Economic Development Revolving Loan Program

Polices and Procedures Manual

The Redevelopment Authority of the
City of Kaukauna, Wisconsin

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Eligibility

1.1 Eligible Applicants

1. Application may be submitted by the Chief Executive Officer of any business or industry wishing to expand an existing operation or to establish a new operation in the City of Kaukauna.

1.2 Eligible Activities

Program loans shall be available to eligible applicants for the following activities:

1. The acquisition of land, buildings and fixed equipment.

2. The construction, reconstruction or installation of buildings, fixed equipment and site improvements.

3. The clearance, demolition, removal or rehabilitation of buildings and improvements.

4. The payment of assessments for sewer, water, street and other public utilities, if the provision of the facilities will directly create or retain jobs.

1.3 Ineligible Activities

Program loans shall not be available for the following activities:

1. Payroll costs.

2. Refinancing or reimbursement for expenditures made prior to loan approval.

3. Equipment which is moveable or has a depreciable life of less than five (5) years, such as office equipment, furnishings or minor tools.

4. Acquisition of inventory.

1.4 Minimum Requirements

To be eligible for funding, the proposed project must meet all of the following minimum requirements:

1. Private Funds Leveraged - The applicant must leverage a minimum of one dollar of private funds for every one dollar of loan funds requested.

2. Cost Per Job Created - At least one full time permanent position must be created for every $20,000 requested.

3. Demonstration of Need - The applicant must demonstrate that the loan is necessary to enhance the competitive viability of the business in the industry which it belongs.

4. Financial Feasibility and Business Viability - The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.

5. Location - Activities financed under the Program must be located within the City of Kaukauna corporate limits.

6. Low - Moderate Income - Sixty percent (60%) of each project's fund must benefit low and moderate income persons.

2.1 Conditions

Loan proposals should be based on need and ability to repay. Minimum standards include the following:

1. Loan Amount - Loan amounts are subject to the availability of funds. There is no set minimum or maximum loan amount, however, the Redevelopment Authority of the City of Kaukauna loan amount shall not constitute the only source of funds for the project.

2. Interest Rate - The interest rate may be fixed or graduated on a fixed schedule. The interest rate will be four percent (4%) if the project is located in the Redevelopment Area and six percent (6%) if it is outside of hte Redevelopment Area.

3. Term - The term of the loan shall be no more than five (5) years longer than the term of private financing. In no case shall the term exceed fifteen (15) years.

4. Period of Payment - The repayment schedule shall be set up for either monthly or quarterly payments.

5. Amount of Payment - Interest and principal shall be collected for all of the term to maturity. However, interest and/or principal may be deferred for up to one year, if justified in the loan proposal.

6. Collateral - Reasonable security will be required for one hundred percent (100%) of the loan. Collateral shall consist of a first or second lien on all assets owned and used in the business and personal guarantees.

Application Procedures

3.1 Discussion of requirements

Before submitting an application, the applicant shall discuss the program with the Planning and Community Development Director. The Planning and Community Development Department shall provide the applicant with the appropriate application forms and shall assist the applicant, as necessary, in completing the application. All financial information shall be kept confidential except as required by law.

3.2 Timing

Application may be submitted at any time during the calendar year.

3.3 Priority

Applications will be evaluated in the order received.

3.4 Loan Package

Applicants shall submit a loan package consisting of the following information:

1. Application - A completed application form, as provided by the Planning and Community Development Department.

2. Business Description - A written description of the business, including the following:

    a. A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, union status, markets and products.

    b. Key customers and clients.

    c. A brief personal resume of each principal associated with the business, including number of years experience, educational background, and personal involvement in proposed business.

3. Project Description - Explain how the company plans to use the requested funds.

4. Need - Explain and document why program financing is necessary to implement the proposed project. One or more of the following examples may apply:

   a. Demonstrate the existence of a financing gap.

   b. Demonstrate that the proposed project is not economically feasible if private financing must be used for 100 percent of the project.

   c. Demonstrate that private financing or investment in the project is contingent upon and will be leveraged by program financing.

5. Commitment from Private Lenders - Include documentation of commitments from all private lenders making loans to the project. Lender commitment letters should include:

   a. Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.)

   b. The amount of the loan, interest rate, term and security.

   c. Statement that the loan is contingent only on the receipt of program financing, if applicable.

6. Financial Statements - Financial statements must be provided for the business and the principal owners of the business.

