

Parkersburg Economic Development
Revolving Loan Fund Criteria
Proposed Changes August 2018

The Parkersburg Revolving Loan Fund (hereinafter referred to as **Loan Fund**) will be handled by the Parkersburg Revolving Loan Fund Review Committee (hereinafter referred to as **Review Committee**) with final approval of any loans to be given by the Parkersburg Economic Development Board of Directors (hereinafter referred to as **the Board**).

The **Loan Fund** provides supplemental financing to small and emerging businesses, as defined by the USDA Rural Development, which are located within Parkersburg. Projects must either create or retain jobs. This Revolving Loan Fund Plan will not be amended or changed without prior written concurrence from USDA Rural Development.

The primary consideration for financial participation in the Revolving Loan Fund is the creation or retention of jobs.

PROGRAM OBJECTIVES

The Loan Fund will be used by the Review Committee to make loans to accomplish the following:

- A. Provide supplemental financing to small and medium sized businesses for start-up or expansion projects.
- B. Offer financial assistance for the acquisition or expansion of real estate, machinery, and equipment that will promote the retention and expansion of existing businesses located in Parkersburg.
- C. Diversify and increase employment opportunities by increasing the number and types of businesses in Parkersburg.
- D. Increase the economic strength and tax base of Parkersburg by assisting those businesses and industries that export products and services beyond the county.

THRESHOLD CRITERIA

All applicants for the Loan Fund must satisfy the following **minimum** requirements to be eligible for assistance;

- A. A minimum of one permanent job created or retained for every \$25,000.00 of loan funds. A target of fifty-one percent (51%) of permanent jobs created or retained by the proposed project must be by low and moderate income individuals.
- B. Jobs created as a result of other jobs being displaced elsewhere in the state will not be considered new jobs for the purpose of evaluating the application for assistance;
- C. Loans funds shall typically provide no more than seventy percent (70%) of the financing for a maximum of \$50,000.00. However, this is up to the board's discretion.
- D. There must be evidence of adequate private equity (at least 10%) invested into the project.
- E. There must be evidence that loan funds are necessary to make the proposed project feasible;

- F. There must be evidence that the project is feasible and that the business requesting assistance can continue as a “going concern” in the foreseeable future without additional or ongoing assistance;
- G. There must be evidence that there will be no significant negative impacts on other businesses or employers in Parkersburg;
- H. There must be evidence that no significant negative land use or environmental impacts will occur as a result of the project.

All applicants will be required to certify to the Review Committee and the State of Iowa that they will comply with the following requirements, if applicable:

- A. The Civil Rights Act of 1964 (PL 88-353) and Title VIII of the Civil Rights Act of 1969 (PL 90-284);
- B. Title I of the Housing and Community Development Act of 1974, as amended/
- C. Age Discrimination Act of 1975;
- D. Section 504 of the Rehabilitation Act of 1973;
- E. Davis-Bacon Act, as amended 940 U.S.C. 276a-176a-5) where applicable under Section 110 of the Housing and Community Development Act of 1974, as amended;
- F. 24 Code of Federal Regulations part 58;
- G. National Environmental Policy Act of 1969;
- H. Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1979, Title II and Title III;
- I. Hatch Act (5 U.S.C. Chapter 15).

ELIGIBLE AREA

The location of each Loan Fund project must be physically located within the city limits of Parkersburg. Any Loan Fund loan must be immediately repaid, including outstanding principal and interest, if the project activity is moved outside the eligible area during the life of the loan. On a case by case basis, the Board may waive this requirement and provide loan funds to a business located outside the city limits of Parkersburg if the Board determines doing so will have a positive economic impact on the community to be assisted with Loan Fund.

QUALIFYING PROJECTS:

Acquisition and development of land, easements, and rights-of-way;

Construction, conversion, enlargement, repairs or modernization of buildings (including facade repairs), plants, machinery, equipment, access to streets and roads, parking areas, utilities, and pollution control and abatement facilities;

Building conversion and expansion;

Leasehold improvements;

Loans for startup operating costs and working capital;

Technical assistance for private business enterprises.

IN-ELIGIBLE PROJECTS: KEEP WORD FOR WORD)

- A. RLF funds will not be used to produce agriculture products through growing, cultivation, and harvesting either directly or horizontally integrated livestock operations except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.
- B. RLF funds will not be used to finance comprehensive area-wide type planning. This does not preclude the use of grant funds for planning for a given project.
- C. RLF will not be used to fund a part of a project which is dependent on other funding unless there is a firm commitment of the other funding to ensure completion of the project.
- D. RLF loans will not be used to pay of any previous debt. Refinancing construction financing is an exception to this rule.
- E. Loans will not be made unless there is a reasonable prospect that the applicant meets the definition of “small and emerging private business enterprises” defined as “any private business that will employ 50 or fewer employees and has less than \$1 million in projected gross revenues.” If the grantor changes its definition of small and emerging business as defined by the Rural Business Development Grant regulations, the grantee reserves the right to utilize the amended definition without further approval from the grantor.
- F. At least 51 percent of the outstanding interest in the applicant must be owned by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.
- G. Applications by members of the loan committee and their immediate family members shall be ineligible for funding.

