

DEVELOPMENT LOAN PROGRAM
POLICY GUIDELINES AND APPLICATION

ZIMMERMAN ECONOMIC
DEVELOPMENT AUTHORITY
CITY OF ZIMMERMAN, MINNESOTA

ADOPTED: SEPTEMBER 18, 2006

ZIMMERMAN ECONOMIC DEVELOPMENT AUTHORITY
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I. INTRODUCTION

The Zimmerman Economic Development Authority (EDA) recognizes the need to stimulate private-sector investment in manufacturing facilities and equipment in order to boost productivity, create new jobs and retain existing jobs for local residents and the surrounding area. The EDA also recognizes the need to encourage private investment in the expansion, rehabilitation and development of existing and new commercial and retail activity in order to maintain and further the economic viability of the City of Zimmerman (City).

II. DEVELOPMENT LOAN PROGRAM

In response to these needs the EDA has designed a Development Loan Program (Loan Program) pursuant to Minnesota Statutes, Sections 469.090 through 469.108, inclusive, as amended and supplemented from time to time. The goals of the Loan Program is to provide low interest loans (Loan) to assist in the promotion of industrial, commercial and retail development and rehabilitation within its Development District No. 1. The EDA acknowledges that a business or a developer who is building for or leasing to a business may apply for a Loan from the Loan Program. As a result, such business or developer may be an Applicant.

The objective of the Loan Program is to encourage the development of new businesses and the development, rehabilitation and restoration of existing businesses to increase the City's tax base and to retain and/or create quality jobs within the City for its local residents and the surrounding area.

The amount of each Loan shall not exceed \$100,000.00 or 20% of the total project cost.

The equity provided by the private-sector's commitment shall equal at least 50% of the total project cost. The Applicant shall provide a minimum of 10% of the project financing.

The Loan rate shall be established at 50 basis points (0.5%) higher than the yield on US Treasuries maturing on the final payment date on the Loan.

Repayment of the Loan shall include interest only payments payable in years one (1) and two (2); principal and interest payments, based on a ten (10) year amortization schedule, payable in years three (3) through six (6); and, a balloon payment payable in year seven (7) (see attached example).

Any portion of the Loan may be prepaid at anytime with no penalty.

A Loan shall become due and payable in full if a business relocates outside of the City prior to the maturity date of the Loan.

A late payment charge of 5% of the installment amount shall be enforced.

The Applicant shall adhere to the requirements and restrictions of the Business Subsidy Act and the City's Business Subsidy Policy.

III. USES.

Loan funds shall be allowed for the following:

- building construction
- land acquisition
- machinery
- furniture, fixtures and equipment
- renovation and modernization of structures
- exterior renovation of retail, commercial and industrial structures
- public infrastructure required for economic development expansion
- investment real estate with a minimum of 50% pre-leased space

Loan funds shall not be allowed for the following:

- expenditures for construction or renovation of residential units
- working capital
- refinancing of existing debt
- inventory

IV. APPLICANT ELIGIBILITY

The Applicant shall be eligible for a Loan if the proposed project meets the above criteria and is located or is proposed to be located within the EDA's Development District No. 1 and the Applicant complies with the following criteria:

- The Applicant shall be a for-profit corporation, partnership or sole proprietorship.
- The Applicant shall be a small business as defined by the Small Business Administration (SBA).
- The Applicant shall have a positive net worth.
- The Applicant shall pay property taxes.

V. REQUIREMENTS FOR REHABILITATION AND RENOVATION

All buildings for which public funds will be used for rehabilitation or renovation shall be brought into conformance with City ordinances and State building codes. Repairs may include the following systems and portions of real property:

- mechanical, heating, plumbing and electrical
- structural, including the façade of the structure and energy related improvements
- hook-up to City services
- ADA (Americans with Disabilities Act) improvements

VI. APPLICANT'S OBLIGATIONS AND RESPONSIBILITIES

The Applicant shall demonstrate the financial means to repay the Loan as determined by the EDA,

The Applicant shall secure the Loan with a subordinate Mortgage on the building and/or assets or other approved collateral.

