City of Mequon

11333 N. Cedarburg Road
Mequon, WI 53092
Phone: 262.236.2903
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www.ci.mequon.wi.us

ECONOMIC DEVELOPMENT BOARD
Tuesday, January 22, 2019
7:30 AM
North Conference Room

Agenda

1) **Call to Order, Roll Call**

2) **Approval of Meeting Minutes from November 27, 2018**

3) **Revolving Loan Fund**

4) **Plan for Transportation Coordination for Industrial Businesses**
Discussion & Direction

5) **2019 Business Outreach Planning**
Discussion & Direction

6) **Staff Updates**

7) **Announcements**
The next meeting will be February 26th, 2019 at 7:30 a.m.

8) **Adjourn**

Dated: January 18, 2019 **/s/ Tim Carr, Chairman**

Notice is hereby given that a quorum of other governmental bodies may be present at this meeting to present, discuss and / or gather information about a subject over which they have decision making responsibility, although they will not take formal action thereto at this meeting.
Any questions regarding this agenda may be directed to the Dept. of Community Development office at 262-236-2903, Monday through Friday, 8:00 a.m. – 4:30 p.m.
Persons with disabilities requiring accommodations for attendance at this meeting should contact the City Clerk's Office at 262-236-2914, twenty-four (24) hours in advance of the meeting.

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ECONOMIC DEVELOPMENT BOARD
Tuesday, November 27, 2018
7:30 AM
North Conference Room

Minutes

1) Call to Order, Roll Call

Present:
Chairman Timothy Carr
Board Member Rick Shneyder
Board Member James Baka
Board Member Matson Holbrook
Board Member Gloria Rosenberg
Board Member Bruce Sipiora
Board Member Janette Braverman
Alderman Kathleen Schneider
Alternate Alderman Andrew Nerbun **-- Excused**
Board Member Jonathan Safran **-- Absent**

2) Approval of Meeting Minutes from September 26, 2018

Action
Ald. Schneider made a motion to approve the minutes from September 26, 2018.
Mr. Baka seconded the motion.
A voice vote was taken; vote passed (8-0)

RESULT:	**Approved [Unaninmous]**
MOVED BY:	Alderman Schneider
SECONDED BY:	Board Member Baka
AYES:	Shneyder, Baka, Carr, Holbrook, Rosenberg, Sipiora, Braverman, Schneider
ABSENT:	Safran

3) Guest Speakers: Robert Bach of P2 Development and Peter Moegenburg of Moegenburg Research, Inc:

Mr. Bach, owner of P2 Development Company, stated that his company developed the 81-unit apartment building, The Reserve, and has had much success leasing it. He stated there is a demand for quality apartments along with single family homes in the community. There is a lot of interest and energy surrounding the Foxtown Development. The proposed apartment building is scheduled to be available in the spring of 2020. He stated that it is important to have the correct mix of units. The proposed 96-unit apartment building will have about 1/3 of 1 bedroom (priced around $1,400), 2 bedroom and 3 bedroom units (priced around $2,600). The demographic make-up at The Reserve is roughly 45% young professionals, 25% - 30% empty-nesters and some divorced residents from the area. There are 7 school-aged kids in the apartment building; 3 are new to the area. He believes that the apartment building and its residents do not pose a large impact to the public services or school district and it is beneficial to the tax base.

Guest speaker, Mr. Moegenburg of Moegenburg Research, Inc., stated that he conducted the market research analysis for the apartment demand for most of the projects in Town Cetner and the competitive market. His study is based on facts and not on emotions. He stated that 20% of Mequon residents are renters; this includes apartments and houses. He stated that people like the accessibility of mixed-use development where they can drive to one place and utilize multiple services or have the walkability of these areas; there is a huge appeal to these types of developments. Often the economic make-up of the tenants renting apartments is higher than the residents living in single-family homes. They are also the people visiting restaurants and utilizing the retail services. Successful attributes are a community with the desire to grow at a steady pace and at a rate that addresses the community’s needs. Regarding the Foxtown Development, which consists of 17 acres of blighted land, it is the right site for the opportunity to deliver something that is in concert with the expectation of growth within the community. From a feasibility stand point, it is a site in search of a use. The mix of rentable and salable product along with the commercial element makes a lot of sense. Other similar communities have been successful in similar projects because of the walkability and collection of uses offered.

