

LAKE CITY REVOLVING LOAN FUND

PROGRAM GUIDELINES

INTRODUCTION

Thank you for your interest in the Lake City Revolving Loan Fund (RLF). The RLF is a public source of money from which loans are made for business development projects. The RLF is a low-interest, deferred payment loan program that can be used to leverage additional private sources of funding. When interest and principal payments are made to the RLF from outstanding loans, the money “revolves” and can be made available to other borrowers.

The Lake City Revolving Loan Fund may not be used as the primary source of financing for a project. The RLF is typically used to fill a “financing gap” in a business development project if a business owner lacks the funds to meet the equity requirements of traditional bank financing. By combining public and private financing, the risk for the primary lender is reduced which yields an overall lower cost of money for the borrower.

ELIGIBLE USES OF THE REVOLVING LOAN FUND

1. Land & Building Acquisition
2. Land Improvements
3. New Building Construction
4. Building Renovation
5. Machinery, Furniture, Fixtures, & Equipment

INELIGIBLE USES OF THE REVOLVING LOAN FUND

1. Debt Refinancing
2. Working Capital
3. Equipment Relocation
4. Routine maintenance that does not extend the life of the structure

TERMS AND CONDITIONS

1. The term is determined by the RLF Committee and fixed at 5-years or less.
2. Minimum loan fixed interest rate shall equal 5%.
3. Minimum loan amount is \$5,000.
4. Maximum loan amount shall not exceed \$25,000.
5. RLF Loan shall not exceed 50% of the total project costs.
6. Applicant will pay 1 point (1%) to cover legal, recording and other fees.
7. Applicant must establish and maintain the business within the municipal limits of the City of Lake City.
8. All construction and renovation must comply with City Codes and policies; repairs may include mechanical, heating, plumbing, electrical, structural, façade, and energy related improvements.
9. Security and personal guaranty requirements will be determined by the RLF Committee. These requirements shall be consistent with financial industry standards.
10. Life insurance, key man policy, and business interruption policies may be required.

11. Applicant must be willing to sign a personal guaranty if required.
12. A project may commence after the City of Lake City has approved the loan. Any costs incurred before the loan application has been approved may not qualify as eligible expenditures.
13. No building construction may commence until the required City permits have been secured.
14. A loan recipient may apply for an extension of the RLF Loan at a higher interest rate. Extensions must include repayment of principal and interest and be reviewed by the RLF Committee and approved by the City Council.

PROCEDURE

1. Applicant meets with EDA Executive Director discuss project eligibility.
2. Applicant completes & submits the application / required attachments to EDA.
3. EDA Executive Director schedules RLF Committee meeting to review application.
4. RLF Committee reviews application and makes recommendation to City Council. A simple majority of the membership of the RLF Committee is needed for approval. If approved, the recommendation will be placed on the agenda for the next regularly scheduled City Council meeting.
5. EDA Executive Director presents the recommendation to the City Council.
6. If approved, the EDA Executive Director will prepare the Development Agreement and have the documentation reviewed by the City Attorney.
7. Upon completion, the loan is closed and documents are recorded.
8. Loan recipient commences with monthly payments according to the repayment schedule included in the Development Agreement.

Applicant should allow approximately 30 days once the completed application and all required documentation is submitted. The EDA Executive Director is available to assist with all stages of the application process. The RLF Committee will review the loan request utilizing financial industry standards including but not limited to:

1. Applicant is credit worthy
2. Applicant can show lender commitments
3. Applicant is willing to sign a personal guaranty
4. Applicant can pledge adequate collateral
5. Applicant can inject adequate equity

REVOLVING LOAN COMMITTEE MEMBERSHIP

1. City Council Members (May include Mayor)	2
2. Economic Development Authority Members	2
3. City of Lake City Finance Director	1
4. EDA Executive Director	1
5. <u>Community Representative</u>	<u>1</u>
Total RLF Committee Members	7