

**City of St. James Economic Development Authority
Industrial and Manufacturing Revolving Loan Fund
Administrative Procedures and Application**

Purpose

The purpose of the Industrial and Manufacturing Revolving Loan Fund is to promote new job opportunities, expand the tax base, and stimulate private sector investment by providing industrial and manufacturing operations with a portion of the financing necessary for development projects. Loans are made to fill the gap between the total cost of the project and the amount that is available through owner investment, bank financing, and other sources of private funding.

Project Eligibility

For purposes of the Industrial and Manufacturing Revolving Loan Fund a for profit business may qualify if it is engaged in manufacturing, distribution, or value added agriculture.

The project must be located within the City of St. James.

Loans can be used for land acquisition and improvements, building construction, machinery, equipment and fixtures, inventory, and renovation or modernization of buildings.

Projects must create or retain jobs. The guideline is one (1) full time equivalent position for every \$10,000 loaned.

Ineligible uses include expenditures for retail businesses, residential projects, greater than 24% working capital, or the refinancing of existing debt.

Loan Amounts and Terms

A Industrial and Manufacturing Revolving Loan Fund loan can not exceed one third of the total project costs. Thus, two (2) dollars of private funds must be provided for each loan dollar. The minimum loan amount is \$50,000 and the maximum loan amount is \$300,000.

The interest rate for all loans shall be two (2) percentage points below the existing Wall Street Journal prime rate on the date of the application. During the duration of the loan the interest rate will be "Reset" to two (2) percentage points below the Wall Street Journal prime rate every five (5) years.

Financing terms shall not exceed 20 years for land and buildings and 10 years for machinery, equipment and fixtures.

Regulations for Improvements

All project improvements shall comply with the appropriate City, County, State and Federal regulations.

Loan Security and Guarantees

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

The City requires the personal guarantee of any person owning twenty percent (20%) or more of the business, regardless of the form of ownership.

Timing of Project Expenses

The applicant shall be responsible for all legal, recording and other fees required for perfecting a security interest in a loan.

Any project costs incurred before the date of application shall not be eligible.

No improvements shall commence until all required permits are secured.

Other Requirements

1. **Civil Rights:** No applicant may be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex. All advertisement and promotion of this program will emphasize this civil rights provision and the targeting criteria established to promote affirmative action.

Borrowers from the RLF will be required to complete the Assurance of Compliance for this in ED540 and ED612 (See 13 CFR 317.1 and 15 CFR Part 8).

2. **Certificate of Non-Relocation:** Each applicant will be required to complete an "Employers Certificate of Nonrelocation" stating that the project for which funds are being sought will not relocate jobs from one labor market to another.

3. **Historical Preservation:** All loans for construction must be submitted to the State of Minnesota Historic Preservation Office for review and consent.

4. Davis-Bacon: All loans for construction must meet the requirements of the Davis-Bacon Act as amended (40 U.S.C. 276a-276a.5).

5. Access for the Handicapped: If the RLF finances a construction project to which the public will have access, the provisions for access to the handicapped must be included pursuant to the Americans with Disabilities Act (See 42 U.S.C. 12101, et seq.).

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

The Loan Review Board 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 alternation of any wetland, or in any adverse impact on a wetland, without prior consultation with, an consent of the U.S. Department of the Interior, Fish and Wildlife Service.

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

7. Air and Water Quality: Applicants will be required to comply with all federal, state, and local laws and regulations concerning air and water quality. All required reviews will be completed and permits issued prior to funding.

8. Environmental Review Procedure: The staff of the RLF will review each application for conformance with sections 1 through 7 above. To conduct its review, the staff will contact local planning and zoning authorities, site specific maps and the regulations of FEMA, USGS, SCS, SHPO and other applicable agencies. All local, state and federal regulations must be complied with prior to granting a loan.

For each loan application, staff must make a finding of compliance or no adverse impact. If there is a finding of non-compliance, a plan for mitigation acceptable to the regulatory agency must be filed with the RLF Board. RLF staff will monitor compliance with the mitigation plan.

Application Procedure

An interested party shall meet with the Economic Development Authority (EDA) Director to obtain information about the loan program, to discuss the proposed project and obtain an application.