There was discussion regarding the TIF incentive granted and its positive impact on the community in the variety of quality services and uses that will be offered in Town Center. Ms. Tollefson stated that the commercial uses are not attainable without the additional residential units coming on board.

There was discussion amongst the Board about how to best educate the residents about decisions that have been made at the Planning Commission and Common Council levels regarding the approved developments in Town Center. The Board will revisit the issue of communication between the city and the residents.

Mr. Moegenburg stated that a growing trend amongst 55 year olds and older is to be renters and not home owners. Many of the tenants in the existing Town Center apartment buildings are local residents that have down sized from single family homes but want to remain in the community.

He stated that his demand analysis projected there is more room for multiple-family units in the community beyond what has already been approved.

4) Recap of Board's Industrial Business Outreach Program

a) Ms. Tollefson stated that a thank you card was sent to all the businesses that were visited.

There were not any urgent issues that needed attention that came out of the outreach visits. There was one business visit that was not completed due to scheduling conflicts. She suggested that there be follow up with the businesses visited and Riteway regarding the Ozaukee County Transit Plan. The offer would be to help facilitate a conversation regarding transportation for the businesses located in the business park. It was stated that the businesses in the business park do not know each other and the idea to coordinate a meeting for them to get together was well received by the Board members.

b) The Robotics Event was well received, but it may have started too early in the day for some businesses. The Board would like to coordinate another event in 2019.

5) **Staff Updates**

Ald. Schneider stated that she and Ms. Tollefson met with representatives from the Mequon Pavilions and that there are plans to renovate the site. There is discussion about integrating other uses in the space that will not be only retail tenants. There have been several prior owners, but the new owners are motivated to regroup and bring some new energy and new businesses to the site.

Ms. Tollefson shared information with the owners regarding some financial tools that may be available and she stated that it was great to meet the new representations and she is pleased that there is renewed focus from the owners on that site.

6) **Announcements**

The 2019 meeting scheduled has been distributed.

The next meeting will be January 22, 2019.

7) **Adjourn**

Action
Ald. Schneider made a motion to adjourn the meeting.
Ms. Braverman seconded the motion.
A voice vote was taken; vote passed (8-0)

Respectfully Submitted,

Kim Tollefson

OZAUKEE ECONOMIC DEVELOPMENT

HELPING BUSINESS GROW

MEMORANDUM

TO: Economic Development Board,
City of Mequon

FROM Ozaukee Economic Development

RE: Revolving Loan Fund

The City of Mequon currently has an active Revolving Loan Fund Program. The program provides low-interest loans to businesses that will be creating new employment within the City of Mequon. The program provides loans to businesses for working capital, equipment purchases and property acquisitions. The program was originally funded from a grant from the State's Community Development Block Grant program, which receives its funding from the federal agency, Housing and Urban Development (HUD). HUD provided an original grant to the community, which then has been utilized by a variety of businesses. Currently, Mequon has five active loans – MSI Data, Bartolotta's Restaurant Group, Spectrum Investments, Big Shots Golf and Bear Arms. All loans are up to date currently.

In 2018, the State of Wisconsin's CDBG programs were audited by HUD. As part of this analysis, HUD determined that the RLF programs operated throughout the state were not achieving the national objectives set by HUD and were plagued by inconsistencies throughout the different programs. As part of this audit, the State of Wisconsin has made the decision to close all RLF programs as of February 1, 2019. For communities that received their initial funding after 1992, the communities will have the opportunity to go through a CDBG close program that will allow the communities to apply to receive their funding back through other projects. Those communities in the future may choose to try and reallocate their loan programs in the future. However, they will likely be closed over the next 12 to 24 months as they go through this process.

For communities that received their initial funding before 1992 and received no further funding from the State into this program, HUD and the State have agreed to de-federalize the programs. As part of this de-federalization, the communities will follow a process set by the state. Once this process is complete, the communities will then be allowed to maintain their current funds or utilize them for other economic development projects. However, this is with the understanding that there will be no future funds from the State or the federal government to recapitalize these programs.

