

**CITY OF LONSDALE  
ORDINANCE 2016-268**

**AN ORDINANCE REPEALING CITY ORDINANCE 2012-251  
AND AUTHORIZING THE ECONOMIC DEVELOPMENT AUTHORITY OF  
LONSDALE TO ESTABLISH A REVOLVING LOAN PROGRAM**

Ordinance 2012-251 of the City Code for the City of Lonsdale is hereby repealed and in lieu of, the following shall be adopted:

The City Council of the City of Lonsdale hereby ordains:

**SECTION 1. PURPOSE.**

The Lonsdale Economic Development Authority (“EDA”) hereby establishes a Revolving Loan Program in compliance with Minnesota Chapter 469. The overall goal for the Revolving Loan Program is to stimulate Lonsdale’s economy and expand its tax base by providing low interest loans to small and medium sized businesses.

**SECTION 2. ADMINISTRATION.**

The Board of Commissioners of the Lonsdale EDA is the policymaking and loan recommendation body for the Revolving Loan Program. The EDA is responsible for revising the guidelines and recommending approval of loans. The City Council will approve all loans. The EDA staff will be responsible for day-to-day administration, working with applicants on proposed projects, collecting data, performing pre-loan analysis, overseeing loan processing, preparing agreements and monitoring projects progress. In its discretion, the EDA may choose to pay the applicant’s vendor(s), contractor(s), subcontractor(s), etc. directly.

**SECTION 3. ELIGIBLE LOAN ACTIVITIES.**

1. Loan funds may be used for:
  - a. acquisition of land and/or buildings(s);
  - b. rehabilitation of building(s);
  - c. new construction;
  - d. purchase of equipment;
  - e. inventory; and
  - f. working capital (no more than 25% of loan)
2. To qualify for this program, the Business must be located in or relocating to the City of Lonsdale as defined by corporate city limits.
3. Land and building must be privately owned, taxable property and proposed for manufacturing and/or commercial activities.
4. All building(s) purchased or rehabilitated with funds from the Revolving Loan Fund, must be brought into compliance with all Lonsdale building codes.

Proposed uses for the purchased or rehabilitated buildings must comply with the City's Zoning Ordinance.

#### **SECTION 4. SECONDARY LOAN ACTIVITIES**

Loans may not be used for refinancing existing indebtedness.

#### **SECTION 5. LOAN TERMS/CONDITIONS**

Financial assistance from the Revolving Loan Program is designed to make projects economically feasible. Loan terms and conditions are determined from the information submitted in the loan application. The following are the minimum loan conditions:

1. Interest Rate – The interest rate shall be set at a fixed rate of 2%.
2. Term – The purchase or rehabilitation of fixed assets, including real property or equipment may be financed up to a maximum of 10 years. Length of loans will be determined on a case-by-case basis.
3. Loan Limits – The maximum loan amount is \$100,000.00 and is based upon available loan funds. In its discretion, the EDA may choose to provide a loan in excess of \$100,000.00 after considering the number of jobs the loan will create and the increase to the City's tax base.
4. Equity – Each applicant must supply a minimum of 20% of the total project cost as cash and/or fixed assets. "Sweat Equity" will not be considered part of the equity required by the applicant.
5. Security – The applicant shall provide a minimum of one of the following forms of collaterals for the principle of the loan: (1) Personal and/or Corporate Guarantee; (2) Letter of Credit; (3) U.C.C. filing (on equipment); (4) lien on a parcel owned by the applicant. If an applicant is leasing or purchasing the property Contract for Deed, the owner or deed holder must approve a lien being placed against the property. The collateral shall be in a form acceptable to the City Attorney.
6. Project Initiation – All loan funds must be expended within six (6) months from the date of the loan approval. If all funds are not expended with six (6) months, the applicant may request an extension. If the loan funds are used for the purchase of property, the applicant shall sign a repurchase agreement with the EDA/City.
7. Application Fee – A non-refundable application fee of \$350.00 shall be due at the time of the application. In addition, the applicant shall be responsible for all other expenses relating to the processing of the application, including but not limited to: attorney fees, credit reports, closing costs, Dunn & Bradstreet, recording fees, UCC filing, etc.

8. Annually, while there is a balance due on the loan, the borrower shall provide the EDA an Annual Income and Balance Sheet for review by it or its agents.

The Revolving Loan Program is intended to be flexible and assistance is customized to meet the particular needs of individual projects.

**SECTION 6. APPLICATION PROCESS**

The City of Lonsdale shall process and administer each loan in a manner, which is usual and customary with regard to other loans under similar circumstances. The basic steps for securing a loan are as follows:

1. Applicant meets with Lonsdale EDA staff to discuss the proposed project and loan program guidelines. If the proposed project meets program objectives and other eligibility items, then the applicant shall complete the application, which includes:
  - A. Detailed statement describing nature of business and proposed plans;
  - B. Project description – purpose of loan and expected benefits to the City. Itemize and provide cost estimate for building improvements and/or equipment;
  - C. Five-year cash flow projection;
  - D. Compiled profit and loss statement for the past two (2) years (if applicable);
  - E. Personal and business tax returns for the last two years of the applicant and any other investor in the project (for use in connection with applicant’s equity requirement);
  - F. Proof of current ownership of real property, equipment or other items necessary for project. If the real property is not owned by the applicant, the applicant shall provide a copy of the lease or Contract for Deed.
  - G. Proof of applicable insurance;
2. Upon receiving a complete application, Lonsdale EDA staff will review the application and make a recommendation to the Board of Commissioners. The EDA will use the following criteria in determining whether to recommend a loan to the City Council:
  - a. probability the project will create long-lasting jobs in Lonsdale;
  - b. applicant’s previous financial stability; and
  - c. compliance with City’s codes.

Upon a recommendation by the Board, the City Council will consider the loan request. Upon approval of the loan by the City Council, all necessary documents

in connection with the loan will be prepared by the City Attorney and shall be executed by the Mayor and City Administrator.

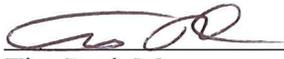
3. After the agreement is executed, construction or equipment invoices (invoices for completed work or materials on site) shall be submitted to EDA staff and checked for monthly approval and payment or as approved on a case-by-case basis by the EDA Board of Commissioners.

**SECTION 7. APPLICATION TIMETABLE**

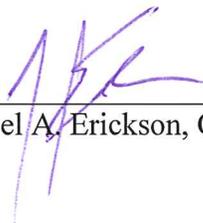
Completed Applications shall be submitted no later than the first business day of each month in order to be reviewed by the EDA at their regular meeting that month. Upon a completed application being submitted, a decision on the loan will be made within sixty days.

Effective immediately upon acceptance of City Council and publication in the official newspaper.

Adopted by the City Council of the City of Lonsdale this 10<sup>th</sup> day of March, 2016.

  
\_\_\_\_\_  
Tim Rud, Mayor

ATTEST:

  
\_\_\_\_\_  
Joel A. Erickson, City Administrator

( S E A L )