ELIGIBLE APPLICANTS

Applicants must be the owner or purchaser of the business and his/her duly authorized representative. Only for-profit businesses engaged in industrial or service enterprises are eligible.

CHANGES IN OWNERSHIP AND/OR BUSINESS TYPE

Any transfer of majority of ownership and/or business type by the borrower must be reviewed by the Administrator and the Review Committee and the assumption of an outstanding loan reapproved by the resolution of the Board.

FUNDING CYCLE

Applications may be submitted at any time and will be reviewed on a continuing basis.

EVALUATION PROCEDURES

Applications for assistance under the Loan Fund will be submitted to the Review Committee, % Parkersburg Economic Development, P.O. Box 489, Parkersburg, IA 50665.

The Review Committee will have thirty (30) days to review the application and meet with the applicant (if necessary). Incomplete applications will be returned with the deficiencies noted and may be resubmitted.

The Review Committee shall review loan applications, assist the Administrator with establishing terms of each loan, and may make recommendations as to whether or not a loan should be made. The Review Committee shall review the loan portfolio and make recommendations to the Administrator as to the changes in the program, objectives, priorities, loan standards, and financial policies. The Review Committee shall review "conflict of interest" situations and determine whether or not a loan should be made.

The Board must, by resolution, approve any and all loans made from the Revolving Loan Fund. It is not intended the Board arrange loans or loan conditions, rather the Board will exercise final approval authority. The terms and conditions of the loan will be developed by the Review Committee with a formal recommendation to the Board. Final details of the loan package will be detailed in the Loan Agreement.

The Review Committee may:

- A. Submit the application to the Board with a recommendation for approval and suggested loan terms.
- B. Return the proposal to the applicant for further information or clarification.

Upon receipt of the application from the Review Committee, the Board will review the proposal at its next regular meeting. If timing is a critical factor in the proposal, the Board may call a special meeting to consider the application. The Board may approve the loan and terms of the agreement, disapprove the application, or defer action until additional information is available. A public hearing consistent with Iowa Code will be held in conjunction with the Board's review of each proposal.

RATING CRITERIA

The following rating system will be used to rank applications for the Loan Fund:

- A. Number of jobs per funds requested; jobs must be created within a two-year period;
- B. Percent of funds other than Revolving Loan Funds in the project;
- C. Need for and impact of the project; consideration will include local employment conditions resultant new economic activity, quality of jobs, project schedule, property tax enhancement and other effects on the tax base;
- D. The overall reliability and feasibility of application materials will be considered;
- E. Likelihood of repayment.

APPLICATION INFORMATION

An application for Parkersburg Economic Development Revolving Loan Funds can be obtained at Parkersburg City Hall, 608, Hwy 57, Parkersburg, Iowa, by requesting one via email at pburged@gmail.com or by phone at 319-346-1023.

All sections of the application must be completed before a request can be considered. Applicants will be provided with a list of all required documents and a copy of the administrative procedures.

The applicant must agree to allow the Review Committee to research the company's history, make credit checks, contact the company's financial institution, and perform other related activities necessary for reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Review Committee will have the discretion of rejecting the applications or rerating it based on correct information.

LOAN INFORMATION

If a proposal is approved for funding by the Board, the applicant will sign a loan agreement with Parkersburg Economic Development. This agreement, at minimum will establish the following:

1. The interest rate of the loan, whether it is fixed or variable, and the terms of the variability;
2. The term of the loan;
3. The frequency of the payments;
4. Penalties for the late payment;
5. Penalties for failure to meet job creation or retention goals.

Loan Funds shall be secured by mortgages and/or liens against fixed assets. Such mortgages and/or liens may be subordinated to conventional bank financing. Other security including personal guarantees, will be required.

Loans shall be made only to private, for-profit entities.

Loan may be renegotiated. Renegotiation proceedings, however, are not the borrower's inherent right.

In general, repayment of loans will be made via equal payments over the term of the loan. Payments will be due and payable monthly, semi-annually or annually. Alternative schedules may be arranged if deemed appropriate.

Loans may be made at below market interest rates. Interest rates may differ between projects. Rates charged and the down payment required will depend upon the needs of each project and the degree to which the proposal is in the conformance with the objectives and priorities of the Revolving Loan Fund Program.

The borrower may be required to provide a minimum of ten percent (10%) private equity into the project. All loans shall be secured by collateral in an amount at least equal to the face value of the loan. A first position lien on fixed assets is the preferred security, but a subordinate position to another lender is permitted. Assets other than cash that are used as collateral must be documented by an appraisal and security agreement.

Payments are due on the first day of the month unless alternative dates have been agreed to by both parties.

Loan payments will be made via EFT.