Through our research, it has been determined that the City of Mequon's funds are pre-1992 and the State has concurred with this. As such, the City will begin the de-federalization process and should hopefully be approved by the State. The loan fund currently has approximately $475,000 in available funds.

As part of the de-federalization, OED as the RLF program administrator, has updated your current RLF program guidelines to eliminate all federal elements. We have also made some updates in the program to make it a bit smoother. These updates include:

- Loan Terms – up to 10 years for loans over $25,000; loans under $25,000 would have a maximum term of 5 years. This is different from your current program which allows a range of terms depending on the type of loan. The Administrator would continue the policy of limiting the term to no longer than the applicant is offered by their private bank if that is less than our maximum noted.
- Loan Fees – Applicants borrowing over $25,000 or where there is a collateral element would be required to pay $1,500 in an application fee, due upon approval of the loan. Loans under $25,000 would have a $250 loan fee and would use standardized loan documents created for the program.
- Job Creation/Retention – Program would continue to require job creation or retention, but would not require the Low and Moderate Income hiring elements. This will allow the program to fund jobs throughout the full spectrum of employment.
- Any other federal requirements regarding monitoring and federal programs that are no longer applicable.

As part of this de-federalization, the community may also make other changes to this program or look to fund one-time projects (with the understanding if they are not repayable projects, then when you have depleted the fund, you will no longer have this tool.) The City's Community Development Department is reviewing these options and may present additional changes to the program in the future.

At this time, we would recommend approving these changes to your manual to assist any future applicants.

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Department of Community Development

MEMORANDUM

To: Economic Development Board
From: Kim Tollefson, Director of Community Development
Date: January 22, 2019
Subject: Revolving Fund Program

As indicated in the memo authored by Kathleen Cady-Schilling, the City's Revolving Fund Program is changing (see attached memo). Given this mandated change, City staff recommends maintaining the Revolving Loan Fund at the local level. This program has been able to supplement financial needs for businesses opening or expanding in the City, which is one of the Board's objectives. There are five active loans with a cash balance of $475K in the fund. There is also a new business to Mequon seeking use of these funds. The program offers gap financing for small businesses and given the revolving nature of the funds, it is the best approach in offering continuing assistance to local businesses and job creation.

The de-federalization of the RLF program allows the City to direct funds to other desired efforts. One goal of staff, as considerations of other efforts are vetted, is to not completely deplete the fund. Therefore, staff would recommend the funds not be allocated to one-time expenditures. Staff recommends the redirection of some of the funds towards economic development objectives other than job creation. The following objectives are options for the Board's consideration:

- ***Redevelopment Assistance for the Donges Bay and Cedarburg Road commercial area.***

  This neighborhood houses a number of small businesses as well as a number of vacant or unsightly commercial buildings. This neighborhood hosts the former Alpine Village, Taylor & Dunn's and Brew City, all of which are currently vacant. The City just completed a 9-month study of the area and terminated a moratorium after the Council adopted new standards related to zoning and public safety measures. A program that assists with redevelopment and site, sign and building improvements could encourage redevelopment to occur at a faster pace that what the private market may otherwise provide. A major goal of the moratorium was to stabilize and enhance property values by reducing public safety issues and by creating the opportunity for new uses and reinvestment thus attracting a new customer base. In addition, the neighborhood serves as a gateway to Mequon's business park and as a major commuter route. An economic tool would go hand-in-hand with the efforts made by the City thus far and would be in the form of a loan.

- ***Transportation Planning Efforts for the Industrial Business Owners.***

As part of the Board's 2018 business outreach efforts, staff and board members learned that transporting workforce to and from the business park is a challenge. As an outcome of those meetings, staff suggests working with Riteway Bus Company and business owners to develop a customized transit program for existing and prospective workforce. Some redirected funds could be used as seed money to initiate this process. This is an example of a one-time expenditure that would deplete the fund unless the City established an agreement that the seed money comes in the form of a loan.

The following chart provides an example outline of the use of the total remaining $475K available for the continuation of the RLF program, redevelopment program objective and transportation program objective.

