

CITY OF HASTINGS

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

SECTION 1: GENERAL PROVISIONS

A. Purpose

The Hastings Economic Development and Redevelopment Authority recognizes the need to stimulate private sector investment in order to create and retain jobs, increase the overall tax base, and encourage investment, expansion, and rehabilitation of commercial and retail buildings. The purpose of the Economic Development Revolving Loan Fund is to provide financial assistance to companies in the City of Hastings that do not have the ability to receive adequate funding for business growth through traditional or private means. The ED RLF is meant to serve as a bridge between the amount the borrower can obtain on the private market or through equity and the amount needed to start or grow a business.

B. Funding Amount

The maximum amount of a loan from this program is \$150,000. Working Capital loans are capped at \$25,000. Any fund requests that exceed program guidelines must receive special approval by HEDRA.

SECTION 2: ELIGIBILITY CONSIDERATIONS

A. Area

The area served by the RLF program shall be within the limits of the City of Hastings, whose boundaries may change as growth and annexations of new properties take place naturally over time. Applications from companies located outside the city limits that have facilities within the city may be allowed to apply, as long as the funds will be used AND the jobs created only at the Hastings facility.

B. Eligible Activities

- a. Working capital
- b. Acquisition of land and buildings
- c. New construction
- d. Facade and building renovation
- e. Purchase and installation of machinery and equipment
- f. Clearance, demolition, or removal of structures
- g. Infrastructure improvements necessary to support new or expanding businesses

C. Ineligible Activities

- a. Refinancing or consolidating existing debt
- b. Reimbursement for expenditures prior to loan approval
- c. Specialized equipment that is not essential to the business operation
- d. Residential building construction or reconstruction (unless such construction is intended to convert building to a business or industrial operation)
- e. Routine maintenance
- f. Professional services

- g. Line of Credit
- h. HEDRA reserves the right to limit the ED RLF to businesses operating in accordance to the goals and objectives of the city.

D. Timing of Project Expenses

No project should commence until HEDRA has approved the loan application. Any costs incurred prior to the approval of the loan application are generally not eligible expenditures.

E. Priorities

- a. Priority will be given to projects which include one or more of the following:
 - i. Job Creation, specifically jobs paying a livable wage
 - ii. Job Retention
 - iii. A beneficial impact on the Vermillion Street Corridor
 - iv. A beneficial impact on the Industrial Park
 - v. A beneficial impact to Downtown Hastings
 - vi. Increase in property valuation
- b. The RLF program is an Equal Opportunity Lender and will not discriminate based on gender, race, religion, sexual preference, age, etc. in its loan decisions.

SECTION 3: TERMS AND CONDITIONS

A. Financing Methods

Upon proof of owner's 10% equity share, RLF dollars shall not exceed 50% of total project cost.

B. Financing Policy

Up to 100% of the RLF dollars may be used for fixed asset financing, however no more than 30% of RLF dollars may be used for working capital loans.

C. Terms

- a. An interest rate of 0.25% above the prime rate will be assessed on the loan balance at the beginning of loan term. The interest rate will be adjusted to reflect any changes in the prime rate at the beginning of year three, and every two years after until the loan is paid in full.
- b. The term of the loans may vary according to the type of the project, use of funds, cash flow needs, etc. However, the maximum loan terms shall be the following:
 - i. Real Estate: 15 years
 - ii. Machinery & Equipment: 10 years
 - iii. Working Capital: 3 years
- c. In order to allow for flexibility, changes in loan terms and conditions may be determined based on project need and/or the beneficial impacts of the project, as approved by HEDRA.

D. Fees

A 1% origination fee for the loan will be required. The applicant will be responsible for all legal, title insurance, recording, and other fees required for the protection of a securing interest in the loan. All legal and filing fees shall be paid by the borrower at loan closing.

E. Collateral

- a. The City of Hastings shall have first position lien on real property and/or machinery and equipment financed by the RLF, unless the need to subordinate to another lender is demonstrated.
- b. Whenever possible, personal guarantees will be made part of any loan agreement.
- c. Other conditions, including title insurance, or performance standards or penalties may be required depending on the circumstances of the proposed project.

SECTION 4: APPLICATION PROCEDURES

A. Preliminary Meeting

Prior to submission of an application, the potential application shall meet with ED staff to discuss the proposed project and program requirements.

B. Application Format

Applications shall submit a loan application package consisting of the following:

- a. Completed RLF Application form, including requested attachments
- b. A Business Plan
- c. Documentation and/or Statement of Need for RLF involvement in the project
- d. Commitment Letters (equity, private funding, etc.)

C. Application Submittal

The completed application and all required attachments shall be submitted to:

Morgan Hill, Economic Development Coordinator
101 4th Street East
Hastings, MN 55033
mhill@hastingsmn.gov

Please note, acceptance of applications is subject to the availability of RLF dollars.

SECTION 5: REVIEW PROCESS

A. Staff Review

The ED staff shall review the application for completeness and verification that the proposed project meets the standards and eligibility requirements of the program. Once a complete application is analyzed, ED staff will prepare a recommendation to HEDRA.

