



**REDWOOD COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
REVOLVING LOAN FUND GUIDELINES**

Redwood County Economic Development Authority
Redwood County Board of Commissioners

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Redwood County EDA Revolving Loan Fund Purpose Statement

The Redwood County Economic Development Authority (“EDA”) Revolving Loan Fund (“RLF”) exists to allow the Redwood County Board of Commissioners and the Redwood County Economic Development Authority to invest in the growth and development of business in Redwood County. The Fund is intended to serve as gap financing, as outlined in this document, to invest in projects that meet the criteria outlined and the Redwood County Business Subsidy Policy, a copy of which is attached as an exhibit.

GOALS AND OBJECTIVES

- Goal #1:** To assist entrepreneurs by providing the gap financing required to encourage capital investment, enhance tax base, create jobs, generate wealth among residents, and allow for the improvements of the quality of life in Redwood County.
- Objective 1.1**
To provide gap financing to qualified applicants on an as needed basis.
- Objective 1.2**
To leverage other financing to reduce the primary lenders’ security risk, enhance project viability and demonstrate a collaborative spirit.
- Objective 1.3**
To take prudent risks in the area of economic development financing.
- Goal #2:** To enhance the role of Redwood County in economic development activities within Redwood County in collaboration with other private and public entities
- Objective 2.1**
To provide expertise and assistance in the area of economic development finance.
- Objective 2.2**
To secure funding for the RLF from various public and private sources.
- Objective 2.3**
To operate the RLF as a perpetual fund and to manage and operate the fund for future viability.

REVOLVING LOAN FUND GUIDELINES

Preferred Eligible Borrowers:

- Businesses located in Redwood County
- All industries and types of businesses are eligible to apply, including manufacturing, retail and service industry businesses.

Qualifying Projects:

- Project / business to be assisted by the RLF program typically must be physically located within Redwood County. On a case by case basis, the Loan Review Committee may waive this requirement and provide loan funds to a business located outside the Redwood County Area if the Loan Review Committee determines doing so will have a positive economic impact on the community to be assisted with RLF funds. If the business relocates outside of the Redwood County Area, the Loan Review Committee may require immediate pay off of the loan.
- Acquisition and development of land, easements, and rights-of-way.
- Construction, conversion, enlargement, repairs or modernization of buildings (including façade repairs), plants, machinery, equipment, access streets and roads, parking areas, utilities, and pollution control and abatement facilities.
- Loans for startup operating cost and working capital.
- Technical assistance for private business enterprises.
- Machinery and Equipment fixed assets and Rolling (non-fixed) assets.
- The grantee has a goal of creating or retaining at least one full time job for each \$10,000 loaned from the RLF.
- Loans must involve a local lender as a greater portion of the financing package unless otherwise specified by the EDA Board.
- The loan approval is subject to a primary lenders approval.
- All approved loans will be required to set up electronic debit of payment and interest.

In-Eligible Projects:

RLF funds will not be used to produce agriculture products through growing, cultivation, and harvesting either directly or through horizontally integrated livestock operations except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.

- RLF funds will not be used to finance comprehensive area-wide type planning. This does not preclude the use of grant funds for planning for a given project.
- RLF funds will not be used to fund a part of a project which is dependent on other funding unless there is a firm commitment of the other funding to ensure completion of the project.
- RLF loan funds will not be used to pay off any previous debt. Refinancing construction financing is an exception to this rule.
- Loans will not be made unless there is a reasonable prospect that the applicant meets the definition of "small and emerging private business enterprises" defined as "any private business that will employ 50 or fewer new employees and has less than \$1 million annually in projected gross revenues." If the grantor changes its definition of small and emerging business as defined by the Rural Business Development Grant regulations, the grantee reserves the right to utilize the amended definition without further approval from the grantor.
- Applications by members of the Loan Review Committee and their immediate family members shall be ineligible for funding.

Minimum/Maximum Loan Amounts:

Loans made from the RLF typically will not be less than \$5,000 and not greater than \$75,000, or not exceed 50% of the available funds in the RLF account balance. The Loan Review Committee may recommend loans outside the above values on a case by case basis to the EDA Board.