PROGRAM	TOOL*	ELIGIBILITY	STATUS OF FUNDS
RLF Program	3 loans @ $50k	2 FTE ($25k/employee)	Funds Revolve
Redevelopment Program	5 loans @ $50K	Major Site/Building	Funds Revolve
	5 loans @ $10K	Minor Site/Sign/Façade	Match Grant/Funds Revolve
Transportation	$25K	Workforce Initiative	One-Time Expenditure

*Tool column totals $475K

Other ideas for programs, tools or a modification of the amounts or eligibility requirements listed above are welcome by Board members. Staff would like to discuss these objectives and others the Board believe have merit. The Board should be prepared to utilize the meeting to provide some direction to staff for formalizing a program(s) for the use of these RLF de-federalized funds.

CITY OF MEQUON REVOLVING LOAN FUND PROGRAM

POLICIES AND PROCEDURES MANUAL

Updated 2019

SECTION 1: GENERAL PROVISIONS

1.1 PURPOSE

The purpose of the policies and procedures contained within this manual is to present the criteria which governs the economic development activities assisted with funds made available through the City of Mequon's Revolving Loan Fund (RLF) program.

1.2 OBJECTIVES

Economic development activities assisted with funds made available through the RLF program are intended to meet the following objectives:

1) To encourage the creation and retention of permanent jobs which provide a wage appropriate to the skills and experience of the local labor force and that is competitive.

2) To encourage the leveraging of new private investment in the City in the form of fixed asset and working capital investments.

3) To perpetuate a positive and proactive business climate which encourages the retention and expansion of existing businesses and helps to attract desirable new businesses.

4) To maintain and promote a diverse mix of employment opportunities and to minimize seasonal or cyclical employment fluctuations.

1.3 AMENDMENTS

The City may from time to time amend the provisions imposed by the policies and procedures contained within this RLF manual.

SECTION 2. ADMINISTRATION

2.1 LOAN REVIEW COMMITTEE

1) The City of Mequon has designated the City of Mequon Economic development Board (EDB) as the loan review committee for the RLF program. Funding decisions relative to RLF loans will be made by the City of Mequon Common Council upon a recommendation by the EDB.

2) The EDB will have the authority to make policy recommendations for the administration of the RLF program. Periodic activity reports will be provided to the Common Council.

3) The Program Administrator will be responsible for the day-to-day administration of the RLF program. The Administrator will explain the RLF program to prospective applicants, providing written information, assist applicants in completing applications, and process requests for

financing. The Administrator, where necessary and appropriate, will counsel or guide loan applicants to other more appropriate technical and financial resources when the loan applicant has needs that cannot be met through the RLF program.

4) The Administrator and City staff will periodically review financial statements and loan amortization schedules for RLF loan recipients, review and approve documentation of business expenditures financed with RLF proceeds and maintain RLF accounting records that will be segregated from other City accounts.

5) The City Attorney or Program Attorney will prepare all loan agreements, review all promissory notes and mortgage or lien instruments, record RLF security instruments, and counsel the City on default matters.

2.2 MEETINGS

Loan review meetings will be held by the EDB on an as-needed basis. Pursuant to Section 19.84, Wisconsin Statutes, all EDB members will be given prior notice of each meeting. A majority of the EDB in attendance at a meeting constituting a quorum will be required for official committee action.

2.3 RECORDS

Written records will be maintained in appropriate files located in a secure place with limited access by authorized personnel. The City Attorney will be consulted with regard to compliance with State and municipal open records laws.

2.4 ADMINISTRATION

On an annual basis, up to 20 percent of the RLF program income will be made available for personnel costs and other RLF administrative expenses incurred in the maintenance of the RLF program. In addition, the following fees will be assessed to all loan recipients:

1) For loans over $25,000 or those requiring collateral, applicants will be charged a $1,500 Administration fee that will be utilized to pay for legal and administration costs.
2) For loans under $25,000 and without collateral requirements, may utilize standardized loan documents. In these situations, the loan fees will be $250 and will be utilized to pay for the administration costs.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The area served by the RLF program will be within the corporate limits of the City.

3.2 ELIGIBLE APPLICANTS

1) Applications may be submitted by the sole proprietor, general partner, or chief executive officer of any business wishing to establish a new operation or expand an existing operation in the City.

