



Loan Fund Guidelines

1. Introduction

Background

The Granite Falls Economic Development Revolving Loan Fund (RLF) was established in 1984 as a result of a grant to the City of Granite Falls by the Department of Trade and Economic Development, a predecessor organization to today's Department of Employment and Economic Development (DEED). The original grant award went to Victor Fluid Power as a loan. The DEED requirements for the original loan agreement provided that Victor Fluid Power pay back the principal and interest to the City of Granite Falls. The City established an RLF account, which is administered by the Granite Falls Economic Development Authority (EDA) and is subject to Minnesota Statutes.

Since inception of this loan fund a number of changes that have been incorporated into the regulations that guide the program; typically guideline changes have been a result of local consideration of loan package requests as well as changes mandated by Minnesota Statutes. While it is possible to modify local consideration for clearly stated reasons it is not possible to modify Minnesota Statutory requirements.

Technical and Economic Development Assistance

At all times every person with a reasonable development project and with an interest in improving the community's economic, commercial and housing base will be assisted by the EDA Board staff. Depending on the nature of the project technical assistance may be made to other organizations and/or accepted from other private or public organizations.

2. Mission

It is the intent of the City to assist with growth and development of its business, manufacturing and housing community by provision of appropriate technical and financial assistance in a reasonable, cost effective and efficient manner.

3. Policy Summary

Where a new or expanded business intends to add to the economic wealth of the community and create or retain employment, the EDA will assist in preparation of business, marketing and financial plans, as appropriate.

Financial assistance from City Revolving Loan Funds (RLF) may be used where business will create new employment opportunity, alleviate economic distress or address defined development needs.

In most, if not all, cases the use of the local RLF funds is secondary to another lender's financial participation in an economic development loan package. In these cases the loan package is also subject to rules, regulations and approvals of the other lender's programs. An application package will require, at a minimum, a letter of intent to apply for City economic development assistance, a business plan, a two year financial plan, a history of the business and financial statements of owners.



Use of economic development funds will be directed to those businesses that identify and document a financial gap which will do the most to solidify and strengthen the business and economic base of the City and provide and add permanent full-time employment opportunity.

The financial resources available to the Economic Development Authority are limited. The EDA Board may choose between economic development projects based on its estimate of the benefit to be received by the City. The EDA does not approve loans. Loans are always approved by the City Council.

4. Targeting Criteria

- Existing or new manufacturing and/or closely related businesses which serve to assist and diversify the business and manufacturing base as well as strengthen the local economy.
- Where the intent is to locate a business or housing in appropriately zoned areas or in the Granite Falls Industrial Park.
- Existing or new commercial or service business which serve to assist, diversify and enhance the provision of retail services in the Granite Falls market area and is physically located in downtown Granite Falls or the Highway 212 business area.
- Existing or new business which enhances tourism in the area.
- Existing or new information technology business that will enhance skills serving local, state and national market areas with computer processing or closely related services.

5. Loan Portfolio Standards

Revolving Loan Fund (RLF) loans are intended to provide demonstrated gap financing that is based on a business plan, with a projected finance plan, good credit history and owner investment with a financial institution or other private, public, and/or owner participation.

Utilization of the Revolving Loan Fund (RLF) loans is intended to meet the following standards;

- A minimum ratio of \$6,000 in loan funds for each \$ 8.00 an hour full-time job created or \$10,000 in loan funds for each \$12.00 an hour full-time job created is desirable.
- A ratio of seventy-five (75%) percent private and/or other public sector financing to a twenty-five (25%) RLF Loan is desirable.
- RLF funds may be used for acquisition of land or buildings, construction or rehabilitation of existing buildings, related site improvements, purchase of machinery and equipment and working capital.
- Where other private or public sector financing is included in a proposed loan request the standards of the most restrictive program will apply.



6. RLF Loan Review Process

A letter of application describing the proposed project as well as the need for public financing, signed by the applicant, and submitted to the EDA office initiates the loan review process. All letters of application received will be placed on an agenda for a regularly scheduled EDA Board Meeting. The loan applicant is encouraged to attend and present information concerning the proposal. After the initial review is completed the EDA staff will assist the applicant with preparation of an application, if appropriate.

After the preliminary review is completed, the EDA Board, its staff, and others, if needed, will evaluate the proposed loan request and, in a written memo, describe all known matters of interest. In addition to material presented in the full application for financing the EDA Board may require submission of additional relevant materials. The EDA Board will consider the written memo, comments on the memo from the applicant and, after a public hearing, if required, forward the EDA Board's recommendation to the City Council. In addition to material presented in the application for financing or stated in policy the staff or EDA Board may require additional materials or documentation from the applicant.

The EDA Board will consider a recommendation to the City Council only after the review is complete.

7. Loan Approval

Upon completion of the review process the EDA Board, at a regular meeting, will consider a recommendation to the City Council. Staff will then present the recommendation to the City Council. If the City Council approves the recommendation for financing a resolution will be prepared and returned to the EDA Office as well as the Applicant.

8. Loan Rates and Terms

Interest rates for RLF loans will be determined based on projected cash flow analysis but not lower than five (5%) percent.

Terms will normally be 60 months.

9. Closing & Documentation

All closings will be completed by the City Attorney. The recipient is responsible for costs of all legal and other professional services and expenses including all closing costs and recording fees.

At a minimum, loans will have an approved development agreement, or similar document, a promissory note, an employment schedule and a security agreement. Depending on the nature of the project additional documentation may be required.

No development agreement is approved unless all parties to the specific development agreement have signed the agreement.