



CHEDA/City of Crookston IRP Loan Application

510 County Road 71, Suite 1
Crookston, MN 56716
218.470-2000 PH
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In accordance with Federal law and U.S. Department of Agriculture policy, the Crookston Housing and Economic Development Authority and the City of Crookston are prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. (Not all prohibited bases apply to all programs).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice), or (202)720-6382 (TDD).

Intermediary Relending Program (IRP) Loan Guidelines and Policies

General: The purpose of these guidelines is to assist the Crookston Housing and Economic Development Authority and the City of Crookston in reviewing and approving requests by businesses for IRP loans.

Generally, the IRP Loan Fund has the following limits:

Standard Loan

Loan Size: Up to \$150,000 or a maximum of 75% of Project Cost (whichever is less)

Maximum Project Cost: None

Business Type: Existing or New

Eligible Activities: Land, building or equipment acquisition, construction or renovation, working capital, debt refinancing, or transfer of ownership.

Application Process: The Crookston Housing and Economic Development Authority (CHEDA) staff will be responsible to work with prospective industries to ensure their request for IRP revolving loans complies with the policies set forth herein. CHEDA staff will bring the prospective business to the City of Crookston Development Policy and Review Committee (DPRC) with a complete application. The CHEDA Executive Director will create a loan recommendation and present it with the application to the DPRC for review. The DPRC will then act on the loan request by providing a recommendation for approval (and terms) or denial to the Crookston City Council. The CHEDA Executive Director will then present the application and DPRC recommendation to the City Council for final action.

Process (Submittals):

- 1.) Application for assistance.
- 2.) Business plan with 3 year pro forma and historical financial statements and up to two years cash flow projections.
- 3.) Three (3) years business and personal financials from officers/majority stockholders
- 4.) Project summary (Brief description of actual project activities that the loan dollars are intended to fund).
- 5.) Submit commitment letters from other financing and capital providers to project as well as contractors bidding on or working on project.
- 6.) Letter from lender or lenders stating that project financing cannot be provided either partially or at all. Letter should identify amount of remaining financing need.

FEES

Every application must be accompanied by a non-refundable \$100.00 fee (which will be applied to loan issuance, closing, and legal fees).

If a loan is approved, the recipient of the loan will be responsible for a closing fee (1-2%) and all costs associated with loan issuance and closing which may include any legal, recording, or filing fees as well as abstract costs. These fees will be collected from the applicant at closing and may be deducted from the loan proceeds.

Purpose IRP Loan Program: The purpose of the IRP Loan Fund is to provide incentives to attract new businesses and expand existing businesses that will strengthen and diversify Crookston's economy. Loans are made to businesses when credit is not otherwise available or as a supplement to private financing to ensure the successful completion of the activities to be financed.

Eligible Businesses: Any business proposing to operate or operating within the city limits of Crookston or any business operating or proposing to operate in any area that has been designated as likely to be annexed by the City of Crookston. Businesses located in Polk County within a 5-mile radius of Crookston.

Ineligible Businesses: Those businesses not eligible per State statute:

1. Country Clubs, Massage Parlors, Tennis Clubs, Racket Sports Facilities, Skating Facilities, Hot Tub Facilities, Suntan Facilities, Race Tracks, Public Utilities
2. Churches or church owned or operated facilities and any tax-exempt organizations.
3. Civic Groups, Social Organizations, and Service Clubs
4. Public Institutions
5. Non-Profit corporations or organizations, except that property held by the non-profit that is taxable and leased to an eligible business could be eligible and except for non-profits whose mission is the economic development of the community could be eligible.
6. Federal, State or Local Government Offices
7. Labor Union Local Offices
8. No business will be eligible for a revolving loan if it is likely to have the effect of impairing the environment or endangering the health, safety and welfare of the citizens of Crookston.
9. No business will be eligible for revolving loan benefits if it results in the reduction of the assessed value of existing property within the municipality owned by the applicant, through abandonment, demolition, or otherwise, without provision for the restoration of the existing property within a reasonable time in a manner sufficient to restore the assessed valuation.
10. Revolving loans may be denied if it is likely to have the effect of transferring existing employment from one or more businesses within the City of Crookston. No business will be eligible for revolving loan funds if it does not comply with proper city zoning classifications and ordinances.

