

CITY OF DAYTON LOW INTEREST LOAN FUND GUIDELINES

I. PURPOSE OF THE LOW INTEREST LOAN FUND

Low interest loan funds are to be used for business start-ups, expansions, and retentions within the EDA's high priority areas including the Historic Village, Balsam Lane Mixed Use area and SW Dayton at the Interchange and Co. Rd. 81 Corridor. Through any of those activities, the overarching goals of this program are:

- Creation or retention of permanent private-sector jobs in order to create economic growth;
- Stimulation or leverage of private investment to ensure economic renewal and competitiveness;
- Increase the local tax base;
- Improvement of employment and economic opportunity for citizens in the region to create a reasonable standard of living;
- Stimulation of productivity growth through improved manufacturing or new technologies;
- Fill a gap in a service/product that is not currently available in the city.

II. ELIGIBLE APPLICANTS

Eligible applicants include businesses currently or proposed to be located within the corporate limits of the City of Dayton. The EDA reserves the rights to approve or deny any application and/or amend the policy as it sees fit to best serve the purpose and intent.

III. ELIGIBLE ACTIVITIES/EXPENDITURES

Loan dollars may be used for the following activities:

- Acquisition of land
- Land improvements. Improvements to the land which are a portion of the project cost including but not limited to: grading, new streets or street improvements, parking lots, utilities and landscaping.
- Purchase or renovation of a building. Purchase and, if necessary, renovation of an existing industrial or commercial building.
- Building façade improvements.
- Building construction. Construction of a new building and/or a major addition to an existing building.
- Purchase of machinery and equipment. Purchase of major items of machinery and equipment independent of land and buildings. These items must be defined to have a useful life of at least 5 years.

Loan dollars may be used to provide assistance with loan guarantees, interest buy-downs, and other forms of participation with private sources of financing. The Low interest loan fund assistance can be for no more than one-half of the cost of the project.

All loans must be secured with appropriate collateral. This determination will be made by the EDA.

IV. INELIGIBLE ACTIVITIES

Low interest loan fund assistance may not be used for the following:

- Funds may not be used for non-profit institutions, gambling organizations, lending or investment organizations, land speculation or any activity deemed illegal by federal, state or local law or ordinance.
- Housing Projects serving seniors.
- Ineligible costs include but are not limited to: management fees, financing costs, franchise fees, debt repayment or consolidation, moving costs, refinancing, and operating costs or working capital.

V. LOAN TERMS AND CONDITIONS

The City shall make available to eligible applicant's direct low-interest loans for purpose of encouraging economic development, job creation and job retention to meet business needs and preservation of business districts in the City of Dayton.

- Loan amount -- Minimum \$5,000; Maximum \$50,000. In certain instances, the EDA may approve exceeding the maximum loan amount.
- Location – The business/property owner must locate, expand or remodel within the corporate limits of the City of Dayton (within priority areas).
- Conventional Lender or Equity – Conventional lending sources and/or owner equity must provide at least 50% of the total project financing.
- Job creation/wages paid – Applicant must identify jobs to be created within two years and wages paid.
- Fixed rate interest rate – Prime (as published by the Wall Street Journal) minus two, with a maximum interest rate of 2%.
- Terms:
 - Machinery/Equipment. Term of the loan shall not exceed 7 years.
 - Land/building acquisition. Term of the loan shall not exceed 15 years.
 - New construction/renovation. Term of the loan shall not exceed 15 years.
- Balance due. All balances will be due and payable if and when the loan recipient sells or otherwise transfers any or part of his/her interest in the property or fails to meet any of the guidelines established within this document before the maturity date of the loan or relocates to any part or all of the business outside the City of Dayton.

VII LOAN REQUIREMENTS

- Equity participation. There shall be a minimum 10% owner equity investment of total project costs required of all applicants.
- Collateral requirements. All loan agreements will be secured by one or more of the following; promissory note, mortgage, or security agreement as required by the City; and
- The revolving fund may take a subordinate position to the primary lender on the assets financed; and

- Surety deposits shall be required for certain construction contracts as set forth in Minnesota Statutes 290.9705.
- Letters of Commitment. Letters of commitment from all funding sources must be submitted for the application to be deemed complete.
- Personal guaranty. Personal guarantees of persons with ownership interest of 20% or greater are required. Personal guarantees of persons with ownership interest between 5% to 19% may be required by the City but are discretionary.
- Loan repayments. Loan payments must begin within one month of receipt of the Revolving Loan. The City of Dayton may make exceptions to this rule on a case- by-case basis.
- Loan prepayment. Prepayments are permitted where the Borrower makes the EDA whole for any losses or costs associated with the prepayment.
- Notice of award or denial. Applicants will be notified in writing not more than fourteen (14) days after final action has been taken on their revolving loan fund application by the City.
- Loan closing documents. The City will close the loan within sixty (60) days of final City approval of the loan application. At that time, the City will deliver to the Borrower all 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.
- Post-closing amendments and modifications. Requests for 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 EDA.

VIII ADMINISTRATION.

- Loan review committee. The Dayton EDA will serve as the loan review committee.
- Conflict of Interest. All city officials and employees shall comply with the applicable conflict of interest regulations set forth in the City Code.
- Staff responsibility. Administration staff shall have the general responsibility for coordinating the application process, reviewing loan application, preparing applications and recommendations for review by the EDA, and coordinating the loan approval and service process as set forth in this section.