2) No member of the City of Mequon Common Council, the City of Mequon Economic Development Board, or any other official, employee, or agent of the City 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 will be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).

3) Applicants will not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5), sexual orientation or national origin.

3.3 INELIGIBLE APPLICANTS

RLF loans will not be available for the following businesses: 1) speculative investment companies; 2) real estate investment companies; 3) lending institutions; 4) gambling operations; and 5) other businesses not serving the interests of the City.

3.4 ELIGIBLE ACTIVITIES

RLF loans will be provided to eligible applicants for the following activities:

1) The acquisition of land, buildings, and fixed equipment.

2) Site preparation; the construction or reconstruction of buildings, the rehabilitation of buildings including leasehold improvements, and the installation of fixed equipment.

3) Clearance, demolition, or the removal of structures.

4) Working capital.

5) Buyouts by purchase of assets or stock.

3.5 INELIGIBLE ACTIVITIES

RLF loans will not be available for the following activities:

1) Refinancing or consolidating existing debt.

2) Reimbursement for expenditures prior to loan approval.

3) Specialized equipment that is not essential to the business operation.

4) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business operation).

5) Routine maintenance.

6) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services.

7) Other activities that the EDB may identify as inappropriate for the RLF program.

3.6 MINIMUM REQUIREMENTS

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

1) Private Funds Leveraged. One dollar of private sector investment must 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, or new equity that is injected into the business as a part of the expansion project.

2) Cost Per Job. A minimum of one full-time equivalent (FTE) job must be created or retained for each $35,000 of RLF funds requested.

3) Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable and that the business will have the economic ability to repay the funds.

4) Compliance with Applicable Laws. Applicants must comply with all applicable local, State, and Federal laws and codes.

5) Project Completion. All projects must be completed, all funds expended, and all jobs created within 24 months from the date of the RLF loan approval.

SECTION 4. TERMS AND CONDITIONS

4.1 TERMS AND CONDITIONS

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

1) Loan Amount. Minimum loan amounts will start at $10,000. Maximum loans will depend on the funding available within the program. All loan amounts can be negotiated on a case-by-case basis with the EDB.

2) Interest Rate. The rate of interest will range from 0 percent to 50 percent of the prime rate of interest – as published in the Midwest Edition of the Wall Street Journal. Interest rates may be higher in situations of higher risk to the community and will be negotiated by the City. The interest rate will be fixed for the term of the RLF loan.

3) Loan Term. Standard terms for RLF loans will be as follows: for loans $25,000 or under, five year loan terms and for loans over $25,000 and over, loan terms could go up to ten years. Amortization periods that exceed the loan term may be provided where appropriate.

   The specific term and amortization period for an individual borrower will 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. The EDB retains the right to adjust individual loan terms in order to facilitate a successful RLF project.

4) Repayment. Deferral of principal and interest payments may be provided for the term of the loan if required to make the project feasible. Interest, if any, would accrue during the deferral period and paid in one lump sum at the end of the deferral period or added to the principal of the loan.

5) Prepayment. There are no prepayment penalties.

6) Collateral. Collateral requirements will be determined on an individual basis by the EDB and the Common Council and may include: mortgages on land and buildings, liens on machinery and equipment, liens on accounts receivable and inventory, and 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. Personal guarantees from the principals of the business will be required, along with junior mortgages on real estate holdings.

7) Insurance Requirements. Businesses receiving loans for fixed assets will be required to obtain property-casualty insurance for the appraised value of the property being financed, and businesses receiving construction loans will be required to have builder's risk insurance for the amount of the debt financing attendant to the project. The City of Mequon will be listed as an additional insured on all such insurance policies.

8) 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 individuals who do not have sufficient financial resources to contribute to the RLF project.

SECTION 5. APPLICATION PROCEDURES

5.1 INITIAL CONTACT

Prior to submitting an application, all RLF applicants must discuss the program with City staff or the Program Administrator, who will provide assistance, as is reasonably necessary, in completing an RLF application. All financial information will be kept in a secured place with limited access by authorized personnel only, subject to the State and municipal open records laws.

