



Economic Development Revolving Loan Fund Program

HRA Original Adopted Policy	March 2000
HRA Revised Policy	June 2004
EDA Revised Policy	October 2017

Each application submitted for assistance will be evaluated by the City on a case-by-case basis to analyze the viability of a proposed project. Depending on the exact nature and complexity of a project, the estimated timeframe from application to approval is approximately two months.

CITY OF ST. CLOUD ECONOMIC DEVELOPMENT REVOLVING LOAN FUND PROGRAM

HRA Original Adopted Policy	March 2000
HRA Revised Policy	June 2004
EDA Revised Policy	October 2017

I. BACKGROUND

The City of St. Cloud Economic Development Revolving Loan Fund (RLF) program was originated by the state-funded Minnesota Investment Fund (MIF) program awarded through the Department of Employment & Economic Development (DEED) to the City of St. Cloud. The RLF is administered by the Economic Development Authority of the City of St. Cloud (EDA), and its predecessor St. Cloud Housing & Redevelopment Authority under authorization provided by City Resolution 2004-6-165. Reuse of the RLF funds is guided by this local policy, and state policies in Minn. Stat. 116J.8731 and the Minnesota Business Subsidy Law (Minn. Stat. 116J.993 and 116J.994).

II. POLICY STATEMENT

The City of St. Cloud recognizes the need to stimulate private sector investment in order to provide employment, diversify the economy and enhance the property tax base. The Economic Development Authority (EDA) of the City of St. Cloud makes as part of its mission the increasing of job opportunities and tax base through leveraged investments, including providing affordable loans for new or expanding businesses locating within the city. The RLF will be administered by the EDA. The Finance Director of the City of St. Cloud will provide general program oversight on behalf of the City.

III. PURPOSE AND GOALS

It is the purpose of the City of St. Cloud Economic Development Revolving Loan Fund (RLF) to deploy and sustain a local pool of money to support private economic development and redevelopment projects for the benefit of the City of St. Cloud. These objectives may be accomplished through the following means:

- A. Create/retain permanent private sector jobs to fuel above-average economic growth;
- B. Investment in technology and equipment that increase productivity and provide higher wages;
- C. Leverage of private investment to ensure economic renewal and competitiveness;

- D. Increase the local tax base to guarantee a diversified industry mix;
- E. Improve the quality of existing jobs, based on increases in wages or improvements in the job duties, training, or education associated with those jobs;
- F. Improve employment and economic opportunities and create a reasonable standard of living; and
- G. Enhance productivity growth through improved manufacturing or new technologies.

IV. GENERAL CRITERIA

Revolving Loan Funds may be used to provide assistance for loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing. Assistance must be evaluated on the existence of the following conditions as noted in Minn. Stat. 116J.8731:

A. Eligible Projects

Business must be a for-profit corporation, partnership, or sole proprietorship. Eligible projects must meet one or more of the following criteria:

1. Creation or retention of jobs, or the improvement of jobs as measured by wages, skills or knowledge;
2. Increase in the tax base;
3. Attraction of private funds to the project;
4. Incapacity of local community and finance partners to finance project;
5. Results in higher wage levels or workforce skills;
6. Supports development of microenterprises, as defined by federal guidelines, through technical assistance or financial assistance;
7. Need for assistance to retain existing business; and
8. Importance of assistance to attract out-of-state business.

The assistance cannot meet solely 7. or 8.; other conditions must also be present.

B. Eligible Activities

RLF may be used to fund a variety of business activities including:

1. Acquisition of land
2. Construction, demolition or rehabilitation of facilities
3. Site improvements
4. Utilities or infrastructure
5. Machinery and equipment
6. Working capital

C. Ineligible Activities

RLFs may not be used for the operation, construction or expansion of the following uses: a casino, a sport facility that has a professional sports team as a principal tenant, or any firm engaged in retailing merchandise, or sexually-oriented businesses.

D. Wage Goals

Businesses receiving RLF-State MIF assistance must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110% of the federal poverty level for a family of four, which as of February 1, 2017 is \$13.53 per hour. This compensation level is adjusted annually.

