, must be submitted to the EDA prior to review and consideration. The fee is used to cover EDA expenses for processing said application.

B. Project Review

1. The application is reviewed by the EDA Loan Committee to determine if it conforms to all City policies and ordinances and to consider the following:
 - a. The availability and applicability of other governmental grants and/or loan programs.
 - b. Whether the proposed project will result in conformance with building & zoning codes.
2. The Loan Committee will review each application in terms of its consistency with the goals of the economic development strategy and in relation to the project's overall impact on the community's economy.
3. The Loan Committee will also evaluate the project application in terms of the following:
 - a. Project design – evaluation of project design will include review of proposed activities, time lines and a capacity to implement.
 - b. Financial feasibility – availability of funds, private involvement, financial packages, and cost effectiveness.
 1. Ratio of private funds to Commercial Development Revolving Loan Funds (minimum Threshold: \$2.00 private funds, \$1.00 Commercial Development Revolving Loan Funds).
 2. Sufficient cash flow to cover proposed debt service as demonstrated by financial statements and projections.
 3. Businesses to be assisted must show a positive net worth.
 4. Letter of Commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
 5. Letter of Commitment from other financing sources stating terms and conditions of their

- participation in project.
- 6. Sufficient collateral.
- 7. Need for EDA loan to supplement private financing.
- c. All other information as required in the application and/or additional information as may be requested by the EDA.
- d. Project compliance with all City codes and policies.
- e. Program objectives – the applicant must meet all Revolving Loan Fund criteria and demonstrate how the proposed activities will meet at least one of the following objectives:
 - 1. Job creation and/or retention
 - 2. Meet EDA approved economic and/or redevelopment plans.
 - 3. Prevention or elimination of slum and blight.
 - 4. Increasing local tax base.
 - 5. Required compliance with an existing building code violation.
 - 6. Businesses to be assisted must show a positive net worth.
- 4. The EDA will recommend, disapprove or ask for a resubmission.

9. MONITORING INFORMATION RELATED TO PROJECT PROGRESS

The loan recipient shall agree to provide to the EDA information as needed to monitor project implementation for compliance with program objectives and loan guidelines. The project will be reviewed on an annual basis during the duration of the loan agreement.

**REVOLVING LOAN FUND FOR COMMERCIAL DEVELOPMENT
APPLICATION FORM**

I. Basic Information

Name of Business _____ Loan Number _____

Address _____

City _____ Zip Code _____

Contact Person _____ Telephone _____

Social Security _____ (if Sole Proprietorship)

Type of Business: _____Sole Proprietorship ____Corporation __ Partnership

A. Brief description of the business the applicant is engaged in:

B. No net-loss wetlands. Will your project result in the loss or diminution of wetlands?
_____ Yes _____No

C. Are you or your business currently involved or have any history of being involved in litigation:
_____ Yes _____ No

II. Nature of the Loan Request

A. Amount of Revolving Loan Request: \$ _____
\$ _____

_____ New Business
_____ Business Expansion
_____ Number of Existing Jobs
_____ Number of Jobs Created
_____ Number of Jobs Retained

B. Brief Description of project for which applicant is seeking funding:

C. Identify how the requested financing will result in the additional/retained employment and the time frame in which that will occur:

III. Financing

A. Specify what kind of financing gap exists (inadequate equity, inadequate private lender financing, inability to pay market interest rates or term requirements) and explain in detail why this causes a need to apply for a Revolving Loan:

B. Purpose and Source for Total Project Cost (indicated in Section II.)

Purpose for which Funds are to be Used	Revolving Loan	Bank(s)	Bank(s)	Equity	Other (Specify)	Total
Property Acquisition	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Site Improvement	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Building Renovation	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
New Construction	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Fixtures & Equipment	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Other (Specify)	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Other (Specify)	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Total	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
Total Project Cost	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____

C. Conditions of Total Project Financing

	Revolving Loan	Bank(s)	Equity (Specify)	Other (Specify)	Other	Total
Amount	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
% of Project	_____ %	_____ %	_____ %	_____ %	_____ %	_____ %
Term (years)	_____ yrs.	_____ yrs.	_____ yrs.	_____ yrs.	_____ yrs.	_____ yrs.
Interest Rate	_____ %	_____ %	_____ %	_____ %	_____ %	_____ %
Debt Service	\$_____ yr.	\$_____ yr.	\$_____ yr.	\$_____ yr.	\$_____ yr.	\$_____ yr.
Collateral Offered	_____	_____	_____	_____	_____	_____
Asset	_____	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____	_____
Collateral Offered	_____	_____	_____	_____	_____	_____
Asset	_____	_____	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____	_____	_____