Interest Rate:

The interest rate will be no more than two percent (2%) above the published Wall Street Journal "prime rate." The Loan Review Committee will provide a recommended rate to the EDA Board rate based on the evaluation of the applicant's ability to repay and the necessity of below market financing to advance the project. Interest earned on any RLF loan must stay in the fund for use in making additional RLF loans. All loans are made at a fixed interest rate and will be confirmed by the Board of Commissioners on the day of loan approval.

Fees/Closing Costs:

Costs associated with processing the application (e.g. credit report fees, UCC and lien search fees, filing security documents, filing legal documents fees, etc.) shall be the responsibility of the applicant, not to exceed \$500 and due at the time of application submission. If the loan is denied, the application fee will be refunded. The Loan Review Committee may waive or amend this fee structure without further approval from the grantor. All loan fees will be addressed in the RLF Loan Agreement.

Loan Terms:

The Loan Review Committee will make a recommendation to the EDA Board concerning the term of the loan and payment frequency (monthly, quarterly, etc.) depending upon project need, the expected life of the security, and the applicant's ability to repay. The term of the loan will not exceed the expected life of the asset being used as collateral.

Security / Collateral:

Security shall consist of the best lien available on real estate, equipment, inventory, etc. The discounted value of the security (using typical lender discount rates) shall equal or exceed the value of the loan. The Loan Review Committee may require personal guarantees and/or co-signors.

Redwood County will work with the potential loan recipient to obtain security that is adequate for the term of the loan. The nature of the collateral pledged shall be determined by the Loan Review Committee on a project-by-project basis. If the same collateral is used in joint financing, the RLF will seek a parity position with other lenders. Types of security may include:

- Mortgage Lien on Real Property
- Machinery and equipment which have a developed market;
- Letter(s) of credit from acceptable financial institution(s);
- Securities issued by the Federal government or its agencies;
- Accounts receivable and inventory for short-term loans; and
- The loan recipient will be required to maintain fire insurance, and flood insurance if necessary, on secured assets. In some cases, credit life or key man insurance will be required with the RLF as loss payee.

APPLICATION PROCEDURE

Applications for RLF funds will be accepted on a continual basis. All applicants for RLF funding will be required to complete an application and provide a corresponding business plan with verifiable data which demonstrates that their proposed projects are economically feasible, sustainable, and will provide benefits to rural areas, either through job creation or infrastructure improvements. A copy of the application which includes a list of supporting information is attached to this plan.

- Applications will be accepted at the Redwood County Administrator's office during normal business hours. The Redwood County Administrator's office is located at 403 S Mill Street Redwood Falls, Minnesota 56283.
- Complete applications will be reviewed by the Loan Review Committee. An application is not considered complete until all required information has been submitted to the Redwood County staff as listed on the attached application.
- There must be evidence presented by the applicant that indicates the RLF loan is necessary to make the proposed project feasible.

- The Loan Review Committee may require written feasibility studies, business plans, market studies, etc. as appropriate for the business type.
- The Loan Review Committee will analyze each project and make a written recommendation to the Redwood County EDA Board. Following the review of the EDA Board a recommendation will be presented to the Redwood County Board of Commissioners.
- The Redwood County Board of Commissioners will normally review RLF applications at their scheduled monthly Board Meeting. However, if needed and at the Board's option, the Board may call a special meeting to review a loan application.
- The Redwood County Board of Commissioners shall have final authority to approve or deny RLF loan requests, and to determine appropriate terms and conditions.
- For approved loans, a loan agreement addressing all of the terms and conditions, including monitoring procedures, repayments, delinquencies, defaults and remedies for that project will be prepared by the Redwood County Attorney. In addition, the Redwood County Attorney shall have prepared all notes, mortgages, security agreements, UCC filings and other legal documents necessary to close the loan which are approved by the State Bar Association.
- Before RLF funds can be disbursed to the loan recipient, all requirements and terms of the loan agreement must be met and supplemental financing must already be contributed or verified ready to contribute to the project.

