

ECONOMIC DEVELOPMENT

REVOLVING LOAN FUND

LAKE MILLS, IOWA

In an effort to promote and encourage economic development within the community, the City of Lake Mills has established a revolving loan fund to provide financial assistance to new and expanding businesses. Initial funding for this program was provided through a grant from the Iowa Department of Economic Development using federal Community Development Block Grant funds. These funds carry specific restrictions, which must be adhered to both by the City of Lake Mills and subsequent loan recipients.

PURPOSE

The Revolving Loan Fund Program is designed to provide supplemental financing in support of new and expanding businesses located within the City of Lake Mills. The revolving loan fund will be used by the City to make loans or loan guarantees for the following purposes:

1. To increase employment opportunities, particularly for low and moderate income residents, by increasing the number and type of businesses in the City of Lake Mills.
2. To offer financial assistance that will promote the retention and expansion of existing businesses.
3. To increase the property tax base.
4. To diversify the community's economic composition by encouraging unique or essential business concerns.

GENERAL GUIDELINES

Type of Assistance. The Loan Fund will provide direct loans to new and expanding businesses within the City. The interest rate charged and length of the loan will be determined for each project individually based on demonstrated need. Loans at no interest are permitted if such an arrangement is determined to be necessary. In no case will the term of a loan exceed ten (10) years. The maximum loan allowed to a single business is \$50,000.00.

Eligibility. Applications will be considered from many sectors of the local economy. These include businesses involved in manufacturing, service, or retail operations.

Application Procedure. Applications for the Revolving Loan Fund will be accepted by the City of Lake Mills at any time during the year and considered on a continuous basis contingent on the availability of loan funds. The City will take action on complete applications within 60 days of receipt. Action may include funding the application for all or part of the requested amount, denial of the application for funding, or requesting that additional information be supplied prior to making a final decision.

An original and one copy of the application shall be submitted to the City of Lake Mills. Application forms and instructions will be available upon written request from the City of Lake Mills, 105 West Main, Lake Mills, Iowa 50450, or by calling 641-592-3251.

Threshold Criteria. All applicants for the City of Lake Mills Revolving Loan funds must satisfy the following minimum requirements to be eligible for assistance:

- A. A minimum ratio of one permanent job created or retained for every \$10,000.00 of Loan funds;
- B. At least fifty-one percent (51%) of the permanent jobs created or retained by the proposed project will be taken or made available through first consideration activities to low and moderate income families;
- C. The proposed project must create or retain the number of jobs as set out in the loan application; job creation projections are for a five year period;
- D. Jobs created as a result of other jobs being displaced elsewhere in the state will not be considered new jobs for the purpose of evaluating the application for assistance;
- E. Loan funds shall provide no more than 35% of the financing for any project up to a maximum of \$50,000.00;
- F. There must be evidence of adequate private equity;
- G. There must be evidence that Revolving Loan funds are necessary to make the proposed project feasible;
- H. There must be evidence that the project is feasible and that the business requesting assistance can continue as a “going concern” in the foreseeable future without additional or ongoing assistance;
- I. There must be evidence that there will be no significant negative impacts on other businesses or employers in the City;
- J. There must be evidence that no significant negative land use or environmental impacts will occur as a result of the project.

All applicants will be required to certify to the City and the State of Iowa that they will comply with the following requirements, if applicable:

- A. The Civil Rights Act of 1964 (PL 88-353) and Title VIII of the Civil Rights Act of 1969 (PL 90-284);
- B. Title I of the Housing and Community Development Act of 1974, as amended;
- C. Age Discrimination Act of 1975;
- D. Section 504 of the Rehabilitation Act of 1973;
- E. Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5) where applicable under Section 110 of the Housing and Community Development Act of 1974, as amended;
- F. 24 Code of Federal Regulations Part 58;
- G. National Environmental Policy Act of 1969;
- H. Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1979, Title II and Title III;
- I. Hatch Act (5 U.S.C. Chapter 15).

Eligible Area. The location of each Revolving Loan Fund project must be within the city limits of Lake Mills. Any Revolving Loan Fund loan must be immediately repaid, including outstanding principal and interest, if the project activity is moved outside the eligible area during the life of the loan.

Evaluation Procedure. Applications for assistance under the Revolving Loan Fund will be submitted to the City of Lake Mills, 105 West Main, Lake Mills, Iowa 50450. The City Clerk will review the application for completeness and either return the application to the applicant with deficiencies noted or forward the proposal to the Loan Review Committee. The Loan Review Committee will have 30 days to meet and review the application.

The Loan Review Committee may:

- A. Submit the application to the Lake Mills City Council with a recommendation for approval and suggested loan terms.
- B. Submit the application to the Lake Mills City Council with a recommendation not to approve a loan to the business; or
- C. Return the proposal to the applicant for further information or clarification.

Upon receipt of the application from the Loan Review Committee, the Lake Mills City Council will review the proposal at its next regular meeting. If timing is a critical factor in the proposal, the City Council may call a special meeting to consider the application. The City Council may approve the loan and terms of the agreement, disapprove the application, or defer action until additional information is available. A public hearing consistent with Iowa Code, Section 362.3, will be held in conjunction with City Council review of each proposal.

