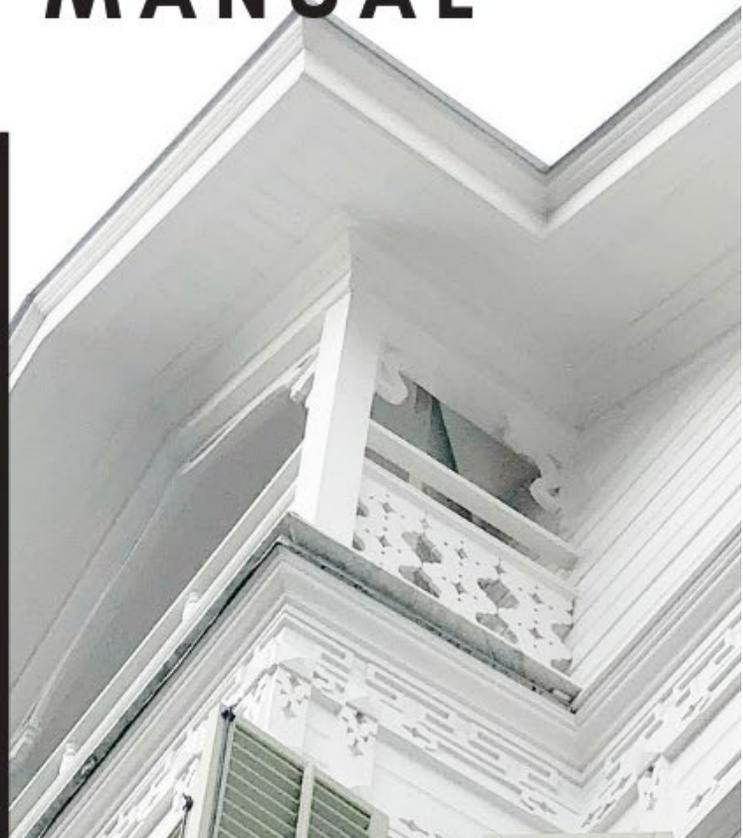




City of New Holstein

REVOLVING BUSINESS LOAN MANUAL



OBJECTIVE

The City of New Holstein has created the **Revolving Business Loan Program** (RBLP) to support business in New Holstein. This revolving loan program is a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing fund of money, utilizing interest and principal payments on old loans to issue new ones. The program offers two types of loans: **Façade Loan Program** and **General Business Loan Program**. The use of this program is to provide financing to allow your business to make improvements that create a visible improvement to the store or location and to allow businesses the opportunity to grow and to operate in our community.

The Façade Loan Program will provide money for actual project costs up to \$8,000 per property address, to commercial property owners and/or merchants for exterior building and site improvements. The General Business Loan Program will provide money for projects that will create permanent employment, diversification of the local economy or increase the local tax base in New Holstein. Examples of these programs are explained in section 3.5 of this manual.

Approved projects will be funded on a first-come, first-served basis until all funds are expended.

SECTION 1. GENERAL PURPOSE

1.1 PURPOSE

The purpose of the policies and procedures of the RBLP, contained within this manual, is to present the criteria which governs the economic development activities assisted with funds made available through the City of New Holstein's RBLP.

1.2 OBJECTIVES

The objective of this program is to encourage business revitalization for exterior buildings and business growth and expansion.

1.3 AMENDMENTS AND MODIFICATIONS

The City may from time to time amend the provisions imposed by the policies and procedures contained within the RBLP manual.

SECTION 2. ADMINISTRATION

2.1 LOAN REVIEW PROCESS

Specific steps in the review process include the following:

- 1) **Preliminary Review.** The City Administrator/Clerk-Treasurer will review the application for completeness and verify that the proposed project meets the minimum requirements. If the application is not complete, the applicant will be informed of the information that needs to be completed.
- 2) **Formal Review.** The City of New Holstein Revolving Business Loan Committee (Committee) will meet to review an application within 30 days of the receipt of the completed application or at some other predetermined

date. Once the review is complete and the proposal is acceptable for funding, the Committee will forward approved proposals to the Common Council for final approval.

- 3) **Negotiation of Terms.** Upon tentative acceptance by the governing body, the City Administrator will contact the business in writing to review and explain the terms of the loan.
- 4) **Notice of Award.** If the application is approved, a closing will be scheduled to execute the loan documents.
- 5) **Rejection of Award.** The Committee has the right to reject any application. If the application is not approved, the City Administrator will send a letter to the applicant stating the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

2.2 MEETINGS

Loan review meetings shall be held on an as-needed basis. A majority of the Committee in attendance at a meeting constituting a quorum shall be required for official Committee action. Official actions must have the support of the majority of the total Committee. Vacant positions on the Committee shall be counted in determining the total number of Committee members.

