

TWIN VALLEY ECONOMIC DEVELOPMENT AUTHORITY REVOLVING LOAN FUND

GUIDELINES

INTRODUCTION

The purpose of these documents is to provide guidelines for the processing and awarding of revolving loans under the City of Twin Valley Economic Development Authority (TVEDA) Revolving Loan Fund (RLF) Program. All loans are subject to final approval by the Twin Valley City Council.

The primary purpose of the RLF is to provide below market interest loans as a “gap” financing tool for business expansions, relocations, or initial startups that include the creation or retention of jobs within the City of Twin Valley.

The RLF will be used primarily to provide fixed asset financing, but may also be used for limited working capital financing.

The City of Twin Valley has an additional low interest rehabilitation program available for improvements to upgrade the appearance and energy efficiency of commercial and industrial properties.

The form of the RLF's involvement in the financing may be as a direct loan to the small business or as a guarantor to a conventional bank loan. It is a goal of the TVEDA and the RLF to leverage its funds to the greatest extent possible. It is the intent of the RLF to primarily use its direct loan program for fixed asset subordinated mortgage financing and its loan guarantee component for working capital loans.

This revolving loan fund will be administered and reviewed by the members of the Twin Valley EDA; all members of the TVEDA are voting members. The EDA will submit its recommendation to the City Council of the City of Twin Valley.

The City of Twin Valley has the authority to grant exemptions from the Revolving Loan Fund Guidelines and must do so by documenting the reason in writing for the deviation or exemption. A clearly demonstrated public purpose must be included in the documentation.

The Twin Valley City Council at a duly held public meeting will have final authority to award or reject the loan recommendation of the TV EDA.

APPLICATION AND REVIEW PROCESS

Application Process

1. Applications will be accepted from new or existing business owners within the corporate limits of City of Twin Valley.
2. Applications may be completed with support by the EDA members. Completed applications will be reviewed and acted upon by the EDA board at their next regularly scheduled meeting.
3. The EDA will submit funding recommendations to the Twin Valley City Council for final loan approval.
4. Applications, which are determined to be incomplete by the EDA members, will be held until the loan package is complete.
5. EDA members may be contacted to assist the borrower in the completion of the application package.
6. City Hall staff may be available to assist the borrower in the completion of the application package. Please contact Twin Valley City Hall at 218-584-5254.

Application Packaging Process

The loan application process will focus on those projects, which are most likely to receive financing. The packaging process should consist of:

1. The EDA members will respond to initial requests from applicants. Meetings and initial interviews may include the following:
 - a. Determination of preliminary eligibility.
 - b. Identifying the private sector participant. (Other financing sources.)
 - c. Determining overall debt service capacity.
 - d. Identifying potential loan structure.
2. A copy of the Revolving Loan Fund Guidelines and Loan Application forms shall be provided to the potential borrower. If appropriate, the EDA members may arrange to meet with the private sector lender to:
 - a). answer any questions on the EDA's RLF participation and/or give an overview of the RLF program.
 - b). determine the private lender's willingness to participate in the project.
3. Applicants may be directed to contact other financing sources prior to submitting an application for review by the Twin Valley EDA. A letter of participation or denial for funding must be submitted along with the application package.
4. Applicants may seek assistance in preparing the loan package. Preparation of loan documents will typically include the following information:
 - a. Loan application
 - b. Summary and overview of the project (the Business plan)
 - c. History of the business
 - d. Purchase agreements
 - e. Written cost estimates

- f. Historical financial statement of the business
 - g. Current statement within 90 days
 - h. Projections for the business or project
5. Applicants should be prepared to provide the following additional information and documents:
- a. Personal financial statements
 - b. Resume (s)
 - c. Lender commitment or denial letter(s)
 - d. Lender interim loan documentation
 - e. Agreement for Compensation of Services
 - f. Miscellaneous exhibits as requested by the TVEDA or City of Twin Valley
6. Completed loan applications shall be reviewed and approved or denied by the EDA board members at their next regularly scheduled meeting with final approval by the City Council of the City of Twin Valley.
7. In the event of real estate being involved in the loan process, the City Attorney will be contacted to prepare the necessary legal documents and assist in the real estate closing. Charges for the City Attorney's time will be paid by the borrower at the time of loan closing at the approximate cost of \$150. Loan applicants shall pay all fees for relating to the buyer's portion of the closing costs. The charge is payable to the City of Twin Valley.
8. The Twin Valley EDA, the City of Twin Valley, or the City Attorney shall prepare the documents necessary for the filing and recording of the loan award as required by the RLF program, the City of Twin Valley, the State of Minnesota and the IRS.

GENERAL LOAN POLICIES

ELIGIBLE BORROWERS: Any legitimate (good business risk) business whose primary place of business is in the City of Twin Valley. Loans will be targeted to general service, retail businesses and manufacturing businesses.

ELIGIBLE USE OF PROCEEDS:

TYPE "I" PROJECTS: Business startup or expansion that will add to the community job and/or tax base.

TYPE "II" PROJECTS: Limited Capital financing – financing for operation expense, small equipment purchases, fixed asset financing.

INELIGIBLE USE OF PROCEEDS:

Refinance debt
Pay delinquent taxes – sales or property
Cover product development costs
Pay organizational start-up costs
Invest into residential real estate
Pay for improvements that were completed prior to the loan award and closing
Pay for equipment that was purchased prior to the loan award and closing

LOAN AMOUNTS:

The Twin Valley EDA will make loans with the following size parameters:

Minimum EDA Loan: \$ 1,000

Maximum EDA Loan: \$10,000

TERMS:

The Twin Valley EDA will make loans with terms up to a maximum of ten (10) years. The typical loan will bear up to a maximum ten-year term, with a fixed rate on a self-amortizing repayment schedule. The minimum loan discount interest rate shall be four percent (4%) with the maximum loan discount rate shall be _____% points below the New York Prime lending Rate in existence at the time of loan closing, unless otherwise determined by the Twin Valley City Council. The EDA may set additional terms based upon the needs of the business, without compromising the intent of the RLF program guidelines as set herein.

**COLLATERAL & PERSONAL
GUARANTEES:**

Each loan will be secured by collateral adequate to safeguard the lender. If the Twin Valley EDA is the sole lender, it will take a first security interest in the assets financed. If the EDA is in partnership with another lending source, the EDA will take a subordinate interest in the assets being financed.

Personal guarantees will be required in all projects.

Personal guarantees may be collateralized with personal assets where appropriate.

While the Twin Valley EDA will endeavor to secure each loan with adequate collateral, lack of hard collateral, by itself will not be a reason to decline a loan.

OWNER PARTICIPATION:

Owner equity is 10%.
A ratio of 4/1 private/public financing, unless otherwise determined by the City Council.
(This may not be applicable to TYPE II projects.)

OTHER:

Following funding of a project, periodic financial reporting and participation in a record keeping program or technical management assistance may be provided through the EDA.

The City will evaluate each request for a loan on a case-by-case basis. Applicants for assistance shall complete an application form and supply all additional information requested by the City. Meeting all or a majority of the criteria does not mean a loan will be awarded or denied. A decision to approve or reject a request for loan funds will be based on the merits of the project and the overall benefit to the community.

APPLICATION PROCESS:

Contact the Twin Valley City Hall at 218-584-5254 to obtain a Revolving Loan Application package or stop at 107 Second Street SW, Twin Valley, MN 56584.