

Pulaski County Revolving Loan Fund



Description and Guidelines

Administered by the
Pulaski County
Department of Community Development

The Pulaski County Board of Commissioners ('Board') determined that the initial Community Development Block Grant would be used to establish a revolving-loan fund to provide businesses with a source of financing to undertake economic-development activities that result in the creation or retention of living wage jobs. Loans from the fund are made to for-profit firms for projects deemed to be eligible by the staff of the Pulaski County Economic Development Commission ('E.D.C.') pursuant to the rules established hereunder.

Every applicant is required to complete an application, which is reviewed through a formal process, and an application checklist indicating that the applicant understands all of the requirements of the program. Applications for micro-, mini-, and small loans are reviewed by the E.D.C., the County Attorney as needed, and the Board. Applications for regular loans are reviewed by the Regional Development Company ('R.D.C.'), the E.D.C., the County Attorney as needed, and the Board. All loans will be secured through an agreement (lien) conveying to the County a financial interest in property owned by the applicant. Funds are subject to availability.

To enquire about fund availability, contact the E.D.C's Executive Director at

- 574.946.3869;
- 112 East Main Street, Room 213, Winamac, Indiana 46996; or
- <https://pulaskionline.org/departments/community-development/>

Purpose

The primary function of the Pulaski County Revolving Loan Fund ("R.L.F.") is to provide short-term financing to establish or to expand eligible businesses *within the legal boundaries of Pulaski County*.

Eligible Applicants

Start-up, existing, or relocating businesses in or moving to Pulaski County.

Eligible Use of Funds

- Acquisition of building(s)/machinery/equipment
- Acquisition of land only if a structure will be erected thereupon
 - (Failure to erect and to occupy a business structure within 365 days may lead to the County's calling the loan in early if the applicant is unable to provide justification and assurances to the County regarding progress on the facility.)
- Structural and cosmetic improvements of leasehold or operator-owned property
 - (Improvements to leasehold properties require *approval of property owner, adequate security, and evidence of a sufficiently long lease agreement.*)
- New-building construction
- Energy conservation
- Pollution control
- On-Site infrastructure
- Re-financing of existing debt, considered on a case-by-case basis and at the shared discretion of the Board and the E.D.C., when the loan for which re-financing is sought either was made previously through this program or was part of a capital stack that also included a loan from this program

Ineligible Use of Funds

- Working Capital
- Rolling Stock
- Land banking
- Mergers/Acquisitions
- Inventory

Loan Amount

- \$ 2,000.00 – \$ 5,000 — Micro
- \$ 5,000.01 – \$10,000 — Mini
- \$10,000.01 – \$20,000 — Small
- \$20,000.01 – — Regular

Although there is no cap on the maximum amount that may be borrowed other than the available fund balance,

- a) the E.D.C. and the Board both reserve the right to weigh the impact of the requested amount on the Fund's balance versus the potential economic impact of the project (*e.g.*, job creation, wages to be provided for jobs created, increase to the County's assessed value), and, as such, may recommend the loan for approval below the amount requested (E.D.C.) or approve for an amount below that requested (Board);
- b) in projects that involve the acquisition of real estate that will include tenant-occupied space, the borrower must occupy
 - i. at least 51% of the square footage of all improvements on the property when (a) structure(s) is/are purchased, or
 - ii. at least 60% of the square footage of all improvements on the property when new construction occurs; and

- c) the borrower must be able either to invest a down payment of at least 3.0% of total project costs or to provide collateral valued at five percentage points above the security otherwise required by these rules.

The prohibition against borrowing to acquire property solely for the purpose of passive-income generation through landlordship may be waived by the County if the applicant is able to show that a tenant is ready to execute a lease upon approval of the loan; that said tenant provides a business plan that satisfies the County; and that the terms of the lease agreement satisfy the County with respect to the applicant-landlord's ability to repay the loan pursuant to the terms thereof. Should the tenant fail, the County reserves the right to call the loan prematurely if the applicant-landlord is unable to find a new, qualifying tenant within 180 days of the demise of the prior tenancy.

