

**CITY OF MAPLE LAKE
REVOLVING LOAN FUND PROGRAM POLICIES & PROCEDURES**

1. Background:

The City of Maple Lake's Revolving Loan Fund (RLF) is capitalized because of recycled loan payments from businesses participating in the State of Minnesota Economic Recovery Grant program. The State of Minnesota Economic Recovery Grant program funds were awarded to the City of Maple Lake to be loaned to a participating business based on financial gap, credit worthiness and job creation for low and moderate income persons. The City of Maple Lake's Revolving Loan Fund (RLF) will operate under these same original award considerations.

Projects funded by the RLF will need to demonstrate financial gap, credit worthiness as well as create or retain jobs that are taken by or available to low and moderate income persons. Verification will be needed to demonstrate compliance with these conditions. The City of Maple Lake's RLF was designed to reduce political influences on the loan selection process; simplify the RLF loan terms and conditions as well as the approval process; and, allow for flexibility in establishing loan terms and conditions to tailor loans to the needs of individual firms.

To facilitate the reuse of the RLF funds, the Economic Development Authority may use outside consultants to analyze applicants and make recommendations to the Economic Development Authority on proposed projects.

2. Eligible Activities

The following types of activities are eligible for use of RLF funds:

- a) Property acquisition
- b) Site Improvements
- c) Building construction
- d) Building renovation
- e) Purchase and repair of machinery and equipment
- f) Working Capital
- g) Professional fees
- h) Infrastructure improvements necessary to support new or expanding businesses.

3. Types of Financial Assistance

The following are examples of financial assistance that can be given to encourage economic development:

- a) Make a companion or second loan
- b) Give direct loans at favorable interest rates and terms.

4. Eligible Businesses

New and expanding existing commercial and industrial businesses.

5. Loan Evaluation Criteria

- a) Applicant's equity position must be at least 10 percent after the Project is completed.
- b) Loans will be in a junior collateral position to the major source of project financing, unless RLF proceeds are the primary source of funds.
- c) Term of the loan should coincide with the term of the private portion of the loan, but may be shorter or longer depending on the circumstances.
- d) The interest rate of the direct RLF loan will be set according to the needs of each individual project.
- e) The applicant must meet standard underwriting criteria
- f) Provisions of Loan Evaluation Criteria Items a - e may be waived for applicants with projects under \$10,000.00.

6. Application Process

- a) Pickup Application at City Hall.
- b) Review Application Packet. If assistance is needed please contact the City Economic Development Staff.
- c) Return application materials in a sealed envelope marked "Maple Lake RLF Application" to Maple Lake City Hall with a \$250 non-refundable loan processing fee. If the loan is approved, this loan processing fee can be added to the loan amount.

7. Review Process

- a) City staff, and outside consultants, as necessary, will review the submitted application materials and contact applicant for additional materials, if necessary.
- b) An underwriting review meeting is conducted.
- c) Appropriate modifications are made to the application materials.
- d) The Economic Development Authority reviews the recommendation and makes a decision on the application request
- e) The applicant is notified of Economic Development Authority action and, if appropriate, closing documents are completed.

8. Release of Funds

- a) Funds will be distributed by the City on an invoice reimbursement basis. Interest will be calculated on the disbursed funds.
- b) All funds must be expended within 90 days of Economic Development Authority approved. The time period may be adjusted depending on the project parameters.

9. Special Provisions

- a) At least 51 % of all the jobs created using RLF proceeds will result in the hiring or be made available to low and moderate income individuals pursuant to 24 CFR Part 570.208 (a)(4). The determination of income levels will be pursuant to HUD Section Eight guidelines.
- b) Prior to approval of a loan request the RLF Board will make a determination that the proposed loan is deemed necessary or appropriate pursuant to HUD guidelines as detailed on the attached Exhibit A. This determination must be evidenced through a written analysis that is to accompany any request or recommendation for approval by the RLF Board
- c) No applicant may be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex. All advertisement and promotion of this program will emphasize this civil rights provision and the targeting criteria established to promote affirmative action.
- d) All loans for construction must be submitted to the State of Minnesota Historic Preservation Office for review and consent.
- e) All loans for construction must meet the requirements of the Davis-Bacon Act as amended (40 U.S.C. 2700-276a.5)
- f) The Economic Development Authority shall not approve loans made for construction in or alteration of a wetland or 100-year floodplain as determined by soils mapping, USGS studies or other accepted means if adverse effect would be caused by that construction.

The Economic Development Authority shall not approve projects which would result in construction of other than underground utilities in the 100-year floodplain as defined by FEMA unless all capacity removed from the floodplain is restored by excavation or other appropriate means.

No project shall be approved which results in the alternation of any wetland, or in any adverse impact on a wetland, without prior consultation with, and consent of the U.S. Department of Interior, Fish and Wildlife Service.

When applicable, applicants will be required to purchase flood hazard insurance.

- g) Applicants will be required to comply with all federal, state and local laws and regulations concerning air and water quality. All required reviews will be completed and permits issued prior to funding.
- h) The City Staff will review each application for conformance with these special provisions section. to conduct its review, the City Staff will contact local (city and county) planning and zoning authorities. Site specific maps and regulations of FEMA, USGS, SCS SHPO and other applicable agencies will also be consulted. All local, state and federal regulations must be complied with prior to granting a loan.
- i) For each loan application, the City Staff must make a finding of compliance or no adverse impact. If there is a finding of non-compliance, a plan for mitigation acceptable to the regulatory agency must be filed with the Economic Development Authority. City Staff will monitor compliance with the mitigation plan.