



## **BUSINESS DEVELOPMENT LOAN PROGRAM**

### **Overview**

Established in 2013, the Business Development Loan Program provides below market rates and favorable terms for new and existing businesses located in the Town of Cedarburg. This program is available to local businesses through a partnership between the Town of Cedarburg and Port Washington State Bank.

A loan pool of \$250,000 has been established by Port Washington State Bank. The minimum loan amount shall not be less than \$5,000 and the maximum loan shall not be greater than \$50,000, subject to the availability of funds in the loan pool.

### **Eligible Activities**

- Redevelopment of a blighted property and/or vacant facilities
- Costs associated with environmental/safety or building code compliance or development
- Purchase of land, building, or equipment
- Leasehold (non-residential) improvements

### **Ineligible Activities**

- Refinancing of existing debts
- Improvements completed prior to loan approval
- Payment of taxes
- Working capital including purchase of inventory

### **Application Process**

Applications and questions should be directed to Jim Culotta, Town Administrator, Town of Cedarburg, (262) 377-4509, [jculotta@town.cedarburg.wi.us](mailto:jculotta@town.cedarburg.wi.us)

Applications will be considered by the Business Development Loan Program Committee, consisting of a representative of Port Washington State Bank, two Town Board members, and the Town Administrator. It is a program goal to promptly consider each application.

## **Program Description**

The Loan Program is a \$250,000 pool of money made available by Port Washington State Bank for the purpose of making loans to achieve economic benefits. The minimum loan amount shall not be less than \$5,000 and the maximum loan shall not be greater than \$50,000, subject to the availability of funds in the loan pool.

Economic benefits are defined as:

- Business development including the start-up or expansion of locally owned businesses; or
- Business and job retention; or
- Redevelopment of blighted land and vacant facilities for a building where the commercial use is the primary use; or
- Furthering the goals and objectives of the Town of Cedarburg Comprehensive Plan: 2035; or
- Modernization and rehabilitation of existing commercial business or a mixed use building where the commercial use is the primary use; or
- Support for the use of new technologies growth industries and/or high tech firms.

Lending policies and financing techniques will include but are not limited to:

- Providing primary financing for expansion or rehabilitation of a commercial business space;
- Providing longer term loans than are traditionally available for a particular type of financing; and
- Providing below market interest rates;
- Reducing the risk for participating commercial lenders by providing subordinate financing.

## **Eligibility Requirements**

Eligible projects must meet the following basic program eligibility requirements:

### **A. Eligible Areas**

Eligible projects must be located in the Town of Cedarburg.

### **B. Eligible Applicants**

In order to be eligible for the program, an applicant and the proposed project must meet the following minimum criteria:

- 1.) The applicant must own or have a legal option to purchase the subject property or have a lease or a signed agreement to lease that is equal to or greater than the terms of the loan. Proof of such ownership, lease agreement, and the length of the same lease agreement must be furnished.
- 2.) The applicant must demonstrate to the Town of Cedarburg Business Development Loan Program Committee (Program Committee) (consisting of a representative of Port Washington State Bank, two Town Board members, and the Town Administrator) that there are adequate resources available to complete the project and create economic benefit as identified above. This will include, for gap financing purposes, proof of a commitment for

primary financing along with necessary equity required by the primary lender. A concurrent business plan must be submitted as part of the application process. If Loan Program funds are sought as primary financing, the applicant will need to supply the Program Committee with an equity requirement to be determined, a current business plan, and any other information deemed applicable.

- 3.) For property owners applying directly for Loan Program funds, the taxes on the subject property must be up to date prior to final approval of the loan and remain current for the length of the term of the loan.
- 4.) If Loan Program funds are used for construction purposes, the construction plans and specifications must indicate that the property will be substantially improved and all reasonably usable space within the structure will be returned to a state of utility through the proposed repair or alteration. The plans must also receive approval from the applicable review bodies; such as the Plan Commission, Town Board, or other.
- 5.) The applicant and guarantors, if applicable, will have no concurrent interest in any other project receiving assistance through the program.
- 6.) The applicant and guarantors, if applicable, must have a satisfactory credit history or provide evidence that satisfies a sub-satisfactory credit history.