Loan Terms (Max.)

- Micro
 - 5 years, real estate
 - 2 years, equipment
- Mini
 - 7 years, real estate
 - 3 years, equipment
- Small
 - 10 years, real estate
 - 5 years, equipment
- Regular
 - 10 years, real estate
 - 5 years, equipment

Interest-only option for first 6 months available on small and regular loans. Amortization period shall be of the same duration as payment period: no balloon-payment options shall be permitted.

Interest Rate

- Micro 77.5% of Wall Street *Journal* prime rate
- Mini 75.0% of Wall Street *Journal* prime
- Small 72.5% of Wall Street *Journal* prime
- Regular 70.0% of Wall Street *Journal* prime

The minimum rate on any loan of any size is 2.75; the rate will be fixed at closing.

Interest shall be calculated according to the U.S. Rule, with no compounding interest on unpaid accrued interest.

Security

All loans will be secured by land, buildings, machinery, equipment, and, if necessary, by other assets, personal guarantees, letters of credit, *et c.*, or any combination of these. A second mortgage on a property may be allowed at the County's discretion, but third mortgages will not be.

For micro-, mini-, and small loans, collateral must be valued at at least 75 percent of the loan value at the time of application notwithstanding any required additional collateral in lieu of a cash down payment. For regular loans, collateral must equal at least 100 percent of loan value notwithstanding any required additional collateral in lieu of a cash down payment. Collateral may be in the form of real property; a cosigner; business personal property deemed to be acceptable by the County based on its value, use, and relative immobility; or any combination of these.

An applicant must provide evidence that any personal property offered as collateral has a value sufficient to meet the program's security requirement; the E.D.C. and Board reserve the right to require an appraisal, a review of the collateral by the County's attorney, or both at the applicant's expense if necessary to determine that the value is sufficient.

For real property, an appraisal or market analysis may be required. Any appraisal must be conducted by a licensed appraiser; a licensed real-estate agent may be hired to conduct the analysis. The applicant shall bear all appraisal/analysis costs. Neither an appraisal nor market analysis will be required when the value of the requested loan does not exceed 50 percent of the assessed value of the property according to the County's most recent records, assuming that the County assumes first-lienholder position on the real property. If the requested amount is greater than 50 percent of the assessed value, but does not exceed 75 percent, then an analysis will be required. For amounts greater than 75 percent of the assessed value, an appraisal shall be conducted. In instances in which the County is not in the first-lienholder position on real property subject to these guidelines, the requirements to be met shall be determined on a case-by-case basis by the E.D.C., Board, and County Attorney.

Job Creation

Job creation is not required but is favorably looked upon by the County. If a business decreases the number of jobs before repayment has been completed, the County retains the right to retract the loan. Some emphasis is placed on quality-of-life improvements/"filling in the gaps" in our community.

Fees

An application fee payable to Pulaski County will be required at the time of application:

- for micro and mini loans, \$500;
- for small loans, \$800; and
- for regular loans, \$1,500.

Applicants will be refunded any amount leftover between the application fee and the actual costs incurred by Pulaski County. Such costs may include

- a \$250 administrative fee;
- the total amount billed by and payable to the County's attorney for any legal review of loan security as requested by the E.D.C. or the Board;
- any costs associated with document recording at the Pulaski County Recorder's Office, loan closing, or Uniform Commercial Code filing; and
- costs invoiced by the Regional Development Company for third-party review of regular loans.

Loan Process

Pulaski County has tried to streamline the R.L.F. process as much as possible, but a final loan decision could take up to eight weeks for approval.

