

HAYFIELD ECONOMIC DEVELOPMENT AUTHORITY ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GUIDELINES

The primary objective to be considered in administering the Hayfield Revolving Loan Fund (RLF) is growth, retention, and attraction of businesses in Hayfield.

Use of funds: Acquisition, construction, machinery & equipment and working capital.

Types of businesses: New or expanding businesses including manufacturing, service, retail, and commercial entities.

Financing: Direct/low interest loans, loan guarantees.

The establishment of the RLF allows the Authority to assist businesses for growth and success. The fund will enhance conventional lenders ability to make adequate and affordable credit available to businesses through a public/private partnership. The city will receive dividends of a healthier business community, more jobs for its residents, and an expanded, diverse tax base.

Goals and Objectives

- Collaboratively make credit more readily available to small businesses in the Hayfield community- Provide financing for "good deals" which may not be conventionally bankable through structure of terms, interest rates, and type of participation.
- Create jobs for the Hayfield community- Expanded employment opportunities for residents of Hayfield.
- Expand and continue to diversify the tax base- Assisting businesses to remain and expand in Hayfield and to provide tax base diversity.
- Manage the portfolio- Assure repayment so the capital base of the loan fund can grow over time. To have a permanent impact the funds must be available to future borrowers using funds repaid by earlier borrowers.

Service Area

The Hayfield EDA will operate and service loans made to companies located within Hayfield city limits.

Types of Financing

Direct loans up to 50% of total project cost, not to exceed \$75,000 (minimum of \$2,500). Minimum of 10% owner equity investment in project required. The total amount, term and rate of each loan will be determined by needs of each project based on:

- Term of other lenders and the economic life of the asset being financed

- Rate of interest will be negotiable as determined by project need, and will be tied to the prime rate (at the time of submission of the application) with a floor and ceiling holding to a radius of 2%.
- Maximum Length of Term shall be capped by the following schedule for financing terms. In the event, of a request for composite use of funds, the cap will be the longest applicable term and negotiated on a case by case basis.
 - Acquisition of Land 20 years
 - Acquisition of Building 20 years
 - New Construction 20 years
 - Machinery and Equipment 7 years
 - Building Renovation 15 years
 - Working Capital (Inventory) 5 years

Eligible Borrowers

The program will be open to any eligible legitimate business whose primary place of business is in Hayfield. Proposals will be reviewed by staff and the EDA Loan Committee.

Use of Loan Proceeds

Eligible uses:

- Land Acquisition
- Site Improvements
- Demolition
- New Building Construction or Rehabilitation
- Renovation and Modernization of Interior & Exterior of Buildings
- Machinery, Equipment, and Fixtures
- Inventory
- Working Capital: Limited to 25% of total project costs or to a maximum of \$7,500
- Workforce Development
- Renewable Energy

The EDA, with approval from City Council, has the authority to grant RLF funds to a regional or state pool to provide the local match required for capitalization of a regional or state revolving loan fund.

Ineligible uses:

- Taxes (except for Sales & Use Tax when paid in connection with the purchase of eligible items)
- Refinancing Debt (Unless Debt is current RLF Loan)
- Residential Real Estate
- Professional Fees
- Construction and/or Renovation of Residential Units
- Organization Expenses
- Financing of Speculative Product Development

Other Criteria to be considered:

- Creation of new jobs or retention of existing jobs
- Increase in the tax base
- The project can demonstrate that investment of public dollars induces private funds
- The project can demonstrate an excessive public infrastructure or improvement cost beyond the means of the affected community and private participants in the project
- The project provides higher wage levels to the community or will add value to current workforce skills
- Whether assistance is necessary to retain existing businesses
- Whether assistance is necessary to attract out-of-state business

Credit Policies

Loan decisions will be based on demonstrated ability to repay debt, firm project costs, demonstrated need for financing, and financial statements of the company. Equity investment and collateral will be determined on a case by case basis. Subordinated positions will be accepted.

Application Process

Application Procedure, Approval Process, and Closing shall follow the City of Hayfield Business Subsidy Criteria Policy for all loans of principal \$50,000.00 or greater. All loans of principal less than \$50,000.00 shall follow the application and closing processes of the City of Hayfield Business Subsidy Criteria Policy, and will be approved by a simple majority of the EDA.

Application Review Process

When a completed application is received, EDA staff will conduct a thorough review of the application. Items to be considered:

- Applicability of the project to the goals of business subsidy policy
- Benefits of the proposed project to the city as compared to costs
- Compliance with all City ordinances, policies, and restrictions.
- Availability and applicability of other governmental grants and/or loan programs.
- Ratio of private funds to loan funds
- Financial feasibility – availability of funds, private involvement, financial packaging and cost effectiveness.
- Project design
- Repayment ability and sufficient cash flow to cover proposed debt service.
- Balance sheet/ratio analysis
- Letter of commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
- Letter of commitment (or denial) from regulated financial institution stating terms and conditions of their participation in project, if applicable.
- Management skills
- Sufficient collateral and lien position

Other Policies

Loan closing will be handled by EDA staff and other appropriate City staff.

Staff will notify EDA of any account delinquencies.

Any modifications of loan terms and conditions must be requested in writing by the applicant and approved by the EDA.

Defaults will be handled on a case by case basis. Specific action will depend on the nature and circumstances, amount and availability of collateral and costs versus benefit of liquidating assets or other collateral. Any action taken will be handled by EDA staff and at the direction of the EDA.

Conflict of Interest

A loan application must stand on its own merits. A voting member of the EDA or City Council may not vote or otherwise influence other voting members on measures regarding a loan request where they or their immediate family stand to benefit either personally or financially.

Business Subsidy Law

The project must conform to the Hayfield Business Subsidies Criteria and Minnesota Business Subsidy Law, MS § 116J.994.

Government Data Practices

Information contained in the application for assistance will become a matter of public record with the exception of those items protected under the Minnesota Government Data Practices Act, MS § 13.

Right of Ultimate Review

Due to the fluctuating nature of business and communities, this policy must remain able to accommodate the changing needs of the City. Due to the inherent inability to fully anticipate future situations and projects, this granting body retains the right to grant loans to projects that are deemed in the public interest, yet may deviate from the above criteria.