



Big Lake Economic Development Authority
Revolving Loan Fund Policy

Adopted on April 12, 2021

Revision Dates:

September 9, 2024



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I. GENERAL POLICY

Revolving Loan Funds (RLF) provide businesses with direct loans. As the RLF receives the principal and interest from outstanding loans, the money is made available to another borrower. This recycling of funds makes RLFs particularly valuable in light of the growing scarcity of development funds. RLFs are designed to lessen the high cost and short supply of capital for businesses by providing flexible loan terms that assist in providing financing. Economic development activities assisted with funds made available through RLF Programs are intended to increase property tax base.

II. PUBLIC PURPOSE OBJECTIVES

The Big Lake EDA will consider the use of the program, which demonstrates the achievement of one or more of the following public purpose objectives:

1. To enhance the City's economic base.
2. To encourage private (re)development.
3. To encourage site improvements and (re)development of commercial and industrial areas.

III. ELIGIBLE BUSINESSES

All applicants must meet the following criteria:

1. Business must have a physical address within the City. Proof of address shall be required when applying.

2. Business must be an allowed use through zoning of the property or be a legally non-conforming use.
3. Business must be a legal entity registered with the Minnesota Secretary of State, and be in good standing.
4. Business must not have delinquent taxes, bills, or charges due to the City.
5. Business must not have any outstanding violations of the Big Lake City Code unless working to come into compliance by utilizing the RLF.

IV. ELIGIBLE USES OF THE REVOLVING LOAN FUND

1. Land and Building Acquisition
2. Property Improvements
3. New Building Construction
4. Building Renovation and Modernization
5. Machinery, Equipment & Fixtures (the remaining effective life must be equal to or exceed the life of the loan)
6. Information Technology

V. INELIGIBLE USES OF THE REVOLVING LOAN FUND

1. Debt Refinancing
2. Working Capital
3. Residential Real Estate
4. Taxes
5. Professional Fees
6. Gambling, Religious, Political or Adult/Pornographic Businesses

VI. AMOUNT AVAILABLE

Applications will be accepted for loan amounts ranging from \$1,000 up to \$25,000.

VII. ADMINISTRATION

Application forms are available online at www.biglakemn.org or can be received from the City of Big Lake Economic Development Authority at 160 Lake Street North, Big Lake, MN 55309. A completed loan application must be submitted to the Big Lake Community Development Department.

Applicant should allow a minimum of four to six weeks for processing once the completed application and all required documentation are submitted.

Consideration for approval will be based on, but not limited to the following:

1. Applicant is credit worthy
2. Applicant is willing to sign a personal guarantee
3. Applicant can pledge adequate collateral
4. Applicant can inject a minimum of 5% equity of the loan amount

An initial meeting with the Applicant and City Staff will be set up to review the request. If the application meets the initial policy guidelines, City Staff will forward the completed application to the Big Lake EDA Finance Committee for consideration to make a recommendation to the Big Lake EDA. During the next regularly scheduled Big Lake EDA meeting, the Big Lake EDA will formally approve/deny the application.

For all projects, the Applicant must have loan approval (if another source is being utilized) prior to beginning the project. The Applicant will be encouraged to also apply for the Sherburne County RLF.

Nothing in this Policy shall require the Big Lake EDA to make a loan to a business that meets the requirements of the Policy. The Big Lake EDA is not required to make a loan or provide any financial assistance to a business that meets the requirements of this Policy unless the Big Lake EDA in its sole discretion determines that it is in the City's interest to make a loan. Each application will be reviewed on a case-by-case basis.

