



**Economic Development  
Authority of the  
City of Paynesville &  
Paynesville Township  
(EDAP)**

**Large  
Revolving Loan Fund  
Application**

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## **HISTORY/GENERAL BACKGROUND**

The Economic Development Authority of Paynesville (EDAP) was originally established in 1987. Both the City and Township of Paynesville have representatives on the EDAP Board and both have revolving loan funds that are administered by EDAP under a Joint Powers Agreement. EDAP's main objectives are to encourage, attract, promote, retain, and develop economically sound industry and commerce within the City and township for the prevention of unemployment.

## **PURPOSE**

For the above purposes, it was necessary for the City to establish a Revolving Loan Fund (RLF). The RLF Fund is made of two loan pools: Small Loan Fund and Large Commercial/Industrial Loan Fund. This RLF is designed to provide gap financing for:

1. Promotion of business start-up and growth.
2. Retention of current industries.
3. Assisting firms in mature industries.
4. Promotion of economic diversification.
5. Revitalization of businesses.
6. Jobs for hard-to-employ segments of the work force.
7. Employee recruitment and retention.

The RLF has limited resources to achieve these goals.

## **ELIGIBILITY**

In order to be eligible, the applicant must establish or maintain a business within the City of Paynesville or Paynesville Township. Retail and service businesses are not eligible for the Large Commercial/Industrial Loan Fund. Loans which create or retain one job for each \$10,000 loaned, will be given preference. Service and retail establishments are eligible for the Small Loan Fund. All loan requests will meet the objectives of the EDAP Board.

## **ELIGIBLE LOAN ACTIVITIES**

1. **Land & Building Acquisition**
2. **Land Improvements** - Improvements to the land that are a portion of the project cost including, but not limited to, new streets, parking lots, utilities, and landscaping.
3. **Purchase or Renovation of Building** - Purchase and, if necessary, renovation of an existing industrial/commercial facility. Includes the purchase of land.
4. **Purchase of Machinery or Equipment** - Purchase of major items of machinery and equipment, independent of land and buildings. These items must be defined to have a useful life of at least five (5) years.
5. **New Building Construction** - Construction of a new building and/or an addition to an existing building.
6. **Inventory Purchase** - Only as part of the total loan package.
7. **Working Capital** - Only as part of the total loan package.
8. **Assessments**
9. **Job Training**

## **LOAN GUIDELINES**

### **Administrative Responsibility:**

The responsibility for the management of funds shall be designated by the City of Paynesville to the Economic Development Authority of Paynesville. Proposals for the use of RLF money should be recommended by the Finance Sub-Committee and EDAP Board before appearing before the City Council.

The recommendations regarding the granting of loans from the fund may be presented at any meeting of the City Council or Township Board, if a loan is recommended for approval by EDAP to the City Council. The City Council will be expected to give their approval or state their reason for disapproval within twenty (20) days.

**Application process:**

The EDAP and City staff will assist the applicant through all stages of the application. Prior to the submission of the application the applicant will give a verbal presentation to EDAP to determine if the project is eligible. Once the application is accepted, the Finance Sub-Committee should determine if the loan meets the following criteria:

Applicants must:

1. Be Credit Worthy
2. Show Lender Commitments
3. Sign a Personal Guarantee
4. Pledge Adequate Collateral
5. Inject Adequate Equity

**Large Loan Fund:**

The Large Commercial/Industrial Loan was designed to address credit needs of commercial/industrial entities that need gap financing. These loans require a primary lender, other than EDAP. A business plan is also required. Maximum eligible loan request may be up to 25% of the EDAP Revolving loan fund balance and the maximum term for land/building acquisitions is 20-year amortization with a 10-year balloon.

**LOAN TERMS AND CONDITIONS**

The term of the loan will try to match the life of the collateral offered. The term and rate of the loan may vary according to the type of the project, use of funds and cash flow needs. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate at the date of the EDAP Board approval, but shall not be less than 3.0%.

