

CITY OF PRESTON

ECONOMIC

DEVELOPMENT

AUTHORITY

REVOLVING LOAN FUND

GUIDELINES

CITY OF PRESTON

ECONOMIC DEVELOPMENT REVOLVING LOAN FUNDS

Approved by the City of Preston City Council 12/19/2011, updated 2013, 8-2014, 1/2015, 2016,
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INTRODUCTION

The purpose of these documents is to provide written guidelines for the award and processing of loans under the City of Preston Economic Development Authority (EDA), subject to final approval by the Preston City Council. These guidelines are intended to be used as the procedure for the EDA to follow in the granting and administration of the revolving loan funds. Guidelines are subject to change at the discretion of the EDA with City Council approval.

COMMERCIAL INCENTIVE/IMPROVEMENT REVOLVING LOAN FUND

The City of Preston has had an Economic Development Incentive/Improvement Loan Program that was established by Ordinance #187 in August 1988 and amended in 1992 and 1994. In 2011 the Preston City Council approved that the Revolving loan fund would become a city policy administered by the Economic Development Authority and overseen by the City Council.

The purpose of the Preston Commercial Incentive/Improvement Revolving Loan Fund is to provide low interest improvement loans as an incentive for tenants and owners to upgrade the appearance and energy efficiency of commercial and industrial properties and the commercial area as a whole, to provide for relocation, encourage the creation of jobs and expansion of businesses, and provide generally, for the improvement of Preston's economic health.

PRESTON ECONOMIC DEVELOPMENT REVOLVING LOAN FUNDS GENERAL POLICIES

ELIGIBILITY

Applicants may be individual owners, partnerships, corporations, tenant operators or contract for deed purchasers of any legitimate business whose primary place of business is located within the City of Preston or within 2,000 feet of the City limits of the City of Preston. An applicant cannot be a lending institution, a not-for-profit institution or real estate developer. Loans shall be limited to one per year for any borrower or related activity. As a general rule, gap financing for building purchases is reserved for building owners that intend on using the building for their own business and not for speculation or to sub lease the building.

Generally for a new start-up, at least 60% of the total project cost shall be funded privately or through a private lender and not less than 10% of the project shall be provided by the business owner/applicant in cash or owner equity. The remaining 30% (financing gap) may be provided by the Preston revolving loan funds. The Commercial Incentive/Improvement RLF loan amount shall not exceed \$25,000, RLF loan shall exceed 40% of the project.

INTEREST RATE

The interest rate shall be determined by the Preston Loan Review Committee according to the specific loan fund guidelines. A service fee of 1%, with a minimum fee of \$250.00, shall be charged on the City RLF portion, which shall be paid at loan closing by the applicant. Lending rate = .8 of Prime Rate at Loan Closing

COLLATERAL & PERSONAL GUARANTEES: Each loan shall be secured by collateral adequate to safeguard the lender(s). If the City Revolving Loan is the sole lender, it will take a first security interest in the assets financed. If the RLF is in partnership with another lending source, the RLF will take a subordinate interest in the assets being financed. Personal guarantees will be required in all projects. Personal guarantees may be collateralized with personal assets where appropriate.

While the EDA will endeavor to secure each loan with adequate collateral lack of hard collateral, by itself; will not be a reason to decline a loan.

OTHER

Following funding of a project, period financial reporting, and participation in a record keeping program or technical management assistance will be required. Failure to abide by the City guidelines, laws and approved plans shall result in calling of the loan at the City's request.

Flood Plains and Wetlands: The Loan Review Committee shall not approve loans made for construction in, or alteration of, a wetland or 100 year floodplain as determined by soils mapping, USGA studies or other accepted means if adverse effect would be caused by that construction.

The Loan Review Committee shall not approve projects which would result in construction of other than underground utilities in the 100 year floodplain as defined by FEMA unless all capacity removed from the floodplain is restored by excavation or other appropriate means.

No project shall be approved which results in the alteration of any wetland, or in any adverse impact on a wetland, without prior consultation with, and consent of the U.S. Department of the Interior, Fish and Wildlife Service.

When applicable, applicants will be required to purchase flood hazard insurance.

SPECIFIC LOAN FUND GUIDELINES

PRESTON COMMERCIAL INCENTIVE/IMPROVEMENT REVOLVING LOAN FUND

Funds shall be used for renovation and improvement of existing buildings or business relocation.

