

## **MAHASKA COUNTY REVOLVING LOAN FUND**

### **A. GENERAL PURPOSE OF THE FUND**

These loan funds that will be made available come from repayments of loan(s) issued by Mahaska County from funds received by the County through the Community Development Block Grant (CDBG) Economic Development Set-Aside program. Because of program requirements from the CDBG Set-Aside program the primary focus will be on assisting industries that desire to locate, expand or diversify their business into Mahaska County. Priority on award of these funds shall be given to applicants that will provide 51% or more of the jobs created/retained as a result of loans under this program to persons of low and moderate income (defined as 80% of the median income for Mahaska County).

### **B. ELIGIBLE ACTIVITIES**

Loans through the revolving loan fund may be utilized for the following activities:

1. Acquisition of land or buildings.
2. Building construction or renovation.
3. Machinery and Equipment purchases.
4. Consultant/attorney fees related to the project.
5. Site preparation.
6. Infrastructure improvements (water, sewer, roads, etc.) related to the project.
7. Training costs associated with the hiring of new employees or retraining of existing employees as a direct result of the proposed project, provided:
  - a. The business/industry can show that adequate training funds can not be obtained through other programs, or;
  - b. The business/industry waives its right to pursue funds from other job training programs.
8. Startup inventory.
9. Fees associated with the filing of legal documents related to loans made from the fund.

There will be extra consideration given to manufacturing, industry and commercial businesses as opposed to retail and service-type businesses. Emphasis will also be given to those businesses that will be creating new jobs, adding additional jobs and new development.

### **C. ELIGIBLE AREA**

All activities funded with loans from this fund shall be for activities that are located within Mahaska County, other than training if the most cost effective method of providing necessary training is by conducting the training outside of Mahaska County.

### **D. DESCRIPTION OF ELIGIBLE BUSINESSES**

Loan funds shall be utilized to provide an incentive to business/industries that desire to locate, expand or diversify their operation in Mahaska County. This revolving loan fund cannot be utilized to assist businesses that are proposing to relocate jobs from one labor area to another without creating new jobs. Commercial businesses will not be considered for assistance unless the nature of that business meets the needs and feasibility criteria determined by the Mahaska County Revolving Loan Fund Board and recommended by the Mahaska Board of County Supervisors. **Businesses applying for funds may not utilize loan proceeds for:**

1). Agricultural production, which means the cultivation, production, (growing), harvesting, either directly or through integrated operations, of agricultural products, (crops, animals, birds and marine life, either for fiber or food for human consumption, and disposal or marketing thereof, the raising, housing, feeding, breeding, hatching, control and/or management of farm and domestic animals). **Exceptions to this definition are:**

- a) Aquaculture including conservation, development, and utilization of water for aquaculture. Aquaculture means the culture or husbandry of aquatic animals or plants by private industry or commercial purposes including the culture and growing of fish by private industry for the purpose of granting or augmenting publicly owned or regulated stocks of fish.
  - b) Commercial nurseries primarily engaged in the production of ornamental plants and trees and other nursery products such as bulbs, florists' greens, flowers, shrubbery, flower and vegetable seeds, sod, the growing of vegetables from seed to the transplant stage.
  - c) Forestry, which includes establishments primarily engaged in the operation of timber tracts, tree farms, forest nurseries, and related activities such as reforestation.
  - d) Financial assistance for livestock and poultry processing.
  - e) The growing of mushrooms or hydroponics.
- 2) The transfer of ownership unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area, or provide expanded job opportunities.
  - 3) Community antenna television services or facilities.
  - 4) Legitimate business activities when more than 10% of annual gross revenue is derived from legalized gambling activities.
  - 5) Any illegal activity.
  - 6) Any otherwise eligible project that is in violation of either a Federal, State or local environmental protection law or regulation or an enforceable land use restriction unless the financial assistance required will result in curing or removing the violation.
  - 7) Any hotel, motel, tourist home, convention center or restaurants.
  - 8) Any tourist, recreation or amusement center.
  - 9) Golf courses, race tracks, or gambling facilities.
  - 10) Lending and investment institutions and insurance companies.