Rating Criteria. The following rating system will be used to rank applications for the City of Lake Mills Revolving Loan Fund:

- A. Number of jobs per funds requested; jobs to be created must be within three-year period, 100 points possible;
- B. Percent of funds other than Revolving Loan Funds in the project, 100 points possible;
- C. Need for and impact of the project; consideration will include local employment conditions, resultant new economic activity, quality of jobs, project schedule, property tax enhancement and other effects on the local tax base, 200 points possible.

The overall reliability and feasibility of application material will be considered.

Priority will be given to projects that create manufacturing jobs, diversify the area's economic composition, are unique or essential business concerns, and / or export products and services outside the State of Iowa. Refinancing or restructuring of existing loans and single retail establishments will be considered low priorities.

Application Information. The City will utilize the Iowa Department of Economic Development's Community Development Block Grant Set-Aside application forms.

The applicant must agree to allow the Loan Review Committee 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 Review Committee will have the discretion of rejecting the application or re-rating it based on correct information.

Loan Agreement. If a proposal is recommended for funding by the Lake Mills City Council, the applicant will sign a loan agreement with the City. This agreement, at a minimum will establish the following:

- A. The interest rate of the loan, whether it is fixed or variable, the terms of its variability;
- B. The term of the loan;
- C. The frequency of loan payments;
- D. Penalties for late payment;
- E. Job creation and / or retention schedule, as provided in the application;
- F. Penalties for failure to meet job creation or retention goals.

Interest rates may differ between projects. Rates charged depend upon the needs of each project and the degree to which the proposal is in conformance with the goals and priorities of the City of Lake Mills' Revolving Loan Fund Program.

Loans may be long or short term, not to exceed 10 years depending upon the particular situation. The term may vary from project to project.

Revolving Loan Funds shall be secured by mortgages and / or liens against fixed assets. Such mortgages and / or liens may be subordinated to conventional bank financing. Other security, including personal guarantees, may be required.

Loans shall be made only to private for-profit entities.

Loans may be renegotiated. Renegotiation proceedings, however, are not the borrower's inherent right.

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

The date of the first loan payment will be arranged on a project-by-project basis.

In the event that the borrower does not achieve and maintain the job creation levels specified, or in the event that the total project cost is less than the amount specified in the application, then loan funds received from the City will be subject to disallowance and immediate repayment. The maximum percentage of loan funds which may be disallowed due to failure to achieve performance targets within three years, will be equal to the percentage of the performance targets not achieved.

Submission of quarterly financial statements and job creation reports shall be required of all borrowers. A final Quarterly Performance Report and a final Status of Funds Report will be required from all borrowers within 30 days after the three-year period (to achieve performance targets) expires.

Loan Review Committee. The Loan Review Committee will be comprised of five members. These members may represent, but are not necessarily limited to, the following interests: banking, accounting or bookkeeping, business administration, local or county development corporation members, or other county or regional economic development personnel. Members to the Loan Review Committee will be appointed by the Lake Mills City Council, in accordance with current committee appointment procedures. Members of the Loan Review Committee shall elect one of its members as Chairperson. Vacancies on the board shall be filled in the same manner as the original appointment.

At least 3 out of the 5 committee members must be present in order to vote on a recommendation. A written recommendation, which includes the vote tally, shall be forwarded to the Lake Mills City Council.

The investment of the balance of any remaining loan funds shall be invested in an interest bearing account.

Administration of the Fund. The Lake Mills City Clerk will be responsible for maintaining the appropriate accounting system related to the operation of the revolving loan fund. The Lake Mills City Council will direct the City Clerk in the investment of the balance of any remaining loan funds. Administration of specific loan agreements and monitoring of funded projects may be the responsibility of the City Clerk or may be subcontracted to a qualified individual or firm. Cost for the administration of the Lake Mills Revolving Loan fund may be derived from interest payments on loans made from the funds, or from the City of Lake Mills funds.

OTHER CONSIDERATIONS

Conflict of Interest. City officials and Loan Review Committee Members shall avoid any conflict of interest regarding the Revolving Loan Fund. The City Council and their legal counsel will decide conflict of interest situations.

Capitalization of Fund. The City agrees that the Revolving Loan Fund will be capitalized at a level of at least \$50,000.00 within 5 years of the effective date of the Community Development Block Grant – Economic Development Set-Aside Contract. This will be accomplished with the repayment of funds from the existing, as well as any future, Community Development Block Grant projects.

Retention of Records. All records related to each loan transaction shall be retained by the City for a period of at least three (3) years after the date upon which the final loan payment is received.

Plan Amendments. The City Council may amend this plan by resolution, after holding a public hearing on the proposed change in accordance with applicable state law.