Summary of Lending Criteria:

- ◆ Public Benefit – the business must provide benefit under one or more of the following categories: Job Creation, Job Retention, Increased Property Value, or the addition of a business critical to the local economy.
- ◆ Private Benefit – offered to business through this IRP Loan Fund: Gap financing needed to augment owner equity, private investment, and bank financing; Lower interest rates to augment cash flow needs; Flexible terms to augment cash flow needs or provide protection from unexpected revenue or cost trends; A more reasonable “tying up” of personal or business assets.
- ◆ There should be some balance between public and private benefit.
- ◆ Private, for profit businesses are eligible or ineligible as described above for financing of activities for which credit is not otherwise available or is only partially available on terms and conditions which would permit completion and/or successful operation or accomplishment of the project activities to be financed. Agricultural production is not eligible for financing.
- ◆ Interest rates vary with risk & maturity: Typically prime lending rate plus 1-2% and may be fixed or variable.
- ◆ General Terms: Typically a maximum of 7 years Non-Real estate, 15 years Real estate.
- ◆ The IRP loan will generally not exceed 75% of the total project cost.
- ◆ New businesses must have an equity contribution of a minimum of 10% of the project cost. This may be a contribution of cash and/or a contribution of in-kind equity. In-kind equity must be approved by CHEDA staff and the value and security of the equity verified. Existing businesses may contribute additional cash equity, and/or request that the City of Crookston consider the equity in the businesses. The Board will review the net worth of the business to determine adequate owner equity.
- ◆ Creditworthiness: Borrower must demonstrate the ability to repay the loan. While the borrower should not be able to obtain part or all of the funds from commercial institutions, it must demonstrate that there is reasonable assurance of repayment (verifiable cash flow to service the loan - priority guideline).
- ◆ Collateral: All loans will be secured. Collateral must be available and will be taken to protect loan dollars advanced.
- ◆ Character of the Borrower: The borrower must demonstrate the ability and willingness to attain necessary sales and cash flow. Management is critical to any business, thus it is also critical to the City and therefore management ability should be demonstrated.

- ◆ Job Creation: The business has to demonstrate the ability to hire additional employees. While job retention will be considered, creation of new jobs will be the most important consideration. A special emphasis will be made to provide jobs to those with low incomes.
- ◆ Use of Agricultural Products: Businesses that use agriculturally related products or have the potential to employ members of farm families will be given priority.
- ◆ Loans that are more than 30 days delinquent will be considered in default and will be subject to declaration of all or any part of the obligation due and payable; and in addition to the rights and remedies granted by the security agreement; all rights and remedies under the Uniform Commercial Code or any other applicable law. Debtor agrees in the event of a default to make available all collateral and agrees to pay all costs and expenses associated with the collection of the obligation.
- ◆ The CHEDA Executive Director, DPRC, and Crookston City Council will evaluate each application/ project on its own merits and special circumstances and will approve or deny the application based on that evaluation. Additionally, the Crookston City Council may define the final terms of any approved loan based on that same evaluation. Final terms will be established within the guidelines previously listed.
- ◆ The Crookston City Council reserves the right to change or amend the criteria listed above.

