

**CITY OF JANESVILLE, MN**  
**ECONOMIC DEVELOPMENT AUTHORITY (EDA)**  
**REVOLVING LOAN FUND (RLF) POLICY**

**PURPOSE & GOALS**

*Purpose.* The purpose of the Revolving Loan Fund (RLF) is to fill the financing gap between private financing and equity to total project costs by making direct low-interest loans available for certain approved activities for businesses or prospective businesses within the City of Janesville.

*Goal.* The goal of the revolving loan fund is to create new employment or to maintain existing employment and for business start-up, expansions, and retention. This may be accomplished by the following means:

- Creation or retention of permanent private-sector jobs in order to create above-average economic growth;
- Stimulation or leverage of private investment to ensure economic renewal and competitiveness;
- Increasing the local tax base;
- Improvement of employment and economic opportunity for citizens in the region to create a reasonable standard of living; and
- Stimulation of productivity growth through improved manufacturing or new technologies.

**ELIGIBLE & INELIGIBLE ACTIVITIES**

Revolving Loan Funds may be used for the following activities:

- Acquisition of building and/or land;
- Construction or rehabilitation of manufacturing facilities;
- Site or facade improvements;
- Remedy slum and blight (defined under state & local law);
- Utilities or infrastructure; improvements to the land which are a portion of the overall project cost including but not limited to grading, new streets or street improvements, parking lots, utilities, and landscaping;
- Machinery and equipment; with defined useful life of at least five (5) years;
- Workforce development;
- Building construction or renovation;

Revolving Loan Funds **MAY NOT** be used for the following activities:

- Operation or expansion of a casino;
- Operation or expansion of a store which is used solely or principally for retail sales that does not meet the employment and wage goals as stipulated in the Loan Terms and Conditions;
- For a project related to a sports facility. "Sports facility" means a building that has a professional sports team as a principal tenant;
- Land speculations;
- Property taxes, liens on property, or any other past delinquent charges;
- Operating expenses including but not limited to utility payments or wages;
- Any activity otherwise deemed illegal by federal, state, or local law.

### **ELIGIBLE & INELIGIBLE APPLICANTS**

Revolving Loan Funds may be issued to a small business or developer that is organized as a proprietorship, partnership, or a corporation. The applicant must provide proof of the following:

- Ownership, lease agreement, purchase agreement, or closing documents of the subject property;
- Property Insurance;
- Property taxes paid and current;
- Freedom from all judgments, liens, agreements, consent decrees, stipulations for settlements, or other such actions;
- Compliance with all applicable City of Janesville Ordinances and plans.

Revolving Loan Funds **MAY NOT** be issued to lending or investment organizations, non-profit institutions, and gambling organizations.

Only one (1) active Revolving Loan may be granted per establishment or any expansion thereof.

### **LOAN TERMS & CONDITIONS**

The City shall make available to eligible applicants direct low-interest loans for the purpose of encouraging economic development, redevelopment, job creation and/or retention, and preservation of existing businesses in the City subject to the following terms and conditions:

*Minimum Total Project Cost.* \$5,000

*Maximum Loan Amount.* \$40,000 or 40% of the total project cost, whichever is less.

*Interest Rate (fixed).* Two (2) percentage points less than the Prime Interest Rate at the date of accepted application with a minimum interest rate of two (2) percent.

<i>Term.</i>	Major machinery & equipment.....	7 yrs.
	Land/building acquisition.....	15 yrs.
	Minor construction/renovation (\$10,000 or less).....	7 yrs.
	Major construction/renovation (\$10,001 or greater).....	15 yrs.

*Minimum Equity.* Ten (10) percent of total project cost.

*Wage Goals.* Businesses receiving RLF assistance must pay each employee total compensation including benefits not mandated by law that on an annualized basis is equal to at least 110% of the federal poverty level for a family of four. The federal poverty level is calculated annually by the U.S. Department of Health & Human Services.

*Collateral Requirements.* All city revolving loan agreements will be secured by either a real estate mortgage and or a security agreement and UCC. The debt to the city will be evidenced by a promissory note and repayment schedule. In addition, the following is required:

- The Revolving Loan Fund may take a subordinate position to the primary lender or contract for deed seller on the assets financed. If the applicant is financing the purchase with the seller (contract for deed) the contract for deed seller agrees to sign the City’s real estate mortgage thereby acknowledging the City financing “and subordinating their position to the City”. In addition, the City will require an appraisal of the building being sold to validate the value of the collateral for purposes of the Revolving Loan Fund financing; and
- Surety deposits shall be required for certain construction contracts as set forth in Minnesota Statute 290.9705; and
- Letters of commitment from all funding sources must be submitted for the application to be deemed complete; and
- Personal guarantees of persons with ownership interest of twenty-five (25) percent or greater are required.

