

CITY OF WEST BEND REVOLVING LOAN FUND

WHAT IT IS:

City of West Bend offers growth businesses a pool of funds that can make loans to businesses wishing to expand or locate in West Bend. These loans are designed to serve as gap financing (typically \$20,000 to \$100,000) and are made at a low interest rate. Principal and interest repaid by those businesses with loans are reinvested back into the fund to be lent out again, making it a "revolving loan fund," or RLF. This program is administered by Economic Development Washington County (EDWC) on behalf of the City of West Bend.

WHO CAN APPLY:

- **★** Authorized representatives of any:
 - Manufacturing,
 - · Related distribution business, or
 - Service business

That wishes to establish a new operation or expand an existing operation in the City of West Bend.

ELIGIBLE ACTIVITIES:

- ★ The acquisition of land, buildings, and/or fixed equipment.
- ★ Site preparation, the construction and/or reconstruction of buildings, the rehabilitation of buildings including leasehold improvements, and/or the installation of fixed equipment.
- ★ Clearance, demolition, and/or the removal of structures.
- **★** Working capital.
- * Research & Development.
- Intellectual Property.
- ***** Employee Training.

WHO CANNOT APPLY:

- ★ No member of the West Bend Common Council; the Revolving Loan Fund Committee; or any other official, employee, or agent of the City or EDWC who exercises decision-making functions or responsibilities in connection with the implementation of the RLF program is eligible for financial assistance under this program. In addition, no RLF loans shall be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- Speculative investment companies.
- ★ Real estate investment companies.
- **★** Lending institutions.
- * Gambling operations.
- Non-public recreation facilities.
- **★** Other businesses not serving the interests of the City.

INELIGIBLE ACTIVITIES:

- * Refinancing or consolidating existing debt.
- **★** Reimbursement for expenditures prior to loan approval.
- ★ Specialized equipment that is not essential to the business operation.
- ★ Residential building construction and/or reconstruction (unless such reconstruction is intended to convert the building to a business use).
- * Routine maintenance.
- ★ Professional services such as feasibility and marketing studies, accounting, management services, and other similar services.
- ★ Other activities that the City of West Bend may identify as inappropriate for the RLF program.

MINIMUM REQUIREMENTS:

To be eligible for funding, a proposed project shall meet all of the following minimum requirements:

- Private Funds Leveraged: One dollar of private sector investment shall be provided for each dollar of RLF investment. Private sector investment is defined as financing from a private lending institution, public sector business loan programs other than West Bend's RLF program, or new equity that is injected into the business as a part of the expansion project.
- Cost Per Job. A minimum of one full-time position shall be created and retained for each \$20,000 of RLF funds requested.
- Financial Feasibility and Business Viability. The applicant shall demonstrate that the proposed project is viable and that the business has the economic ability to repay the funds.
- Project Completion. All projects shall be completed, all funds expended, and all jobs created within 24 months from the date of the RLF loan approval. All jobs shall be maintained for a minimum of 24 months.

TERMS AND CONDITIONS:

Loan terms and conditions shall be structured on the basis of need and ability to repay. Minimum standards include the following:

- Loan Amount. The amount of funds available for any single business enterprise shall typically range from a minimum of \$20,000 to a maximum of \$100,000. The City, however, shall have the discretion to award larger amounts on a case-by-case basis.
- Interest Rate. The interest rate on each loan shall be determined on a case-by-case basis, and shall range from a minimum of 4% to a maximum of the prime rate of interest.
- Loan Term. Standard terms for RLF loans shall be as follows: a) machinery, equipment, and fixtures 5 to 10 years; b) buildings and land 5 to 12 years; and c) working capital - 2 to 7 years. Amortization periods that exceed the loan term may be provided where appropriate. The specific term and amortization period for an individual borrower shall be based on the useful life of the asset, as well as the terms offered by the private sector financial institution participating in the project. EDWC, on behalf of the City of West Bend, retains the right to adjust individual loan terms in order to facilitate a successful RLF project.
- Repayment. Deferral of principal payments may be provided for a maximum period of one year from the date of the first disbursement of RLF funds. Interest only payments during this period may be required.
- **Prepayment.** There are no prepayment penalties.
- Collateral. Collateral requirements shall be determined on an individual basis by the RLF Committee and may include: mortgages on land and buildings, liens on machinery and equipment, liens on accounts receivable and inventory, and/or liens on the corporate assets of affiliated businesses, where appropriate. This collateral may be subordinated to private sector financial institutions participating in the RLF project, if required. Unlimited personal guarantees from the principals of the business who have 20% ownership or more shall be required, along with junior mortgages on personal residences. In addition, limited personal guarantees may be required for the owners of the business who have less than 20% ownership.
- Insurance Requirements. Businesses receiving loans for fixed assets shall be required to obtain property-casualty insurance for the appraised market value of the property being financed, and businesses receiving construction loans shall be required to have builder's risk insurance for the amount of the debt financing attendant to the project. The City shall be listed as an additional insured on all such insurance policies.
- Equity Requirements. The RLF program may require an equity injection for each RLF loan, when appropriate. Consideration will be given for individuals that have made substantial equity commitments to the applicant business, as well as to the individuals who do not have sufficient financial resources to contribute to the RLF project.

FEES:

- Loan Application Fee: \$250 to be paid at the time of loan application.
- Closing Costs and Fees: A loan origination fee of one percent (1.00%) of the RLF loan amount, plus payment of all legal fees and costs incurred by EDWC for the RLF loan closing.

For more information, please contact:

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For underwriting and service information, please contact:

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