5.2 TIMING

Applications may be submitted at any time during the calendar year.

5.3 PRIORITY

Applications will be reviewed in the order received and based on readiness for the proposed project to proceed. In those instances where the number of requests for RLF funds exceeds available funding, RLF applications will be prioritized based upon the date of receipt of all requested application materials, the number of jobs to be created and/or retained, and the amount of private sector leverage that is included in the project. When feasible, the amount of RLF funds contributed to each project will be reduced in order to facilitate as many RLF loan requests as possible.

5.4 LOAN APPLICATION

Applicants must submit an application using forms available from City staff that includes the following:

1) A completed RLF application.

2) A written business plan that includes the following:

   a) A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, management, markets, and products.

   b) Marketing plan, including a list of key customers and clients.

   c) A personal resume for each principal associated with the business, including: number of years of experience in the business; educational background; and role in the proposed or existing business.

   d) Financial statements for the past three years and a current interim financial statement, including balance sheets and income statements that are compiled by an independent accountant in accordance with Generally Accepted Accounting Principles (GAAP), including all footnote disclosures.

   e) Aging of accounts receivable and accounts payable corresponding with latest available financial statements.

3) A description of how the business plans to use the requested funds.

4) Letters of commitment from all financial institutions or other sources of funds for the debt financing that are included in the project. These commitments must be obtained prior to, or concurrently with, the approval of the RLF loan by the Common Council.

5) Financial projections for the first three years of the project, including balance sheets and profit and loss statements that are prepared by an independent accountant in accordance with GAAP and include a discussion of all significant assumptions. In addition, start-up businesses should provide quarterly financial projections for the first two years. The requirement to provide financial projections will be negotiated on a case-by-case basis with the EDB.

6) Personal financial statements for the principals of the business. The requirement to provide personal financial statements will be negotiated on a case-by-case basis with the EDB.

7) Cost estimates for all capital equipment purchases, land and building acquisition, and building construction or renovation.

8) A lease or pre-lease agreement for rental property or an offer to purchase for real estate that is included in the project.

9) Documentation that the project is in compliance with local and State building codes and zoning regulations and other applicable local and State ordinances.

10) Other documentation that may be required to support the RLF project.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

1) Preliminary Review. The Program Administrator will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section 3.6. If the application is not complete, City staff will inform the applicant of the deficiencies.

2) Formal Review. The EDB will meet to review an application within 30 days of the receipt of a completed application. Once the review is completed and the proposal is acceptable for funding, the EDB will forward the request to the Common Council for final approval.

3) Negotiation of Terms. Upon acceptance by the Common Council, City staff will contact the business to review and explain the terms of the loan

4) Notice of Award. If the application is approved a closing will be scheduled to execute the necessary loan documents.

5) Rejection of Award. If the application is not approved, the Program Administrator will notify the applicant the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6. DISTRIBUTION OF FUNDS

6.1 LOAN PROCEDURES

Prior to releasing funds, the following documentation must be in place or provided at the appropriate time during the term of the loan.

1) Notice of Award. The EDB and Common Council will review and approve a complete application for each eligible applicant.

2) Loan Agreement. The Program Attorney will prepare a loan agreement which will be executed by the Mayor, City Clerk, and the sole proprietor, general partner, or chief executive officer of the business.

3) Promissory Note. A promissory note will be prepared by the City Attorney and signed by the chief executive officer at the time of loan closing. The note will be dated; it will reference the agreement between the City and the business; and, it will specify the amount and terms of the loan funds delivered.

4) Security. Mortgage or lien instruments or personal guarantees provided as security for all loans will be prepared by the Program Attorney and executed at the time of the loan closing. The Program Attorney will record all security instruments and place copies in the project file, as applicable, to include: a) mortgages and/or security agreement; b) UCC searches and filing; c) guarantee agreement; d) title insurance or letter report; e) assignment of life insurance; f) property-casualty insurance binder; g) personal guarantee; and h) other documentation as may be appropriate.

5) Amortization Schedule. An amortization schedule will be prepared by the Program Administrator and forwarded to the loan recipient after all loan proceeds are fully disbursed.

6) Evidence of Permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses, and any other registration required have been obtained by the applicant prior to the release of RLF funds.