IX. APPLICATION PROCESS. All parties seeking revolving loan funds must file an application. Application forms may be obtained from the Administration

Department.

1. Components of application. Only completed applications will be reviewed for consideration by Administration department staff. A completed application is one that satisfies the checklist provided below:
 - a. Business plan describing the scope of the project, including site plans, building plans, renderings, or blueprints;
 - b. Project budget;
 - c. Private financing commitment;
 - d. Equity investment commitment;
 - e. Proposed security;
 - f. Company financial statements (3 years);
 - g. Personal financial statements (2 years);
 - h. Credit check release;
 - i. Mortgage or lease of property to be improved;
 - j. Proof of insurance of property to be improved;
 - k. Number of jobs to be created or retained;
 - l. Wage information;
 - m. Amount of loan request; and
 - n. Other documentation as requested.
2. Incomplete applications. Administration Department staff, in its sole discretion, will determine if the application is complete and actionable. Incomplete applications will be assigned *pending* status and the applicant will be informed in writing of the missing documentation.
3. Transmittal. Applications transmitted by oral, telegraphic, facsimile, or e-mail will not be accepted.
4. Determination of eligibility. Applicant eligibility will be determined by community development staff using criteria enumerated in subsection D (1) of this section.
5. Site inspection. As part of the eligibility determination process, the city will inspect the property or building designated for improvements for compliance with the city administrative ordinances and zoning codes.
6. Credit check. A credit check for the company and each of its principal owners shall be conducted by Administration department staff.
7. A 2% loan application/origination fee is charged at time of EDA approval of the loan. This is a non-refundable fee.

X. LOAN APPROVAL PROCESS. Administration Department staff will prepare loan applications and make recommendations to the EDA.

1. EDA agenda. Upon determining the eligibility of the completed application and reviewing for credit worthiness and soundness of plan, community development staff will place loan application the on the agenda for the EDA's next scheduled meeting.

2. Criteria. The EDA will base their decision on the economic benefit to the City of Dayton, 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.
3. EDA action. Upon placement on the agenda, the EDA shall approve, deny, or postpone for consideration at a future meeting the loan application request.
4. Notification of EDA action. The applicant shall be notified in writing within fourteen (14) days of the EDA's decision
5. Approval. If approved, 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 Borrowers and Guarantors signifying acceptance of the terms and conditions of the loan proposal and the conditions for funding. Upon the return of the executed commitment letter, community development staff will begin the loan closing process with the City Attorney.
6. Closing. The City Attorney will prepare documentation and coordinate the closing with the Borrower or the Borrower's counsel.
7. Loan servicing. City staff will coordinate loan servicing activities.
8. Monitoring. Administration Department staff will monitor loans for compliance with the accepted terms and conditions including job creation statistics and wage and benefit levels.
9. Reports. Administration Department staff and finance staff are responsible for ensuring that all required reports are filed in a timely manner.
10. Records. Computer files and conventional paper files will be maintained for the purpose of documenting, tracking, and monitoring program and project activities. Program records will be maintained by the Administration department staff and financial records will be maintained primarily by the Finance Division. Where applicable, the following records will be maintained:

- a. Program records. The following program information will be maintained in the program project file, including but not limited to:

Environmental report;
 Eligibility determination records as set forth in Section VIII, Subsection E (1) (a-n);
 Property inspection report;
 Progress reports;
 EDA Resolutions;
 Correspondence;
 Loan documents; and
 Executed loan agreement.

- b. Financial records. The following financial information will be maintained in the financial project file, including but not limited to:

Copy of the executed loan agreement;
Disbursement data;
Progress reports;
Repayment data; and
Amortization tables.

- c. Record retention. All program and financial records, supporting documents, statistical records, environmental review records and other records pertinent to the revolving loan program shall be maintained for a period of at least three (3) years from the final project report and project closeout date.

XI. Delinquency. There shall be a notification procedure for delinquent loans.

1. The finance officer is responsible for the timely posting and of all loan repayments.
2. Thirty day notice. Upon thirty (30) days delinquency, the finance officer will notify the Finance Director (FD) of the delinquency and the Director shall send the borrower a delinquency notice requesting payment within fifteen (15) days. A copy of the letter shall be forwarded to the City Administrator
3. Forty-five day notice. If payment has not been received by the 45th day a second delinquency notice will be sent to the Borrower by the FD requesting payment within fifteen (15) days. A copy of the letter shall be forwarded to the CA.
4. Sixty day notice. If payment has not been received by the 60th day, the FD will attempt to contact the Borrower by telephone to the delinquency. The FD shall also send a notice of default to borrower via certified mail requesting immediate payment and advising the borrower the delinquency will be placed on the EDA agenda for discussion at the next scheduled meeting.
5. Ninety day notice. If no repayment plan is submitted by the Borrower, or if there is no attempt by the Borrower to negotiate the amount due, the FD will contact the CA and the City Attorney to sending a 90 day letter calling due the loan in full.
6. Negotiation. Throughout this process, every attempt will be made to preserve the company, the jobs, and the loan funds.

XII. Default. If the EDA determines a loan to be in default it will pass a resolution declaring the entity in default and convey the matter to the City Attorney for disposition.

XIII. Recaptured funds. The Dayton Economic Development Revolving Loan Fund will serve as the repository for all loan repayments. These recaptured funds are available to other applicants for utilization as gap financing for certain approved economic development projects. The revolving loan fund shall be administered by a financial management system in compliance with all state and federal requirements.