#### **E. TYPE AND AMOUNT OF ASSISTANCE**

Funds shall be distributed in the form of loans. Terms of the loans issued shall be negotiated with the business/industry but in no event shall exceed the amortization of borrowed funds from other sources for the project. Interest rates on commercial loans shall be negotiable but shall not be negotiated lower than 2% below other major financing involved in the project. This disparity in rates between industrial and commercial loans exists because of the historically greater risk involved in commercial ventures vs. industrial, as well as the importance of industrial jobs to the overall growth and prosperity of the county. It is anticipated that these revolving loan funds will be subordinate to other current debts of the business/industry and other debt incurred as a result of the proposed project.

Funds may be awarded to a borrower in an amount not to exceed the lesser of:

- 1) The amount of funds on hand in the revolving loan fund.
- 2) Not more than \$15,000/job created/retained (within 2 years) for an industrial project no more than \$3,000 for a commercial project.
- 3) Not more than 20% of total project cost.
- 4) Typically private equity of 10% or more is desirable.
- 5) Loans may be denied if other financing is available.

#### **F. CAPITALIZATION OF THE REVOLVING LOAN FUND**

Initial capitalization of the fund shall be through repayments made by Oskaloosa Food Products, Inc. as a part of their CDBG Set-Aside loan. These payments are anticipated to be in the amount of \$12,666.67/year, beginning on 2/15/93 for five years. Not more than 50% of the revolving loan fund cash balance as of first day of January each year shall be set aside for loans to commercial enterprises. Funds set aside for commercial projects in each year shall not be carried forward to the next year if not expended. If an industrial project(s) applies for more than is available after the commercial set aside for the calendar year has been established and there are not sufficient applications for the commercial set aside of funds the Supervisors may make an award for any amount up to the full amount of funds on hand in the revolving loan fund at the time of application (within the scope of item "G." above).

#### **G. BENEFITS TO LOW AND MODERATE INCOME PERSONS**

Priority will be given to business/industrial applicants that will provide 51% benefit to low and moderate-income persons in the jobs that will be created/retained as a result of participation in the revolving loan fund. Low and Moderate-income shall be defined as 80% of the median family income for Mahaska County as periodically determined by the Department of Housing and Urban Development.

#### **H. LOAN APPLICATION PROCESS**

Application for Revolving Loan Fund monies shall be made by the business/Industrial applicant on the form provided as Exhibit A. Copies of the application will be on file with the Mahaska County Agricultural and Rural Development Director, and loan documents are on file at the Mahaska County Auditor's office. When the application is completed it shall be submitted to the Director of the Mahaska County Agricultural and Rural Development who shall be responsible for calling a meeting of the loan review committee (composition of the loan review committee is outlined in item "K" below). The committee shall make every effort to make a recommendation to approve or deny the application to the Mahaska Board of Supervisors with 30 days of receipt of the application. Criteria to be considered in review of all applications shall be:

1. The amount of revolving loan funds requested per job created/retained.
2. Percent of funds other than revolving loan funds.
3. The credit worthiness of the proposed business venture and/or principals.
4. Need and impact of the project. This would include an evaluation of how the project impacts the community, the quality of the jobs created, the time schedule involved in the project and the necessity and appropriateness of the request for participation in the revolving loan fund. (Because the original source of funds to establish the revolving loan fund is through repayment of a loan made by Mahaska County with Federal grant funds to Oskaloosa Food Products, Inc. projects funded under this revolving loan fund must meet the "necessary and appropriate" criteria to be considered for funding.

More simply stated the revolving loan funds may only be provided to a business that truly needs the assistance, and that only the minimum amount of funds needed may be provided.

The only three criteria to determine this need are: a.) a financing gap; b.) insufficient return on investment, or; c.) location disadvantages).

Provided the recommendation is received in time, the application will be included for action on the agenda of the next regularly scheduled meeting of the Mahaska Board of Supervisors. If timing of loan approval is critical to the business/industry, the Supervisors may call a special meeting (with necessary notice to the public of the meeting) to consider the application.

#### **I. LOAN AGREEMENTS**

Prior to commencement of any project, the applicant must have received loan approval from the loan review committee. The cost of any work accomplished prior to loan approval shall not be counted toward meeting the goals of the project as outlined in the application. No payments will be made from the loan fund until an agreement has been executed by the Borrower. The loan agreement shall be in substantial conformance with Exhibit B. Loans will be secured in a manner consistent with the intended use of the funds (UCC filings on machinery and equipment, inventory, etc., and mortgage on real estate acquisitions/improvements).