EDAP will be reimbursed for all costs incurred in issuing the loan. RLF should not exceed twenty-five percent (25%) of the total project costs. EDAP typically requires a secured position on a building and/or equipment. EDAP is a GAP financing Board.

The City and Township shall make available to eligible applicant's direct low-interest loans for the purpose of encouraging development, economic development, job creation and job retention to meet business needs, and preservation of the business district.

1. The maximum loan amount for the Large Loan Fund is determined on a case by case basis.
2. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate at the date of the EDAP Board approval and recommendation, but shall not be less than 3.0%.
3. The term of the loan shall be tied to the useful life of the assets being financed. The following general terms shall apply:
  - A. The term of the loan for machinery/equipment shall not exceed ten (10) years.
  - B. The term of the loan for land/building acquisition shall not exceed ten (10) years. Loan shall be amortized over twenty (20) years with a ten (10) year balloon.
  - C. The term of the loan for new construction/renovation shall not exceed twenty (20) years. Loan shall be amortized for twenty (20) years with a ten (10) year balloon.

- D. All balances will be due and payable if and when the loan recipient sells or otherwise transfers any or part of his/her interest in the property or fails to meet any of the guidelines established within the loan agreement before the maturity date of the loan or relocates any part or all of the business outside the City of Paynesville or Paynesville Township.
  - E. The above terms are considered maximums and the City and Township reserve the right to set loan terms for shorter periods.
4. Collateral requirements - All loan agreements will be secured by one or more of the following: promissory note, mortgage, or security agreement as required by the City and/or Township.
    - A. The revolving loan may take a subordinate position to the primary lender on the assets financed.
    - B. Surety deposits shall be required for certain construction contracts as set forth in Minnesota Statutes 290.9705.
  5. Letters of commitment from all funding sources must be submitted before the application will be deemed complete.
  6. Personal guarantees of persons with ownership interest of 20% or greater are required. Personal guarantees of persons with ownership interest between 1% to 19% may be required by EDAP, but are discretionary.
  7. Repayment of the loan must begin within one month of the closing of the loan. The City and/or Township may make exceptions to this rule on a case by case basis.
  9. EDAP may charge an administrative fee for processing the loan application. Charges may include, but are not limited to, attorney fees, financial consulting services, building inspector services, etc.
  8. All loans will be in compliance with the City Ordinance, Township rules, and the Building Code.

## **STEPS IN THE REVOLVING LOAN FUND (RLF) APPLICATION PROCESS**

1. Loan Requirements for applicants for RLF loans:
  - A. Applicant can pick up an application from City Hall or they are available on the City's website at [www.paynesvillemn.com](http://www.paynesvillemn.com). Applicant must provide the following:
    1. Purpose statement (what is being applied for):
      - a) Type of business
      - b) Amount of monies requested
      - c) Number of employees
      - d) Retail or manufacturing
  - B. Three (3) years of federal tax returns for their current business and three (3) years of personal tax returns.
  - C. Business Plan. Projections for what the business could do if the loan was granted. Data of numbers showing sales volume and expenses.
  - D. Appraisals of any property or equipment.
  - E. Blueprints and specs for any building projects.
  - F. Estimates or bids confirming the costs of any equipment purchases.
  - G. Business and personal financial statements not more than 90 days old.
  - H. In agreement that the Uniform Building Code will be followed.
2. Applicant to make a verbal presentation to the EDAP Board and return the application.
3. Application will be turned into City Hall.
4. The EDAP Finance Sub-Committee will review application to make sure application is complete with applicant present to answer questions. There shall be no review of financial documents by a member with potential conflict of interest.
5. The EDAP Finance Sub-Committee will submit a written recommendation to the EDAP Board.
6. A recommendation of the EDAP Finance Sub-Committee will be reviewed by the EDAP Board for their recommendation.
7. EDAP Board's recommendation will be submitted to the Paynesville City Council and/or Paynesville Township Board for approval or denial.
8. If approved, a loan agreement will be prepared with the City of Paynesville and/or Paynesville Township.
9. The City Attorney will prepare all development and security agreements; unless otherwise specified by the EDAP Board.
10. The borrower and the City and/or Township must sign all documents.
11. Payments must be authorized; a payment schedule will be established and payments will be monitored.