Confidential Records. The contents of a completed RLF application are open to public inspection. Some portions of the required attachments submitted in connection with an application are treated as confidential by the City. The City treats the following records as confidential and they are withheld from public disclosure:

- Tax Records
- Quarterly Iowa “Employer’s Contribution and Payroll Report” prepared for the Iowa Department of Employment Service.
- Business’s payroll register
- Personal financials
- Business financial projections

**CITY OF LAKE MILLS
REVOLVING LOAN FUND APPLICATION**

1. Applicant Information:

Applicant Name: _____
Address: _____, _____
Telephone Number: (____) _____

2. Business Information:

Business Name: _____
Contact Name: _____ Position: _____
Address: _____ Lake Mills, Iowa 50450
Telephone Number: (641) _____

RELEASE OF INFORMATION AND CERTIFICATION

I hereby give permission to the City of Lake Mills (CITY) and/or the City of Lake Mills Revolving Loan Fund Committee (RLFC) to research the company's history, make credit checks, contact the company's financial institution, and perform other related activities necessary for reasonable evaluation of this proposal. I understand that all information submitted to CITY/RLFC relating to this application is subject to the Open Records Law (1989 Iowa Code, Chapter 22) and that confidentiality may not be guaranteed. I hereby certify that all representations, warranties, or statements made or furnished to the CITY/RLFC in connection with this application are true and correct in all material respect. I understand that it is a criminal violation under Iowa law to engage in deception and knowingly make, or cause to be made, directly or indirectly, a false statement in writing for the purpose of procuring economic development assistance from a state agency or political subdivision.

Dated this _____ day of _____, 20_____.

BY : _____
TITLE: _____

NOTE: CITY/RLFC will not provide assistance in situations where it is determined that any representation, warranty or statement made in connection with this application is incorrect, false, misleading or erroneous in any material respect. If assistance has already been provided by LMRLFC prior to discovery of the incorrect, false or misleading representation, CITY/RLFC may initiate legal action to recover CDBG funds.

8. Has any part of the project been started? Yes _____ No _____
If yes, please describe:

9. How many full-time employees are currently employed by the company? (Total employment including all locations, subsidiaries, divisions, etc. world wide)

If this company has more than one facility, how many full-time employees are there at the facility affected by this proposal?

How many part-time employees? (Documentation of the number of employees is needed (i.e., copy of payroll))

10. If awarded funds, how many new, full-time employees will you add to the payroll within 12 and 24 months of the award date? If the business fails to create the jobs pledged below by the end of the project period (usually 24 months from the date of the revolving loan fund award), the business will be required to reimburse CITY / revolving loan fund account for the employment shortfall. The preparer of this application should ensure that the business is aware of this provision before asking the business to sign the application form.

Full time: 12 months _____ 24 months _____

Part time: 12 months _____ 24 months _____

11. What is the estimated annual payroll for the new employees resulting from this project?
1st year: _____ 2nd year: _____ 3rd year: _____
cumulative cumulative

12. What is the average wage rate (not including fringe benefits) projected to be for the new employees?

13. Will any of the current employees lose their jobs if the project does not proceed?
Yes _____ No _____ If yes, how many, explain:

Of these, how many are low and moderate income (LMI) persons?
(See employee certification form attached.)
NOTE: A description of the Standard Fringe Benefits provided to employees must accompany this application.

14. What other Iowa companies could be considered to be your competitors?

15. How will this project benefit the City of Lake Mills and/or the County of Winnebago?

- 16. Explain why assistance is needed from the City of Lake Mills and why it cannot be obtained elsewhere? (Refer to instructions.)

- 17. Explain request for specific type of assistance. If market rate loan is not sufficient, why not?

SUMMARY OF PROJECT COSTS

18. Use of funds?

<u>ACTIVITY</u>	<u>COST</u>
1. Land Acquisition	\$ _____
2. Site Preparation	\$ _____
3. Building Acquisition	\$ _____
4. Building Construction (1)	\$ _____
5. Building Remodeling (1)	\$ _____
6. Machinery & Equipment	\$ _____
7. Furniture & Fixtures	\$ _____
8. Other	\$ _____
TOTAL:	\$ _____

(1) Federal Labor Standards may apply which might affect the project cost.

19. Total amount of loan requested from the City of Lake Mills

\$ _____

20. What is the business financial contribution to the project?
Please explain clearly.

21. What type of security and in what amount will the assisted business provide the City? If no security is offered, an explanation must be provided.

Mortgage _____	\$ _____	What Seniority or Position
Lien on _____	\$ _____	What Seniority or Position
Personal Guarantee _____	\$ _____	
Other _____	\$ _____	
None _____	(If none, please explain)	

LIST OF POSITIONS FOR JOBS TO BE CREATED/RETAINED

JOB TITLE	SKILLS, EDUCATION EXPERIENCE NECESSARY	HOURLY WAGE	NUMBER FULL-TIME	NUMBER PART-TIME	TOTAL FTE
TOTAL					

EMPLOYER CERTIFICATION

I Certify that at least 51% of the positions created or retained by _____
as a direct result of the Community Development Block Grant Economic Development Set-Aside
(EDSA) Program will be taken by or made available by first consideration activities, to individuals from
low and moderate income households.

Dated this _____ day of _____, 20_____.

BY : _____
TITLE: _____

ATTEST:

BY : _____
TITLE: _____