

MONTGOMERY REVOLVING LOAN FUND POLICY

The Montgomery Economic Development Authority administers a local Revolving Loan Fund. The Montgomery EDA's main objectives are to encourage, attract, retain, promote, and develop economically sound commercial and industry within the city.

REVOLVING LOAN FUND

In an effort to accomplish the above objectives, the EDA has established a Revolving Loan Fund (RLF). The RFL consists of two loan options:

1. Small Loan Fund: Provides assistance for service and retail businesses.
2. Commercial/Industrial Loan Fund: The EDA's lending capacity is in the form of providing gap financing. A primary lender other than the EDA is required.

The RLF is designed to provide financing for the following purposes:

1. Promotion of business start-up and growth.
2. Retention of current businesses and industries.
3. Promotion of economic diversity.
4. Revitalization of businesses.
5. Employee recruitment and retention.

ELIGIBILITY

Certain projects, applicants, activities, costs are eligible for revolving loan funds. The successful applicant must demonstrate proof of the following:

1. Ownership or lease agreements of the subject property;
2. Property insurance;
3. Property taxes and City utility account paid and current;
4. Freedom from all judgments, liens, agreements, consent decrees, stipulations for settlements, or other such actions which would prevent the applicant from participating in any EDA loan program; and
5. Compliance with all applicable City ordinances and its Comprehensive Plan.

ELIGIBLE LOAN ACTIVITIES

1. Land Improvements. Improvements to the land that are a portion of the project cost including but not limited to new streets, parking lots, utilities, lighting, and landscaping.

2. Purchase or Renovation of Building. Purchase and, if necessary, renovation of an existing industrial or commercial building/facility. Includes the purchase of land.
3. 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.
4. Building Construction. Construction of a new building and/or an expansion of an existing building.
5. Inventory Purchase. Only as part of the total loan package.

APPLICATION PROCESS

The EDA Board and City staff will assist the applicant through all stages of the application process. Prior to submitting an application to the City Council, the EDA Board shall determine if the loan application meets the following criteria:

Applicant must be:

1. Credit worthy.
2. Show lender commitments.
3. Sign Personal Guarantee.
4. Pledge adequate collateral.
5. Have property taxes and utility billing account current.

LOAN TERM AND CONDITIONS

The City shall make available to eligible applicants direct low-interest loans for the purpose of encouraging economic development, industrial development or growth, downtown development, job creation and job retention, housing development to meet business needs, and the preservation of the business districts.

1. The maximum loan amount for a Small Loan Fund is \$10,000. The maximum loan amount available for a Commercial/Industrial Loan Fund shall be determined on a case by case basis.
2. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate effective the date of application, but shall not be less than 3%.
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 five (5) years.

- B. The term of the loan for land/building acquisition shall not exceed ten (10) years.
 - C. The term of the loan for new building construction/renovation shall not exceed ten (10) years.
 - 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 Montgomery
 - E. The above terms are considered maximums and the City reserves 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: 1) promissory note; 2) mortgage; or 3) security agreement as required by the City.
- A. The City's revolving loan may take a subordinate position to the primary lender on the assets financed; and
 - 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% and 19% may be required by the EDA but are discretionary.
7. Repayment of the loan must begin within one month of the completion of construction or taking possession of machinery/equipment purchased with loan funds. The City may make exceptions to this rule on a case by case basis.
8. The EDA may charge an administrative fee for processing the loan application. Charges may include, but are not limited to, attorney fees, engineering fees, financial consulting services, building inspector services, etc.