2.3 RECORDS

Written records of all program activities, including program meetings, loan applications, and related documents, shall be maintained in secure files with limited access by authorized personnel. The City's legal counsel shall be consulted about compliance with state and municipal open records laws.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The area served by the RBLP shall be within the corporate boundaries of the City of New Holstein.

3.2 ELIGIBLE APPLICANTS

- 1) Applications may be submitted by an authorized representative of any business looking to enhance the appearance of their property, to improve their business, or to start a new business.
- 2) No member of the governing body, review committee, or any other official, employee, or agent of the City who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under this program.
- 3) No program loans will be made which conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- 4) Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability as defined in S. 51.01(5), sexual orientation, or national origin.

3.3 FAÇADE LOAN PROGRAM ELIGIBLE ACTIVITIES

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

- 1) All work must be done on the exterior of the building/property and result in a publicly visible improvement.
- 2) All work done must be in accordance with the City of New Holstein Municipal Code of Ordinances and all required permits must be obtained. Work must include the correction of any known exterior building code violations.
- 3) Work in progress or performed prior to project approval will not be eligible for funding.
- 4) Funds may be used for and are limited to the following uses: exterior building materials, paint, awnings, windows, doors, landscaping, fencing, lighting or signs. Other uses may also be eligible if prior approval is granted by the City of New Holstein.
- 5) Signs are eligible for this program but must not amount to more than 50 percent of the total project expenditures.

3.4 FAÇADE LOAN PROGRAM INELIGIBLE ACTIVITIES

Façade Program loans shall not be available for the following types of property:

- 1) Tax delinquent.
- 2) Special assessment delinquent.
- 3) Property litigation.
- 4) Property in condemnation or receivership.
- 5) Property owned by religious groups.
- 6) Exclusively residential buildings.
- 7) Property considered non-conforming to the City Municipal Code of Ordinances, this will be reviewed on a case by case evaluation to determine if non-conformity exists.

3.5 GENERAL BUSINESS LOAN PROGRAM ELIGIBLE ACTIVITIES

General Business Loans shall be available to eligible applicants for the following activities:

- 1) Land acquisition
- 2) Building acquisition
- 3) Construction
- 4) Remodeling
- 5) Expansion
- 6) Machinery & Equipment
- 7) Working Capital

3.6 GENERAL BUSINESS LOAN PROGRAM INELIGIBLE ACTIVITIES

Program loans shall not be available for the following types of projects:

- 1) Speculative investment companies
- 2) Real estate investment companies
- 3) Lending institutions
- 4) Gambling operations
- 5) Non-public recreation facilities
- 6) Other business not serving the interests of the City
- 7) Plus, all other items in Section 3.4.

SECTION 4. TERMS AND CONDITIONS FAÇADE PROGRAM

4.1 TERMS AND CONDITIONS FAÇADE PROGRAM

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

- 1) **Loan Amount:** This business/commercial oriented program allows up to \$8,000 of City funds per business property.
- 2) **Interest Rate:** The interest rate for this loan type shall be at 0%.
- 3) **Terms of Loan:** Loans shall have a payback period based on the amount of the loan.

\$1,000 - \$3,000	3 yrs.
\$4,000 - \$6,000	5 yrs.
\$7,000 - \$8,000	7 yrs.
- 4) **Period of Payment:** Terms may include amortization schedules to be set up for monthly payments.
- 5) **Repayment:** Loans shall become due and payable as set forth in the note for the term of the loan. The loan shall be fully payable when the business no longer occupies the premises, when the business owner transfers any legal or equitable interest in the mortgaged premises to anyone else (however one spousal transfer is allowable as well as heirs are not required to immediately repay the loan if the business stays in existence) or if insurance coverage lapses.
- 6) **Collateral:** Collateral requirements shall be determined on an individual basis by the Committee and may include: mortgages on land and buildings, liens on equipment, accounts receivable and inventory; guarantees from, or liens on the assets of, affiliated businesses; assignments of leases and rents; and assignments of key-person life insurance naming the City as a beneficiary. This collateral may be subordinated to private sector financial institutions, if required. Unlimited personal guarantees from the principals of the business may be required, when appropriate.

