



# Revolving Loan Fund

## City of Hastings Economic Development

**PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS**

City of Hastings  
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# CITY OF HASTINGS

## ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

### PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

#### SECTION 1: GENERAL PROVISIONS

##### A. Purpose

The Hastings Economic Development and Redevelopment Authority recognizes the need to stimulate private sector investment in order to create and retain jobs, increase the overall tax base, and encourage investment, expansion, and rehabilitation of commercial and retail buildings. The purpose of the Economic Development Revolving Loan Fund is to provide financial assistance to companies in the City of Hastings that do not have the ability to receive adequate funding for business growth through traditional or private means. The ED RLF is meant to serve as a bridge between the amount the borrower can obtain on the private market or through equity and the amount needed to start or grow a business.

##### B. Funding Amount

The maximum amount of a loan from this program is \$150,000. Working Capital loans are capped at \$25,000. Any fund requests that exceed program guidelines must receive special approval by HEDRA.

#### SECTION 2: ELIGIBILITY CONSIDERATIONS

##### A. Area

The area served by the RLF program shall be within the limits of the City of Hastings, whose boundaries may change as growth and annexations of new properties take place naturally over time. Applications from companies located outside the city limits that have facilities within the city may be allowed to apply, as long as the funds will be used AND the jobs created only at the Hastings facility.

##### B. Eligible Activities

- a. Working capital
- b. Acquisition of land and buildings
- c. New construction
- d. Facade and building renovation
- e. Purchase and installation of machinery and equipment
- f. Clearance, demolition, or removal of structures
- g. Infrastructure improvements necessary to support new or expanding businesses

##### C. Ineligible Activities

- a. Refinancing or consolidating existing debt
- b. Reimbursement for expenditures prior to loan approval
- c. Specialized equipment that is not essential to the business operation
- d. Residential building construction or reconstruction (unless such construction is intended to convert building to a business or industrial operation)
- e. Routine maintenance
- f. Professional services
- g. Line of Credit
- h. HEDRA reserves the right to limit the ED RLF to businesses operating in accordance to the goals and objectives of the city.

#### **D. Timing of Project Expenses**

No project should commence until HEDRA has approved the loan application. Any costs incurred prior to the approval of the loan application are generally not eligible expenditures.

#### **E. Priorities**

- a. Priority will be given to projects which include one or more of the following:
  - i. Majority BIPOC ownership of the business or property
  - ii. Job Creation, specifically jobs paying a livable wage
  - iii. Job Retention
  - iv. A beneficial impact on the Vermillion Street Corridor
  - v. A beneficial impact on the Industrial Park
  - vi. A beneficial impact to Downtown Hastings
  - vii. Increase in property valuation
- b. The RLF program is an Equal Opportunity Lender and will not discriminate based on gender, race, religion, sexual preference, age, etc. in its loan decisions.

### **SECTION 3: TERMS AND CONDITIONS**

#### **A. Financing Methods**

Upon proof of owner's 10% equity share, RLF dollars shall not exceed 50% of total project cost.

#### **B. Financing Policy**

Up to 100% of the RLF dollars may be used for fixed asset financing, however no more than 30% of RLF dollars may be used for working capital loans.

#### **C. Terms**

- a. Loans will have a fixed interest rate which shall be based on the Prime rate as published in the Wall Street Journal at the time the loan application is submitted. The loan is payment and interest free for the first year. The interest rate is subject to the following interest rate discounts, which may be combined:
  - i. Applicants committing 15% or more in cash equity to a project will receive a 0.25% discount on their interest rate.
  - ii. Projects that have been approved for financing from a private commercial lender for at least 60% of the total project cost will receive a 0.25% discount on their interest rate.
  - iii. Applicants that are able to demonstrate that they have consulted with the "Open To Business" program, free to all Hastings residents and businesses, will receive a 0.25% discount on their interest rate.
  - iv. A 0.25% discount on interest will be provided for any project that involves any one of more of the following:
    - Installation of fire suppression systems
    - Installation of environmental infrastructure, such as vapor mitigation systems.
    - Abatement of hazardous building materials, such as asbestos
    - Installation of solar, geothermal, or wind energy systems or technologies
- b. The interest rate determined after any possible discounts shall be the fixed interest rate throughout the duration of the loan.
- c. The term of the loans may vary according to the type of the project, use of funds, cash flow needs, etc. However, the maximum loan terms shall be the following:
  - i. Real Estate: 15 years
  - ii. Machinery & Equipment: 10 years
  - iii. Working Capital: 3 years

- d. In order to allow for flexibility, changes in loan terms and conditions may be determined based on project need and/or the beneficial impacts of the project, as approved by HEDRA.