3.5 Review Process

Specific steps in the review process include the following:

1. Preliminary review - The Director of Planning and Community Development shall review for completeness and verify that the proposed program meets the minimum requirements provided in Section 3.4. If the application is not complete, the Planning and Community Development Director will inform the applicant and state the deficiencies.

2. Formal review - The Redevelopment Authority of the City of Kaukauna will meet to formally review the application.

3. Notice of award - If the application is approved, a meeting will be arranged to execute the necessary loan closing documents. If the application is not approved, the Planning and Community Development Director shall send a letter to the applicant stating the reasons for rejection.

Distribution of Funds

4.1 Loan Procedures

Prior to releasing funds, the following terms and conditions must be met:

1. Notice of Award - The Redevelopment Authority of the City of Kaukauna must have reviewed and approved a complete application for an eligible project submitted by an eligible applicant.

2. Evidence of Program Expenditures - Documentation must be provided by the business to evidence program expenditures prior to the release of funds. Documentation shall include invoices, receipts for materials, approved requests for payment, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the Planning and Community Development Director prior to payment by the City of Kaukauna.

3. Fixed Equipment - Fixed equipment financed with program funds must have been purchased, delivered and installed. The Planning and Community Development Director shall verify the installation of all fixed equipment.

4. Loan Agreement - The Redevelopment Authority of the City of Kaukauna attorney shall prepare a loan agreement which shall be executed by the Redevelopment Authority of the City of Kaukauna and Chief Executive Officer of the business.

5. Promissory Note - A promissory note shall be prepared by the Redevelopment Authority of the City of Kaukauna. The promissory note must be signed by the Chief Executive Officer of the business at the time of loan closing. The note must be dated; it must reference the agreement between the Redevelopment Authority of the City of Kaukauna and the business; and it must specify the amount and terms of the loan funds delivered.

6. Repayment Schedule - A loan repayment schedule shall be prepared by the Planning and Community Development Department. At that time, the repayment schedule should be attached to both parties copies of the agreement.

7. Security - Mortgage or lien instruments provided as security for all loans must be prepared and executed at the time of loan closing. The Planning and Community Development Director shall record the instrument and place a copy in the project profile.

Performance Monitoring

5.1 Private Leverage Commitments

The Planning and Community Development Director shall monitor the use of funds and the expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, bills of sale and canceled checks.

5.2 Hiring of New Employees

The Planning and Community Development Director shall monitor the hiring of new employees. Job creation must be documented using payroll records. Before project and after project payroll records should be provided by the employer to document job creation.

5.3 Default

Failure by the business to make any payment of principal or interest within thirty (30) days after the payment is due and payable shall be considered in default. In this event, all sums due and owing to the Redevelopment Authority of the City of Kaukauna shall, at Redevelopment Authority of the City of Kaukauna's option, become immediately due and payable. To exercise this option, the Planning and Community Development Director shall prepare a written notice to the company. The notice shall specify the following:

1. The default.

2. The action required to cure the default.

3. A date, not less than sixty (60) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.

Commercial Revolving Loan Program Initial Data Sheet and Application

Applicant Information

Name _____

Street Address _____

City, State, Zip _____

Telephone _____ Social Security Number _____

Business Information

Name of Business _____

Street Address _____

City, State, Zip _____

Telephone _____ Year Established _____

Description of Business _____

Applicant is: ☐ Owner ☐ Lessee of Property ☐ Other _____

Business Structure: ☐ Sole Proprietorship ☐ Partnership ☐ Corporation

Number of Employees: _____ Full Time _____ Part Time

Bank where business has an account _____

Employer Tax Identification Number _____

Management Information (List all owners, directors, partners having 20% or greater interest)

Name and Title _____ % Ownership _____

Name and Title _____ % Ownership _____

Name and Title _____ % Ownership _____

Project Information (Describe proposed project in area provided below)

_____

_____

_____

_____

Address of Project _____

Project Costs

Acquisition	$ _____
Renovation (exterior)	$ _____
Rehabilitation (interior)	$ _____
Land Improvements	$ _____
Utility System	$ _____
Machinery/Equipment	$ _____
Design Services	$ _____
Total Project Cost	$ _____

Project Financing Costs

Personal Funds	$ _____
Lender Funds	$ _____
Revolving Loan Funds	$ _____

Project Impact Information (Jobs/Relocation)

