

# Emmetsburg Municipal Utilities Revolving Loan Fund Application Program Guidelines

In an effort to promote and encourage economic development, along with enhancing community cooperation around Emmetsburg, Emmetsburg Municipal Utilities has established a Retail Revolving Loan Fund to provide financial assistance to new and expanding retail businesses. The revolving loan fund is governed by the guidelines specified in this document.

## PURPOSE

The Retail Revolving Loan Fund Program is designed to provide financing in support of new and expanding retail businesses located within Emmetsburg, with priority given to those using natural gas as their primary energy source for space and water heating.

Goals of the Emmetsburg Municipal Utilities Retail Revolving Loan Fund Program include:

- To provide economic assistance to existing and new retail businesses for the purpose of expansion or remodeling
- To provide financial assistance to encourage new business start-ups, retention and expansion of existing businesses, facilitate business succession, and relocation of businesses to Emmetsburg
- To provide financial assistance for improvements to bring properties into compliance with the City of Emmetsburg's Code of Ordinances and for activities that enhance the appearance and attractiveness of Emmetsburg
- To diversify the local economy and increase the property tax base of the City of Emmetsburg
- To increase usage of natural gas and water utilities through Emmetsburg Municipal Utilities

Eligible uses of the Emmetsburg Municipal Utilities Retail Revolving Loan Fund Program may include one or more of the following:

- Acquisition, construction, and/or modernization of retail and commercial buildings, structures, and other real property
- Upgrades to exterior business signage and façade
- Reuse of vacant or abandoned facilities
- Purchase of new products or materials

The Retail Revolving Loan Fund cannot be used for refinancing existing debt. Each loan is project-based and will be individually evaluated and require approval from the Emmetsburg Municipal Utilities Board.

## TYPES OF ASSISTANCE

RLF assistance will be limited to loans. The Retail Revolving Loan Fund will provide loans to new and expanding retail businesses within the city limits of Emmetsburg. Applicants seeking RLF assistance to purchase, expand or remodel a retail business will be limited to no more than \$10,000. The interest rate on the loan is set at 1.5%. The term of the loan shall be five (5) years. It is intended that only one loan will be made to a borrower. Emmetsburg Municipal Utilities will consider a subsequent loan upon repayment of a RLF loan for a successfully completed project.

## ELIGIBILITY

The Retail Revolving Loan Fund is, in general, limited to businesses within the retail sector of the local economy.

The location of each Retail Revolving Loan Fund project should be within Emmetsburg city limits. Any Retail Revolving Loan Fund loan must be immediately repaid including outstanding principal and interest if the project activity is moved outside the area specified in the loan documents.

Normally, applicants for the Revolving Loan Fund must satisfy the following minimum requirements to be eligible for assistance:

- There must be evidence of adequate private equity injected into the project – generally a minimum of 10% of total project costs;
- There must be evidence that loans proposed for projects are consistent with terms generally accepted by conventional financial institutions for the type or property involved; and evidence that the project is feasible and can be a “going concern” in the foreseeable future without additional or ongoing assistance;
- There must be evidence that the overall impact of this project will have a positive impact on the Emmetsburg area;
- There must be evidence that no significant negative land use or environmental impacts will occur as a result of the project.

## APPLICATION

All businesses requesting RLF assistance will be required to complete Emmetsburg Municipal Utilities’ Retail RLF loan application. However, if the business is also applying for Emmetsburg Municipal Utilities’ standard revolving loan fund, EMU will accept such application in place of the retail RLF application. This exception is made in order to eliminate the duplication of applications.

Applications for the Retail Revolving Loan Fund will be accepted by Emmetsburg Municipal Utilities at any time during the year and considered on a continuous basis contingent on the availability of loan funds. Applications may be obtained from and returned to Emmetsburg City Hall. Emmetsburg Municipal Utilities Board will take action on complete application within 60 days of receipt. Action may include funding the application for all or part of the requested amount, denial of the application, or requesting that additional information be supplied prior to making a final decision. Once the application

has been approved by Emmetsburg Municipal Utilities, all required closing documents for the Retail Revolving Loan Fund must be prepared and signed before the approved loan amount can be disbursed to the applicant. These documents may include, but are not limited to: Loan Agreement, Personal Guaranty, Mortgage, Security Agreement, Promissory Note, Amortization Schedule and UCC Financing Statement. Approved loaned funds must be disbursed by Emmetsburg Municipal Utilities six months from the date of approval; otherwise, the application is null and void and the applicant must reapply.

The applicant must agree to allow Emmetsburg Municipal Utilities to research the company's history, make credit checks, contact the company's financial institution, and perform other related activities necessary for the reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Emmetsburg Municipal Utilities Board will have the discretion of rejecting the application or re-rating it based on corrected information.

## **COSTS**

To apply, applicants will need to submit a non-refundable application fee in the sum of \$100.

## **EVALUATION PROCEDURE**

The City Administrator/Utility Superintendent and/or Marketing & Retail Coordinator will review the application for completeness and either return the application to the applicant with deficiencies noted or forward the proposal to the Emmetsburg Municipal Utilities Board. The EMU Board will have 30 days to meet and review the application.

The Emmetsburg Municipal Utilities Board may:

- A. Submit the recommendation for approval and suggested terms;
- B. Submit a recommendation to not approve a project; or
- C. Return the proposal to the applicant for further information or clarification.