INTEREST RATE: The interest rate shall be set annually at the EDA December for the upcoming year and approved by the City Council.

PRIORITY CONSIDERATION shall be given to renovation, improvement or relocation in the designated revitalization districts within the City of Preston, which are:

1. Central Business District.
2. Commercial Corridor adjacent to U.S. Highway 52.
3. Industrially zoned property.

ELIGIBLE IMPROVEMENTS shall include all interior and exterior work on commercial buildings, such as: Exterior:

1. Cleaning, painting, staining and/or siding of exterior surfaces.
2. Masonry repair or replacement and/or roofing.
3. Repair or replacement of building facades, cornices, entrances, doors, windows, decorative details and awnings.
4. Building identification, sign removal, repair or replacement.
5. Parking lots, including lighting, surfacing and landscaping.
6. Other items that are viewed necessary to compliment exterior.

Interior:

1. Fixed interior improvements including the repair and/or decoration of walls, ceiling, floors, lighting, windows, doors entrances, electrical, plumbing, mechanical, air conditioning, architectural change, and energy improvements.
2. Soft Costs: Reasonable engineering, legal, architectural design and other related service fees necessary to the plan, including the cost of building permits and energy audits.

INELIGIBLE COSTS:

- Refinancing existing debts.
- Exterior work not in compliance with the design standards.
- Work on the building for uses not in compliance with recommended uses.

IMPROVEMENTS COMPLETED PRIOR TO LOAN APPROVAL OR CLOSING are not eligible unless the applicant's structure requires immediate attention (hazardous code deficiencies, etc.), and the following steps are undertaken:

- Applicant must fill out the revolving loan fund application with the EDA.
- Applicant must submit a written request to the EDA describing the immediate need.
- Applicant must submit written permission from both the City and a participating bank.

If the above conditions have been met, the applicant may proceed using his own funds or interim financing from a bank. However, the applicant shall proceed at the applicant's and/or banks own risk until the total scope of work has been approved by the EDA and City Council and the loan has been closed.

*Guidelines are subject to change at the discretion of EDA review - project by project.

TERM

The Loan Review Committee shall determine length of term based on useful life of assets and limited by the following:

Acquisition of Land	15 year financing terms
Acquisition of Building	15 year financing terms
New Construction	15 year financing terms
Machinery and Equipment	5 year financing terms
Building Renovation	7 year financing terms
Working Capital	5 year financing terms
Inventory	1 year financing terms

PRESTON ECONOMIC DEVELOPMENT REVOLVING LOAN FUNDS APPLICATION PROCESS

Pre-Application & Application Process

An applicant's property must conform to use under the City of Preston's Zoning Ordinance and the use must be permitted under an approved district plan if applicable. The City Council/Planning Commission shall approve the exterior design and all improvements. Where applicable, the project shall be in compliance with its respective area's approved design guidelines.

A pre-application shall be required for review to determine preliminary eligibility, financing needed, and to explore all available financing options. Upon tentative acceptance of the pre-application, a full application shall be requested. Pre-applications and full applications may be completed with support from the EDA staff.

Generally, completed applications received by the 15th of the month will be reviewed by the Preston EDA at their next regularly scheduled meeting. Applications determined to be incomplete by the EDA will be held over until their next regularly scheduled meeting.

Application Package: Information and Materials Needed: Follow the application check list and submit the required documentation materials with the final application. Appendices A

Full Loan Application Procedure Checklist

- Completion of all loan application information requested
- Review financing package with lender and obtain a tentative commitment to participate
- Prepare balance sheet, profit and loss, ratio analysis (staff)
- Loan. Committee Review and recommend action to City Council
- Obtain financial commitment from the lender, when applicable
- Council authorization of loan
- Preparation and signing of loan agreement, promissory notes, mortgages and other required documents - Loan closing
- Disbursement of funds based upon agreed upon schedule and documentation of expenditure of other funds - - Loan repayment to City's "Revolving Loan Fund" by auto payment arrangements made to the city of Preston Depository.

Loan Review and Implementation Process

The Preston EDA must first make a finding, after due consideration, that the loan would be likely to yield an economic benefit to the City of Preston and its residents. The EDA shall then make a recommendation to the City Council, whether or not to fund the applicant, based on the applicant's approved credit and ability to repay the loan, as determined by the participating private lender. The Preston City Council shall make the final determination on loan applications. The applicant shall be notified in writing of the Council's decision. No loan shall be made prior to Council Authorization.