Participating Lender _____

Contact Person _____ Telephone # _____

Participating Lender _____

Contact Person _____ Telephone # _____

IV. Job Creation/Retention

A. Provide the following information on the jobs which you expect to create and/or retain due to the loan from the Revolving Loan Program:

Jobs to be Created or Retained					
Job Title	Number of Jobs	Hourly Wage	Annual Salary	Full-Time, Part-Time, or Temporary Jobs?	Expected Hiring Date

V. Business Plan

(These narrative and financial documents should be arranged, when possible, in the order listed below and attached to the application.)

- A. History of Business
 - 1. Briefly describe the past operation of the business or the events leading to its creation:
- B. Market Analysis and Strategy
 - 1. Description of current buyers and target markets (provide verification of purchase orders, contracts, and so on, which relate to reasons for the loan request)
 - 2. Competition
 - 3. Pricing
 - 4. Distribution
 - 5. Advertising
 - 6. Sales Promotion
- C. Products
 - 1. Description of product line
 - 2. Proprietary position of patents, copyrights, legal and technical considerations
 - 3. Comparison to competition
- D. Manufacturing Process
 - 1. Materials
 - 2. Production Methods
- E. Financial Projections
 - 1. Monthly Cash Flow Analysis for the next 12 years
 - 2. Profit and Loss Statement: last 3 years and current year, and 2-year projection
 - 3. Balance Sheet: last 3 years and current year, 2-year projection
- F. Schedule of Business Debts
- G. Statement of Collateral
 - 1. A detailed list of all collateral offered, its value and security position by funding sources
- H. Resumes and Personal Financial Statements
 - 1. Include resumes of all principals as well as current, dated and signed personal financial statements on all principals with a significant financial interest in this business.
- I. Commitment Letters
 - 1. Include commitment letters from banks or others stating the terms and conditions of their participation.
- J. Affiliates
 - 1. Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two fiscal years on such affiliates or subsidiaries.
- K. Appraisals/Proposed Lease. Purchase Options or Agreements
 - 1. An independent appraisal will be required for any real estate which is a subject of the proposed financing or which is offered as a major source of collateral to secure the loan. Also include copies of existing or proposed lease(s), purchase options or agreements, or other financial agreements.
- L. Partnership Certificate of Authorization, or Corporate Certificate of Authority and Incumbency; include minutes of the corporate meeting adopting this certification, where applicable.
- M. Articles of Incorporation and By Laws.

VI. Other Attachments

- A. Copy of last year's submitted business income tax statement.
- B. Copy of last year's submitted personal income tax statement.
- C. Evidence of payment of last quarter's payroll tax
- D. Evidence of Worker's Compensation insurance coverage.
- E. A letter from the County Clerk verifying that there are no outstanding judgments, a letter from the County Recorder verifying that there are no outstanding State or Federal tax liens against the business or owners of the business, and letters from the County Treasurer and Auditor verifying there are no past due real estate taxes owed by the business or its owners.

I certify the above information and the statements contained herein or attached hereto are a true and accurate statement of the financial condition of the business and its principals. I also certify that the business is current on all its federal and state taxes.

Authorized Signature: _____ **Date:** _____

VII. MainStreet Design Guidelines & Review EDA Loan Compliance

Businesses that are located in the "Central Business District" must comply with the MainStreet Owatonna Design Guidelines and Design Review to be eligible for Owatonna Economic development Authority loans.

The guidelines are available by calling or by stopping at:

**OACCT/MainStreet
320 Hoffman Drive
Owatonna, MN 55060
Phone: 507-451-7970**

To insure compliance, you will need to meet with the Director of the MainStreet Owatonna Program and have you plans reviewed. Once your plans are approved, have the Director sign and date this form and submit this form along with the loan application and other required documents as listed in the application.

_____ (name of applicant) has met the design review guidelines and is eligible to apply for an Owatonna Economic Development Authority loan.

MainStreet Director: _____

Date: _____

Applicant's Signature: _____

Date: _____