**Eligible Loan Activities**

- 1.) Eligible loan activities are limited to the acquisition and/or the improvement of land/buildings, facilities and equipment including new construction or renovation, demolition and site preparation.

**Ineligible Loan Activities**

- 1.) Loans for the purpose of investing in an interest bearing account(s), certificates of deposits or other investments not related to job retention are prohibited.
- 2.) Loans for the purpose of speculative activities i.e. land banking.
- 3.) Loans for the purpose of purchasing financial equity in private businesses.
- 4.) Loans for the purpose of subsidizing interest payments on existing loans.
- 5.) Loans for the purpose of refinancing loans made by other lenders.
- 6.) Loans for the purpose of the payment of delinquent property taxes.

### **Loan Review Criteria**

In general, the Program Committee will consider the following priorities and conditions when reviewing an application for financing:

- 1.) Priority to businesses looking to locate in vacant properties and will fill a vacant tenant space.
- 2.) Priority based on the amount of job retention or new job creation such as direct new job creation/retention through capitalization of start-ups, expansion or retention of businesses and/or high tech or diversification efforts involving new product creation or a highly skilled work force.
- 3.) Priority to business which will attract large numbers of people to the Town's commercial areas and will further enhance the goals and objects of the Town of Cedarburg Comprehensive Plan: 2035.
- 4.) Priority based on security and loan repayment strength.

### **Loan Terms**

It is the goal of the Loan Program to remain as flexible as possible in working with the individual needs of applicants. Therefore, the minimum/maximum loan amount, interest rate, term, and collateral will be negotiated on a case by case basis with the Program Committee, and specifically the representative of Port Washington State Bank. The minimum loan amount shall not be less than \$5,000 and the maximum loan shall not be greater than \$50,000 subject to the availability of funds in the loan pool.

In the determination of collateral requirements, the Program Committee will consider the merits and potential economic benefits of each application. When appropriate and practical, the Loan Program financing may be secured by liens or assignments of rights in assets of assisted firms as follows:

- 1.) In order to encourage financial participation in a direct fixed asset loan project by other lenders and investors in a gap financing situation, the term of the loan may be for a longer period than that of the other lender. The lien position of the Program Committee may be subordinate to pre-existing or concurrent debt and made inferior to the lien or liens securing other loans made in connection with the project.
- 2.) In projects involving direct working capital loans, the Program Committee will require collateral such as liens on inventories, receivable fixed assets and/or other available assets of borrowers. Such liens may be subordinate only to existing liens of record and other loans involved in the project.
- 3.) In projects involving fixed asset loans, the Program Committee normally will obtain collateral on the asset to be financed as well as other assets of the company as appropriate.

- 4.) In projects involving guaranteed loans in the revolving phase, the lending institution ordinarily will be required to maintain a collateral position to which the Program Committee is subrogated in the assets of the borrower and/or principals of the borrower such as by taking liens on inventories, receivables, fixed assets and/or other available assets of the borrowers.
- 5.) In addition to the above type of security, the Program Committee may also require security in the form of assignments of patents and licenses, leases or stock certificates and such other additional security as the grantee determines is necessary exposure.
- 6.) The Program Committee should ensure that the borrower obtains adequate hazard and other forms of insurance appropriate. The Loan Program also will obtain a lender's loss payable endorsement on that insurance.

### **Application Process**

- 1.) An application is to be completed by the applicant and submitted to the Town Administrator for the Town of Cedarburg.
- 2.) The application will then be forwarded to the Program Committee for review of the proposed use of funds. In addition, the representative of Port Washington State Bank will perform the underwriting analysis.
- 3.) If a positive determination is made on its review by the Program Committee the applicant will be notified within 15 days of receipt of the completed loan application as to whether the loan application can be approved or denied. If approved, the applicant will then meet with Port Washington State Bank to discuss terms, conditions and servicing of the loan.
- 4.) The Town Administrator will then officially inform the applicant as well as the Town Board (for informational purposes only) at their next meeting that the loan has been approved. If an application is denied by the Program Committee or by Port Washington State Bank underwriting review process, no mention of that particular application will be made at a Town Board meeting.