



ECONOMIC DEVELOPMENT LOAN FUND

APPLICATION

Return Application To:

**Hutchinson Economic Development Authority
111 Hassan Street SE
Hutchinson MN 55350**

Email: edadirector@ci.hutchinson.mn.us

Overview

The Economic Development Revolving Loan Fund of the Hutchinson Economic Development Authority (EDA) provides assistance for businesses either located in, or relocating to, the City of Hutchinson. Eligible uses of funds include land & building purchase, building construction, building renovation / expansion, machinery & equipment, working capital and inventory. The loan criteria provided on the following page of this application detail the eligible projects and general terms of the Economic Development Revolving Loan Fund.

The purpose of the fund is to provide “gap” financing to supplement conventional bank loans for new and existing business expansion, to retain and / or create jobs, expand the local tax base and encourage new business investment in the community.

Application Procedure

The Hutchinson Economic Development Director serves as the loan officer for the Economic Development Revolving Loan Fund. The EDA Director will gather all necessary information on the project from the interested business or individual and verify that the proposed project is eligible for consideration of a loan from the Economic Development Revolving Loan Fund.

Once all the required information has been obtained, the EDA Director will make a report and presentation to the Finance Team of the Economic Development Authority (EDA) at their regularly scheduled monthly meeting. The applicant may be requested to attend this meeting to provide additional information on the project and answer any questions the Finance Team might have. The Finance team will then review all information provided and make a recommendation to the EDA Board to either approve or reject the loan application.

At its regularly scheduled monthly meeting, the EDA Board will then review all information provided along with the recommendation of the Finance Team prior to considering final approval of the loan. No loan shall be made prior to authorization of the EDA Board.

Approval Considerations

The EDA Finance Team will evaluate all submitted information, specifically looking at the strengths & weaknesses of the business, its potential for success, its overall credit worthiness and how well the project supports the economic development goals of the community.

Generally, the following criteria will be used in reviewing loan applications:

- > Job creation / retention
- > Economic impact
- > Collateral coverage
- > Equity or cash commitment
- > Credit worthiness of applicant
- > Leveraging of other funds

Application Requirements

The following items must be provided before the Finance Team can proceed with their review:

1. Completed Economic Development Loan Application
2. Copies of the applicants' most recent business plan along with all applicable attachments.
(Please contact the EDA Director to verify which particular exhibits are required)

Incomplete applications will not be reviewed; however if the applicant can provide a written explanation of the circumstances that prevent a complete application from being submitted, that may be considered.

Loan Approval

Upon final approval by the EDA, and the City Council when required, a promissory note, personal guarantees, and / or mortgage will be prepared for loan closing. All fees related to document preparation, along with any legal and recording fees are the responsibility of the borrower.

LOAN CRITERIA

Eligible Businesses

- Businesses must be located, or willing to relocate, within the corporate boundaries of the City of Hutchinson.
- Manufacturing, assembly, warehousing, research & development facilities, call centers & administrative processing centers are eligible.

Ineligible Businesses

- Retail & service businesses are not eligible under this program.

Eligible Uses of Funds

- Land & building purchase
- Building construction
- Building renovation / expansion
- Machinery & equipment
- Working capital
- Inventory

Ineligible Uses of Funds

- Purchase of equity positions in business enterprises
- Refinancing of existing debt

Loan Amounts

- \$20,000 to \$150,000 is available
- The EDA reserves the right to approve loan amounts less than the amount requested.

Loan Terms Available

- Up to 10-year terms are available
- Each loan term will be determined on a case-by-case basis.
- Equipment loans will generally not exceed 5-7 years and will not go beyond the depreciated life of the asset being financed.

Interest Rates

- Anywhere from a rate of 2% to Prime Interest Rate + 3%
- Interest rates will be fixed.
- Interest rates are determined on a case-by-case basis as recommended by the EDA Finance Team & EDA Board.