Following Council approval, the responsible parties shall proceed with signing of a loan agreement, promissory notes, mortgages, and/or other documents required for the loan closing. Failure of the applicant to progress toward closing of the loan as determined by the EDA and City Council shall result in cancelling the loan for the project. Upon completion of improvements, the applicant's property shall comply with all applicable code, permit and license requirements, and shall have a current certificate of occupancy. Loan repayment to the respective RLF shall be according to the amortization schedule included in the loan documents.

Continue on to appendices A – G

Appendix A

CITY OF PRESTON ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

Pre-Application Form to be filled out when the applicant and EDA Director meet

Business name: _____

Owner(s): _____

Phone: home and cell: _____

Address: _____

Project Description:

Total Project Amount: \$ _____

Requested RLF Loan Amount: \$ _____

RLF Payment & Schedule: \$ _____ **Monthly** _____ **Annually** _____ **Other** _____

Purpose and source of funds for Total Project Cost

Use of Funds	Bank(s)	Other	Equity	Preston RLF	Subtotals
Acquisition of Land					
Acquisition of					
New Construction					
Machinery/Equipment					
Bldg.					
Working Capital					
Inventory					
Other					
Totals					

Will additional jobs be created through this project? _____

Explain job type(s) _____

Will this project benefit low to moderate income people in this area? _____

If yes, explain how:

In connection with this application, the EDA is authorized to check my/our credit history and employment history or any other information deemed necessary.

Signatures: _____ **Date:** _____

Signatures: _____ **Date:** _____

EDA Review & Recommendation

Final Review by Preston City Council

Date: _____

Date: _____

APPENDIX B

EXPLANATION OF FULL APPLICATION INFORMATION AND MATERIALS REQUIRED

1. The RLF Pre-Application Form is provided as Appendix A and is used by the Loan Review Committee as a general overview of your project.
2. A business plan is a description of your business, including your product, market, employees and/or customer base, your financial situation and projections. You should consider that a well-prepared business plan plays several important roles. First, it is a useful management tool that can help you plot a course for your company. Second, it is a vital sales tool that will impress financial backers and stockholders with your planning ability and general competence as a manager. All things being equal, a well-prepared business plan will increase your chances of identifying market opportunities and of obtaining the financial commitments necessary for future success. This business plan will help us better understand your intention for the future of your business. We have included a list of items that you may wish to include in your plan. (See Appendix C)
 - a. Brief history of the company, plus resumes of company management and name of business (as incorporated) and location, number of years in business. In describing your business, include such information as products and/or services provided, general market area served, and any other appropriate information. State how many employees you currently have and how many employees you anticipate with this expansion. Give the name of your bank of account.
 - b. Identify markets and marketing strategies such as pricing policies, method of selling, distributing and servicing of products you would like to pursue along with how much of the market you anticipate to share and anticipated expansion and growth. Describe major and minor competitors and their strengths and weaknesses, sources of suppliers, manufacturing process, materials and production method.
 - c. Provide detail on the intended use of capital required. List all machinery, equipment, land and buildings purchased and the basis for the estimate. List recent equipment and/or real property appraisals where appropriate, estimated construction costs, if appropriate, and appraised value of new construction.
3. Included at the end of your business plan shall be a three year financial history of your business which was prepared by an accountant. Please fill in the numbers in the profit and loss statement and balance sheet labeled "Previous 3 Years", and include your statements from the accountant. (See Appendix D)
4. A current analysis of your business must be made in order to see how you are doing right now. This current statement shall not be over 90 days old and aging of accounts receivable and payable shall not be over 90 days old. These numbers shall go into the "current period" of the profit and loss statement and the balance sheet.
5. Projections of the effect of what you plan to do with the monies provided through the RLF and how they will affect your income and balance sheet shall be made. Projections of two years shall be made and a narrative section shall be written to explain major assumptions behind these projections.
6. Cash flow projections of two years should also be made.
7. Provide a current schedule of all your debts which provides the following information: original loan amount, original date of loan, maturity dates, what you pay monthly, rate of interest, present balance and loan security.
8. The Preston Loan Review Committee needs to know what you are able to put up as collateral for this loan.

*Guidelines are subject to change at the discretion of the EDA review -project by project.