Number of jobs created by this project _____ Full Time _____ Part Time

Is it anticipated that any person(s) might be required to move to a new location as a result, either directly or indirectly, of the proposed project? ☐ No ☐ Yes (Please explain below)

_____

_____

_____

Existing Building Conditions

If owned:

Acquisition Date	_____
Purchase Price	$ _____
Existing Mortgage Balance	$ _____
Land Contract Balance	$ _____
Monthly Mortgage Payments	$ _____
Recent Appraised Value	$ _____

If leased:

Annual Rent	$ _____
Lease Termination Date	_____
Name and Address of Owner/Lessor:	_____

_____

_____

Contractor Information

General Contractor _____

Street Address _____

City, State, Zip _____

Please compete Sub Contractor information in the chart on the following page.

Item	Name of Sub Contractor	Amount
Excavation		
Grading		
Mason		
Structural Steel		
Carpenter		
Lumber		
Millwork		
Cabinets		
Roofing		
Insulation		
Plaster/Drywall		
Windows		
Awnings		
Electrical		
Plumbing		
Heating		
Sheet metal		
Air Conditioning		
Linoleum, Tile, Carpet		
Painting - Interior		
Painting - Exterior		
Other		
General Contractor Profit/Commission		
Total (Must be equal to "Total Project Cost" in Section 5 of application)		

Application Agreement

The applicant certifies that all information in this application, and all information furnished in support of this application, is given for the purpose of obtaining a loan under the Commercial Revolving Loan Program and is true and complete to the best of the applicants knowledge.

The applicant further certifies that they are the owner of the property described in this application, or the lessee with proof of the owner's consent to improve said property.

The applicant further certifies that the loan proceeds will be used for the work and materials identified in this application, and will abide with all provisions and guidelines of the Commercial Revolving Loan Program.

The applicant further authorizes disclosure of all financial information submitted in connection with this application by and between the Redevelopment Authority of the City of Kaukauna and any lender agreeing to participate with the applicant's loan through this program.

_____

Signature of Applicant

_____

Date

How to Request a Business Loan - An Outline for a Business Financing Proposal

The following outline is intended to serve as a guide for the necessary information your financial institution needs to help make a decision on your business loan request. Providing this information to your financial institution at the time you request the loan will speed the processing of your loan. More importantly, it gives you the opportunity to systematically analyze the future plans for your business, enabling you to make the best case possible for the loan you seek.

- **Proposal Summary** - In a few sentences, describe the company, its product or service, the gross amount of the loan, how the funds will be used, the equity which you will be putting into the business. Write this part last.

- **Description of Business** - Describe the products or services, applications, and markets of your business. Include pictures and advertising brochures. Tell whether you are a manufacturer, distributor or retailer. If a new business, describe the planned business form (proprietorship, partnership or corporation) and how you will operate it. If an existing business, give a brief history of the company.

- **Goals for the Business** - Describe the direction you see the business going over the next two to three years. Identify any new products. Detail your goals for quality, profits, employee relations, number of customers, type of customer, etc. List separately the key dates included in your goals - such as the order, receipt and operating dates for new equipment, buildings, systems, etc. Describe your marketing and sales plans.

- **Management and Personnel** - List the key people in the organization. Describe the individual capabilities and experience that will contribute to the success of the business.

- **Financial Data** - For an existing business, provide the balance sheet and income statement for the past two to three years, plus the current (within 60 days) financial statements. Provide a monthly budget with two or three scenarios (best, worst, realistic) of your sales, expenses and cash flow for the year after you receive the loan. Also, it would be helpful to provide an estimate of the succeeding one or two years. List any assumptions on which your forecasts are based. Include an aging of accounts payable, the details of any other business debts and credit references.

- **Use of Loan Funds** - Tell what you will be using funds for, when major loan expenditures will be made, and the reasons for the expenditures. Estimate the portions of the funds required for machinery and equipment, buildings, accounts receivable increase, additional inventory, etc. Supply a copy of the quotations on which you based the estimate for buildings, machinery and equipment.

- **Collateral** - List the business or personal assets that will be available to collateralize the loan. Attach available appraisals of assets such as machinery, buildings and land. Include an aged listing of accounts receivable. Provide an estimate of the forced liquidations (distressed) value of those assets.

- **Equity** - Show any personally owned assets or cash you will be putting into the business. If you will be personally borrowing equity, list the lenders, the terms of repayment and include any commitment letters.