SECTION 5. TERMS AND CONDITIONS OF GENERAL BUSINESS LOAN PROGRAM

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards shall include the following:

- 1) **Loan Amount:** This business/commercial business loan is subject to availability of program funds. There is no set minimum or maximum, but generally loans should be for amounts greater than \$20,000.
- 2) **Interest Rate:** The interest rate for this loan shall be fixed at 1% under Prime.
- 3) **Terms of the Loan:** Loans shall have a payback period based on the type of loan:

Real Estate	20 years
Equipment	10 years
Working Capital	7 years
- 4) **Period of Payment:** Terms may include amortization schedules to be set up for monthly payments.
- 5) **Repayment:** Loans shall become due and payable as set forth in the note for the term of the loan. The loan shall be fully payable when the business no longer occupies the premises, when the business owner transfers any legal or equitable interest in the mortgaged premises to anyone else (however, one spousal transfer is allowable as well as heirs are not required to immediately repay the loan if the business stays in existence) or if insurance coverage lapses.
- 6) **Collateral:** Collateral requirements shall be determined on an individual basis by the Committee and may include: mortgages on land and buildings, liens on equipment, accounts receivable and inventory; guarantees from, or liens on the assets of, affiliated businesses; assignments of leases and rents; and assignments of key-person life insurance naming the City as a beneficiary. This collateral may be subordinated to private sector financial institutions, if required. Unlimited personal guarantees from the principals of the business may be required, when appropriate.

SECTION 6. APPLICATION PROCEDURES

6.1 DISCUSSION OF REQUIREMENTS

Prior to applying, the applicant shall discuss the program with the City Administrator. The City Administrator shall assist the applicant, as is reasonably necessary, in completing the application. All financial information will be kept in a secure place with limited access by authorized personnel only.

6.2 TIMING

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

6.3 PRIORITY

Applications shall be reviewed in the order received and based on readiness for the proposed project to proceed. If loan funds requested exceed available funds, the following criteria will be used to determine which business(es) will be awarded the loan(s):

- 1) Eligibility of the applicant.
- 2) Eligibility of the project to be undertaken.
- 3) The extent to which private funds are to be leveraged.
- 4) The extent to which the loan can be secured.
- 5) Evidence of ability to repay the loan.

- 6) Size of the loan requested.
- 7) Timing of the proposed expenditures.
- 8) Completeness of application.
- 9) Other factors as deemed appropriate.

6.4 LOAN APPLICATION

Applicants shall apply using the forms available from the RBLP that includes the following:

- 1) **Business Information.** A written description of the business, including the following:
 - a) Property owner information.
 - b) A brief history of the existing or proposed business.
 - c) On the City's request after application is made, two years of financial history including balance sheets, profit/loss statements, cash flow statements and accountant notes.
- 2) **Project Description.** A description of how the business plans to use the requested funds.
- 3) **Project Costs.** If the project cost comes in at, or exceeds the estimate, how will private funds be readily available to applicant to cover applicants financial portion of the project.
- 4) **Commitments from Private Lenders.** This consists 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, security, availability, repayment schedule, and amounts.

These commitments shall be obtained concurrently with the negotiation of the terms and conditions of the RBLP loan to ensure that the interest of the community is secured.
- 5) **Project Timeline and Completion.** The time for completion of construction shall be determined within the loan documents.
- 6) **Additional Information.** Additional information as may be required by the RBLP or the City Administrator.

6.5 PROJECT APPROVAL GUIDELINES

Program oversight is delegated to the City Administrator. All loan applications will be reviewed and recommended for approval based on the following guidelines.

- 1) A project application will only be reviewed if it is filled out completely and accompanied by photographs illustrating building(s) and property.
- 2) Multiple property owners must submit separate applications.
- 3) Any business owner under a lease who applies must provide written consent of the property owner.
- 4) Preference will be given to projects which:
 - a) Will positively contribute to the City's revitalization effort.
 - b) Will eliminate blighting influence.
 - c) Will result in viable improvement that would not be made otherwise.
 - d) Ratio of private investment to public investment (to be determined by Committee).
 - e) Conforms to the efforts of the CDA and the City's Comprehensive Plan, when applicable.

5) Property/project is determined to have “no significant impact” based on an environmental review.

6) Project time for completion shall be determined within the loan documents.

Requests for extensions will be considered only if made in writing and progress towards completion has been demonstrated.