The Applicant shall enter into and execute a Loan Agreement with the EDA, which Agreement shall include personal guarantees by the Applicant .

The Applicant shall execute and provide an executed Note documenting the terms of the Loan to the EDA.

The Applicant shall execute and provide a Guaranty to the EDA.

The Applicant shall enter into and execute a Business Subsidy Agreement pursuant to the Business Subsidy Act.

The Applicant shall execute a UCC Financing Statement when applicable.

The Applicant shall be responsible for all legal, recording and other fees required for the protection of a security interest in the Loan

VII. TIMING OF PROJECT EXPENSES

No project shall proceed until the Applicant has completed and submitted a Loan application form (Application) and a processing fee equal to 2% of the requested Loan amount to the EDA. One-half (1/2) of the processing fee is refundable only if the Loan is denied.

No project shall commence until the EDA has approved the Application. Any costs incurred prior to the approval of the Application are not eligible expenditures.

No project shall commence until the required City permits are secured.

VIII. PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL.

The Applicant shall initially contact a primary lending institution to determine if additional equity is required, and if so, how much.

The Applicant shall complete and submit an Application to the City along with a processing fee equal to 2% of the requested Loan amount.

The Applicant shall provide evidence of its ability to meet the equity requirements, or provide a letter of commitment, for conventional financing from a primary lending institution.

The application and project shall be reviewed by EDA staff to determine:

- a. conformance to EDA policies and overall development goals
- b. conformance to City policies, ordinances, building codes, zoning codes, Comprehensive Plan and overall development goals
- c. availability and applicability of other governmental grants and/or loan programs
- d. potential impact on the City's economy
- e. satisfactory project design, including proposed activities, time lines and the Applicant's capacity to perform
- f. project financial feasibility, including availability of funds, private involvement, financial packaging and cost effectiveness
- g. appropriate ratio of private funds to Loan
- h. sufficient debt service coverage demonstrated by financial statements and projections
- i. applicant's positive net worth
- j. Letter of Commitment from the Applicant pledging completion of the project during proposed project duration, if the Loan application is approved

k. Letter of Commitment from other financing source(s) stating the terms and conditions of participation in the project, if applicable

l. sufficient guarantees and security

m. all other information as required in the application or additional information as requested by the EDA

n. project compliance with all City codes and policies

o. project objectives, including quality job and wage creation/retention requirements, compliance with EDA criteria and demonstration of at least one of the following objectives:

- contribution to the fulfillment of the EDA's Development Program for Development District No. 1
- prevention or elimination of blight
- increase in local tax base
- correction of an existing building code violation

Upon completion of its review, EDA Staff shall make a recommendation to the EDA Commissioners for approval or denial of the Application .

IX. RIGHT OF REFUSAL

The EDA may deny any project which it deems inappropriate according to the guidelines established in this document.

X. COMPLIANCE WITH THE BUSINESS SUBSIDY ACT

Each business receiving assistance from the Loan Program, whether or not applied for directly or through a developer, shall be subject to the provisions and requirements set forth in Minnesota Statutes, Sections 116J.993 to 116J.995 and the attached Business Subsidy Policy.

ZIMMERMAN ECONOMIC DEVELOPMENT AUTHORITY
DEVELOPMENT LOAN PROGRAM
APPLICATION

I. CONTACT INFORMATION

Legal Name of Business: _____

Address: _____

City/State/Zip: _____

Contact Person: _____

Business Phone: _____ Business Fax _____

Home Phone: _____ Email _____

Check One: _____ Proprietor _____ Corporation _____ Partnership

Federal ID Number: _____

State ID Number: _____

II. LOAN REQUEST

Amount Requested: _____ Total Project Cost: _____

Type of Project:

_____ new construction for a start up business

_____ new construction for an existing business

_____ on site expansion

_____ equipment purchase

_____ remodeling: (circle one) commercial retail industrial

_____ other

Please provide a brief summary of your business and its products or services:

Please provide a brief summary of the project:

Please describe how this loan will impact your project:

III. FINANCING

Project costs

Land	\$ _____
Site Improvements	\$ _____
Buildings (attach plans & costs)	\$ _____
Equipment/Machinery/Fixtures (attach list & costs)	\$ _____
Remodeling	\$ _____
Industrial Inventory/Working Capital (attach description)	\$ _____
Other (attach description)	\$ _____
Total Costs	\$ _____

Comments:

Proposed Sources of Financing

<u>Type</u>	<u>Source</u>	<u>Terms</u>	<u>Amount</u>
Bank Financing	_____	_____	\$ _____
Bank Loan	_____	_____	\$ _____
Other Private Funds	_____	_____	\$ _____
Applicant Contribution	_____	_____	\$ _____
Other	_____	_____	\$ _____
Federal Grant/Loan	_____	_____	\$ _____
State Grant/Loan	_____	_____	\$ _____
EDA Loan	_____	_____	\$ _____
Tax Increment Financing	_____	_____	\$ _____
Tax Abatement	_____	_____	\$ _____
Total Financing	_____	_____	\$ _____

Collateral Assignments

	<u>Description</u>	<u>Lien Position</u>
Bank 1	_____	_____
Bank 2	_____	_____
Private Sources	_____	_____
Other Sources	_____	_____
Federal Government	_____	_____
State Government	_____	_____
EDA Loan Program	_____	_____

Value of Collateral

	Book Value	Cost	Existing Lien
Land	\$ _____	\$ _____	\$ _____
Buildings	\$ _____	\$ _____	\$ _____
Machinery/Equipment	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____
Other _____	\$ _____	\$ _____	\$ _____

IV. JOB AND WAGE GOALS

Present number of employees _____ Total Payroll _____

JOB TO BE CREATED *

Please provide the following information of jobs you expect to create within 2 years.

Job Title	Number	Average Hourly Wage	Annual Salary	Permanent/ Temporary	Hiring Date
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

*If the Loan is for job retention only, please explain in the Business Plan.

V. PROGRAM OBJECTIVES (please check those applicable)

- _____ The project retains existing jobs or creates new jobs.
- _____ The project contributes to the fulfillment of the EDA's Development Program for Development District No. 1.
- _____ The project prevents or eliminates blight.
- _____ The project increases the local tax base.
- _____ The project brings a structure into compliance with an exiting building code violation.

VI. PROJECT CONTACTS

Attorney

Name: _____

Address: _____

Phone: _____

Accountant

Name: _____

Address: _____

Phone: _____

Financing Sources (lenders, partners, etc.)

Name: _____

Address: _____

Phone: _____

Name: _____

Address: _____

Phone: _____

Parent Company (if applicable)

Name: _____

Address: _____

Phone: _____

Others

Name: _____

Address: _____

Phone: _____

Name: _____

Address: _____

Phone: _____

VII. ATTACHMENTS

- _____ Business Plan
 - Description
 - Ownership
 - Management
 - Date Established
 - Products/Services
 - Future Plans
- _____ Financial Statements for Past Two Years
- _____ Financial Projections for Two Years
- _____ Resume of Owner/Management
- _____ Personal Financial Statements of Proprietor/Partners/Guarantors
- _____ Applicant Letter of Commitment Pledging Completion of Project
- _____ Letter of Commitment from Other Financing Sources Providing Terms and Conditions of Participation in Project
- _____ Processing Fee (2% of loan request)

VIII. AGREEMENT

I / We certify that all information provided in this application is true and correct to the best of my / our knowledge. I / We authorize the Zimmerman Economic Development Authority to verify references, financial information and other requested information. I / We agree to provide any additional information as may be required.

Dated this ____ day of _____, 200__

Applicant's Signature