

**GUIDELINES FOR THE  
CITY OF SILVER BAY COMMUNITY BUSINESS LOAN PROGRAM**

**PURPOSE:**

The City Council of the City of Silver Bay in cooperation with Iron Range Resources Community Business Partnership Grant Program have developed a revolving loan fund for the purpose of providing financing for eligible businesses within the City of Silver Bay. Capitalization of this program came from 2:1 match basis, whereas the Iron Range Resources will provide \$2 for every \$1 of local match.

The principal objective of the program is to offer the businesses an incentive to improve the appearance, energy, and accessibility of their business, thereby attracting additional customers and hopefully creating additional demand for their products and the need for other compatible businesses. Secondary objectives are to stimulate private investment, expand the tax base, and provide job opportunities particularly for low income persons through the establishment of new businesses or the expansion of existing businesses.

**LOAN AMOUNTS:**

The minimum loan amount is \$1,000 and the maximum loan exposure from this loan fund shall be approved by the City of Silver Bay.

**GEOGRAPHIC AREA OF PROGRAM:**

The Community Business Loan Program exists for businesses located in the City of Silver Bay or any business that the Silver Bay Economic Development Authority deems as having an economic impact on the City of Silver Bay.

**ELIGIBLE BUSINESSES:**

Any project funded with Community Business Loan Program funds must be a "For-Profit" business located in an existing building. Landlords of the buildings are ineligible, unless the landlord operates a "For-Profit" business within the building. Eligible applicants include, but are not limited to, those businesses which are engaged in:

- Retail Sales
- Lodging Facility
- Auto Repair
- Information Industries
- Restaurants
- Service Sector Businesses
- Financial Institutions
- Tourism

**FINANCING POLICIES:**

A. ALLOWABLE USE OF PROCEEDS

Community Business Loan Program shall include renovation for exterior improvements, energy improvements, rehabilitation of distressed properties, structural improvements, roof improvements, handicap accessibility, or other general improvements.

B. TERM OF LOANS

The length of any loan made by the Community Business Loan Program will be based upon the amount of the loan. The term of any loan shall not exceed the following and will be repaid on a monthly basis:

Loans between \$1,000 and \$5,000 will be a three (3) year term;

Loans between \$5,001 and \$9,999 will be a five (5) year term;

Loans over \$10,000 will be a seven (7) year term

C. INTEREST RATE OF LOANS

Interest Rates on all loans will be at 3% interest and fixed throughout the term of the loan.

D. FEES AND CHARGES

At the option of the Economic Development Authority, all or part of the legal costs incurred by the Community Business Loan Program in the closing of the Borrower's Loan may be passed on to the Borrower.

Any Authorized lending institution shall receive, for originating and servicing such loan, a fee not to exceed \$100, said fee to be paid by applicant.

E. OTHER FINANCING POLICIES

1. Any loan made by the City of Silver Bay shall be adequately secured to the satisfaction of the City of Silver Bay.
2. Any loan made by the City of Silver Bay shall be personally guaranteed by the principal owners of the borrower to the satisfaction of the City of Silver Bay.
3. All loans shall be subject to whatever agreements and documents are reasonably necessary to protect the interests of the City and to insure that the purpose and intent of this program are met.
4. No loan or other financial assistance may be made to refinance existing debt or to be used for operating expenses.
5. The recipient of such loan or other financial assistance is credit worthy and has the ability to perform its obligations under any agreements to be entered into with the City.

6. Benefits will be realized by the citizens of the City in the form of a more attractive, energy efficient, more accessible building, jobs, and/or tax base.
7. Any loan agreement between the City of Silver Bay and the Borrower shall require:
  - a. That the Borrower submits to the City of Silver Bay upon completion of the renovations a list of receipts for the materials and labor for the project. These receipts shall total within 10% of the borrowed amount. Any amount beyond the 10% shall be immediately returned to the City of Silver Bay.
  - b. The business shall comply with the local zoning ordinances prior to any renovations taking place and have obtained all proper permits.
  - c. The business shall have 180 days to complete the renovations.
  - d. The business shall supply before and after photographs of the renovations.

THE CITY NEED NOT MAKE A LOAN OR PROVIDE OTHER FINANCIAL ASSISTANCE TO A BUSINESS THAT MEETS ALL OF THE REQUIREMENTS OF THESE GUIDELINES UNLESS THE CITY IN ITS SOLE DISCRETION DETERMINES THAT IT IS IN THE BEST INTERESTS OF THE CITY TO MAKE SUCH LOAN OR PROVIDE SUCH OTHER FINANCIAL ASSISTANCE.

**APPLICATION PROCESS:**

**A. PRE-APPLICATION**

The City of Silver Bay Economic Development Authority shall distribute, receive, and review all applications as to the applicant's credit worthiness, ability to repay, and the conformity to the purpose of this program. Once the Silver Bay Economic Development Authority deems the pre-application to be viable, a full application will be sent to the Business for completion.

**B. FULL-APPLICATION**

The City of Silver Bay Economic Development Authority will discuss full details of application preparation and guidelines with the applicant. The applicant will fully complete all of the required documentation. The City of Silver Bay Economic Development Authority will review the full application and make a decision on the application. Should the EDA decide to approve the application, the application will be forwarded for City Council Approval.

**C. LOAN CLOSING PROCESS**

The City of Silver Bay will prepare all the proper closing documents, which shall include the Promissory Note, the Security Agreement, UCC-1 Financing Statement, a Loan Amortization Schedule, and any other documents required for closing. The closing documents will be executed by all parties. Copies of executed closing documents will be filed with the City of Silver Bay. Funds will be disbursed to the business.

NOTE: AT ANY POINT IN THE REVIEW PROCESS, THE APPLICATION MAY BE DENIED OR SENT BACK FOR FURTHER INFORMATION.