

WACONIA ECONOMIC DEVELOPMENT WACONIA WORKS LOAN FUND PROGRAM

PURPOSE

The purpose of this document is to establish guidelines for the application and administration of the City of Waconia Economic Development Authority Waconia Works Loan Fund Program (the “WWL Program”).

POLICY STATEMENT

The City of Waconia recognizes the need to stimulate private sector investment in facilities and equipment to create/retain jobs for local residents and to upgrade facilities to maintain competitiveness and/or boost productivity. The WWL Program is established to provide affordable loans for expansion and/or rehabilitation of commercial and industrial businesses to maintain and enhance the economic viability within Waconia.

PROJECT ELIGIBILITY

Loan proceeds obtained through the WWL Program can be used for:

1. Fixed asset financing such as land acquisition, building construction, machinery and equipment, expansion of existing - facilities, renovation and modernization of buildings, lease hold improvements, trade fixtures, furniture, renovation or modernization of building mechanicals, and IT network infrastructure, or public infrastructure needed for economic development expansions.
2. Eligible businesses must be within the city limits of Waconia and in a commercial or industrial zoning district, as defined by the City’s approved Land Use Map.
3. At the time of application, the applicant shall complete a business consultation with services available through the Carver County CDA (i.e. NextStage MN, Open to Business, etc.).

WWL Program loan proceeds cannot be used for:

1. Construction and/or renovation of residential units.

LOAN AMOUNT

1. The minimum loan request considered is \$10,000 and the maximum loan request considered is \$50,000.
2. The interest rate shall be 2% of the principal amount.
3. Depending on the proposed use of the loan funds, the repayment schedule shall not exceed the following maximum amortization schedules:

- a. 10 years - purchase of land and/or building, construction or renovations of building
 - b. 5 year - machinery and equipment, trade fixtures, technology, furniture.
4. Repayment will normally commence the first day of the month after closing of the loan and be due the first day of each month for the duration of the loan. Monthly loan payments will be automatically deducted from the applicants authorized checking account program. Repayment authorization form(s) will be completed at closing of the loan.

REGULATIONS FOR IMPROVEMENTS

All building construction or renovations are to be in conformance with the current adopted Uniform Building Code and other City Codes and policies. Repairs may include, but are not limited to, the following systems and portions of real property:

- a. Mechanical - including heating and plumbing
- b. Electrical
- c. Structural - including the facade of the structure, the roof, and energy related improvements

LOAN SECURITY

1. Loans will be secured by a promissory note executed by the applicant.
2. Applicant must demonstrate to the City that he or she possesses the financial means to repay the loan(s).
3. The applicant must demonstrate that the property to be improved or acquired is insured for its full insurable value including the improvements to be made with loan proceeds.

TIMING OF PROJECT EXPENSES

Building construction may not commence until all required permits are secured. All costs incurred by the loan applicant before the loan application has been approved, and any costs associated with the loan application or execution of the loan documents as required by the City, are not eligible expenditures.

PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL

1. Any interested applicant should meet with the Waconia City Administrator or Director of Finance to obtain information about the WWL Program and to discuss the proposed project and obtain application forms.
2. The application is reviewed by City Staff to determine if it conforms to the requirements of this Program, and all other City Codes, policies, ordinances and regulations.

3. City staff will review each application and the project information supplied in terms of its proposed activities in relation to their impact on the Waconia economic community. City Staff will make a recommendation concerning funding of the proposed project to the City Council for final consideration of the application.
4. The Waconia City Council will evaluate the project application in terms of the following:
 - a. Project Design - Evaluation of project design will include review of proposed activities, timelines and capacity to implement.
 - b. Financial Feasibility - Availability of funds, private involvement, financial packaging and cost effectiveness.
 - c. Loan applicant provides information that shows they are able to pay up to 20% of the total project from a source other than WWL Program loan proceeds or any other municipal economic development programs.
 - d. Sufficient cashflow to cover proposed debt service.
 - e. Net Worth Test: Applicant to be assisted (and/or its principal) must show a positive net worth.
 - f. Letter of commitment from applicable business pledging to complete project during proposed project duration if loan application is approved.
 - g. Letter of commitment from applicable business pledging to remain in the eligible geographic area during the duration of the loan period or be subject to acceleration and immediate loan balance repayment.
 - h. Letter of commitment from regulated financial institution stating terms and conditions of their participation in project, if any.
 - i. Project compliance with all City Codes and policies.
5. All applications failing to meet the minimum threshold standards, but that are able to show sufficient documentation of ability to cover the expected debt service, may be reviewed on a case by case basis by the City Council.
6. The City Council reserves the right to waive certain requirements of this Program and may request additional information and documentation as deemed necessary.
7. The City Council must review and approve all applications prior to the disbursement of loan proceeds.

LOAN CLOSING

1. WWL Program loan documents will be executed by the applicant at closing, which may include any or all of the following as determined by the Waconia City Council and City Staff:
 - a. Promissory Note; and
 - b. Assignment of Leases and Rents; and
 - c. Security Agreement and/or Financing Statement; and
 - d. Personal Guaranty; and
 - e. Direct Payment Authorization Form.

2. Additional fees must be paid by the applicant at closing, which may include any or all of the following:
 - a. Additional administrative or appraisal fees.

ONGOING REPORTING

1. Six months after the closing of the loan, the applicant is required to submit a summary of how the City's loan funds were used, the job growth that occurred as a result of the loan and copies of receipts or equipment purchased with the funds, as applicable.
2. Failure to report may be considered a default on the loan, subject to the provisions provided in the WWL Program.

DEFAULT AND REMEDY PROVISIONS

1. Each of the following would be considered a default upon a WWL Program loan (a "Default"):
 - a. Any required payment is not paid within 30 days of the date due;
 - b. Any other indebtedness of the borrower to the City is not paid when due;
 - c. Failure to pay real estate taxes or insurance upon the acquired property;
 - d. The borrower, or its principal, becomes a debtor in a bankruptcy proceeding or the subject of a similar state court proceeding, becomes the subject of a receivership, or makes an assignment for the benefit of creditors;
 - e. Failure to provide ongoing reporting as required in the WWL Program;
 - f. Any other defaults set forth in any of the loan documents.
2. The City will comply with any notice provisions to be provided to the borrower upon the occurrence of a Default as set forth in the loan documents. If a Default occurs, the loan may be accelerated with all principal and interest being due and payable in full. The City's remedies to a Default include any collection proceedings available pursuant to the loan documents or applicable law. Loans in default may be subject to penalties equal to ten percent (10%) of the past due balance. If the City determines collection proceedings are necessary, the borrower will be provided with written notice identifying the public meeting where the loan will be considered and action determined.

Established: October 2022