#### **J. MONITORING OF PROGRESS**

On a semi-annual bases, the borrower shall submit two copies of a report explaining the progress that has been made toward attainment of the goals as outlined in the application. One report shall be provided to the Mahaska County Board of Supervisors. The other copy shall be provided to the loan committee. The reports shall also include evidence of the number of jobs created/retained to date. At the end of the calendar year, the Revolving Loan Fund committee will meet to review these semi-annual reports and make note of progress. If progress has failed to meet the guidelines set forth in the loan agreement, the report will be made to the Mahaska County Board of Supervisors who will make the deciding penalties for not complying with the loan agreement.

#### **K. ADMINISTRATION OF THE FUND**

The loan fund will be administered by the Mahaska County Board of Supervisors. In an effort to assist in making decisions concerning the administration of the loan fund the Supervisors will establish a revolving loan review committee that will be comprised of the Chairman of the Mahaska County Agricultural and Rural Development Group, one member of the Mahaska County board of Supervisors, one local banker, one local business owner and one local agricultural businessman appointed by the Supervisors. Revolving Loan Fund monies will only be allowed to be utilized for project eligible activities as outline in "B" above and fees associated with recapture of loan funds from borrowers not in compliance with the terms of their agreement. All payments on loans issued through this fund shall be due and payable in the amounts and at the time specified within the loan agreement to the Mahaska County Treasurer. Idle funds shall be invested, to the maximum extent possible, in interest bearing accounts.

#### **L. PROJECT CLOSEOUT/COMPLETION**

When evidence that all activities (including job creating) as spelled out in the loan agreement are completed a certificate of completion shall be issued.

#### **M. DEFUALT OR NONCOMPLIANCE**

It is anticipated that from time to time loan delinquencies will occur. A late payment penalty of 1%/month of the payment amount shall be assessed to all payments over ten days late in payment. If delinquencies occur in excess of the ten day limit the Mahaska County Treasurer shall notify the loan review committee of the delinquency so that a personal contact by a member(s) of the loan review committee can be made with the borrower to determine the cause and offer any technical or consultant service deemed appropriate. In the event that a second delinquency occurs within a 3-month period from the last delinquency, the business shall appear before the loan review committee to determine the nature of the continued delinquency. Failure to comply with the reasonable request of the loan review committee and repeated delinquency may result in the loan review committee recommending to the Mahaska Board of Supervisors to accelerate the interest rate of the loan or calling for full payment on the loan. Restructuring of the loan may be one of the remedies considered by the loan review committee, but if it is determined that this would only forestall inevitable failure of the business to meet its debt, restructuring agreements will not be considered.

#### **N. AMENDMENTS TO AND REVIEW OF THE PLAN**

The revolving loan fund plan may be amended from time-to-time as deemed necessary and appropriate by a majority vote of the Mahaska County Board of Supervisors. An annual review will be given to the supervisors which will be conducted by the Mahaska County Revolving Loan Fund Board, at a regular scheduled meeting.

#### **O. OTHER REQUIREMENTS**

In addition to the above requirements for participation in the program the following shall apply:

1. An environmental review shall be conducted for each approved project by the leading lender for this project.
2. Businesses participating in this program shall assure the County that they will not discriminate in the hiring or employment of personnel as a result of participation in the revolving loan fund.
3. If the borrower finances a construction project through the revolving loan fund, he/she must provide assurances that the federal labor standards will be adhered to.
4. If relocation of existing businesses or residents will occur as a result of the proposed project the borrower will be required to submit a plan for how those businesses/residents will be assisted in relocating. The business will be expected to provide relocation benefits comparable to those required in the Uniform Acquisition/Relocation Act.
5. No employee, agent, consultant, officer or appointed official of Mahaska County or the loan review committee shall be eligible to participate in this program without prior approval of the State of Iowa, the United States Department of Agriculture and the Development Housing and Urban Development.

6. Business participating in this program shall abide by all Fair Housing laws as they may apply to the project.
7. Business participating in this program shall abide by the Hatch Act that generally prohibits the use of project funds for political purposes.

**P. Equal Employment Opportunity:**

The Mahaska County Revolving Loan Fund is an equal opportunity provider and requires loan recipients to adhere to all equal opportunity laws.