The Emmetsburg Municipal Utilities Board have sole discretion where approving loans is concerned.

## **CONSIDERATIONS**

The following will considered when evaluating applications for the Retail Revolving Loan Fund:

- Private equity injection into the project
- Need for an impact of the project
- New/future economic activity
- Property tax enhancement and other effects on the local tax base
- Impact on the appearance and attractiveness commercial property
- Impact on Emmetsburg Municipal Utilities' base loads
- Project schedule
- Overall reliability and feasibility of the application material

## LOANS

If a proposal for a loan is approved for funding, the applicant will sign a loan agreement with Emmetsburg Municipal Utilities. This agreement, at a minimum will establish the following:

- A. The interest rate of the loan;
- B. The term of the loan;
- C. The frequency of loan payments;
- D. Penalties for late payment;
- E. Penalties for failure to meet project goals.

## SECURITY OF THE LOAN

Retail Revolving Loan Funds shall be secured by mortgages and/or security agreements against fixed assets, equipment, land, buildings, assets of the business, or assets of the business owner(s) or corporate officers. Such mortgages and/or liens may be subordinated to conventional bank financing. Where valuation of fixed assets is not adequate or current, collateral value will be established by an appraisal to be paid for by the applicant. Other security, including personal guarantees, may be required.

The applicant will provide a minimum of ten percent (10%) personal equity or business equity towards the total project cost. This amount should exclude the RLF request and bank financing and other financing secured for the proposed project. The equity should also include "sweat equity" and projected future cash flow return.

## REPAYMENT OF LOANS

In general, repayment of loans will be made via equal payments over the term of the loan. Payments will be due and payable monthly. Alternative schedules may be arranged if deemed appropriate.

In general, the following shall serve as general guidelines:

- The date of the first payment of principal and interest shall not exceed sixty (60) days beyond the initial date of the loan approved;
- Payments shall be made by electronic funds transfer (EFT);
- Loans shall not exceed \$10,000
- The term of the loan shall be five (5) years;
- The interest of the loan shall be 1.5%
- No penalty shall be assessed for prepayment or early retirement of the debt;
- Loans may be renegotiated, however, re-negotiation is not an inherent right of the borrower.

Loans made from the Retail Revolving Loan Fund are not assumable. Loans shall become due and payable if the business is sold or if the original applicant significantly changes the nature of the business.

## **PROJECT TIMELINE AND REPORTS**

The following information should be addressed in the application prepared by the business or provided as supplemental information:

- Project description and details
- Project schedule
- Project feasibility
- Project budget
- Documentation of project costs
- Sources of funding (owner's equity, Retail RLF, private loans, other public funds, etc.)
- Documentation of funding commitments

The project may begin upon loan approval and must be completed within twelve (12) months as indicated in the application; or another time frame if approved.

Submission of a project completion report shall be required of all borrowers. The applicant will submit a final project and expenditure report to Emmetsburg Municipal Utilities within three (3) months of the project completion date. Such report must include documented project expenditures approved and funded by the Retail Revolving Loan. Intermittent project reports may be requested by Emmetsburg Municipal Utilities to verify project progress and appropriate usage of RLF funds.

## **TERMINATION OF CONTRACT**

If the project fails to comply with the terms of the contract, or fails to use the loan for only the purposes set forth, Emmetsburg Municipal Utilities may terminate the contract in whole, in part, or accelerate payment of all principal and accrued interest and penalties, and may immediately declare same due and payable at any time before the date of completion. Emmetsburg Municipal Utilities shall promptly notify the borrower in writing of the termination and the reasons for the termination, together with the effective date. Payments made to the borrower or recoveries by Emmetsburg Municipal Utilities under contracts terminated shall be in accord with the legal rights and liabilities of the parties. Payments, penalties and recoveries may include, but are not limited to, payments allowed for costs determined to be in compliance with the terms of the contract up to the date of termination. The borrower shall return to Emmetsburg Municipal Utilities all unencumbered funds. Further, any costs previously paid by the RLF which are subsequently determined to be unallowable through an audit and closeout procedures may be recaptured through legal proceedings.

## **ADMINISTRATION OF THE FUND**

The City of Emmetsburg's finance director will be responsible for maintaining the appropriate accounting records relating to the operation of the Retail Revolving Loan Fund. Administration of specific loan agreements and monitoring of funded projects may be the responsibility of Emmetsburg Municipal Utilities or may be subcontracted to a qualified individual or firm. Costs for the administration

of the Revolving Loan Fund may be derived from interest payments on loans made from the fund, from the Emmetsburg Municipal Utilities funds or from in-kind contributions.

### **RETENTION OF RECORDS**

All records related to each loan transaction shall be retained by Emmetsburg Municipal Utilities for a period of a least three (3) years after the date upon the final loan payment is received.

### **PLAN AMENDMENTS**

Emmetsburg Municipal Utilities Board may amend this plan by majority vote of its members.

### **PROGRAM TERMINATION**

The Retail Revolving Loan Fund may be dissolved by a majority vote of the Emmetsburg Municipal Utilities Board. Upon dissolution of the fund, real and personal property shall be distributed to the individuals and entities who have made contributions.

### **CONFIDENTIALITY**

All information obtained in the course of processing an application shall be held in strict confidence by the members of the Emmetsburg Municipal Utilities Board.

***Emmetsburg Municipal Utilities is an equal opportunity provider, employer, and lender***