A completed application together with a non-refundable processing fee of \$100.00 must be submitted to the EDA prior to review.

The application will be reviewed by the EDA Director to determine if the project meets the guidelines of the program. If the project seems to meet the guidelines of the program the application will be forwarded to the St. James Star City Finance Committee for review.

Application Review

The Star City Finance Committee will review the project application in relation to the following components:

1. Project design, including proposed activities, schedules and capacity to implement.
2. Financial feasibility, including the availability of funds, private involvement, financial packaging, and cost effectiveness.
 - a. Loan request does not exceed one-third of the total project costs or \$300,000.
 - b. Sufficient cash flow shall be demonstrated by financial statements and projections.
 - c. The business must show a positive net worth.
 - d. Sufficient collateral must be provided and maintained through the life of the loan.
3. Project compliance with all appropriate codes and policies.
4. All other information as required in the application and/or as may be requested by the St. James Star City Finance Committee.

The St. James Star City Finance Committee will forward its recommendation to the St. James City Council for their final review and action.

**City of St. James Economic Development Authority
Industrial and Manufacturing Revolving Loan Fund
Application**

This application is necessary in order for those who review your loan request to make an informed and fair decision. There is no loan program that does not require this information, whether it be through the private or public sector.

Applicant: _____

Address: _____

City/State: _____ Zip: _____

Contact Person (s): _____

Work Phone: _____ Home Phone: _____

Amount Requested: _____

Terms Requested: _____

1. Type of Project:

_____ New Business/Construction

_____ Existing Business/Expansion

_____ Equipment, Machinery and/or Fixtures

_____ Remodeling

_____ Other, please explain: _____

2. Please describe your project and the purpose of the request: _____

3. Cost of Project:

- a. Land \$ _____
- b. Buildings (attach plans & costs) \$ _____
- c. Equipment, Machinery and Fixtures \$ _____
(attach list and costs)
- d. Remodeling (attach plans & costs) \$ _____
- e. Other (attach description) \$ _____
- f. Total Costs \$ _____

4. Proposed Financing:

<u>Source</u>	<u>Name</u>	<u>Terms</u>	<u>Amount</u>
a. State Grant/Loan	_____	_____	\$ _____
b. Federal Grant/Loan	_____	_____	\$ _____
c. Bank Loan	_____	_____	\$ _____
d. Bank Loan	_____	_____	\$ _____
e. Other, Private	_____	_____	\$ _____
f. Other, Public	_____	_____	\$ _____
g. This Loan	_____	_____	\$ _____
h. Applicant Contribution			\$ _____
i. Total Financing			\$ _____

5. Collateral to be assigned (describe and show lien position):

- a. To State: _____
- b. To Federal Government: _____
- c. To Bank: _____
- d. To Bank: _____
- e. To Other, Private: _____
- f. To Other, Public: _____
- g. To This Loan: _____

6. Value of Collateral:

	<u>Cost</u>	<u>Current Value</u>	<u>Existing Lien</u>
a. Land	\$ _____	\$ _____	\$ _____
b. Buildings	\$ _____	\$ _____	\$ _____
c. Machinery/Equipment	\$ _____	\$ _____	\$ _____
d. Other _____	\$ _____	\$ _____	\$ _____

7. Employment:

Current Number of Employees _____ Total Weekly Payroll \$ _____
Proposed Number of Employees _____ Total Weekly Payroll \$ _____

If this loan request is for job retention only, please explain this in your business plan.

8. Attorney, Accountant (name, address, phone number): _____

9. Bank and Other References (name, address, phone number): _____

10. Please attach the following:

- a. Written Business Plan including, (1) description of business, (2) ownership, (3) date established, (4) products and services, (5) management, and (6) future plans.
- b. Financial statements for the past two years.
- c. Financial projections for three years.
- d. Resume of owner and management.
- e. Personal financial statements of proprietor, partners, and grantors.
- f. Letter of commitments from applicant pledging to complete the project during the proposed project term.
- g. Letter of commitment from other financing sources stating their terms and conditions of participation.
- h. Other: _____