

St. Charles

Revolving Loan Fund

Guidelines

INTRODUCTION

The purpose of these documents is to provide guidelines for the award and processing of loans under the City of St. Charles Economic Development Authority (EDA) Revolving Loan Fund (RLF) Program. It is intended to be used as the procedure for the EDA to follow in the administration of the RLF.

The initial capitalization for the RLF is from the State of Minnesota. The RLF will be used primarily to provide fixed asset financing to small businesses in the City of St. Charles. A portion of the fund has been designated for a Commercial Sign Program. The RLF may also be used for limited working capital financing.

The form of the RLF's involvement in the financing may be as a direct loan to the small business or as a guarantor to a conventional bank loan. It is a goal of the RLF to leverage its funds to the greatest extent possible. It is the intent of the RLF to primarily use its direct loan program for fixed asset subordinated mortgage financing and its loan guarantee component for working capital loans.

This loan fund will be administered by a seven-member loan committee of the City of St. Charles Economic Development Authority. All seven members are voting members of the EDA. The City of St. Charles may grant exemptions from Revolving Loan Fund Guidelines by documenting the reason in writing for the deviation. A clearly demonstrated public purpose will be included in the documentation.

APPLICATION AND REVIEW PROCESS

Application Process

Applications will be accepted from new or existing business owners in the City of St. Charles. Applications may be completed with support by the EDA staff. Completed applications will be reviewed and acted upon by the EDA Board of Directors at their next regularly scheduled meeting. Applications, which are determined to be incomplete by the EDA staff or EDA Board, will be held over until the loan package is complete. EDA staff is available to assist each borrower in the completion of the application package. Please contact St. Charles City Hall at 507-932-3020.

Application Packaging Process

The loan application process will focus on those projects, which are most likely to receive financing. The packaging process should consist of:

1. EDA Staff will respond to initial requests from applicants. Meetings and initial interviews may include:
 - a. Determine preliminary eligibility
 - b. Identify private sector participant
 - c. Determine overall debt service capacity
 - d. Identify potential loan structure
2. A copy of the Revolving Loan Fund Guidelines and Loan Applications forms shall be provided. If appropriate, EDA staff will arrange to meet with private sector lender to:
 - a. Answer questions on RLF participation and give an overview of RLF program
 - b. Determine lender willingness to participate in project
3. Applicants shall be directed to contact the Small Business Development Center (SBDC) for assistance in preparation of the loan package. There is no charge for this service. Preparation of loan documents will typically include the following information:
 - a. Loan application
 - b. Summary and overview of project (Business Plan)
 - c. History of business
 - d. Purchase agreements
 - e. Written cost estimates
 - f. Historical financial statement of business (and affiliates)
 - g. Current statement within 90 days
 - h. Projections
4. Applicants should be prepared to provide the following additional information and documents:
 - a. Personal financial statements
 - b. Resume(s)
 - c. Lender commitment letter(s) and interim loans
 - d. Compensation of agreement for services
 - e. Miscellaneous exhibits
5. Completed loan applications shall be reviewed and approved or denied by the EDA Board of Directors at their next regularly scheduled meeting.
6. In the event of real estate being involved in the loan process, the City Attorney will conduct the real estate closing. Charges for the City Attorney's time will be paid by the borrower at the approximate cost of \$250.00 per loan closing. The charge is payable to the City of St. Charles.

GENERAL LOAN POLICIES

ELIGIBLE BORROWERS:

Any legitimate business whose primary Place of business is in the City of St. Charles. Loans will be targeted to general service and retail businesses and manufacturing businesses.

ELIGIBLE USE OF PROCEEDS:

Proceeds may be used for building rehabilitation, working capital, machinery, equipment, and real estate.

INELIGIBLE USE OF PROCEEDS:

Refinance debt
Pay delinquent taxes
Cover product development costs
Pay organizational costs of start-ups
Invest into residential real estate

LOAN AMOUNTS:

The St. Charles EDA will make loans with the following size parameters:

Minimum EDA Loan - \$ 1,000
Maximum EDA Loan - \$ 25,000 *

* Note – EDA Loans may not exceed 50% of the available EDA fund balance.

JOB CREATION AND/OR RETENTION:

The business must provide for the retention or creation of new jobs in participation of the RLF program as per State of MN Guidelines. An annual report of jobs retained or created demonstrating 51% are made available to low to moderate-income employees.

TERMS OF LOANS:

The St. Charles EDA will make loans with terms up to five years. The typical loan will bear a five-year term on self-amortizing repayment schedule.

**COLLATERAL & PERSONAL
GUARANTEES:**

Each loan will be secured by collateral adequate to safeguard the lender. If the EDA is the sole lender, it will take a first security interest in the assets financed. If the EDA is in partnership with another lending source, the EDA 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.

OWNER PARTICIPATION:

At least 50% of the project cost shall be funded privately either through a private lender or in the form of equity.

OTHER:

Following funding of a project, periodic financial reporting and participation in a record keeping program or technical management assistance may be provided through the EDA.

The City will evaluate each request for a loan on a case-by-case basis. Applicants for assistance shall complete an application form and supply all additional information requested by the City. Meeting all or a majority of the criteria does not mean a loan will be awarded or denied. A decision to approve or reject a request for loan funds will be based on the merits of the project and the overall benefit to the community.

APPLICATION PROCESS:

Contact St. Charles City Hall at 1-507-932-3020 to schedule an Initial Application Interview. Be prepared to provide Project Cost Estimates, Historical Financial Statements, and/or Revenue Projections.

**COMMERCIAL REVOLVING LOAN FUND
PRE-APPLICATION**

- 1. Business Name: _____
- 2. Owners: _____
- 3. Project Description: _____

- 4. Total Project Amount: \$ _____
- 5. Requested Loan Amount: \$ _____
- 6. Payment Schedule: \$ _____ Monthly \$ _____ Yearly
Other: \$ _____ Describe _____

7. Number of Jobs Created or Retained: _____

8. Source of Other Funds	Amount	Secured	Pending
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

9. Description of Collateral: _____

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

Signature(s): _____

Date: _____

RLF Loan Review and Recommendation: _____

APPROVE _____

DENY _____

Date: _____

Chairperson: _____

SUMMARY OF MONEY NEEDED

1. Land/Building \$ _____

2. Machinery/Equipment \$ _____

3. Furniture/Office Improvement \$ _____

4. Inventory/Materials \$ _____

5. Consulting Fees or Miscellaneous Expenses

_____ \$ _____

_____ \$ _____

_____ \$ _____

6. Anticipated Operating Cash Required

(accounts receivable financing, wages or other)

_____ \$ _____

_____ \$ _____

_____ \$ _____

7. Total Project Cost \$ _____

8. Amount Your or Others Anticipate Investing \$ _____

Source of equity Amount

9. Amount of Loan Needed (line 7 minus line 8) \$ _____