
CITY OF SWEA CITY

**ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND**

SIMMERING-CORY, INC.

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

In an effort to promote and encourage economic development within the community, the City of Swea City has established a Revolving Loan Fund to provide financial assistance to new and expanding businesses. Initial funding for this program was provided through a grant from the Iowa Department of Economic Development using federal Community Development Block Grant funds. These funds carry specific restrictions which must be adhered to both by the City of Swea City and subsequent grant/loan recipients.

PURPOSE

The Revolving Loan Fund Program is designed to provide supplemental financing in support of new and expanding businesses located within the City of Swea City. The revolving loan fund will be used by the City of Swea City to make grants, forgivable loans, direct loans, or loan guarantees for the following purposes:

1. To increase employment opportunities, particularly for low and moderate income residents, by increasing the number and type of business in the City of Swea City.
2. To offer financial assistance that will promote the retention and expansion of existing businesses.
3. To increase the property tax base.
4. To diversify the economic composition of the area by encouraging unique or essential business concerns.

GENERAL GUIDELINES

Type of Assistance. The Loan Fund will provide direct grants or loans to new and expanding businesses within the City. In the case of loans, the interest rate charged and length of the loan will be determined for each project individually based on demonstrated need. Loans at no interest are permitted if such an arrangement is determined to be necessary. In no case will the term of a loan exceed ten (10) years. The maximum loan allowed to a single business is \$50,000.

Eligibility. Applications will be considered from many sectors of the local economy. These include businesses involved in manufacturing, service, or retail activities.

Application Procedure. Applications for the Revolving Loan Fund will be accepted by the City at any time during the year and considered on a continuous basis contingent on the availability of loan funds. The City will take action on complete applications within 60 days of receipt. Action may include funding the application for all or part of the requested amount, denial of the application for funding, or requesting that additional information be supplied prior to making a final decision.

An original and one copy of the application shall be submitted to the City of Swea City. Application forms and instructions will be available upon written request from the City of Swea City, 208 3rd Street North, Swea City, Iowa 50590, or by calling 515-272-4606.

Threshold Criteria. Normally, applicants for the City Revolving Loan Fund must satisfy the following minimum requirements to be eligible for assistance:

- A. Generally, a minimum ratio of one permanent job created or retained for every \$5,000 of grant/loan funds;
- B. Generally, the proposed project must create or retain a minimum of five jobs; job creation projections are for a two-year period;
- C. Grant/loan funds shall provide no more than 35% of the financing for any project up to a maximum of \$50,000;
- D. There must be evidence of new private equity injected into the project;
- E. There must be evidence that Revolving 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 the City;
- H. There must be evidence that no significant negative land use or environmental impacts will occur as a result of the project.
- I. At least fifty-one percent (51%) of the permanent jobs created or retained by the proposed project will be taken by low and moderate income individuals.

All applicants will be required to certify to the City 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 (40 U.S.C. 276a-276a-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 & Title III.
- I. Hatch Act (5 U.S.C. Chapter 15).

Eligible Area. The location of each Revolving Loan Fund project must be within the City of Swea City's city limits. Any Revolving 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. A grant must be repaid immediately and in full if a project is moved outside the corporate limits within 5 years.

Evaluation Procedure. Applications for assistance under the Revolving Loan Fund will be submitted to the City of Swea City. The City Clerk will review the application for completeness and either return the application to the applicant with deficiencies noted or forward the proposal to the Loan Review Committee. The Loan Review Committee will have 30 days to meet and review the application.

The Loan Review Committee may:

- A. Submit the application to the City Council with a recommendation for approval and suggested terms;
- B. Submit the application to the City Council with a recommendation not to approve a project; or
- C. Return the proposal to the applicant for further information or clarification.

Upon receipt of the application from the Loan Review Committee, the City Council will review the proposal at its next regular meeting. If timing is a critical factor in the proposal, the City Council may call a special meeting to consider the application. The City Council may approve the grant/loan and terms of the agreement, disapprove the application, or defer action until additional information is available. The City Council is solely responsible for all decisions made and actions taken in regard to the revolving loan fund.

