

## Goodview Economic Development Authority (EDA)

# Revolving Loan Fund Guidelines

### Projects and uses eligible for RLF Loan assistance

The Goodview Economic Development Authority (EDA) and the City of Goodview have made available a Revolving Loan Fund (RLF) to eligible applicants for the purpose of providing low interest "gap financing". The primary objective of the fund is the creation and retention of jobs, tax base, and services in the City of Goodview.

The Goodview Economic Development Revolving Loan Fund shall be administered by the Goodview EDA.

Any project that benefits the City of Goodview and its residents which meets the eligibility requirements stated below may apply for a loan from the EDA.

### Eligible Borrowers

Applicants may be individual owners, partnerships, corporations, tenant operators or contract for deed purchasers of any legitimate, for-profit business whose primary place of business is located within the city limits of the City of Goodview. An applicant cannot be a lending institution, a not-for-profit organization or real estate developer. Loans shall be limited to one year per business owner/applicant.

### Eligible use of EDA Loan Funds

1. Land Acquisition
2. Site Improvements
3. New Building Construction or Rehabilitation
4. Renovation and Modernization of Interior and/or Exterior of buildings
5. Machinery, Equipment, and Fixtures
6. Working Capital/inventory: Limited to 25% of total project costs. Projects seeking to borrow for working capital must have at least an equal amount of owner equity for every dollar of working capital borrowed.
7. Utilities and/or Public Infrastructure
8. Energy Conservation
9. Health and Safety Improvements
10. Loan Guarantee Fees

### Ineligible Uses of Funds

1. Taxes
2. Refinancing Existing Debt
3. Residential Real Estate Development
4. Professional Fees
5. Labor for work completed by owners
6. Construction and/or Renovation of Residential Units.

## Financing Structure

### Loan Amounts

The minimum loan amount will be \$5,000 and the maximum amount will be \$25,000. Exceptions may be granted by the EDA on a case-by-case basis.

Applicants may be subject to business subsidy law. A minimum of 10% owner equity is required for all loans.

### Interest Rate

The interest rate shall be established at 1% below the Prime Rate as published in the Wall Street Journal on the date of EDA approval with a floor rate of 3%. Loans with terms of 5 years or less will have a fixed rate for the entire term. For loans with terms over 5 years the rate will adjust on each 5-year anniversary date of the loan to 1% below the Prime Rate as published in the Wall Street Journal on the date of renewal - for the additional term up to 5 years. Rates will not be less than 3% except as determined by the Goodview EDA.

### Terms

The Goodview EDA shall determine term length based on the economic useful life of assets.

The EDA may provide deferments on principal repayments, interest-only payments for periods not to exceed 6 months, seasonally-based payment plans, and subordination of loans to meet the credit needs of borrowers.

Loans will only be restructured if the restructuring improves the borrower's repayment ability. Prior written approval from the EDA and City Council is required.

## Collateral & Personal Guarantees

Loans will be secured to the best extent possible. Each loan shall be secured by collateral adequate to safeguard the lender(s). If the RLF 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. The personal guarantee 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.

When financing equipment, and/or inventory a Uniform Commercial Code (UCC) security filing may also be required. A UCC lien filing is a notice lenders file when a business owner takes a loan against an asset. The UCC filing gives lenders a claim on assets a debtor pledges as collateral.

Machinery and equipment will be valued at 75% of the purchase price, and inventory will be valued at 50% of the purchase price for collateral purposes.

Applicants will be responsible for all filing, legal, recording, search and other fees required for perfecting a security interest in a loan.

## Timing of project expenses

No project may commence until the Goodview City Council has approved the loan application. Any costs incurred before the loan application has been approved by the Goodview City Council are not eligible expenditures and will not be funded.

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

## Procedures for a loan application

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

Staff will prepare a recommendation to be presented to the EDA based on its review of the application. Staff will require credit reports, and verify background information.

The EDA reviews full applications, staff recommendations and decides on the application.

The EDA reviews the recommendation of the EDA and makes a recommendation to the City Council

The City Council makes the final decision to approve or not.

City Staff will inform the applicant in writing of the decision.

## Procedures for application review

EDA staff is available to assist with the entire application.

When completed applications are received, EDA staff will conduct a thorough review of the application.

- Applicability of the project to the goals of business subsidy policy.
- Benefits of the proposed project to the community.
- Compliance with all City codes and policies.
- 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 & feasibility.
- Repayment ability and sufficient cash flow to cover proposed debt service.
- 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 institution stating terms and conditions of their participation in the project, if applicable. Or turn down letters.
- Management Skills.
- Sufficient collateral and lien position.
- Balance Sheet/ratio analysis

The Goodview EDA regular meetings are scheduled on the 2<sup>nd</sup> Wednesday of each odd numbered month. Thus, in order to facilitate the review process, only complete applications received by the 15<sup>th</sup> of the prior month will be reviewed. Late applications will not be reviewed until the following EDA meeting. Incomplete applications will not be reviewed. Past performance in regards to the applicant's financial responsibility with the City of Goodview will be considered in the review of each application. This includes historical performance related but not limited to the timely payment of other EDA loans, grants, or assistance, utilities, taxes, and code violations. The EDA will consider an applicant's past performance over time, on a case-by-case basis, given the individual nature of each instance, however simply being current on all matters with the city at the time of application does not satisfy this requirement.