VIII. LOAN TERMS AND GUIDELINES

1. Minimum amount of loans - \$1,000

2. Maximum amount of loans - \$25,000
3. The loan term may be negotiated up to 10 years based upon the productive life of the assets. Initial payment may be deferred up to 6 months after closing.
4. Recipients will be charged all costs associated with the loan, including but not limited to legal and consulting costs that may be incurred by the Big Lake EDA in processing the loan application. These fees may be included in the loan amount.
5. The interest rate will be fixed for up to five years at two points below prime rate that is set by the Big Lake EDA the day of loan approval, or three (3) percent, whichever is greater. The interest rate will be computed as simple interest and will be fixed for a period not to exceed five years and adjusted for a similar period using the same index. All loans will be structured to fully amortize over the term of the loan.
6. Recipients may be required to maintain property insurance on buildings and contents for full replacement value. If required, insurance policies shall name the Big Lake EDA as a Lender Loss Payee.
7. Payments more than 30 days delinquent will be assessed a five (5) percent penalty. Payments first go towards any accrued penalties, then towards accrued interest, and lastly to reduce the balance of the principal.
8. The Applicant will authorize the Big Lake EDA to obtain verification of any applicable records, including assets, employment records, and consumer credit reports.

IX. LOAN PROCEDURES

Prior to releasing funds, the following documentation, and any other documentation required by the Big Lake EDA or City Staff, must be in place or provided at the appropriate time during the term of the loan process:

1. **Notice of Award** - The Big Lake EDA must have reviewed and approved a complete application for an eligible Applicant.
2. **Loan Agreement** - A loan agreement shall be executed by the Big Lake EDA Chair and the principal owner(s) or officer(s) of the business. The

- agreement must be dated; must state the agreement between the Big Lake EDA and the business; and must specify the amount and terms of the loan funds delivered.
3. **Loan Security** – If loan security is required, any mortgage or lien instruments must be executed at the time of the loan closing. The Big Lake EDA may take a security interest position in any equipment, real estate, or other collateral being financed. Subordinate lien positions loans will be accepted. The City Attorney shall record the instrument and provide the original to be placed in the project file which is kept in the City Finance Department.
 4. **Amortization Schedule** - An amortization schedule shall be prepared by City Staff with a copy provided to the borrower. Copies also are retained on file with the City Finance Department.
 5. **Evidence of Permits** - Documentation must be proved by the Applicant.
 6. **Other Documentation** - The Applicant may be asked to provide other types of documentation.

X. POST-APPROVAL OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, all Recipients must agree to comply with the following:

- To use loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
- To permit inspections by persons authorized by the Big Lake EDA of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections which include but may not be limited to, materials and equipment. Requests for inspection shall be complied with by the Recipient.
- To maintain records on the projects as may be requested by the Big Lake EDA. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
- The business must maintain an actual physical presence within Big Lake city limits.

XI. POST-CLOSING AND MONITORING

General Procedures

1. When the loan closing is completed and the funds are disbursed, City Staff will establish a loan servicing file to contain:
 1. All closing documents
 2. A log of all conversations and correspondence relating to the loan
 3. A master follow-up file to ensure loan monitoring functions are performed on a timely basis
2. The calculation of principal and interest, and monthly payment reports will be executed at the time of the loan closing by City Staff.
3. Fund Management services will be provided by City Staff and the Big Lake EDA. A third party financing vendor may assist with loan packaging, underwriting, and related marketing services for the Fund.

MONITORING

City Staff will be responsible for collecting and maintaining evidence of ongoing compliance with any loan requirements, insurance, financial reporting, and any special conditions of the original agreement. An annual report of projects financed through this program will be provided to the Big Lake EDA and Big Lake City Council members each year.

XII. DEFAULT

In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the Big Lake EDA's option, become due and payable. To exercise this option, the City Attorney shall prepare a written notice to the business. The notice shall specify the following:

1. The default.
2. The action required to cure the default.

3. A date, not less than (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other corrective action.
4. Any penalties incurred as a result of the default.

The Big Lake EDA will determine when and how to collect and liquidate secured collateral in its sole discretion.

XIII. USE OF LOAN REPAYMENTS AND REPORTING

Repaid loans shall be re-deposited in the Revolving Loan Fund Account and used in a manner consistent with these policies and procedures. A separate accounting record for each loan shall be kept to account for all funds loaned.

The City of Big Lake will not discriminate against any applicant because of race, color, or creed, religion, ancestry, national origin, sex, disability, age, marital status, or status with regard to public assistance.