Review Criteria:

The basis for determining the eligibility/approvability, loan amount, interest rate, and terms and conditions of a RLF request, and general RLF operational procedures, are as follows:

- The Loan Review Committee, EDA Board and Redwood County Board of Commissioners will consider the financial need of the project, the probability of success, the security offered, and the overall benefits of the project to rural areas, including the number of jobs to be created or retained, diversification of the economy, the extent of the upgrading of the skills of the rural workforce, the quality of the jobs in terms of pay scale and benefit package, and, for community development projects, improvements to the community infrastructure, facilities, and/or acquisition of equipment that improves the education, health, safety, and/or medical care of rural residents.
- Applicants who choose to apply in times when inadequate funds exist for extending a loan will be informed of the lack of funds. Applications will be reviewed and funded (if eligible) based on the following criteria:
 - Applications with the greatest anticipated economic impact for the community shall receive greatest priority. Criteria to be considered in determining economic impact include number of jobs created or saved, wage scale of employees, benefits paid to employees.
 - Applications of equal economic impact will be funded in date order of application.

Application Approval:

In accordance with Federal law and U.S. Department of Agriculture policy, the Loan Review Committee will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status.

Loan Monitoring:

The Redwood County Economic Development Coordinator shall be responsible for administrative requirements of the RLF and may delegate these responsibilities to other persons.

All RLF loans will be monitored to ensure that loan proceeds are spent as identified in the RLF application, that all other sources of financing have been committed to the project, and that the benefits of the project, such as job creation, are accomplished as stated in the RLF application. The Auditor/Treasurer shall ensure that RLF lien positions and loan collateral are secure.

This loan monitoring will require regular reporting by the loan recipient.

- Annual income statements and balance sheets will be collected from the loan recipient. Depending on the nature of the project and security arrangements, Redwood County reserves the right to require the submission of annual financial reports as audited by a certified public accountant.
- Redwood County will also conduct annual site visits to meet with the loan recipient, verify collateral and collect any information as required.
- At the option of Redwood County, periodic management information reports may be required of the loan recipient. Management reports may be required on a semi-annual basis beginning six months after the advance of RLF funds and continuing semi-annually thereafter for a period of 3 years or until completion of the project, whichever is the later period. If requested, management reports will include:
 - Information on the number of jobs created or retained during the reporting period;
 - A comparison of accomplishments during the reporting period to the objectives established for the project,
 - A description of any problems, delays, or adverse conditions which will materially affect the attainment of planned project objectives and a statement of action taken or contemplated to resolve the situation.
- Redwood County reserves the right to require these reports on a more frequent basis if it is determined to be in the best interest of the RLF.
- An annual review and report of the outstanding loans of the RLF, including job creation/retention totals and community benefits, will be compiled by the Economic Development Coordinator for presentation to the EDA Board and Redwood County Board of Commissioners.

Collection Procedure:

The Redwood County Auditor/Treasurer is charged with the responsibility for loan collections and related workouts, collection of charged-off loans, management and disposal of other real estate owned and any other activities related to delinquent accounts.

As part of this responsibility, the Redwood County Auditor/Treasurer shall have authority to initiate foreclosures, and collection suits after consultation with the Redwood County Attorney. The Redwood County Attorney will advise the board of such action at their next regular meeting.

- Past due notices will be generated and sent to the loan recipient according to the following schedule:
 - First notice sent on the 10th day after a note or payment is due.
 - Second notice sent on the 20th day after a note or payment is due.
- If the delinquent account becomes 30 days delinquent, the Redwood County Attorney will make phone contact with the loan recipient to inquire about the situation and arrange appropriate corrective action.
 - As a prudent lender and at the Redwood County Board of Commissioners sole discretion, a one-time corrective action/workout of a delinquent account is permitted. As part of the workout, loan terms may be modified by deferral, re-amortization and/or balloon payments.
- If the delinquent account is not taking steps to cure default and the account becomes 60 days delinquent, a written 30 day Notice to Cure will be issued and sent to the loan recipient via certified, first class mail with a return receipt requested.
- If the delinquent account does not respond to the Notice to Cure by paying the amount stated in the cure notice, the file will be forwarded to the Redwood County Attorney to start foreclosure actions.

File Retention:

All RLF files will be retained for a period of not less than 3 full years after the loan has been paid in full. After 3 years, the files will be destroyed by shredding or incineration. Files will be secured in a locked, safe place and access will be limited to Intermediary staff with RLF responsibilities. Other security measures will be initiated as needed to protect confidentiality of loan documents.

All guidelines listed above are guidelines only. Each loan will be independently evaluated by the EDA Board and Board of Commissioners. The EDA Board and Board of Commissioners reserve the right to review and revise these guidelines in the event applicable law changes or other considerations merit revisions.