- 1) The E.D.C. Executive Director will meet with the applicant for a consultation on general information and requirements for the loan program. The applicant will be provided with the appropriate loan application(s) and, when appropriate, authorization to release information for applicant credit history if the Executive Director believes that the project is an appropriate fit for the program.
- 2) The applicant will then submit the completed application(s), business plan (when required), and application fee to the E.D.C. Executive Director.
- 3) The E.D.C. Executive Director will then forward the completed loan application either to the R.D.C. (loan requests greater than \$20,000) or directly to the E.D.C. (requests of \$20,000 or less). The Executive Director will also request recent years' business tax returns (or, if the business is a start-up, personal tax returns or other documentation that the E.D.C., County Attorney, or both may find to be useful in assessing the viability of the business) as well as profit-and-loss reports or other similar documentation. Such information will remain confidential to the applicant, the Executive Director and E.D.C. members, the R.D.C., the County Attorney, and the Board.

The R.D.C. may request further information and will then, upon completion of financial review (including, but not limited to, credit check, business-finance review, and personal-finance review), issue a credit memo and a risk rating to the E.D.C. executive director.

- 4) The E.D.C. will then — at an executive session (pursuant to *Indiana Code* 5-14-1.5-6.1(b)(4), regarding interviews and negotiations with industrial or commercial prospects or agents thereof) prior to its next public meeting, — consider the request, including the report from the R.D.C. for regular loans; interview the borrower or a designee; and then dismiss the borrower/designee to continue discussions. Following the executive session, deliberations will continue during the public meeting, and the E.D.C. will take one of the following actions:
 - Recommend approval of the application
 - Request additional information
 - Deny the application

At the Commission's discretion, a banker or other finance professional may be asked to review documentation provided for loan applications not subject to R.D.C. review.

- 5) If the E.D.C. recommends the request for approval, then it will be placed of the next most-practical agenda of the Board. A business representative may be asked to accompany the E.D.C. executive director at this meeting. The Board shall take one of the following actions:
 - Approve the application
 - Request additional information, including review by an appraiser, the County's attorney, or both
 - Deny the application
- 6) If the loan is denied, the applicant will be informed by letter issued by the E.D.C.'s Executive Director within two business days of denial. If approved, terms and conditions are set for borrower's acceptance. If borrower accepts terms, then loan-closing proceedings will ensue.
- 7) a) The County Attorney's Office shall be responsible for preparing and/or reviewing all documentation regarding security on the loan. This shall include, but is not limited to, any mortgage on real property provided as security for the loan and any UCC Financing Statement on any personal property provided as security. They shall ensure that any UCC Financing Statement is filed with the Secretary of State's Business Services Division, whether it is filed by them or another party.

The E.D.C. Executive Director shall be responsible for confirming that the County Attorney has done these and shall also be responsible for ensuring that any mortgage is recorded with the County Recorder's Office. Moreover, they shall record the dates of all filings in a master checklist for each awarded loan. The County Attorney, Auditor, and E.D.C. director shall all receive and file copies of all appurtenant documents.

b) In the event that a borrowing business or secured property is sold to an individual or company not party to the original R.L.F. agreement during the loan-repayment period, the borrower will be held responsible for repaying the remaining balance of the loan prior to any transaction or, in the case of personal property, seeking release of the lien if enough repayment has been made to date. The prospective borrower may apply for an R.L.F. loan but may not accept transference of the responsibilities for repayment of the original loan.

- 8) Prior to or on the due date of each monthly loan payment, the E.D.C. Executive Director shall receive payment from the borrower, provide receipt of payment to the borrower, record the pertinent payment information in the spreadsheet for the loan in question, and then submit the payment to the Treasurer's Office. The Treasurer's Office shall then report the payment to the Auditor's Office, at which point the auditor or a deputy shall ensure deposit of the payment into the R.L.F. under the appropriation for the loan being repaid. Pursuant to departmental procedures, the Treasurer's Office or Auditor's Office shall provide receipt of payment to the E.D.C. Executive Director; the Auditor's Office shall retain a copy of this receipt in its file for the loan.

