

CITY COUNCIL RESOLUTION #10-06

Supporting EDA Resolution #09-03

WHEREAS, the Economic Development Authority (EDA) of the City of Pine City ordained and established a revolved loan (RLF) program to be administered by the EDA, and

WHEREAS, the EDA modified the RLF guidelines at their regular meeting held on September 23, 2009;

BE IT RESOLVED by the City Council of the City of Pine City, Minnesota, that the City of Pine City hereby does support, endorse, and adopt the policies as shown in Resolution 09-03 of the Pine City Economic Development Authority as revised on December 23, 2009 (attached here as Exhibit A).

AND FURTHERMORE, the policies shall be effective immediately upon adoption of this resolution.

Adopted by the City Council of the City of Pine City, Minnesota, on this 6th day of January, 2010.

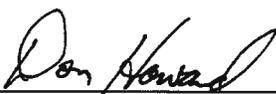
Voted in favor: Scholin, Miller, Janssen, Robbins

Voted against: none



Mayor Jane Robbins

ATTEST:



Don Howard, City Administrator

Exhibit A
EDA Resolution #09-03
(Revised December 23, 2009)

*A Resolution Authorizing the Economic Development Authority of
Pine City to Modify the Revolving Loan Program*

WHEREAS economic development is critical to Pine City's future vitality and it is the City's desire to promote development;

WHEREAS the Economic Development Authority (EDA) of the City of Pine City ordained and established a revolving loan (RLF) program to be administered by the EDA.

WHEREAS the EDA desires to modify the RLF guidelines to reflect the following:

PURPOSE

The overall goal for the Pine City EDA's Revolving Loan Program is to stimulate Pine City's economy by providing low interest loans to small and medium sized businesses.

ADMINISTRATION

The Board of Commissioners of the Pine City EDA is the policymaking and loan approval body for the Revolving Loan Program. The EDA is responsible for revising guidelines and approving 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.

ELIGIBLE LOAN ACTIVITIES

1. Loan funds may be used for acquisition of land and/or buildings(s), rehabilitation of building(s), new construction and purchase of equipment in connection with starting a new business or expanding an existing business.
2. Land and building must be privately owned, taxable property and proposed for manufacturing and/or commercial activities.
3. If building(s) are being purchased or rehabilitated with funds from the Revolving Loan Fund, all Pine City building code violations must be remedied. Codes cannot be out of compliance with zoning.

SECONDARY LOAN ACTIVITIES

Loans may not be used for refinancing existing indebtedness or projects begun prior to loan application.

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

1. **Interest Rate** – The interest rate shall be set at a fixed rate of 2 points below the prevailing Prime Interest Rate as published in the Wall Street Journal on the date that the loan is approved by the EDA. At no time shall the interest rate be less than three (3)%.
2. **Term** – Fixed assets may be financed up to a maximum of 10 years. Terms for other purposes will be flexible.
3. **Loan Limits** – The maximum loan amount is \$50,000 and is based upon available loan funds.
4. **Equity** – Each applicant must supply a minimum of 30% of the total project cost as cash and/or fixed assets.
5. **Security** – The business owner will be required to provide personal guarantees for the loan amount. Other security may be required as appropriate.
6. **Project Initiation** – All loan funds must be expended within twelve (12) months from the date of the loan approval. If all funds are not expended within 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** – The application fee is \$100.00. The application fee is non-refundable.

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

APPLICATION PROCESS

The City of Pine City 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 Pine City EDA staff to discuss proposed project and loan program guidelines. If project meets program objectives and other eligibility items, then applicant completes the attached application, which includes:
 - A. Statement describing nature of business and proposed plans;
 - B. Project description – purpose of loan and expected benefits. 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 financial statement(s) (for use in connection with applicant's equity requirement);
 - F. Any other pertinent data
2. The Pine City EDA staff will review an application and make a recommendation to the Board of Commissioners. Upon approval, a Development Agreement and all other necessary documents in connection with the loan will be prepared by the Pine City EDA staff and shall be executed by the President.
 3. After agreement is executed, construction or equipment invoices (invoices for completed work or materials on site) shall be submitted to the EDA staff and checked for monthly approval and payment or as approved on a case-by-case basis by the EDA Board of Commissioners.
 4. A draw down method for loans may be established between the EDA and the applicant based on progress.

TIMETABLE

Applications may be submitted monthly no later than the first business day of each month.

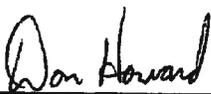
These policies shall be effective immediately upon adoption of City Council.

Adopted by the EDA Board of Commissioners of the City of Pine City this 23rd day of September, 2009 and revised on the 23rd day of December, 2009.



Kevin Anderson, Chair

ATTEST:



Don Howard, City Administrator