BUSINESS PLAN OUTLINE - APPENDIX C

I. Executive Summary

- A. Name and location of business
- B. Brief discussion of product, market, and competition
- C. Expertise of management team
- D. Summary of financial projections
- E. Amount of financial assistance requested and proposed purpose
- F. Business goals and reasons for undertaking the project

II. Description of the Company

- A. Date and state of incorporation or formation
- B. History of the Company
- C. Background of the principals and their roles

III. Market Analysis

- A. Description of current industry and industry trends
- B. Description of the total market and its participants
- C. C. Discussion of the target market and the competition

IV. Description of the Product or Service

- A. List of patents, copyrights, licenses or proprietary interests
- B. Discussion of technical and legal considerations
- C. Comparisons to competitors' products or services
- D. Description of current and future research and development

V. Marketing Strategy

- A. Overall strategy
- B. Pricing policy and sale terms
- C. Method of selling, distributing and servicing
- D. Current and estimated sales and market share E. Advertising, public relations, and promotion

VI. Management Plan

- A. Form of business organization
- B. Composition of board of directors
- C. Officers organization chart and responsibilities
- D. Resumes of key personnel and listing of key advisors

VII. Operating Plan

- A. Schedule of upcoming work and key completion dates for next two years
- B. Planned facilities or capital improvements for next three years.
- C. Staffing plan

VIII. Financial Data

- A. Funding request indicating the desired financing, capitalization, use of funds, and future financing
- B. Past three years, year-end financial statements (balance sheet, income and cash flow statements)
- C. Current interim financial statements
- D. Pro forma cash flow projections, including the proposed financing, for two years
- E. Projected balance sheets, income statement, and statement of changes in financial position, including the proposed financing, for two years
- F. Description of all assumptions behind the financial projections

Exhibit D Business Subsidy Application

City of Preston

Application # _____

Date: _____

Type of Subsidy:

EDA/IRP Loan: _____ Tax Abatement: _____ Tax Increment Financing (TIF) _____

Job Creation _____ Business Assistance _____

Request: \$ _____ Total Project: \$ _____ Parcel# _____

Name of Business: _____

Business Address: _____

City: _____ State: _____ Zip: _____ Phone: _____

Contact Person: _____ Phone: _____

Email: _____

Type of Business: Sole Proprietor _____ Partnership _____ Corporation _____

Other _____

Nature of the Business: _____

Date Established: _____

Federal Identification Number: _____

State Identification Number: _____

Name of Owner #1 _____ Percentage Owned: _____%

Name of Owner #2 _____ Percentage Owned: _____%

Name of Owner #3 _____ Percentage Owned: _____%

Any additional owners list on a separate sheet and attach to application.

Home Address #1: _____

Phone: _____

Email: _____

Home Address #2: _____

Phone: _____

Email: _____

Home Address #3: _____

Phone: _____

Email: _____

Professional Services

Name of Lender: _____
Lender Address: _____
City: _____ State: _____ Zip: _____
Contact Person: _____
Email: _____

Name of Attorney: _____
Attorney Address: _____
City: _____ State _____ Zip: _____
Phone: _____
Email: _____

Name of Accountant: _____
Accountant Address: _____
City: _____ State _____ Zip _____
Phone: _____
Email: _____

Name of Insurance Provider: _____
Insurance Address: _____
City: _____ State _____ Zip _____
Phone: _____
Email: _____

General Description of Principal Business or Product

Annual Sales: Present: \$ _____
Pro Forma: \$ _____

General Description of Proposed Project, Building and Site
(Attach Site and Building Plans and Project Description)

Building Size _____
Building Materials: _____
Building Location: _____

Estimated Market Value upon completion (land and building):
\$ _____

Appraised value of land and building before construction:

\$ _____

Expected Start Date: _____

Expected Completion Date: _____

Other Potential Use(s) of Proposed Facility: _____

Potential to Attract other Related Business/Industry: _____

Current and Projected Employment
Employment Projected

Type of Employment

Existing Jobs: First Year _____ Second Year _____

Professional/Managerial/Technical: First Year: ___FT___PT, Second Year: ___FT___PT

First Year Wage Rate: ___FT___PT Second Year: ___FT___PT

Project Financing:

Purpose	Bank	Other	Equity	Other	Totals
Land					
Equipment					
Building					
Site Prep.					
Inventory					
Administrative (Legal/Building Plans/Engineering					
Totals					

Include preliminary project costs and all sources of preliminary revenue for the project.