After a delinquency of ten (10) days, the interest rate will increase by 3% until the loan is brought current. The borrower may be notified of this by certified mail. A meeting may be set up between the Board and the borrower to determine the degree of the problem and necessary steps needed for repayment compliance.

Non-payment after sixty (30) days following the Board/borrower meeting may cause the City initiation of foreclosure procedures unless a satisfactory repayment schedule is negotiated. All of these details shall be outlined in a "Loan Agreement" between the borrower and the review committee.

The date of the first loan payment will be arranged on a project-to-project basis. Usually the date of the first payment will not exceed six (6) months from the date of the loan.

Payments will be applied to interest first and the remainder to principle.

Submission of annual financial statements (including income tax reports), proof of insurance with Parkersburg Economic Development listed as first-loss pay, and job creation reports will be required of all borrowers. These will be submitted at an annual meeting between members of the PED and the borrower. This meeting will occur around May 1st of each year.

Copies of such reports will be forwarded to the Parkersburg Economic Development Director for review by the Review Committee.

In the event that the borrower does not achieve the job creation levels specified, or in the event that the total project cost is less than the amount specified in the application, then monies received from the Loan Fund may be subject to disallowance and immediate repayment. The maximum percentage of loan funds which may be disallowed due to the failure to achieve performance targets within two years will be equal to the percentage of the performance targets not achieved.

LOAN REVIEW COMMITTEE

The Review Committee will be comprised of at least three members, as selected by the Board. These members may represent, but are not necessarily limited to, the following interests: banking, county government, accounting or bookkeeping, business administration, local or county development corporation.

Members of the Review Committee shall elect one of its members as Chairperson. Vacancies on the Review Committee shall be filled in the same manner as the original appointment.

A simple majority of committee members must be present in order to vote on a recommendation.

The Review Committee will be responsible for making investment recommendations concerning the investment of the balance of any remaining funds.

FUND ADMINISTRATOR

The Administrator of the Revolving Loan Fund Program will:

1. Develop and compile the elements of each loan project and report to the Review Committee as required.
2. Serve the Review Committee by arranging meetings and presenting information.
3. Secure legal secure legal services for review and closing of each loan.
4. Service each loan on behalf of the Board and monitor each borrower's financial condition.
5. Provide continuity and timeliness of Program activities.
6. Market the Revolving Loan Fund Program throughout the City.
7. Assist in the development, review and a late penalty.

USE WITH OTHER PUBLIC PROGRAMS

Program funds can be combined with any state or federal business assistance program. Applicants may be required to submit additional information as well as meet other program requirements in order to qualify for these programs.

PARTICIPATING LENDERS

Because the program relies on primary funds coming from private lenders and the fact that the PED provides only supplementary financing, the applicant must provide evidence of private permanent funding.

REQUIRED APPLICATION MATERIALS

Applicants for the program will be asked to supply a complete, sound business plan. In addition, they are asked to supply the following:

- A. Completed Permission to run a credit check form;
- B. Executed Form AD-1048;
- C. Executed Form 1940-20;
- D. Income Tax Statements (past 3 years);
- E. Current Personal Financial Statement;
- F. Current Balance Sheet;
- G. YTD Profit and Loss Statement for the business (if available);
- H. Business Balance Sheets;
- I. Profit and Loss Statements for each of the past 3 years (if available);
- J. 3 Year Income and Expense Projection;
- K. Data Collection information;
- L. Completed application form;
- M. Completed Beneficial Ownership form;
- N. Proof of Identity.

Other application materials may be required at the discretion of the Review Committee or the Board.

CONFLICT OF INTEREST

Elected or appointment Board officials and their immediate families are not eligible for Loan Funds.

The Review Committee members and their families or former members within one year of service are not eligible for Loan Funds.

The Review Committee will decide conflict of interest situations with possible appeal to the City Council.

CIVIL RIGHTS

No loan applicant may be denied a loan on the basis of race, color, national origin, religion, handicap, or sex. Each borrower will give assurances that he/she is in compliance with civil rights laws with respect to employment.

ENVIRONMENT

If a loan results in construction that adversely impacts wetlands, significant historic or archaeological properties, or air and water quality, a statement of environmental impact must be submitted with the loan application, along with any required state or federal permit.

RETENTION OF RECORDS

All records related to each loan transaction shall be retained by the Administrator for a period of at least three (3) years after the date upon which the final loan payment is received.

ADMINISTRATION OF THE FUND

The Parkersburg Economic Development Director will be responsible for maintaining the appropriate accounting system related to the operation of the Revolving Loan Fund. The Board will direct the Director in the investment of the balance of any remaining loan funds. Administration of specific loan agreements and monitoring of funded projects may be the responsibility of the Director or may be subcontracted to a qualified individual or firm. Cost for the administration of the Loan Fund may be derived from interest payments on loans made from the fund.

DISCLAIMER

The Review Committee, the Board and the City of Parkersburg assume no responsibility for illegal use of funds, or from hazards or problems arising from the use of the funds for any applicant.