Job Creation & Wage Requirements

- At least 1 full-time or FTE job must be created for each \$25,000 lent.
- Jobs created must pay minimum wages as stated in the City of Hutchinson's Business Subsidy Policy.

Bank Requirement

- Because the EDA loan fund provides "gap" financing only, a bank or other financial institution must be involved in the project as the primary lender.

Fees

- Approved borrowers are responsible for all legal fees, document preparation costs, recording & filing fees.
- No origination or application fees apply.

Equity Requirements

- The borrower must provide a minimum of 10% of total project costs as equity.

Personal Guarantees

- Personal guarantees are required of all persons having 20% or more ownership of the business.

Collateral Requirements

- The EDA Finance Team and EDA Board will review and take into consideration loan collateral coverage.
- The EDA may take a subordinate collateral position to other lenders.

Management Experience

- It is required that the project have capable, skilled management through experience or expertise in the applicant's industry, either through previous successful business ownership or through appropriate managerial support services.

Repayment Ability

- Applicants must demonstrate adequate historical and / or pro-forma cash flow for the proposed new debt.

Late Penalties

- The EDA may include late penalties for loan payments made after their due date.

Loan Disbursement Policy

- The EDA will place restrictions on the disbursement of loan funds.

Considerations in setting Interest Rates

- Size of loan
- Length of loan
- Use of loan
- Inflationary expectations
- Interest rate expectations
- Perceived risk of project
- Amount of owner equity
- Presence / absence of other funding sources
- Financial strength of ownership
- General economic conditions & expectations
- Type & size of building
- Number of jobs created
- Wages paid

Considering all these factors, loan interest rates are set at the sole discretion of the Hutchinson EDA.

APPLICANT INFORMATION

Business Name & Address

Phone Number

Fax Number

Email Address _____

Business Internet Address _____

Federal Tax ID # _____

Name & Address of Business Owner(s)

1. _____

Title _____
% of Ownership _____
SSN _____

2. _____

Title _____
% of Ownership _____
SSN _____

3. _____

Title _____
% of Ownership _____
SSN _____

Please attach a separate page if there are more than three owners.

Name & Address of Bank

_____ Contact _____
_____ Phone _____

Name & Address of Accountant

_____ Contact _____
_____ Phone _____

STRUCTURE OF BUSINESS

____ Sole Proprietorship ____ Partnership ____ S-Corporation ____ C-Corporation

PROJECT SUMMARY

Requested Loan Amount

| |
|----|
| \$ |
|----|

Type of Project

_____ Construction / New Business

_____ Expansion of Existing Business

Project Start Date _____

Completion Date _____

Briefly Describe Project: _____

PROJECT COST DETAIL

| | | |
|---|----------|-------------------------------------|
| Land & Site Improvements (For improvements include a cost breakdown on the back page) | \$ _____ | Use of EDA Funds \$ _____ |
| Buildings (Attach plan & cost estimates) | \$ _____ | \$ _____ |
| Machinery & Equipment (Describe in detail on back page) | \$ _____ | \$ _____ |
| Working Capital | \$ _____ | \$ _____ |
| Other Project Costs (Provide detail on back page) | \$ _____ | \$ _____ |
| Total Project Cost | \$ | |
| Total EDA Funds | | \$ |

FINANCING DETAIL

| | Equity | Bank | EDA | Other | Other |
|---|--------|------|------|-------|-------|
| Funding Source | \$ | \$ | \$ | \$ | \$ |
| % of Total | % | % | % | % | % |
| Term of Loan | N/A | yrs. | yrs. | yrs. | yrs. |
| Interest Rate | % | % | % | % | % |
| Monthly Pmt. | \$ | \$ | \$ | \$ | \$ |
| Lien Position (i.e. 1 st , 2 nd , 3 rd) | | | | | |
| Approved? | | | | | |

