

# City of Lake Crystal

## **Economic Development**

### **Business Loan Guidelines**

#### Introduction

The major mission of the City of Lake Crystal Economic Development Loan Program is to initiate, facilitate, and promote legitimate economic/industrial development interest in the Lake Crystal area. Program money is intended to complement, not replace, existing development efforts.

#### Economic Development Policy Statement

Economic Development loans under this program are intended to benefit all citizens of the Lake Crystal Community by meeting one or more of the following requirements: promoting the creation or retention of jobs; creating or retaining a stable economic base; increasing the tax base; or promoting the general health, education, and welfare.

The program is intended to be a permanent revolving fund where money is available for new loans on a continuing basis as loans are repaid. Loans under this program will serve as matching funds, up to fifty percent (50%) of the total project cost, to leverage financing from private sources to expand or improve existing business or industry or assist in developing new business or industry. The Lake Crystal Economic Development Authority does not intend the loan program becoming the primary source of a project's development funding.

#### Loan Guidelines and Terms

Application for funds under this program shall be submitted to the Lake Crystal Economic Development Authority. Upon the initial approval of an applicant's loan request by the Lake Crystal Economic Development Authority, the City Council will review, approve or deny, and authorize payment of funds to the applicant(s) upon.

Loans to eligible entities shall range from a minimum of \$5,000 to a maximum of \$50,000. The Lake Crystal Economic Development Authority may consider loan requests exceeding the \$50,000 maximum if two-thirds (5 Board Members) of the Lake Crystal Economic Development Authority agree.

Loans shall not exceed fifty percent (50%) of the projected costs of the proposed project.

The loan period shall be five (5) years: however, the term may be negotiated up to ten (10) years.

Interest rate shall be a one percent (1%) over current Prime Rate.

### Project Eligibility

Preference will be giving to the City of Lake Crystal residents and businesses that utilize city utilities, Lake Crystal Economic Development Authority holds the right to use their discretion per each application submitted.

Projects must be identified clearly to establish the applicant's need for the loan and have local implications.

Economic Development Authority commitment and motion to grant funding must be recorded in the official minutes of a City Council meeting.

Loan funds may be used for: purchase of land, commercial building, renovation of buildings, professional services, working capital and partial down payment assistance may be considered.

**Ineligible Activities:** refinancing of existing debt, agricultural production, past completed projects.

### Form of Presentation

Projects plans and documentation should be worked out within the program guidelines. Two copies of the proposal, together with appropriate statements, shall be submitted through the Lake Crystal Development Authority to the members of the Lake Crystal City Council.

### Loan Proposal Content and Criteria

1. Provide a clear description of the project including but not limited to diagrams of the buildings and expected number of jobs created.
2. An itemized bid for the project and a sources and uses statement. The sources and uses statement should be clear in how much the project will cost and what funds are being used to pay for the project.
3. A Statement of funds pledged or received.

4. A cash flow projection for three (3) years.
5. Business plan for the project. A resume and personal financial statement for the borrowers who intend to carry out the project.
6. Letter of support be signed by the local development agency recommending the project.
7. Applicant agrees to enter into a loan agreement and promissory note upon approval, or personal guarantee if applicable.
8. If the applicant is an existing business, copies of the last two years financial statements of operations shall be included with the loan application.
9. Copies of yearly financial statements shall be submitted to the City of Lake Crystal through the Lake Crystal Development Authority during the period of the development loan.

### Energy Efficiency Incentive Loan Program

Loans up to \$5,000 offered at 0% interest for 5 years are available to businesses within Lake Crystal for energy efficiency and conservation projects.

#### **Eligible Activities:**

Projects eligible for energy efficiency loan program include the following:

- Lighting for new construction
- Lighting retrofits
- High efficiency heating and cooling
- Variable Frequency Drives
- Energy Star rated equipment
- Energy audits and recommended improvement implementation
- Other custom energy efficiency projects

#### **Rates and Terms:**

All loans are 0% interest for term of loan.

- Up to \$1,000: Repayment of 1 year
- \$1,001-\$2,000: Repayment of 2 years
- \$2,001-\$3,000: Repayment of 3 years
- \$3,001- \$4,000: Repayment of 4 years
- \$4,001-\$5,000: Repayment of 5 years

These guidelines became effective and binding for all new grants and loans after May 10, 2022, upon approval of the Lake Crystal City Council. Any changes made to this document were and are not retroactive to grants and loans approved under any development program prior to these changes.

This document was approved by the  
Lake Crystal Development Authority  
on: \_\_\_June 14<sup>th</sup> 2022\_\_\_\_\_