*Credit Check.* A credit check for the company and its principal owner(s) shall be authorized for and conducted by City staff.

*Issuance of Loan Funds.* Revolving Loan Funds will be issued to the applicant on the date of property closing, acquisition of machinery/equipment, or after completion of the construction project. Construction shall be considered completed when a final inspection and Certificate of Occupancy is recorded by the City Building Official.

*Loan Repayment.* Repayment of Revolving Loan Funds will begin one (1) month after issuance by the City at a schedule approved by the City.

*Loan Declination.* The City will not make a loan if it is determined that 1) the loan amount would place an undue burden on the financial resources of the borrower, 2) the borrower cannot

demonstrate adequate financial capacity to repay the loan, or 3) the loan is not in the best interest of the City.

*Delinquency and Default.* Should the borrower 1) sell or transfer any or all part(s) of interest in the property/business, 2) fail to meet any of the guidelines established within this document before the maturity of the date of the loan, 3) relocate any or all part(s) of the business outside of the City of Janesville, or 4) fail to make sufficient payment on time, the City may require payment of total balance due immediately or by an accelerated payment method approved by the City. In the event suit or action is instituted to collect on any amounts due the City of Janesville or its Economic Development Authority, the borrower(s) promise to pay all costs of collection, including reasonable attorney fees incurred in said suit or action. The borrower(s) waive presentment for payment, demand, notice and dishonor, protest and notice of protest of this Note, and agree that no act, thing or event shall in any way affect or impair their liability to the City of Janesville.

*Deviation of Terms & Conditions.* The City of Janesville reserves the right to deviate from any or all terms and conditions as deemed necessary.

## **PROCEDURE**

*Application.* Applications shall only be accepted on the official form provided by the City and shall include all proper documentation. Applications may only be submitted in person to the Office of the City Administrator, Community Development Director or by certified mail.

*Available Funds.* Requests for Revolving Loan Funds will be considered only as funds are available. Revolving Loan Funds will not be allocated or designated to an applicant who has not met all of the requirements set in the Revolving Loan Funds Policy, City Administrator, and/or Community Development Director.

*Inspection.* As part of the eligibility determination process, the City will inspect the property or building designated for improvements for compliance with the City Code and Zoning Ordinance.

*Added Expenses.* All costs incurred by the City for instituting proper review of the request shall be documented by the City and reimbursed by the recipient before any funds are awarded.

*Appraisals or Assessments.* Land or equipment appraisals of the current (as-is) and expected (pre-construction) value of the collateral are required so that the City can determine the fair market value and any request for funds. Both appraisals must be done by an independent appraiser using accepted appraisal methodology. Values cannot be determined in any other manner. The value of the property after the proposed development may also be requested.

*EDA Recommendation.* The EDA will base their recommendation on the economic benefit to the City of Janesville, credit underwriting typical to the lending community including the borrower's ability to repay the loan and the collateral offered to secure the loan, the number of

jobs to be created or retained, wage rates of jobs created or retained, and increase in the local tax base.

*Final Action.* If approved by the City Council, the applicant will be sent a written commitment letter that will outline the terms and conditions of the loan approval. A copy of the commitment letter will be signed by the borrower(s) and grantor(s) signifying acceptance of the terms and conditions of the loan proposal and the conditions for funding. Upon the return of the executed commitment letter, the City Attorney will begin the loan closing process.

*Closing.* The City Attorney will prepare documentation and coordinate the closing with the borrower or the borrower's counsel and their primary financial institution.

*Notification.* Applicants will be notified in writing of the following:

- Within seven (7) days the applicant will be informed of the EDA recommendation to the City Council.
- Within fifteen (15) days the applicant will be informed of award or denial after final action has been taken on their Revolving Loan Fund application.
- Within sixty (60) days of final approval the City will close the loan and deliver all loan closing documents and a final debt service schedule. In exchange, the borrower will deliver to the City its loan obligation which is defined as a bond, note, or other evidence of obligation issued by the borrower to evidence its indebtedness under the loan agreement.
- Requests for post-closing amendments and modifications following award, closing or disbursement of funds to the underwriting of the original request require City approval and shall be presented at the next scheduled meeting of the City Council.

## **ADMINISTRATION**

*Loan Review Committee.* The Janesville Economic Development Authority (EDA) shall serve as the loan review committee. The EDA shall make recommendation to the Janesville City Council for final determination of the Revolving Loan Funds. The EDA shall have the authority to request additional information from the applicant for further review before a recommendation is made.

*Conflict of Interest.* An officer of the City may not have a personal financial interest or personally benefit financially from the business to be assisted.

*Application Status.* Applicant and project eligibility will be determined by City staff. In addition, City staff will determine if the application is complete and actionable with all supported documentation. **Incomplete applications will not be reviewed or allocated funds and the applicant will be informed in writing of the missing documentation.**