Requirements of Loan Recipients

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:

- ◆ An affirmative action plan must be completed by any applicant intending to create more than 50 jobs.
- ◆ The business owners may be required to provide personal and business guarantees for the loan amount.
- ◆ A life insurance policy on the business owner and/or key personnel sufficient to cover the balance of the loan with the collateral assignment to the City of Crookston may be required.
- ◆ Any fees incurred by the CHEDA or the City of Crookston for processing the loan will be due at closing.
- ◆ Collateral for the loan may be taken, although the Crookston City Council may approve a position subordinate to another lender. Typical collateral may include: mortgages on land, building, and fixtures; liens on machinery and equipment; inventory; accounts receivable; cash and cash in special accounts; marketable securities; cash values of life insurance; patents; copyrights; and royalties derived therefrom.
- ◆ Hazard insurance on the collateral, naming the City of Crookston as loss payee, evidence of which must be provided to the City of Crookston annually.
- ◆ Lender will establish a loan servicing visit schedule which will not be less than every four months.
- ◆ Loan recipients will be required to fill out an annual report on the number of jobs created and/or retained and provide documentation to support any other planned public benefits such as increased property value.
- ◆ Loan recipients will be required to submit financial statements monthly as a condition of their loan. Minimum statements to be provided: Profit and Loss Sheet, Balance Sheet and Tax returns.
- ◆ Any other conditions or submittals as required in the loan agreement.
- ◆ Applicants should be aware that information provided in the application procedure is public information and could be available to persons outside the application process if requested. If the application is approved, loan status reports are provided to the Crookston City Council.
- ◆ Loan payment method will normally be by automatic withdrawal.
- ◆ **NOTE:** Failure to provide required documentation listed above will subject borrower to a 2% increase in the interest rate on the loan.

Authorization for Release of Financial Information

Complete this form which authorizes the release of credit reports and other financial information to the Crookston Housing and Economic Development Authority and/or the City of Crookston.

The undersigned Prospective Borrower hereby authorizes any third party to release to Crookston Housing and Economic Development Authority (CHEDA) or the City of Crookston without limit, any and all financial information regarding the undersigned that is requested by the CHEDA or the City of Crookston, its representatives, or employees, and that is in possession of that third party or readily accessible to that third party.

This Authorization to release financial information specifically includes records and information prepared or compiled prior to the date of the signing of this Authorization. This Authorization also includes records and information prepared after the date of the signing of this Authorization.

The undersigned hereby authorizes release of said records and information by CHEDA and/or the City of Crookston to a third party, and as CHEDA and/or the City of Crookston deems necessary.

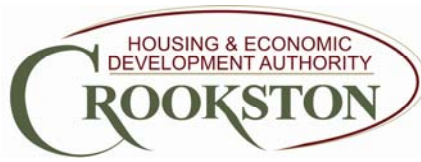
A photocopy of this signed Authorization shall be treated in the same manner as the original.

Upon full repayment of the loan obligation of the undersigned to the City of Crookston, this Authorization shall automatically expire without any express written revocation on behalf of the undersigned.

_____	_____
Name of Business	Date
_____	_____
Signature of Owner or Chief Executive Officer	Title

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IRP LOAN APPLICATION

PLEASE TYPE OR PRINT

SEND TO: Crookston Housing and Economic
Development Authority
510 County Road 71, Suite 1
Crookston, MN 56716

BUSINESS INFORMATION:

Business Name: _____

Street Address: _____

City: _____ County: _____ State: _____

Zip Code: _____ IRS Tax ID Number: _____

Home Phone: _____ Work Phone: _____

Contact Person: _____

PARTICIPATING LENDER INFORMATION:

Name: _____ Address: _____

City: _____ State: _____ Zip: _____ Phone: _____

Designated Contact: _____

***Type of business: _____ Date established: _____

Ownership in any other business? _____ Yes _____ No

PROJECT INFORMATION:

- | | |
|---|---|
| <input type="checkbox"/> A New Business Venture | <input type="checkbox"/> Expansion of Existing Business |
| <input type="checkbox"/> A New Branch Facility | <input type="checkbox"/> Debt Refinancing |
| <input type="checkbox"/> Transfer of Ownership | <input type="checkbox"/> Other (Specify) _____ |

