

REVOLVING LOAN FUND

DOWNTOWN REVITALIZATION LOANS [DRL]

GENERAL GUIDELINES FOR LENDING WITHIN THE DOWNTOWN REDEVELOPMENT DISTRICT

FINANCIAL INFORMATION

1. A. Applicant shall provide 3 years financial statements including balance sheet, income statement, and tax returns; and/or
B. Such other financial information and data as the Economic Development Director may request such as personal financial statements from all principals, pro-formas, etc.
2. Applicant [Businesses and/or Property Owners] shall be required to provide background of both managers and principals along with personal financial statements of owners. Principals shall include ownership and management entities.
3. Existing businesses shall have positive cash flow for 2 of the previous 3 years including the most recent year.
4. Upon request, borrower shall provide annual financial recaps during the life of the loan. Financial statements shall include a balance sheet and income statement.
5. If applicant is other than a sole proprietorship, personal guarantees are required of all principals.
6. Applicant shall fully disclose all substantial changes of ownership or financial position.
7. Applicant shall be a taxpayer in good standing with the City of Wahpeton and the State of North Dakota.
8. Home based businesses are not eligible for RLF Loans.

LOAN CONDITIONS

MINIMUM LOAN AMOUNT SHALL BE SET AT \$5,000 AND MAXIMUM AT \$50,000

Construction (New or Remodel):

- A. Maximum loan to value shall not exceed 85%. (*Loan Amount divided by Fair Market Value: **example** - \$30,000 loan and value of building is \$50,000; Loan to Value in this case would be 60%.*)
- B. Debt Coverage Ratio shall not be less than 1.10 (*Net Operating Income divided by Debt Service: **example** - an owner nets \$1,000/month and makes loan payments of \$550/mo; Debt Coverage Ratio in this case would be 1.82.*)
- C. Term to be set by the Economic Development Director and shall not exceed 10 years.
- D. When required, a current appraisal will be obtained. The borrower shall pay for this service.
- E. Flood insurance shall be required in designated flood plain. The City of Wahpeton shall be named loss payee on insurance policy.
- F. Interest rate shall be fixed at 3% below NY Prime December 31st of each year. Fixed rate shall not fall below 3%* nor exceed 7%. **Rate established 1-1-12 through 12-31-12: 3.00%**
***Special Exception:** a 1% interest rate may be approved [case by case basis] if property is located in Central Business District [3rd St to 8th St along Dakota Avenue] and the following factors are met:
 1. Loan applicant pays all fees and points;
 2. Loan applicant makes timely monthly payments on the loan [if default, late fees and current interest rate charged until 6 months of timely payments are made, then reverts back to 1%]
 3. Loan applicant conforms to the design guidelines as proposed and presented by Thomas Zahn & Associates Summer 2008;
 4. Property is listed on the Dakota Avenue Inventory of Structures as of August 2006
 5. Loan applicant completes the improvements
 6. Loan applicant is CURRENT on all property taxes and other governmental obligations each and every year the loan is active.
- G. Remodeling of residential apartments or dwellings are qualified activities. Exterior improvements of structures within the Downtown Redevelopment District are encouraged as are other projects that are considered in the best interest of the City.

LOAN REVIEW

1. All loan applications shall be reviewed and approved or denied by the Economic Development Director. The Director may at any time engage SBDC assistance as a requirement for application. Approved loans shall be serviced through the Economic Development and Finance Offices. Quarterly summary reports of all applications shall be submitted for review to the City Finance & Economic Development Committee (F&EDC).
2. Total aggregate of all loans [Flex, RLF Commercial, RLF Downtown] to any one individual, corporation, partnership, or structure in which the same individual is a principal, shall not exceed \$50,000. In such instances where project benefits are justified, however, the maximum loan amount and condition to any one entity may be waived by motion of City Council.
3. City Revolving Loan Fund monies may be used in concert with Sales Tax Dollars or any other public funding source (i.e. MIDA Bonds, Urban Renewal Loans, Mini-Match, Dakota Avenue Beautification Grants, etc.) on any given project. Applicant must agree to sign a Business Incentive Agreement and follow subsequent reporting requirements for any project exceeding \$25,000 in total public funds.
4. A completed application **and \$150 fee shall be required** on all RLF loan applications. This is non-refundable. One discount point [the loan amount divided by .99] shall be applied to all loans. A \$2 per month service fee is also assessed.
5. RLF applicants shall be property and/or business owners within the Downtown Redevelopment District prior to loan application date. Location of applicant's primary residence is not a condition of the loan. **Applicants are required to follow DRC design guidelines as a condition for loan consideration and may access technical assistance for improvement or new construction plans and in preparing the application for processing.**
6. Loans shall not be authorized for working capital, inventory, or for the refinancing of real estate. The regional council provides Micro Loans for these purposes. Purchasing real estate to achieve a change in ownership is an eligible activity as is demolition/clean up activity.
7. Failure to keep all city taxes and governmental obligations of the applicant (business/person) paid and current shall be a condition of default.
8. Subordinations, Assumptions, and Loan Extensions shall be handled in the same manner as a loan application and review (see number 9 above). A \$150 handling fee will be assessed.
9. Any exceptions to this policy shall be documented by the Economic Development Director.
10. Funds in this program shall be used in conjunction with a local lead lender whenever possible.
11. Downtown Revitalization Loans expire December 31, 2018.

SUMMARY

ELIGIBLE ACTIVITY FOR RLF DOWNTOWN REVITALIZATION LOANS:

Any exterior improvement or remodel: New storefronts, back entrances, windows, facades, canopies, roof, signs; Demolition/Clean-up of downtown properties; Under certain conditions: Purchase of Real Estate in downtown Wahpeton; New construction; Residential remodeling; Project adds new jobs to the Community

INELIGIBLE ACTIVITY FOR RLF DOWNTOWN REVITALIZATION LOANS:

Working capital, Inventory, Refinancing, Furniture-fixtures [new lighting, carpeting, desks, clothes racks, etc.] for anything other than downtown residential, Mechanical upgrades, Equipment

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Approved by Wahpeton City Council Feb. 20, 2007
Amended by Wahpeton City Council Oct. 6, 2008