

**CITY OF MONTGOMERY
ECONOMIC DEVELOPMENT AUTHORITY
BUSINESS ASSISTANCE REVOLVING LOAN PROGRAM**

The City of Montgomery Economic Development Authority (EDA) operates a revolving loan fund. The main objectives of the fund are to encourage, attract, retain, promote, and develop an economically sound business community. The loan program is also available for property owners of commercial buildings who may need assistance in making improvements to their commercial building. The EDA loan program is meant as supplemental financing and not as sole source financing.

Use of Funds

The funds available in the revolving loan fund may be used for any of the following purposes:

- 1) Repairs to the interior or exterior of a commercial building including, but not limited to such things as: roof repairs, siding, façade improvements, windows and doors, flooring, etc.
- 2) Gap financing to help with a new or expanding business
- 3) Land improvements
- 4) Purchase of Machinery or equipment
- 5) Building construction
- 6) Inventory but only if it is part of a loan package that includes one of the items listed above

Eligibility

- 1) The program is open to any property located within a commercial or industrial district. This includes B-1, B-2, B-3, I-1, and I-2 designations.
- 2) The proposed business operation must be permitted in the assigned district or have a valid conditional use permit for the business.
- 3) The applicant must own the building or a valid ownership interest such as a contract for deed.
- 4) Leaseholders are eligible to make an application for funds and the property owner must also be a signatory to the loan application. The Montgomery EDA will review each application on a case by case basis. Length of lease and length of time the business has operated will be considerations.
- 5) Members of the governing body of Montgomery, or official, employee or agent of the local government who exercises a policy or decision-making function or responsibility, including members of the Economic Development Authority (EDA), Planning and Zoning Commission, and Montgomery City Council are not eligible to participate in this program.

Loan Amounts

The EDA will consider applications for loans with minimum funding amounts as provided:

Building Repair and Improvements	\$5,000

Land improvements and acquisition	\$5,000
Purchase of machinery or equipment	\$5,000
Building Construction	5,000
Inventory for retail operation	Up to 30% of total loan package

The amount considered by the EDA for the loan will be based in part on other financing sources the applicant has secured. In no case shall the EDA be the sole source of financing for a project. The total amount of the loan from the EDA may not exceed 50% of the total project cost.

General Loan 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 revitalization, job creation and retention, and the preservation of the local commercial tax base. Notwithstanding the criteria below, the EDA may deviate from the term and repayment provisions based on individual circumstances. Considerations might include interest only, deferment, or other loan modification consideration.

1. Term – the term of the loan will be variable based on the type and amount of the loan; however, the maximum length of any loan shall not exceed 15 years.
 - a. For equipment financed with an EDA loan, the length of the loan shall not exceed the useful life of the equipment.
2. Interest Rate – the interest rate will be set at .25% over the federal prime rate at the time of application or 3% whichever is less. Standard amortization of interest over the term of the loan will be applied.
3. Repayment –
 - a. The recipient is responsible to make monthly payments based on the established amortization for the loan by the date specified in the loan documents. Generally this will be the 1st or the 15th of each month.
 - b. Late payments are those that arrive 16 days past the due date and a late charge of 5% of the payment will be added.
 - c. The recipient may pay off the loan at any time during the term of the loan without any penalty.
 - d. All balances are due and payable if the loan recipient sells or otherwise transfers any part of their 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.
4. Collateral Requirements. All loan agreements must be secured by one or more of the following in the event of a default. The collateral offered should be reasonably adequate to secure the loan.
 - a. Promissory note
 - b. Mortgage

- c. Security agreement
 - i. The City's revolving loan may take a subordinate position to the primary lender on the assets finances; and
 - ii. Surety deposits are required for certain construction contracts as set forth in Minnesota Statutes 290.9705 as may be amended from time to time.
- d. Personal Collateral - *Leaseholder applicants only*
 - i. Land, buildings, machinery, equipment, furniture, fixtures, autos, trucks, inventory, accounts receivable, mortgages on fixed assets held personally, or an assignment of the interest in a contract for deed.

Application Process

Applications are accepted on an ongoing basis and are reviewed based upon funds availability. Applications will be reviewed for participation in the program based on the following guidelines:

1. Whether the applicant has clear title to the property to be improved or has valid ownership stake in the property such as contract for deed. Some of the following will be used in this determination:
 - a. Title verification;
 - b. All real estate taxes and any city fees or charges are current
 - c. All individuals having an ownership interest, including contract holders, have agreed in writing to join the application.
2. The extent to which the project meets the program objectives.
3. The degree of the projects overall impact on the surrounding area.
4. The applicant is credit worthy.
5. The applicant shows financial commitments from other lenders or provides proof of personal investment in the project.
6. The applicant signs a personal guarantee.
7. The applicant pledges adequate collateral.

Required Information

The applicant for a loan from the EDA revolving loan fund must provide as part of the application process at least the following information.