SECTION 7. DISTRIBUTION OF FUNDS

7.1 LOAN PROCEDURES

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

- 1) **Notice of Award.** The RBLP must have reviewed and approved a complete application for an eligible applicant. Final approval is awarded by the Common Council by recommendation from the Committee.
- 2) **Loan Agreement.** The City Attorney shall prepare the loan agreement, which shall be executed by the City’s Chief Elected Official, City Administrator and the property owner of the business.
- 3) **Promissory Note.** A promissory note shall be prepared by the City Attorney and signed by the property owner at the time of loan closing. The note must be dated; it must reference the agreement between the City and the property; and, it must specify the amount and terms of the loan funds delivered.
- 4) **Security.** Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared by the City Attorney and executed at the time of the loan closing. The City Attorney shall record the instrument and place a copy in the project file to include (as required by the City):
 - a) Mortgage and/or security agreement.
 - b) UCC searches and filing.
 - c) Guarantee agreement.
 - d) Title insurance or Abstract
 - e) Assignment of Life Insurance
 - f) Casualty Insurance binder.
 - g) Personal guarantee.
 - h) Other documentation as may be appropriate.
- 5) **Repayment Schedule.** A loan repayment or amortization schedule shall be prepared by the City Administrator after the loan proceeds are fully disbursed. The repayment schedule shall be dated and signed by both the City’s Chief Elected Official and the property owner of the business. At that time, the repayment schedule shall be attached to both parties’ copies of the agreement.
- 6) **Evidence of Permits, etc.** Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations required have been obtained by the applicant prior to the release of program funds.
- 7) **Evidence of Program Expenditures.** Documentation must be provided by the business property owner to evidence program expenditures. Documentation shall include bills and invoices or receipts for materials, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the City Administrator.

SECTION 8. POST APPROVAL REQUIREMENTS FOR FAÇADE LOAN PROGRAM

8.1 OBLIGATION OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, all borrowers shall agree to comply with the following:

- 1) To use the loan money only to pay for the cost of improvements on the exterior of the building property and result in a publicly visible improvement.
- 2) All improvements must be in accordance with the City of New Holstein Municipal Code of Ordinances and all required permits must be obtained. Work must include the correction of any known exterior building code violations.
- 3) Work in progress or performed prior to project approval will not be eligible for funding.
- 4) The applicant must provide design, drawings, material specifications, and a cost estimate for the project.
- 5) The applicant must provide evidence of additional financing to complete the project.

8.2 PROPERTY OWNER REQUIREMENTS

Upon the official approval of project, the property owner will play an important role in a partnership that includes the City of New Holstein. The building owner/applicant must provide design drawings, material specifications, and cost estimate for the project. The applicant must also provide evidence of additional financing to complete the project. Below are items that will be required as part of application process.

- 1) A program informational meeting with the City Administrator is required to outline the entire project procedure.
- 2) Property owners must attend various Committee meetings to review the project, along with the applicant and contractor (if applicable) to expedite various stages of the project.
- 3) The property owner must sign an Owner Satisfaction Form when the work has been done to their approval and obtain a lien waiver from the contractor upon payment and completion. Photographs of the completed project shall be provided to committee upon completion for the project file.
- 4) All work to be done on the project shall be the sole responsibility of the property owner. The City of New Holstein administers the loan program herein and the City is not responsible for any work undertaken under the loan. The owner hereby holds the City harmless for all liability commencing out of any work paid for by the loan herein.

NOTE: If work is to be performed by owner, funds will only be provided for materials.

SECTION 9. PERFORMANCE MONITORING

9.1 PRIVATE LEVERAGE COMMITMENTS

The City Administrator shall monitor the use of the funds and expenditure of private leverage commitments. For Façade Loan Program: documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.

9.2 DEFAULT

In the event the business property owner is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties, shall, at the City's option, become immediately due and payable. To exercise this option, the City's Attorney shall prepare a written notice to the business. The notice shall specify the following.

- 1) The default.
- 2) The action required to cure the default.
- 3) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.
- 4) Any penalties incurred because of the default, jobs, etc.

SECTION 10. USE OF LOAN REPAYMENTS AND REPORTING FAÇADE LOAN PROGRAM

10.1 FAÇADE LOAN PROGRAM

Repaid loans shall be re-deposited into the RBLP account and used in a manner consistent with the policies and procedures identified in the program manual. A separate accounting record for each loan shall be kept to account for all funds loaned.

The City Administrator shall reconcile the account quarterly and provide an annual report to the Common Council regarding the use of program income.

SECTION 11. LOAN SERVICING

11.1 MONITORING

The City Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business property to insure repayment of the loan.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, as applicable.