7) Evidence of Program Expenditures. Documentation must be provided by the business to evidence RLF program expenditures prior to the release of funds. Documentation will include bills and invoices or receipts for materials, final bills of sale or canceled checks. All documentation will be reviewed and approved by the Program Administrator. The Program Administrator will also verify the installation of all fixed equipment.

8) Other Documentation. As appropriate or necessary, the borrower may be asked to provide the following: a) a certificate of good standing from the Secretary of State; b) articles of incorporation and by-laws; c) a resolution or agreement to borrow funds; d) current financial statements; e) evidence of having secured other funds necessary for the project; and f) an environmental analysis for real estate loans, if justified.

SECTION 7. POST APPROVAL REQUIREMENTS

7.1 OBLIGATION OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, all borrowers must agree to comply with the following:

1) The creation or retention of the agreed upon number of jobs within two years of the date of the execution of the loan agreement with the City. All jobs created and/or retained must be maintained for a minimum of two years.

2) Not to discriminate on the basis of age, race, religion, color, handicap, sex, physical condition, development disability as defined in s. 51.01(5), sexual orientation, or national origin in any employment or construction activity related to the use of RLF monies.

3) To use RLF monies only to pay the cost of services and materials necessary to complete the RLF project or activity.

4) To permit inspections by persons authorized by the City of all projects and properties assisted with loan funds. Related project materials must also be open to inspections which include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment. Requests for inspection must be complied with by the borrower.

5) To maintain records on the project that are necessary for the City to determine if the performance of the business complies with the terms of the loan agreement. Files must be maintained as long as the loan is active or for at least three years after completion of the work for which the loan has been obtained, whichever is longer.

6) To submit quarterly financial statements and periodic progress reports during the outstanding term of the loan. The progress reports must include the number of jobs created or retained during the term of the loan agreement.

7) To maintain property-casualty insurance for the property financed with RLF monies for the term of the RLF loan. The City will be listed as an additional insured on the policy. In addition, key-person life insurance coverage naming the City as a beneficiary, with a declining balance equal to the outstanding loan balance may be used where appropriate.

SECTION 8. PERFORMANCE MONITORING

8.1 PRIVATE LEVERAGE COMMITMENTS

The Program Administrator will monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.

8.2 JOB CREATION AND RETENTION

The Program Administrator will monitor the borrower's progress in meeting agreed upon job creation or retention goals. Job creation will be documented using payroll records. Before- and after-project payroll records must be provided by the borrower to document job creation.

For each job that is not created or retained during the required time period, the following penalties shall apply: a) for each FTE job that is not created or retained for a minimum of 24 months, the loan recipient shall be assessed a penalty of $1,000 per job.

8.3 DEFAULT

In the event the business is in default on any of the terms and conditions of the loan agreement, all sums due and owing, including penalties will, at the City's option, become immediately due and payable. To exercise this option, the Program or City Attorney will prepare a written notice to the business. The notice will specify the following: a) the default; b) the action required to cure the default; c) a date, not less than 30 days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action; and d) any penalties incurred as a result of the default.

SECTION 9. USE OF LOAN REPAYMENTS AND REPORTING

9.1 RLF PROGRAM

Repaid RLF monies will be deposited in the RLF account and used in a manner consistent with the RLF manual. A separate record for each loan will be kept to account for all funds loaned.

SECTION 10. LOAN SERVICING

10.1 MONITORING

City staff or the Program Administrator will monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to ensure continued repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly with regard to job creation and the expenditure of matching funds.

10.2 RECORDKEEPING

A loan servicing file will be established and maintained for each loan recipient that includes the following:

1) Loan Application File. The loan application file will include a copy of the RLF application, business financial statements, personal financial statements, business plan documents, and other supporting loan information submitted to the City, including all applicable correspondence. In addition, the file will contain a copy of the loan application summary with recommended actions regarding the application, and a copy of the minutes for the public

meetings held to take action on the loan request.

