

Revolving Loan Fund (EDA)



Eau Claire, WI

Business. Life. Balance.

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Revolving Loan Fund (EDA) Guidelines

PROGRAM INTRODUCTION

The objective of City of Eau Claire's Revolving Loan Fund (EDA) program is to support stable and expanded job opportunities at higher wage levels across the entire City. As a source of funds for commercial and industrial projects, this Revolving Loan Fund (RLF) strives to do the following:

- 1) To create jobs within the City of Eau Claire.
- 2) To encourage small business start-up and development.
- 3) To create new tax base within the City of Eau Claire.
- 4) To diversify and promote the economic base of the region.
- 5) To foster downtown business and create economy growth.

FINANCE TERMS AND CONDITIONS

Loan Amounts

The minimum loan will be \$10,000 and the maximum will be \$150,000. The RLF will target at least one job created or retained for each \$35,000 that is loaned. Benefit-eligible positions are encouraged but not required. Created jobs must be full-time and paying at least \$15.00 per hour.

Applicants are required to provide a letter demonstrating the bank cannot successfully invest in the project without the RLF. Overall the RLF will maintain 2:1 leverage at all times.

Interest Rate

The fixed annual interest rate shall not be less than the lower of 4% or 75 percent of the prime rate listed in the *Wall Street Journal*. Direct loans may charge higher per the risk.

Collateral

The City will record a lien against the collateral pledged for the loan. Fixed asset loans will be collateralized with the assets purchased. Working capital loans can be collateralized with inventory, fixtures, receivables, or anything else the Board deems necessary. A maximum loan-to-value ratio is 1.00. Personal guarantees will be required for all owners with greater than a 20% stake in the business.

Terms

The terms of the loan will vary depending on the collateral and uses of funds. Short terms will be encouraged. Typical loan terms are:

- 1) Ten (10) years for real estate purchase or renovation.
- 2) Three (3) to Ten (10) years for capital equipment, depending on life of the asset.
- 3) Three (3) years for working capital.

If it is determined by the Loan Administration Board that deferral of the initial payment of principal for a period not to exceed 18 months would likely lead to the success of the project, deferral may be allowed as approved by the Board. Other loan payment deferrals will be considered on a case-by-case basis.



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PROGRAM ELIGIBILITY

Eligible Borrowers

Any manufacturing, commercial, service, and creative economy businesses (excluding restaurants), located within the Eau Claire city limits, and those targeted businesses of the City. Industries targeted for growth include medical devices, nano-technology, software development, food production, plastic manufacturing, and computer components. There is also a focus on attracting development of innovation-and knowledge-based technology clusters, as well as creative entrepreneurial activity. Priority will be given to business retention and expansion projects.

Eligible Uses of Funds

Purchase of capital equipment, purchase of a facility, new construction, rehabilitation, reuse, and renovation of buildings, and working capital.

Ineligible Uses of Funds

Refinancing existing debt. However, upon Board approval, RLF borrowers may move the loan to a different financial institution if the City's lien position will not be compromised. Subsidizing interest payments on an existing RLF loan. Equity position acquisitions or the borrower's equity contributions on other Federal agencies' loan programs. Investing in interest-bearing accounts or unrelated investments. Relocation of companies located outside the City of Eau Claire.

RLF LOAN SELECTION CRITERIA

- 1) Is the proposed loan and all activities consistent with the RLF Plan?
- 2) Does the proposed loan application capitalize on existing regional assets?
- 3) Will the proposed loan support and advance innovation and increase productivity in a particular industry or emerging sector of the economy?
- 4) Is the potential borrower part of an existing or emerging industry cluster?
- 5) To what extent will the project leverage private investment that would not otherwise come to fruition without the RLF's investment?
- 6) Will the proposed loan result in the creation or retention of higher-skilled and higher-wage jobs?



APPLICATION CHECKLIST

Included with this application are the following supplements:

- Completed and signed application
- Credit check within the past year
- Background check disclosure
- Business Plan that includes business description, company history, a discussion of the business industry, sales, markets, and competition, and a summary of all owners/managers
- Narrative about the past, present, and future of your business and the role this funding would play
- Site control/documentation of property
- Business entity creation must be completed prior to review of application
- If existing business, current plus last 3 years financial statements of the business (income statement, balance sheet, and cashflow)
- If new business with no previous financials, then attach past 3 years of personal tax returns
- Personal financial statements for those with 20% or greater ownership interest
- Employment Plan consisting of current and future employment projections (if applicable)
- Financial Institution commitment letter for participation loan OR an explanation why credit is not available in terms and conditions that would allow successful completion or operation of the project in the Eau Claire area
- Collateral documentation
- Proof of insurance for collateral (if applicable)