**PLEASE ALLOW 4-6 WEEKS TO PROCESS ALL APPLICATIONS**

**I. GENERAL INFORMATION**

Name of Business: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Zip Code \_\_\_\_\_

Business Contact Person: \_\_\_\_\_

Telephone #: \_\_\_\_\_ Email: \_\_\_\_\_

Social Security #: \_\_\_\_\_  
(if business is a sole proprietorship)

Other contacts or application assistance providers:

Name:

Telephone #:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Type of Business:

\_\_\_\_\_ Sole Proprietorship    \_\_\_\_\_ Corporation    \_\_\_\_\_ General Partnership

\_\_\_\_\_ Limited Partnership    \_\_\_\_\_ Limited Liability Partnership    Other \_\_\_\_\_

If a corporation, provide the name(s) and address(s) of shareholders that own 20% or more of outstanding shares of the corporation:

If a partnership, provide name(s) and address(s) of all partners:

Have you or your business ever filed bankruptcy?

No \_\_\_\_\_ Yes \_\_\_\_\_ if yes, please explain:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**II. NATURE OF LOAN REQUEST**

Amount of Loan Request \$ \_\_\_\_\_ Total Project Cost \$ \_\_\_\_\_

New Business or Business Expansion? \_\_\_\_\_

# of existing jobs \_\_\_\_\_ # of jobs to be created \_\_\_\_\_ # of jobs retained \_\_\_\_\_

Amount of Private Financing \$ \_\_\_\_\_

**III. FINANCING PURPOSE AND SOURCES**

How and what funds will be used to finance project? (dollar amounts) (Complete all that are applicable for your loan.)

	RLF	Bank Loan	Equity	Other	Total
Property Acquisition	_____	_____	_____	_____	_____
Site Improvements	_____	_____	_____	_____	_____
Building Renovation	_____	_____	_____	_____	_____
New Construction	_____	_____	_____	_____	_____
Machinery/Equipment	_____	_____	_____	_____	_____
Inventory Purchase	_____	_____	_____	_____	_____
Working Capital	_____	_____	_____	_____	_____
Job Training	_____	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____	_____
<b>Total Project Cost</b>	_____	_____	_____	_____	_____

**IV. FINANCING TERMS AND CONDITIONS** (Complete all that are applicable for your loan.)

	RLF	Bank Loan	Equity	Other
Dollar Amount	_____	_____	_____	_____
% of Project Cost	_____	_____	_____	_____
Term (years)	_____	_____	_____	_____
Interest Rate	_____	_____	_____	_____
Collateral Offered	_____	_____	_____	_____

Lien Position \_\_\_\_\_

Name of Participating Financial Institution/Bank: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone #: \_\_\_\_\_

Address: \_\_\_\_\_

Email: \_\_\_\_\_

Other Lender: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone #: \_\_\_\_\_

Email: \_\_\_\_\_

Address: \_\_\_\_\_

**V. OTHER REQUIRED DOCUMENTS**

- A. Copy of last three (3) year's submitted business income tax statement.
- B. Copy of last three (3) year's submitted personal income tax statement.
- C. Evidence of insurance coverage of collateral.

**SIGNATURE OF APPLICANT(S)**

I have willfully furnished this information to the Economic Development Authority of Paynesville (EDAP) for the purpose of applying for a loan. I (we) understand that this information will (may) be reviewed by City staff, the EDAP Board, City Council, and Township Board. I (we) further authorize EDAP staff to be in contact with those individuals and institutions involved in the proposed project.

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date