



WASECA ECONOMIC DEVELOPMENT AUTHORITY

## WASECA Rural Business Enterprise Grant (RBEG) Revolving Loan Fund

### PROGRAM OVERVIEW AND POLICY

#### OVERVIEW

The Waseca RBEG Revolving Loan Fund was established by the Waseca EDA and USDA Rural Development to strengthen and diversify the economy of the City of Waseca by providing a source of gap-financing to new and expanded businesses. Loans are made to fill the gap between the total cost of the project and the amount that is available through owner investment, bank financing, and other sources of private funding. The goal of the fund is to leverage the maximum amount of private funds possible, in conjunction with creating the maximum number of jobs for the people of Waseca Minnesota.

#### APPLICATION PROCEDURE

In the application, you will be asked to give a detailed explanation of your project, including business plan information, financial projections, historical statements, and other types of information. Also, because of regulations when using public funds for financing a project, you will be asked to provide evidence or assurances that you will comply with laws concerning civil rights, the environment, flood hazards, historic preservation, handicapped access, and other issues.

Our staff will review your application for completeness and consistency, and may ask for additional information or explanations depending on the specifics of your project. After this stage, your application will be reviewed by our EDA Loan Review Committee. The EDA Loan Review Committee will make a recommendation to the full EDA board and a decision on your application immediately following the staff presentation. If approved, your loan will then be scheduled for closing as soon as possible.

#### RESTRICTIONS

Because of the limited pool of funds available, and the guidelines that are required when using public funds, the following restrictions apply to the use of the Waseca RBEG Revolving Loan Program funds:

- The project must be located within the City of Waseca
- The Revolving Loan Fund loan should not exceed one third of the total project cost.
- The Revolving Loan Fund loan cannot exceed \$50,000
- Jobs must be created or retained (not including the owner's positions). The guidelines is 1 full time equivalent job for every \$10,000 loaned.
- No refinancing of existing businesses can be done.

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- Two dollars of private funds must be provided for each loan dollar.
- All industries and types of businesses are eligible to apply, including manufacturing, distribution, value-added agriculture facilities, retail and service industry businesses.

### **APPROVAL CONSIDERATIONS**

Because of the limited amount of funds available, the Loan Review Committee will consider things when asked to approve a loan. While the following points are not restrictions, they are examples of parameters that are measured when deciding whether a project meets the goals of the Fund:

- The business location and jobs to be created must be within the City of Waseca.
- Jobs would be created / retained for the unemployed and / or the underemployed.
- This type of business would help to diversity the local economy (i.e. manufacturing, distribution, ag-processing, etc.)
- This business will use local sources of supply for raw and / or semi-finished materials to the greatest extent possible.
- This business would sell goods and / or services outside the region.
- The local property tax base will be enhanced by adding market value to real property.

### **REQUIREMENTS OF LOAN APPLICANTS**

Individual consideration is given to each applicant, and as such the requirements will vary from project to project. In general, the following conditions will apply:

- The business owners would be required to provide personal guarantees for the loan amount.
- A life insurance policy on the business owner sufficient to cover the balance of the loan and with a collateral assignment to the Waseca RBEG Revolving Loan Fund must be provided.
- The application and origination fees will take two forms:
  1. A 1% origination fee for all projects, payable to the Waseca EDA at loan closing.
  2. A \$100 non-refundable application fee is payable upon submission of the application request.
- Collateral for the loan will be taken, although the Loan Committee may approve a position subordinate to another lender.
- Hazard insurance on the collateral, naming the Waseca RBEG Revolving Loan Fund as loss payee, and proof of workman's compensation insurance must be provided.
- Loan recipients will be required to fill out a semi-annual report on the number of jobs created and / or retained.
- Loan recipients will be required to submit financial statements as required as a condition of their loan.
- Applicants should be aware that basic information provided in the application procedure is public information and could be available to persons outside the application process if requested. The information is made available only to the members of the Loan Review Committee and the Revolving Loan Fund staff as a part of the normal review process.

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### APPLICATION CHECKLIST

#### *Who is eligible?*

For profit businesses located only in the City of Waseca.

#### *Terms:*

- \$5,000 minimum/\$50,000 maximum loan
- Minimum 1% interest and Maximum Interest 2% above New York Prime Rate
- Types of businesses: Manufacturing, Service, Retail, Distribution, Value added Agriculture
- Uses: Real estate (up to 20 years), machinery & equipment (15 years)
- Up to one third of the project cost may be financed through this program
- One job created for each \$10,000 funds dispersed (not including owner/s)
- Request must be for “legal purpose” and meet all local zoning regulations

#### *Required Documents:*

- Business & Marketing Plans; including resumes
- Business Financial Statements; including Balance Sheets, Profit & Loss Statements, along with Notes
- Personal Financial Statement(s) investors with more than 20% ownership
- Financial Projections; Three Year Pro Formas
- Bank Rejection Letter or Knowledge of Reasons for Rejection
- Corporate and Personal Tax Returns (past 3 years)
- Project Estimates/ Invoices/ Appraisals
- Bankruptcy full explanation
- Credit Reports
- Life Insurance Policy (for major stakeholders)
- Personal Guarantee(s)