**D. Fees**

A 1% origination fee for the loan will be required. The applicant will be responsible for all legal, title insurance, recording, and other fees required for the protection of a securing interest in the loan. All legal and filing fees shall be paid by the borrower at loan closing.

**E. Collateral**

- a. The City of Hastings shall have first position lien on real property and/or machinery and equipment financed by the RLF, unless the need to subordinate to another lender is demonstrated.
- b. Whenever possible, personal guarantees will be made part of any loan agreement.
- c. Other conditions, including title insurance, or performance standards or penalties may be required depending on the circumstances of the proposed project.

**SECTION 4: APPLICATION PROCEDURES**

**A. Preliminary Meeting**

Prior to submission of an application, the potential applicant shall meet with ED staff to discuss the proposed project and program requirements.

**B. Application Format**

Applicants shall submit a loan application package consisting of the following:

- a. Completed RLF Application form, including requested attachments
- b. A Business Plan
- c. Documentation and/or Statement of Need for RLF involvement in the project
- d. Commitment Letters (equity, private funding, etc.)

**C. Application Submittal**

The completed application and all required attachments shall be submitted to:

Eric Maass, Economic Development Coordinator  
101 4<sup>th</sup> Street East  
Hastings, MN 55033  
[EMaass@hastingsmn.gov](mailto:EMaass@hastingsmn.gov)

Please note, acceptance of applications is subject to the availability of RLF dollars.

**SECTION 5: REVIEW PROCESS**

**A. Staff Review**

The ED staff shall review the application for completeness and verification that the proposed project meets the standards and eligibility requirements of the program. Once a complete application is analyzed, ED staff will prepare a recommendation to HEDRA.

**B. City Compliance**

All projects must be in compliance with all city codes and/or necessary permits before any funds are disbursed.

**C. Credit Check**

The ED staff will perform a credit check on both the company's principals and the business.

**D. Negotiation of Terms**

Upon completion of the application review with a favorable recommendation, the ED staff will meet with the applicant to negotiate terms, including loan amount, interest rate, term of loan, collateral pledged, title

requirements, and repayment schedule. The agreed upon terms will be part of the loan package recommendation presented to HEDRA.

**E. Formal Review**

HEDRA will meet to formally review the application and staff recommendations. Applicants are encouraged to attend the meeting to provide additional information and/or answer any questions by committee members.

**F. Notice of Award/Denial of Application**

If the application is approved and negotiation of terms are agreed upon, the applicant will be sent a notice of award letter. The notice letter will have a timeline of when loan documents should be completed and a suggested loan closure date. If the application is not approved, the applicant will be sent a letter of denial stating the reason for denial.

**SECTION 6: DISTRIBUTION OF FUNDS TO APPROVED APPLICANTS**

**A. Loan Agreement**

Prior to the city's distribution of RLF funds, all appropriate documentation, including loan agreement, promissory note, repayment schedule, security instruments, personal guaranty, and any others deemed appropriate, shall be prepared and executed.

**B. Evidence of Expenditures**

The business must provide documentation related to RLF fund expenditures prior to the release of RLF funds. Documentation may include invoices, receipts, final bills of sale, cancelled checks, or other documentation as deemed appropriate by ED staff.

**SECTION 7: ADDITIONAL REPORTING REQUIREMENTS**

**A. Job Creation & Retention**

The loan recipient will be required to complete documentation, on an annual basis, that details the number of jobs created and/or retained.

**B. Property Valuation**

Property valuation will be completed at time of project completion.

**C. Leverage Commitments**

The loan recipient will be required to provide documentation detailing the use of funds committed for leveraging. Documentation may include invoices, receipts, final bills of sale, cancelled checks, or other documentation as deemed appropriate by ED staff.

**SECTION 8: REPAYMENTS AND DEFAULT**

**A. Repayments**

All payments are due within 30 days of the billing date.

**B. Prepayment of Loan**

There is no prepayment penalty.

**C. Late Payments**

Any payments not paid within ten (10) days of the due date will pay a late fee equal to 5% of the amount of the installment due. Loan recipient will be contacted by HEDRA staff requesting the account is brought current. After sixty (60) days, HEDRA staff will send a letter requesting full remittance of late payments.

**D. Default**

Failure by the business to make any payment of principal or interest within ninety (90) days after payment is due and payable or as otherwise required in the loan documents shall be considered a default. In the event of a default, all sums due and owing to the city shall, at the city's option, become immediately due and payable. The business will receive a written notice specifying the following:

- a. The default.
- b. The action required to cure the default.
- c. The date, not less than sixty (60) days from the date of the notice, by which the default must be fully satisfied to avoid foreclosure or other collective action.