1. General statement on how the loan funds will be used.
2. Statement regarding employment; will the loan funds retain or add jobs.
3. Proof of ownership of the building or land or an enforceable option such as a valid purchase agreement.
4. Financial viability of the business.
5. Proof of additional financing such as a letter of credit, commitment from a bank or personal guarantee.
6. Business plan including pro-forma if the loan is for a business expansion or start-up.

Approval Process

Once the applicant has submitted a loan application, City staff will conduct a preliminary review to ensure all materials required were provided and advise the applicant within 10 business days if the application is complete or what additional materials are required to complete the application.

Staff will prepare a brief summary of the loan application for presentation to the Montgomery EDA for consideration at the next meeting following acceptance of the application. The EDA will review the application and make a recommendation for approval or denial of the loan request to the City Council for final approval. If approved by the City Council, a final loan and repayment agreement will be executed by the parties. This agreement will specify the full terms and conditions of the loan as well as the applicant's and City's responsibilities.

The City will send a letter to the applicant stating the acceptance or denial of the application. If the application is denied, specific reasons for the denial will be provided.

Should the loan request be denied, the applicant will have 10 business days to submit a request to have the application reconsidered by the EDA. The reconsideration should be accompanied by new or revised information that was not considered with the initial application.

EDA/SCDP REVOLVING LOAN APPLICATION

I. GENERAL INFORMATION

Name of Business: _____

Address: _____

City: _____ Zip Code: _____

Business Contact Person: _____

Telephone Number: _____

Social Security/EIN: _____

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.

Name:	Address:

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

Name:	Address:

Has 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

☐ Business Expansion

of existing jobs: _____

of jobs to be created: _____

of jobs retained: _____

III. FINANCING PURPOSE AND SOURCE

On a separate page, please describe your project. Include how the funds will be used. Provide as much detail as possible.

	RLF	Bank Loan	Equity	Other	Total
Property Acquisition					
Site Improvements					
Building Renovation					
New Construction					
Machinery/Equipment					
Inventory Purchase					

Working Capital					
Job Training					
Other (specify)					
Total Project Cost					

IV. FINANCING TERMS AND CONDITIONS

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

Name of participating Bank: _____

Contact Person: _____ Telephone # _____

Address: _____

Name of participating Bank: _____

Contact Person: _____ Telephone # _____

Address: _____

Other Lender: _____

Contact Person: _____ Telephone # _____

Address: _____

V. BUSINESS PLAN OUTLINE

- A. History of Business
- B. Market Analysis
 - 1. Description of Product Line
 - 2. List of current competitors
 - 3. Product pricing
 - 4. Advertising methods
 - 5. Sales promotion
- C. Products
 - 1. Description of Product Line
 - 2. Proprietary position of patents, copyrights, legal and technical considerations
 - 3. Comparison to Competition
- D. Manufacturing Process
 - 1. Materials
 - 2. Production methods
- E. Financial Projections
 - 1. Provide monthly cash flow analysis for next 12 months
 - 2. Provide profit and loss statement for last three years, current year-to-date, and two-year projection
- F. List of Existing Business Debt
 - 1. List outstanding balance, interest rate, term, maturity date, and collateral on all existing debt.
- G. Statement of Proposed Collateral
 - 1. Provide a detailed list of all collateral offered, its value and security position by funding sources.
- H. Resumes
 - 1. Include resumes of all principals who have significant financial interest in the business.
- I. Commitment Letters
 - 1. Include commitment letters from banks or others stating the terms and conditions of their participation.
- J. Affiliates
 - 1. Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two years in such affiliates or subsidiaries.
- K. Appraisals/Lease Agreements/Purchase Agreements
 - 1. Provide a current independent appraisal for any real property subject to the loan request and/or offered as major collateral to secure the loan. Also, include copies of

existing or proposed lease(s), purchase agreements, or other financial arrangements pertaining to the subject property.

- L. Partnership Certificate of Authorization or Corporate Certificate of Authority and Incumbency

VI. OTHER REQUIRED DOCUMENTS

- A. Copy of last year's submitted business income tax statement
- B. Copy of last two year's submitted personal income tax statement
- C. Evidence of payment of last quarter's payroll tax
- D. Evidence of Workers' Comprehensive and Liability insurance coverage

Signature of Applicant(s)

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

Applicant's Signature Date

Applicant's Signature Date

Applicant's Signature Date

Applicant's Signature Date

MINNESOTA DATA PRACTICES ACT – TENNESSEN WARNING

In accordance with the State of Minnesota Government Data Practices Act, the City of Montgomery is required to inform you of your rights as they pertain to the confidential information collected from you. Confidential data is that information which is not available to you or the public. The personal information we collect about you is private.

The information collected from you and other agencies or individuals is used to determine the disposition of your application with the City.

The dissemination and use of the data collected is limited to that which is necessary for the administration and management of the revolving loan program. Persons or agencies with whom this information may be shared include;

1. City of Montgomery staff administering the loan program.
2. EDA and City Council members
3. Contracted private auditors
4. Law enforcement personnel
5. Those individuals or agencies to whom you have given your express written permission.

NOTICE PROVIDED PURSUANT TO M.S. §60A.955