Terms and Conditions:

% of Project Cost					
Terms					
Interest Rate					
Debt Service					
Collateral					

Public Benefit

State how the project will benefit the community: _____

_____.

Exhibit E

Declaration: (a separate sheet may be attached and used for explanations)

A. Have there ever been judgments or injunctions against the business, principals, owners, officers, applicants, or shareholders?

Yes___ No___

If yes, please explain_____

B. Is there any pending, anticipated or final regulatory or legal (civil or criminal) litigation involving the business, principals, owners, officers, applicants, or shareholders? Yes ___No___

If yes, Please explain: _____

C. Has the business, principals, owners, officers, applicants, or shareholders ever filed bankruptcy?

Yes___No___ If yes, please explain and state the date in which the bankruptcy occurred_____

D. Has the business, principals, owners, officers, applicants, or shareholders ever been or currently are delinquent on State or Federal taxes? Yes ___No___

If yes, please Explain: _____

E. Has the business, principals, owners, officers, applicants, or shareholders ever defaulted on any loan commitment, development or redevelopment agreement, or other business subsidy? Yes___No___

If yes, please Explain: _____

F. Note any potential conflicts of interest that may be encountered should a business subsidy be approved:_____

G. The undersigned specifically acknowledge(s) and agree(s) that:

1. All statements made in the application are made for the purpose of obtaining the Business Subsidy indicated herein.
2. Verification or recertification of any information contained in the application may be made at any time by the Grantor/Lender, its agents, successors, and assigns, either directly or through a credit reporting agency, from any source named in this application, and the original copy of this application will be retained by the Grantor/Lender, even if the Business Subsidy is not approved;
3. The Grantor/Lender, its agents, successors and assigns will rely on the information contained in the application and I/we have continuing obligation to amend and/or supplement the information provided in this application if any of the material fact which I/we have represented herein should change prior to closing;
4. In the event my/our payments or obligations for the Business Subsidy indicated in this application become delinquent or otherwise in default, the Grantor/Lender, its agents, successors and assigns, may, in addition to all their other rights and remedies, report my/our name(s) and account information to a credit reporting agency;
5. Ownership of the Business Subsidy/loan may be transferred to successors or assigns of the Grantor/Lender without notice to me/us and/or the administration of the Business Subsidy/loan account may be transferred to an agent, successor or assign of the Lender without notice to me/us.

Exhibit F

Certification:

I/we certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both and liability for monetary damages to the Grantor/Lender, its agents, successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this application.

Name of Business: _____

Subsidy Recipient: _____

Title: _____ Date: _____

Print Name: _____ Title: _____ Date: _____

Co-Recipient: _____ Title: _____ Date: _____

Print Name: _____ Title: _____ Date: _____

Co-Recipient: _____ Title: _____ Date: _____

Print Name: _____ Title: _____ Date: _____

Please list Other Co-Recipients on a separate sheet of paper:

Date Application was received: _____

Date Approved _____ or Denied: _____

Exhibit G

**PRESTON ECONOMIC DEVELOPMENT AUTHORITY
PO BOX 657
PRESTON, MN 55965**

BORROWER'S SIGNATURE AUTHORIZATION FORM

I hereby authorize the City of Preston (the business subsidy grantor) to verify my past and present employment, earning records, bank accounts, stock holdings, and any other asset balances that are needed to process my business subsidy application. I further authorize the City of Preston (the business subsidy grantor) to order a consumer credit report and verify other credit information, including past and present credit and/or business references. It is understood that a photocopy of this form will also serve as authorization.

The information the business subsidy grantor obtains is only to be used in the processing of my application for a business subsidy.

Name of Business: _____

Subsidy Recipient: _____

Title: _____ Date: _____

Print Name: _____

Title: _____ Date: _____

Co-Recipient: _____

Title: _____ Date: _____

Print Name: _____

Title: _____ Date: _____

Co-Recipient: _____

Title: _____ Date: _____

Print Name: _____

Title: _____ Date: _____

Please list Other Co-Recipients on a separate sheet of paper:

Date Application was received by the EDA: _____

Date Approved _____ or Denied: _____

Date Application was received by the City Council: _____

Date Approved _____ or Denied: _____