**E. Call of Loan**

A loan may become due and payable in full if a business relocates outside of the city of Hastings prior to the maturity date of the loan.

**SECTION 9: PROJECT & LOAN CLOSURE REQUIREMENTS**

**A. Project Closeout**

Upon completion of the project funded by the RLF, the business shall notify the city that the project has been completed. Loan recipients may document closure with photographs of completed work, as well as other statements related to the project.

**B. Loan Closeout**

Thirty (30) days before closing out the loan, the business should contact the city for the final payment amount. Once final payment is submitted, the business will be sent a copy of originating loan documents, as well as a letter confirming loan is closed and "paid in full".

**CITY OF HASTINGS ECONOMIC DEVELOPMENT  
REVOLVING LOAN FUND APPLICATION**

**SECTION 1: CONTACT INFORMATION**

Legal Name of Business: \_\_\_\_\_

Project Site Address: \_\_\_\_\_

City / State / Zip: \_\_\_\_\_

Primary Business Contact Person(s): \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Check One: Proprietor  Corporation  Partnership

FEIN # \_\_\_\_\_

**SECTION 2: PROJECT OVERVIEW**

Amount Requested: \$ \_\_\_\_\_

Total Project Cost: \$ \_\_\_\_\_

Please provide a brief summary of your company and its products and/or services.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please provide a brief summary of the proposed project.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please describe how these funds will impact your project.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SECTION 3: INTEREST RATE DEDUCTIONS**

- 1. Is the Applicant provided 15% or more in cash equity to the project?    Yes    No
- 2. Is financing secured from a private commercial lender for at least 60% of the total project cost?    Yes    No
- 3. Has the Applicant completed a consultation with the Open To Business program?    Yes    No
- 4. Does the project involve any of the following?
  - a) Installation of fire suppression systems    Yes    No
  - b) Installation of environmental infrastructure, such as vapor mitigation systems.    Yes    No
  - c) Abatement of hazardous building materials, such as asbestos    Yes    No
  - d) Installation of solar, geothermal, or wind energy systems or technologies    Yes    No

**SECTION 4: ESTIMATED PROJECT COSTS**

Land: \$ \_\_\_\_\_

Site improvements: \$ \_\_\_\_\_

New Building: \$ \_\_\_\_\_

Equipment/Machinery: \$ \_\_\_\_\_

Remodeling/Renovation: \$ \_\_\_\_\_

Demolition: \$ \_\_\_\_\_

Working Capital: \$ \_\_\_\_\_

Permits/Fees: \$ \_\_\_\_\_

Other (attach description) \$ \_\_\_\_\_

**Total Costs \$ \_\_\_\_\_**

**SECTION 5: SOURCES OF FINANCING**

Bank Loan: \$ \_\_\_\_\_

Bank Name: \_\_\_\_\_

Loan Officer Name & Contact Info: \_\_\_\_\_

Additional Bank Loan (if applicable): \$ \_\_\_\_\_

Bank Name: \_\_\_\_\_

Loan Officer Name & Contact Info: \_\_\_\_\_

Additional Private Funds (amount & source): \$ \_\_\_\_\_

Owner/Business Equity: \$ \_\_\_\_\_



State Funding (amount & program): \$ \_\_\_\_\_

Federal Funding (amount & program): \$ \_\_\_\_\_

Other Sources of Funding (amount and description): \$ \_\_\_\_\_

**Total Financing:** \$ \_\_\_\_\_

**SECTION 6: JOB CREATION (if applicable)**

Current number of Employees (working at Hastings location): \_\_\_\_\_

Total number of jobs to be created (in Hastings) over the next **two** years: \_\_\_\_\_

Job Title	Number of Positions	Hourly Wage w/ Benefits	Expected Hiring Date

**SECTION 7: REQUIRED ATTACHMENTS CHECKLIST**

Please attach the following with completed application:

- 1. Written Business Plan, including the following:
  - a. Business overview and company history and ownership
  - b. Date Established
  - c. Products/Services
  - d. Future Plans
  
- 2. Three Years of Historical Financials and Financial Projections
  
- 3. Personal Financial Statements of Proprietor, Partners, Guarantors
  
- 4. Letter of Commitment from Financing Sources

**SECTION 8: AGREEMENT**

I/We certify that all information provided in this application (and its attachments) is true and correct to the best of my/our knowledge. I/We authorize the City of Hastings to check credit references and verify financial and other information. I/We agree to provide any addition information as may be requested by the City of Hastings and HEDRA.

APPLICATION SIGNATURE: \_\_\_\_\_

PRINTED NAME & TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_