V. FINANCING POLICIES

- A. RLF assistance can be for no more than one-half of the cost of the project.
- B. A minimum loan size of \$25,000 and a maximum loan size of \$100,000. Exceptions must be approved by the EDA Board.
- C. Loan terms for fixed assets are anticipated to range between 10 to 20 years for land and building, and 5 to 10 years for machinery and equipment.
- D. Interest rates are fixed and provided at 2 points below the U.S. prime rate published in the Wall Street Journal the business day prior to the loan closing date, or 3%, whichever is greater. Exceptions must be approved by the EDA Board and based on significant economic benefits.

- E. Deferments on principal repayments and subordination of loans may be provided to meet the credit needs of borrowers.
- F. The minimum equity requirement for participation on an RLF loan is equal to 10% of eligible project costs. It is the intention of the EDA to secure each loan with a first or second mortgage on real estate or a UCC filing on equipment, inventory and/or receivables, and may include personal assets and guarantees.
- G. No project shall commence until the EDA has provided loan approval. Any costs incurred prior to the loan approval are not eligible for financing. In addition, no building construction should commence until the required City permits are secured.
- H. RLF loans will only be restructured if the restructuring improves the borrower repayment ability, and normally only where additional security is obtained. Refinancing will not be allowed solely for the purpose of reducing the interest rate due to lower market interest rates.
- I. While the EDA is prepared to consider long-term loans, attempts will be made to structure debt in such a manner as to encourage prepayment or early recapture of the proceeds. One method that may accomplish this is to provide a 5 year term with a 20 year amortization period and work with the borrower to find private sources of capital to replace the RLF loan at the end of the initial term. In the event that the borrower is unable to obtain conventional financing to replace the RLF at the end of 5 years, the loan may be extended up to 2 additional years at a market rate of interest. Extension requests shall be accompanied by a copy of the current financial statements, a letter of denial from a conventional lender, and a \$500 non-refundable processing fee.
- J. Interest earnings or other profits earned from the sale of the loan will be returned to the RLF fund for re-lending or for administrative costs.
- K. The applicant will be responsible for all legal, recording and other fees required for protection of a security interest in the loan. In addition to the non-refundable fee in Section VI, all legal and filing fees shall be paid by the borrower at loan closing.
- L. The EDA shall require that proposed borrowers provide bank commitment letters or other evidence of their ability to meet the equity requirements.
- M. The EDA may deny any project which it deems inappropriate according to the guidelines established in this document.

VI. LOAN APPLICATION AND SERVICING

The application evaluation and servicing process will be as follows:

A. Pre-application

1. A brief pre-application in narrative form will be required of all potential applicants in order to determine the proposed structure and eligibility of the project.
2. Pre-applications will be screened for eligibility and written invitations for full applications will be provided.

B. Full Application Package

1. A full application package will include the necessary documentation to make a final loan decision.
2. When a full application is invited, a site visit and discussion about full application details will take place.
3. A non-refundable processing fee of \$1,000 will be required when a full application is submitted.
4. When completed applications are received, the EDA Staff will conduct a thorough review including:
 - a. Eligibility with RLF plan
 - b. Economic benefits of the proposed project
 - c. Balance sheet/ratio analysis (if necessary)
 - d. Repayment ability
 - e. Management skill
 - f. Collateral and lien position
 - g. Credit risk of applicant
 - h. Need for special requirements, i.e. insurance, personal guarantee
 - i. Environmental review
5. Upon recommendation by the EDA Executive Director, the EDA Board has the authority to approve the loan. Applicants will receive notification of decision in writing.
6. 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, particularly Minn. Stat. 13.591, subd. 1 and 2.

C. Loan Servicing

1. Loans may be closed by the EDA Executive Director.
2. Loan accounting will be a part of the City Finance Department. Reports may be requested for individual loans including principal, interest, fee payments, etc.
3. Delinquency will be handled in a firm, yet flexible way, with provision for modifying or restructuring consistent with program objectives and responsible money management. Any modifications of loan terms and conditions must be requested in writing by the applicant and approved by the EDA Executive Director and, if applicable, the EDA.
4. 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.
5. Any total or partial sale, assignment, conveyance, lease or transfer with respect to the loan and security interest is not allowed without prior review and written approval by the EDA Board, which approval shall not be unreasonably withheld.

D. Compliance with MN Business Subsidy Law

Each company receiving assistance in the principal amount over \$75,000 from the RLF shall be subject to the provisions and requirements set forth by Minnesota Business Subsidy Law Statute 116J.993 and the City of St. Cloud Business Subsidy Policy. All RLFs will be required to submit annual progress reports to the EDA until job creation requirements are met.