- 9) a) On the first business day of the month immediately following a missed payment, the E.D.C. director shall contact any delinquent borrower to remind him of the missed payment and to ensure forthright correction of the mistake. If payment is not made within twenty business days of notification, a penalty equal to five percent of the total payment shall be assessed and made due along with the owed payment. It shall be the responsibility of the E.D.C. Executive Director to notify the delinquent borrower of any fines assessed.
b) If problems have arisen such that the borrower is unable to make payment, then a meeting shall be called with the E.D.C. director, the County Attorney, a County Commissioner, and the borrower and/or their attorney or other appropriate representative to explore options to avoid default.
- 10) The E.D.C. Executive Director or their designee shall communicate monthly with all borrowers to enquire as to the status of operations. The Executive Director shall provide a semi-annual report to the Board on the status of the program and all individual outstanding loans; more frequent reporting may be required in the case of prolonged delinquency.
- 11) The E.D.C. Executive Director shall be responsible for ensuring that the County Attorney or the borrower's attorney file for a UCC Financing Statement Amendment (renewal) if, either by design or by restructuring of the loan agreement, the repayment of the loan extends beyond the five-year lifetime of the UCC. The date of expiration/renewal shall be included in the master checklist.
- 12) Upon full repayment of all principal, interest, and penalties (if any), the C.D.C. director shall see to it that all steps are taken to have the borrower released from any obligation to the County pertaining to the loan, including, but not limited to, mortgages and promissory notes.

Business Plan

All new-business applicants must submit a business plan. Applications for existing businesses may or may not require a business plan at the E.D.C. executive director's discretion. In the event that the executive director waives this requirement, the E.D.C. retains the right to overrule this decision. If a business plan doesn't exist, and you would like help, please contact the E.D.C. to set up an appointment with an Indiana Small Business Development Center counselor.

The Executive Director or the E.D.C. may require the applicant, at their own cost, to participate in an entrepreneur-training course such as the BizGro program offered biannually in Rochester by the Fulton County Economic Development Corporation and Project Matters, LLC; the MatchBOX Coworking Studio's Regional Acceleration Program; or another program approved by the Executive Director. Participation in such a program within the previous five years satisfies this requirement.

The business plan should include the following information, but certain requirements may be added or removed at the executive director's discretion in light of relevant circumstances.

- 1) Summary
 - a. Business Description
 - i. Name
 - ii. Location and facility description
 - iii. Product(s)
 - iv. Market and competition
 - v. Management expertise
 - b. Business Goals (short term & long term)
 - c. Summary of financial needs and application of funds
- 2) Market Analysis
 - a. Description of total market
 - b. Industry trends
 - c. Target markets
 - d. Competition

- 3) Products or Services
 - a. Description of product line or service
 - b. Property position: Patents, copyrights, and legal and technical considerations
 - c. Comparison to competitor's products or services
- 4) Manufacturing Process (if applicable)
 - a. Materials
 - b. Source of Supply
 - c. Production methods
- 5) Marketing Strategy
 - a. Overall strategy
 - b. Pricing policy
 - c. Sales terms
 - d. Method of selling, distributing, and servicing products
- 6) Management Plan
 - a. Form of business organization
 - b. Board of Directors composition
 - c. Officers: Organization chart and responsibilities
 - d. Resumes of key personnel
 - e. Staffing plan/number of employees
 - f. Facilities plan/planned capital movements
 - g. Operating plan/schedule of upcoming work for next one to two years
- 7) Financial Data
 - a. If you are just starting a business, your plan should include:
 - i. Projected start-up costs
 - ii. Projected income and expense statement for the first two years
 - b. If you have a young or established business, your plan should include:
 - i. Income statement and balance sheet for the last three full years, plus current year statements within 60 days of submitting an application or request.
 - ii. Projected income and expense statement for the next two years.