## Other Policies

## Loan Servicing

Loan closing will be handled by EDA staff.

A non-refundable application fee in the amount of \$300 is required upon submission of a completed application. The borrower is responsible for all search and filing fees.

Loan commitments are good for a period of 90 days. Once the commitment has expired, the applicant must reapply for further consideration and in doing so would provide the EDA Coordinator with a set of updated financials.

All loan requests will be kept confidential until such time that they are needed to be brought to the EDA board for approval. The EDA holds open, public meetings and as such all information brought before the board becomes public. The borrower's financials are kept confidential, and not public information. If confidentiality is an issue, it will be necessary for the applicant to inform the EDA so that he/she can take appropriate measures.

Borrowers are required to make auto payments to the city depository on a monthly basis. Any transaction fees associated with auto payments are at the expense of the borrower. The payment schedule with the depository shall begin on the 20<sup>th</sup> of each month. Payments will commence 30 days following the closing.

An account will be considered delinquent if for any reason an ACH is not able to be completed, or if the full monthly payment due is not received by the date due. Any charges associated with the ACH payment is the sole responsibility of the applicant.

Staff will notify the 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.

## Follow-up Meetings

EDA staff will conduct semi-annual follow up meetings with applicants thru the duration of the loan, or as needed. The purpose of these follow-up meetings is to assist community businesses as they grow. Meeting specifics are at the discretion of EDA staff. The EDA staff will report the meeting results to the EDA board. Participation in and or results of the follow-up meetings will be taken into consideration if or when future requests by the applicant are brought to the EDA board.

## EDA Retains the Right to 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.

Please attach the following information before it is submitted to the Economic Development Office at Goodview City Hall. The application will not be processed until it is complete. The Economic Development Staff will check off all information needed for the project.

Existing Business

- \_\_\_\_\_Description of Business
- \_\_\_\_\_Year End Balance Sheet and Income Statements (past 3 years)
- \_\_\_\_\_Profit and Loss Statement (past 3 years)
- \_\_\_\_\_Business and Personal Tax Returns (If purchasing existing business, borrowers personal tax returns are required also)
- \_\_\_\_\_Additional Information as may be requested by the Committee

Start-Up Business

- \_\_\_\_\_Business Plan
- \_\_\_\_\_Market Area Information
- \_\_\_\_\_Personal Tax Return
- \_\_\_\_\_Personal Financial Statement
- \_\_\_\_\_Projected Balance Sheet and Income Statement
- \_\_\_\_\_Additional Information as may be requested by the Committee

**APPLICANT'S**  
**CERTIFICATION**

APPLICANT: \_\_\_\_\_

PROJECT: \_\_\_\_\_

1. Terms accepted. I, the undersigned, have read and understood the documents entitled "Goodview Revolving Loan Fund Applicant Package", and accept the terms and conditions therein.

2. Inspection. I further understand that any inspection made by the City of Goodview under this program is for purposes of determining the applicant's eligibility under this program and it is not intended to represent or warrant the condition of the premises.
3. Funds not guaranteed. I further understand that making application in no way ensures approval of my loan or guarantees funding.
4. Approval. I understand that "approval" means specific written approval from both the Goodview EDA and my Bank when applying for a Loan.
5. Expenditure prior to approval. I understand that any work performed prior to this approval of this application and/or specific written approval from both the Bank and the Goodview EDA will be considered ineligible unless otherwise waived in writing by the Goodview EDA and the Bank.
6. Disbursements. Payments on the amount of the Loan portion that are advanced by the Bank to the applicant start 30 days thereafter or as otherwise arranged by the Goodview EDA and the Bank.
7. Intended use of funds. I agree that I will use the RLF funds for the purposes expressed in this application. If funds are not used for purposes indicated, then the loan balance will be immediately due and payable.
8. Investigation. I hereby authorize the Goodview EDA and its agents to conduct the investigation necessary to determine the suitability of this application for funding through the Revolving Loan Fund.
9. Compliance of work. In performance of work financed by this loan, I will: require the Construction Contractor(s) who construct the improvements to conform to all the applicable local, state and federal laws; and, in governing Equal Opportunity Employment.
10. Application fee. I am submitting a non-refundable \$300 RLF fee.

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Signature of Applicant

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Date