Loan Review Committee. The Loan Review Committee will be comprised of five members. These members may represent, but are not necessarily limited to, the following interests: banking, accounting, legal, business administration, local government, or development corporation members. Members of the Loan Review Committee will be appointed by the City Council. Members of the Loan Review Committee shall elect one of its members as Chairperson. Vacancies on the board shall be filled in the same manner as the original appointment.

At least 3 out of the 5 committee members must be present in order to vote on a recommendation. A written recommendation which includes the vote tally shall be forwarded to the City Council.

Rating Criteria. The following rating system will be used to rank applications for the Revolving Loan Fund:

- A. Number of jobs per funds requested; jobs to be created must be within a two-year period. Generally speaking, loans exceeding \$5,000 per job created will not be awarded. However, consideration will be given to the wage level and fringe benefit package of the jobs created, as well as other extenuating circumstances which may require special consideration. (100 points possible).
- B. Percent of funds other than Revolving Loan Funds in the project. (100 points possible).

- C. Need for an impact of the project; consideration will include resultant new economic activity, quality of jobs, project schedule, property tax enhancement and other effects on the local tax base. (200 points possible).

The overall reliability and feasibility of application material will be considered.

Priority will be given to projects that create manufacturing jobs, diversify the area's economic composition, are unique or essential business concerns, and/or export products and services outside the State of Iowa. Restructuring of existing loans and single retail establishments will be considered low priorities.

Application Information. The City will utilize the Iowa Department of Economic Development's Community Development Block Grant Set-Aside application form. The applicant must agree to allow the Loan Review Committee to research the company's history, make credit checks, contact the company's financial institution, and perform other related activities necessary for the reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Review Committee will have the discretion of rejecting the application or rerating it based on correction information.

Loans. If a proposal for a loan is recommended for funding by the City Council, the applicant will sign a loan agreement with the City. This agreement, at a minimum will establish the following:

- A. The interest rate of the loan, whether it is fixed or variable, and the terms of its variability;
- B. The term of the loan;
- C. The frequency of loan payments;
- D. Penalties for late payment;

E. Job creation and/or retention schedule, as provided in the application;

F. Penalties for failure to meet job creation or retention goals.

Interest rates may differ between projects. Rates charged depend upon the needs of each project and the degree to which the proposal is in conformance with the goals and priorities of the City's Revolving Loan Fund Program.

Loans may be long or short term, not to exceed 10 years depending upon the particular situation. The term may vary from project to project.

Revolving 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, may be required.

Loans 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.

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

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 loan funds received from the City will be subject to disallowance and immediate repayment. The maximum percentage of loan funds which may be

disallowed due to failure to achieve performance targets within two years, will be equal to the percentage of the performance targets not achieved.

Submission of semi-annual statements and job creation reports shall be required of all borrowers. Copies of such reports will be given to the Chairperson of the Revolving Loan Fund Committee.

Grants. If a proposal for a grant is approved for funding, the applicant may be required to sign a grant agreement with the City which spells out any terms or conditions being required by the City relative to receiving grant funds.

Administration of the Fund. The Swea City City Clerk will be responsible for maintaining the appropriate accounting recording relating to the operation of the Revolving Loan Fund. The Swea City City Council will direct the City Clerk 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 City Clerk or may be subcontracted to a qualified individual or firm. Costs for the administration of the Swea City Revolving Loan Fund may be derived from interest payments on loans made from the fund, from the local development corporation, or from the City of Swea City funds.

OTHER CONSIDERATIONS

Conflict of Interest. City officials shall avoid any conflict of interest regarding the Revolving Loan Fund. The City Council and their legal counsel will decide on conflict of interest situations.

Capitalization of Fund. The City agrees that the Revolving Loan Fund will be capitalized at a level of at least \$50,000 within 5 years of the effective date of the

Community Development Block Grant - Economic Development Set-Aside Contract. This will be accomplished with the repayment of funds from the existing, as well as any future Community Development Block Grant projects.

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

Plan Amendments. The City Council may amend this plan by resolution, after holding a public hearing on the proposed change in accordance with applicable State law.