

**CITY OF HARMONY
ECONOMIC DEVELOPMENT AUTHORITY
REVOLVING LOAN FUND (RLF) GUIDELINES**

Projects and uses eligible for RLF Loan assistance

The Economic Development Authority and the City of Harmony have made available a revolving loan fund to eligible applicants for the purpose of providing low interest gap financing. The primary objective of the fund is the creation and retention of jobs, tax base, and services in the City of Harmony.

Any project that benefits the City of Harmony and meets the eligibility requirements stated below may apply for a loan from the Economic Development Authority.

Eligible use of EDA Loan Funds

1. Land Acquisition
2. Site Improvements
3. New Building Construction or Rehabilitation
4. Renovation and Modernization of Interior and Exterior of buildings
5. Machinery, Equipment, and Fixtures
6. Inventory
7. Working Capital: Limited to 25% of total project costs. Projects seeking to borrow for working capital must have at least an equal amount of owner equity for every dollar of working capital borrowed.
8. Utilities and/or Public Infrastructure
9. Loan Guarantees

Ineligible Uses of Funds

1. Taxes
2. Refinancing Debt
3. Residential Real Estate Development
4. Construction and/ or Renovation of Residential Units.

Financing Structure

Loan Amounts

The minimum loan amount will be \$2,500 and the maximum amount will be \$25,000. Applicants may be subject to business subsidy law. A minimum of 10% owner equity is required for all loans.

Interest Rate

The interest rate for any loan will be the prime interest rate as published in the Wall Street Journal the day of application.

Terms

Financing terms shall not exceed ten (10) years.

The EDA may provide deferments on principal repayments, interest-only payments for periods not to exceed 6 months, seasonally-based payment plans, and subordination of loans to meet the credit needs of borrowers.

Loans will only be restructured if the restructuring improves the borrower's repayment ability. Prior written approval from the EDA is required.

Collateral & Personal Guarantees

Loans will be secured to the best extent possible. At minimum personal guarantees of the applicant, their spouse, and any principals with more than 20% interest in the company are required.

Additionally, a mortgage on real estate owned by the applicant will be required when available and/or applicable. Subordinated mortgages are acceptable.

When financing equipment, a UCC security filing may also be required.

Machinery, equipment, and/or fixtures will be valued at 50% of the purchase price for collateral purposes.

Applicants will be responsible for all legal, recording and other fees required for perfecting a security interest in a loan.

Timing of project expenses

No project may commence until the City Council of Harmony has approved the loan application. Any costs incurred before the loan application has been approved by the City Council are not eligible expenditures and will not be funded.

No building construction may commence until the required permits are secured.

Procedures for a loan application

An interested loan applicant will meet with staff to obtain information about the loan program, discuss the proposed project, and obtain application forms.

Staff will prepare recommendation to be presented to the Loan Committee based on its review of the application. Staff will require credit reports, and verify background information.

The Loan Committee reviews full applications, staff recommendations and makes decision on the application. Loan Committee makes recommendation to the EDA

The EDA reviews the recommendation of the Loan Committee and makes a recommendation to the City Council

City Council makes the final approval decision.

Staff informs applicant in writing of the decision.

An application fee of \$500 is due prior to the disbursement of funds. This fee covers the legal fees associated with the loan application including mortgage taxes and recording fees. Loans made by special exception may require higher fees depending on the nature of the loan.

Procedures for application review

EDA staff is available to assist with the entire application.

When completed applications are received, EDA staff will conduct a thorough review of the application.

In order to facilitate the review process, only complete applications received by the 15th of the prior month will be reviewed. Incomplete applications will not be reviewed. Late applications will not be reviewed until the following month's EDA meeting.

- Applicability of the project to the goals of business subsidy policy.
- Benefits of the proposed project to the community.
- Compliance with all City codes and policies.
- 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 & feasibility.
- 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 from regulated financial institution stating terms and conditions of their participation in project, if applicable. Or turn down letters.
- Management Skills.
- Sufficient collateral and lien position.

Past performance in regards to the applicant's financial responsibility with the City of Harmony will be considered in the review of each application. This includes historical performance related but not limited to the timely payment of other EDA loans, grants, or assistance, utilities, taxes, and code violations. The EDA will consider an applicant's past performance over time, on a case by case basis, given the individual nature of each instance, however simply being current on all matters with the City at the time of application does not satisfy this requirement.

Other Policies

Loan Servicing

Loan closing will be handled by EDA staff.

Monthly payments must be made by automatic ACH from the applicant's bank account, per the terms of the loan.

An account will be considered delinquent if for any reason an ACH is not able to be completed, or if the full monthly payment due is not received by the date due. Any charges associated with the ACH payment is the sole responsibility of the applicant.

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.

Disbursement of Loan Funds

Loan funds will be distributed directly to vendors for each project based on submittal of project invoices or reimbursed to the borrower after proof of payment is provided.

Follow-up Meetings

EDA staff will conduct follow up meetings with applicants on or around the six month anniversary of the loan date and on or around the one year anniversary of the loan date thereafter. The purpose of these follow-up meetings is to assist community businesses as they grow. Meeting specifics are at the discretion of EDA staff and the EDA staff will report the meeting results to the EDA board. Participation in and or results of the follow-up meetings will be taken into consideration if or when future requests by the applicant are brought to the EDA board.

EDA Retains the Right to 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.