



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

**Small
Revolving Loan Fund
Application**

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HISTORY

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 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. Loans which create or retain one job for each \$10,000 loaned, will be given preference. 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**

Use of Funds: Loan funds may be used to finance new business development or the expansion of an existing business.

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 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

Small Loan Fund:

The Economic Development Authority operates a Small Loan Fund along with the Industrial Loan Fund. The Small Loan Fund was designed to address unique credit needs of small service and retail businesses. Conventional financing is sometimes difficult to obtain due to the size and nature of the requests and only when conventional financing is not a possibility; EDAP will review the requests. With the Small Loan Fund, EDAP can address these unique needs by relaxing some of the lending criteria described earlier. For example, this may include a waiver on the type of business, the conventional lender match requirement. There is a separate loan application and maximum amount is \$10,000.00.

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 fifty percent (50%) 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 Small Loan Fund is \$10,000.00.
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 seven (7) years.
 - B. 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.

- C. 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.
- 5. 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.
- 6. 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.
- 7. 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 SMALL 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. Applicant must provide the following:
 1. Purpose statement (what is being applied for):
 - a) Type of business
 - b) Amount of monies requested
 - B. Estimates or bids confirming the costs of any equipment purchases.
 - C. In agreement that the Uniform Building Code will be followed.
2. Application will be turned into City Hall.
3. 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.
4. The EDAP Finance Sub-Committee will submit a written recommendation to the EDAP Board.
5. A recommendation of the EDAP Finance Sub-Committee will be reviewed by the EDAP Board for their recommendation.
6. EDAP Board's recommendation will be submitted to the Paynesville City Council and/or Paynesville Township Board for approval or denial.
7. If approved, a loan agreement will be prepared with the City of Paynesville and/or Paynesville Township.
8. The City Attorney will prepare all development and security agreements; unless otherwise specified by the EDAP Board.
9. The borrower and the City and/or Township must sign all documents.
10. 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 \$ _____

Amount of Private Financing \$ _____

III. FINANCING PURPOSE AND SOURCES

How and what funds will be used to finance project?

IV. OTHER REQUIRED DOCUMENTS

- A. Statement of Proposed Collateral - Provide a detailed list of all collateral offered, its value, and security position by funding sources.
- B. Copy of last year's submitted business income tax statement.

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