JOB CREATION DETAIL

Applicant agrees to create the following jobs as a direct result of this loan:

| Position | Total Jobs | Annual Hours / Job | Salary / Wage Rate |
|----------|------------|--------------------|--------------------|
| | | | \$ |
| | | | \$ |
| | | | \$ |
| | | | \$ |
| | | | \$ |
| | | | \$ |

Total number of full-time & full-time equivalent (2,080 hours / year) positions: _____

Will this project retain any jobs? _____ If so, how many? _____

NOTES

ATTACHMENTS

The following items should be enclosed with this loan application:

1) Business Plan – This should be as recent as possible and include:

A) History & Description of the Business

Briefly describe the past operation of the business and / or events leading up to its creation. Include information on the product lines or services, industry, management and key employees as well as the operation's growth and affiliates.

B) Project Summary

Briefly describe the project you are proposing. Indicate the part of the project the loan would be used for. Include information on any existing financial or legal situations of the applicant that might affect the credit worthiness of this application.

C) Marketing Plan

Detail the marketing strategy and describe how it will support the planned business expansion or start-up. Include information on the following:

- Current customers and target markets (provide copies of any contracts, purchase orders, etc. that relate to the loan request).
- Manufacturing process and materials.
- Major suppliers.
- Competition and comparison of products.
- Pricing, distribution & promotion.

D) Business Financial Statements

Please include independently prepared financial statements, prepared according to Generally Accepted Accounting Principles (GAAP) – unless exempted from this requirement by the EDA Finance Team. Provide balance sheets, income statements and statements of cash flow for the past three fiscal years.

E) Projections

Provide pro-forma balance sheets, income statements and statements of cash flow (in both a monthly & annual basis) for the next three years. Define the assumptions used to derive the projections.

F) Personal Resumes & Financial Statements

Provide resumes of all principals as well as current, signed and dated personal financial statements on all principals with a financial interest in the business.

Include notes indicating the basis of value on the assets (market value or acquisition cost) and explanations of other entries (notes payable, receivables, stocks, etc.). Financial statements should be dated within 90 days of filing this application.

Personal financial statements will be returned to the applicant(s) once the loan application has been reviewed and acted upon by the EDA Finance Team and the full EDA Board.

2) Interim Statements

Provide balance sheets, income statements and statements of cash flow that are less than 90 days old, if the business plan does not contain information this current.

3) Commitment Letters

Include firm commitments from banks and other participating lenders stating the terms and conditions of their financing.

Continued

4) Other Required Attachments

- A letter from the County Auditor or Treasurer verifying that there are no outstanding judgments or tax liens against the business, property or owners of the business.
- Evidence of payment of last quarter's payroll and sales taxes.
- Evidence of Worker's Compensation coverage.

SUPPLEMENTAL ATTACHMENTS

The following attachments may be required, if applicable:

Appraisals / Proposed Lease / Purchase Options or Agreements

An independent appraisal paid for by the applicant may be required for any real estate which is a subject of the proposed financing, or which is offered as a major source of collateral to secure the loan. Also, include copies of existing or proposed lease(s), purchase options or agreements, or other financial arrangements.

Affiliates

Provide a description of any affiliates or subsidiaries of business or principles requesting assistance, as well as balance sheets, income statements, and statements of cash flow for the past three years for those entities.

APPLICANT AGREES TO THE FOLLOWING:

1. All jobs must be created within the time frame specified in the development agreement.
2. Immediate repayment of the "per job cost" (plus interest) will be made for each job described above that is not created within the agreed upon time frame.
3. Immediate repayment of the entire outstanding balance of the loan will be made if the business relocates outside the corporate limits of the City of Hutchinson.
4. Documentation must be provided to the Hutchinson Economic Development Authority showing the number and types of jobs created by each anniversary of the effective date of the loan until such time as the loan is paid off.
5. Company financial documents will be available for inspection by the Hutchinson Economic Development Authority upon request.

I certify that the firm known as:

_____ agrees to abide by all the requirements of this application and that all information provided to the Hutchinson Economic Development Authority for this project is true and correct.

Authorized Signature / Title

Date