

# CITY OF LA CROSSE, WISCONSIN SMALL BUSINESS DEVELOPMENT LOAN PROGRAM

## GUIDELINES

### AUTHORITY

The Small Business Development Loan Program is initiated under Community Development Block Grant (CDBG) Regulations (24 CFR, Part 570) which are governed by Title I of the Housing and Community Development Act of 1974, as amended. Amendments to the Act authorize the City of La Crosse to use Community Development Block Grant Funds for activities which are necessary or appropriate to carry out economic development projects.

### PURPOSE

The overall goal for the Small Business Development Loan Program is to stimulate La Crosse's economy by providing low interest loans to small businesses. The primary Community Development objectives of assistance to low- and moderate-income persons will be achieved as loans create new jobs for City residents. This Loan Program does not fund start-up companies, but rather focuses on expanding small businesses. This Loan Program is a gap financing program and is not meant to compete with local financing institutions; therefore applicants are required to have documented correspondence from two lending institutions regarding availability of funds.

### ADMINISTRATION

The Economic Development Commission (EDC) is the policy-making and loan-approval body for the Small Business Development Loan (SBDL) Program. The EDC (consisting of three Council Members and four citizens, see [Article IX Sec. 2-403](#) of City Ordinances for more information) is responsible for revising guidelines and approving loans. The City of La Crosse Planning Department will be responsible for day-to-day administration: working with applicants on proposed projects, collecting data, performing pre-loan analysis, overseeing loan processing, and after loan approval, staff is responsible for preparing agreements and monitoring project progress.

### ELIGIBLE LOAN RECIPIENTS

The Small Business Development Loan Program is designed to provide suitable physical facilities and equipment for expanding small businesses. For-profit businesses with less than 100 projected or existing employees in La Crosse are eligible to apply for loan funds (excludes non-profit enterprises, lending, or investment enterprises and financing real property held for investment). Expanding small business must be located or operated within the City of La Crosse. To be eligible an applicant must be current on all obligations to the city, including all real estate and personal property taxes due to the City of La Crosse.

### ELIGIBLE LOAN ACTIVITIES

Loan funds may be used for acquisition of land and/or building(s), rehabilitation of building(s), new construction, and purchase of manufacturing equipment in connection with expanding an existing business. Land and buildings must be privately owned, taxable property, and proposed for manufacturing and/or commercial activity or mixed business/residential use. No loans will be made for mixed-use projects when the cost of the residential improvements exceeds 35% of total project costs. If buildings are being purchased or rehabilitated with City loan funds, all Building Code violations must be remedied to the satisfaction of the City of La Crosse Inspection Department.

### INELIGIBLE LOAN ACTIVITIES

Loans may not be used for working capital, refinancing existing indebtedness (without job creation or

2/5/2019 9:15 AM

redevelopment activity), projects begun prior to loan approval, or other uses not related to physical improvements.

### FEDERAL FUNDING REQUIREMENTS

Since federal funds are being passed from the City of La Crosse to eligible loan recipients, some federal requirements also accompany approved federal loan funds. The following requirements must be met:

1. Environmental Review Procedures (24 CFR, Part 58) provide for assessing the relationship between proposed development projects and their effect on the environment.
2. Federal Labor Standards provisions include regulations and conditions for laborers/mechanics working on federally-assisted projects. Minimum wages, payrolls and basic records, equal employment opportunity, contracts, disputes, and damages are covered under labor provisions.
3. Federal Equal Employment Opportunity Regulations require non-discrimination and equal employment opportunity in connection with federally-assisted projects.

### LOAN TERMS/CONDITIONS

Financial assistance from the City of La Crosse Small Business Development Loan Program is designed to make projects economically feasible. Loan terms and conditions are determined by material submitted in the loan application. Type of assistance is a direct loan under the following terms and conditions:

1. Interest Rate - Interest rate will be variable. Interest rates will be offered depending upon project requirements which are based on financial materials submitted in the completed application.
2. Term - Fixed assets may be financed up to 20 years.
3. Loan Limits - Loans may be made up to 60% of the total project cost on the basis of **\$35,000** per new permanent full-time job created for low and moderate income persons. Maximum loan limit is \$200,000.
4. Equity - Each applicant must supply a minimum 10% of total project cost as cash.
5. Security - Loans will be secured by mortgages in favor of the City of La Crosse and subordinated to no more than a first mortgage. Collateral will be secured at a minimum of \$1/\$1 of loan ratio.
6. Project Initiation - Construction for approved projects shall commence within six (6) months from the date of Committee loan approval.
7. Non-refundable Loan Origination Fees- payment of the fee is required when the application is submitted to the City Planning Department. The fee schedule is:  
  
\$250.00 for a loan application up to and including \$70,000.  
\$500.00 for a loan application of more than \$70,000.
8. Prepayment- Loans may be prepaid without penalty or additional charge.
9. Job Creation Deposit – For every \$35,000 borrowed one full time job must be created for low-and-moderate income persons. A \$100 deposit for each job created is recorded in agreement and required when agreement is signed.
10. Loan Limits – Loans may be taken for up to 60% of the total project cost, not to exceed \$ 200,000.

Terms and Conditions of the Loan Program are intended to be flexible and assistance is customized to meet

2/5/2019 9:15 AM

particular needs of individual projects.

### APPLICATION PROCESS

The City of La Crosse shall process and administer each Small Business Development Loan in a manner which is usual and customary with regard to other loans under similar circumstances. The basic steps for securing a Small Business Development Loan are as follows:

1. Applicant meets with City of La Crosse Planning Department staff to discuss proposed project and loan program guidelines. If at all possible this meeting will be held at the Company so that staff may better learn about the business. Preliminary information needed includes:
  - a. Description of the Company and how long it has been in business;
  - b. What is the proposed project, why is the business expanding and what is the timeline;
  - c. How much funding is needed and what will the funds be used for.
2. If project meets program objectives and other eligibility items, then Applicant submits a completed application along with the application fee.
3. City staff will complete an Environmental Review of the Project.
4. City staff will meet with the primary lender.
5. Loan packaging will be completed by City staff as a recommendation to the City of La Crosse EDC who review the application(s) and take appropriate action. If the application receives approval, a Loan and Development Agreement and all other necessary documents in connection with the loan will be prepared and shall be executed by the Mayor and City Clerk on behalf of the City.
6. After Loan and Development Agreement is executed and federal funding requirements are met, project activities may begin.
7. Construction or equipment invoices (bills for completed work or materials on site) shall be submitted to the City Planning Department and checked by the City Finance Department for monthly approval and payment.

### TIMETABLE

Applications will be processed as quickly as possible, but assume a minimum of 45 days processing.