B. City Compliance

All projects must be in compliance with all city codes and/or necessary permits before any funds are disbursed.

C. Credit Check

The ED staff will perform a credit check on both the company's principals and the business.

D. Negotiation of Terms

Upon completion of the application review with a favorable recommendation, the ED staff will meet with the applicant to negotiate terms, including loan amount, interest rate, term of loan, collateral

pledged, title requirements, and repayment schedule. The agreed upon terms will be part of the loan package recommendation presented to HEDRA.

E. Formal Review

HEDRA will meet to formally review the application and staff recommendations. Applicants are encouraged to attend the meeting to provide additional information and/or answer any questions by committee members.

F. Notice of Award/Denial of Application

If the application is approved and negotiation of terms are agreed upon, the applicant will be sent a notice of award letter. The notice letter will have a timeline of when loan documents should be completed and a suggested loan closure date. If the application is not approved, the applicant will be sent a letter of denial stating the reason for denial.

SECTION 6: DISTRIBUTION OF FUNDS TO APPROVED APPLICANTS

A. Loan Agreement

Prior to the city's distribution of RLF funds, all appropriate documentation, including loan agreement, promissory note, repayment schedule, security instruments, personal guaranty, and any others deemed appropriate, shall be prepared and executed.

B. Evidence of Expenditures

The business must provide documentation related to RLF fund expenditures prior to the release of RLF funds. Documentation may include invoices, receipts, final bills of sale, cancelled checks, or other documentation as deemed appropriate by ED staff.

SECTION 7: ADDITIONAL REPORTING REQUIREMENTS

A. Job Creation & Retention

The loan recipient will be required to complete documentation, on an annual basis, that details the number of jobs created and/or retained.

B. Property Valuation

Property valuation will be completed at time of project completion.

C. Leverage Commitments

The loan recipient will be required to provide documentation detailing the use of funds committed for leveraging. Documentation may include invoices, receipts, final bills of sale, cancelled checks, or other documentation as deemed appropriate by ED staff.

SECTION 8: REPAYMENTS AND DEFAULT

A. Repayments

All payments are due on the 1st of each month.

B. Prepayment of Loan

There is no prepayment penalty.

C. Late Payments

Any payments not paid within ten (10) days of the due date will pay a late fee equal to 5% of the amount of the installment due. Loan recipient will be contacted by HEDRA staff requesting the account is brought current. After sixty (60) days, HEDRA staff will send a letter requesting full remittance of late payments.

D. Default

Failure by the business to make any payment of principal or interest within ninety (90) days after payment is due and payable or as otherwise required in the loan documents shall be considered a default. In the event of a default, all sums due and owing to the city shall, at the city's option, become immediately due and payable. The business will receive a written notice specifying the following:

- a. The default.
- b. The action required to cure the default.
- c. The date, not less than sixty (60) days from the date of the notice, by which the default must be fully satisfied to avoid foreclosure or other collective action.

E. Call of Loan

A loan may become due and payable in full if a business relocates outside of the city of Hastings prior to the maturity date of the loan.

SECTION 9: PROJECT & LOAN CLOSURE REQUIREMENTS

A. Project Closeout

Upon completion of the project funded by the RLF, the business shall notify the city that the project has been completed. Loan recipients may document closure with photographs of completed work, as well as other statements related to the project.

B. Loan Closeout

Thirty (30) days before closing out the loan, the business should contact the city for the final payment amount. Once final payment is submitted, the business will be sent a copy of originating loan documents, as well as a letter confirming loan is closed and "paid in full".

**CITY OF HASTINGS ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND APPLICATION**

SECTION 1: CONTACT INFORMATION

Legal Name of Business: _____
Project Site Address: _____
City / State / Zip: _____
Primary Business Contact Person(s): _____
Phone: _____
Email: _____
Check One: Proprietor Corporation Partnership
FEIN # _____

SECTION 2: PROJECT OVERVIEW

Amount Requested: \$ _____
Total Project Cost: \$ _____

Please provide a brief summary of your company and its products and/or services.

Please provide a brief summary of the proposed project.

Please describe how these funds will impact your project.

SECTION 6: REQUIRED ATTACHMENTS CHECKLIST

Please attach the following with completed application:

- _____ 1. Written Business Plan, including the following:
 - a. Business overview and company history and ownership
 - b. Date Established
 - c. Products/Services
 - d. Future Plans

- _____ 2. Two Years of Historical Financials and Financial Projections

- _____ 3. Personal Financial Statements of Proprietor, Partners, Guarantors

- _____ 4. Letter of Commitment from Financing Sources

SECTION 7: AGREEMENT

I/We certify that all information provided in this application (and its attachments) is true and correct to the best of my/our knowledge. I/We authorize the City of Hastings to check credit references and verify financial and other information. I/We agree to provide any addition information as may be requested by the City of Hastings and HEDRA.

APPLICATION SIGNATURE: _____

PRINTED NAME & TITLE: _____

DATE: _____