2) Loan Closing File. The loan closing file will include all loan closing documents, including the note and other security instruments; certificates of insurance for builder's risk, property-casualty, and life insurance, as applicable; and documentation for job creation and retention including LMI certifications forms. This file will be placed in a locked, fireproof vault. The City Attorney will be involved in helping create and complete this file to ensure complete loan documentation. Copies of the loan closing documents and an amortization schedule will be provided to the loan recipient, along with an invoice for loan application and origination fees.

3) Financial Management File. RLF financial management records will be maintained that include the following registers:

   a) RLF Register: A record of all deposits and disbursements to and from the RLF, including funds used for RLF administration.

   b) RLF Loan Repayment Register: A record of all repayments made by each business that has received a loan from the RLF, as well as the balance of repayments from all RLF loans.

   c) Collection Register: A register for each loan that contains the business name, loan date, loan amount, terms, and date repayment begins.

"Tickler File" System. A tickler file system will be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other documentation requirements are tracked and obtained as required. The system will include the following monthly-coded index files:

   a) Expiration dates for property-casualty and life insurance policies;

   b) Due dates for all financial statements;

   c) Expiration dates for UCC Financing Statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;

   d) Scheduled dates of annual loan performance and covenant reviews;

   e) Dates for site visits;

   f) Due dates for property tax payments and dates by which the community expects to hear from the borrower regarding confirmation of payment of taxes;

   g) Review dates for job monitoring; and

   h) Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.

5) Financial Statement File. The financial statement file will include the business' periodic financial statements as required by the loan covenants with a statement indicating that City staff reviewed the data.

6) Progress Report File. During the outstanding term of the RLF loan, loan recipients will be required to submit periodic progress reports, including quarterly financial statements that will be stored in this file (see Attachment B).

7) Field Visit File. City staff will make periodic field visits to verify information in the progress report and financial statements. A summary of each site visit will be placed in the permanent file, including any information that can assist in rating the overall condition/risk of the loan (see Attachment B).

8) Repayment Monitoring File. The repayment monitoring file will include the loan amortization schedule and status of payments on the RLF loan. Observations regarding concerns or problems will be reported to the EDB and notations placed in the tickler file to remind City staff of the need to provide continued monitoring.

9) Loan Review File. All loans will be reviewed on an annual basis, and at such other times as may be deemed necessary by the City. The review will follow receipt of the fiscal year-end financial statements, the year-end progress reports, and site visits. A report on the loan review shall be placed in the file and address the following: timeliness of monthly payments; condition of collateral securing the loan and status of security documents; overall financial condition of the business; the presence of material liens or lawsuits; and violations of loan covenants and suggested corrective actions (see Attachment B).

If the business is experiencing problems, City staff and the Program Administrator will work with the loan recipient to identify actions that are needed to correct the identified deficiencies, including possible restructuring of the loan to improve cash flow within the business. Restructuring can include deferring principal and interest payments, adjusting the rate of interest, or providing additional working capital. If appropriate, City staff will arrange for business assistance, including services available through the University of Wisconsin-Extension, Small Business Development Center (SBDC), the Service Corp of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses.

Attachment B

City of Mequon
Revolving Loan Fund Application

1. Business Name: ______________________
   Address: ______________________
   ____
   Contact: ______________________
   Telephone No.: ______________________

2. Brief Project Description: ______________________
   ____
   ____
   ____

3. Sources and Uses of Funds:

	Mequon RLF Financing	Bank Financing	Equity Financing	Total
a) Land Purchase				
b) Building Purchase				
c) Building Construction				
d) Building Renovation				
e) Capital Equipment				
f) Working Capital				
TOTAL PROJECT COSTS				

4. RLF Assistance Requested:

a) Loan Amount	
b) Interest Rate (percent)	
c) Loan Term (years)	
d) Deferral of P & I (months)	

5. Source of Private Debt Financing:

Name: ______________________________

Address: ______________________________

____

Contact: ______________________

Telephone No.: __________________

6. Job Creation and Retention:

	New Jobs		Retained Jobs	
	Number	Pay Range	Number	Pay Range
Full-Time Jobs				
Part-Time Jobs				
TOTAL JOBS				

7. Date Project Will Begin: __________________

I hereby certify that the information provided above and in the attached supporting documentation is to the best of my knowledge true and correct.

______________________________ ______________
Applicant Signature Date