PROJECT STRUCTURE: _____ Proprietorship _____ Corporation
(Please Check One) _____ Partnership _____ Subsidiary

IMPACT OF PROJECT ON JOBS:

- A) Number of New Jobs to be Created: (Must Not Include Owners) _____
- B) Number of Existing Jobs to be Retained: (Jobs which would no longer exist unless this action is taken. DOES NOT INCLUDE OWNERS) _____
- C) Total Job Impact (Sum of A & B) _____

Loan Package Checklist

If you are applying for a business loan or have had a business loan and applying for new loan, the following is a list of items that will most likely be requested or need to be updated.

- 1. Business Plan:
 - a. Description of Business
 - b. Marketing Plan
 - c. Manufacturing/Operations Plan
 - d. Organizations and Management Plan

- 2. Financial Statements:
 - a. Year-to-date business financial statements including income statement and balance sheet
 - b. Business financial statements/Business Tax Returns for the last 3 years
 - c. Schedule of Existing Debt

- 3. Summary of Project Costs:
 - a. Sources and uses of funds
 - b. Bids and estimates for project

- 4. Collateral:
 - a. Collateral Analysis
 - b. Detailed listing of all existing assets

- 5. Projections:
 - a. Monthly cash flow - minimum 12 months
 - b. Earnings projections for second year
 - c. Assumptions used in cash flow projections
 - d. Identify break even point.

- 6. Copy of all legal documents, such as:
lease or purchase agreement, partnership agreement, sworn construction statement, appraisals, articles of incorporations etc.

- 7. Personal financial statements of owners, officers, and any partner with 20% or more ownership

- 8. Brief resume of management, owners, and officers

- 9. Personal tax returns for last 2 years

- 10. Appraisals

SOURCES & USES OF FUNDS:

(Under each source of funds, write in dollar amount to be used for each purpose)

Purpose for which funds are to be used	IRP	Bank	Equity	Other	Total
Property Acquisition					
Site Improvements					
Renovation					
New Construction					
Machinery/Equipment					
Furniture/Fixtures					
Inventory					
Working Capital					
Other					
TOTAL PROJECT COST:					

TERMS OF LOAN

	IRP	Bank	Equity	Other	Total
Amount					
% of Project Costs					
Term Years					
Interest Rate					
Annual Debt Service					
Payment Amount					
Lien Position					
Collateral:					

**Management (Proprietor, partners, officers, directors owning 20% or more of the company).
Must account for 100% of ownership of business.**

Name	Social Security #	Complete Address	% Owned

Please indicate ethnicity and race by checking the appropriate boxes.

ETHNICITY	✓
Hispanic or Latino	
Not Hispanic or Latino	

RACE	✓
Caucasian	
Black or African American	
American Indian/Alaskan Native	
Native Hawaiian or Other Pacific Islander	
Asian	
Other	

Please indicate gender: _____ Male _____ Female

Are you a United States Citizen? _____ Yes _____ No

Have you employed anyone to prepare this application? _____ Yes _____ No

If yes, how much have you paid? _____ How much do you owe? _____

INDEBTEDNESS: Furnish information on ALL BUSINESS debt, contracts, notes and mortgages payable.

To Whom Payable	Original Amount	Original Date	Present Balance	Rate of Interest	Maturity Date	Monthly Payment	Collateral	Current or Past Due

PREVIOUS GOVERNMENT FINANCING: If you or any principals or affiliates have ever requested Government Financing complete the following.

Name of Agency	Loan Number	Date Approved	Dollar Amount	Loan Balance	Status

I hereby certify that all information contained in this document and any attachments are true and correct to the best of my knowledge.

If applicant is a proprietor or general partner, sign here: BY: _____

If corporation, sign below: Corporate Name: _____

By: _____ Date: _____ Attested By: _____
 Signature of President Signature of Corp. Secretary

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