

City of Mequon Town Center
Business Development Loan Program

Participating Partners:

City of Mequon

First Bank Financial Centre

Funding Source:

Public/Bank Consortium

Description: A revolving loan fund designed to provide low cost loans for start-up costs for new businesses or firms and expansion costs for existing businesses located in the Town Center of the City of Mequon, Wisconsin.

Eligibility & Application Process

Eligible Activities:

Eligible expenses include the following:

- Acquisition of land or buildings
- Building improvements or new construction or renovation
- Equipment purchases
- Environmental or safety compliance
- Demolition

Ineligible Activities:

Ineligible expenses include the following:

- Refinancing existing debt or the interest payments on existing debt
- Improvements completed prior to loan approval
- Payment of taxes
- Loans for the purpose of investing in interest bearing accounts, certificates of deposits or other investments not related to job creation/retention
- Loans which would create a potential conflict of interest
- Loans for the purpose of speculative activities
- Loans for the purpose of purchase or finance equity in private businesses

Eligible Commercial Businesses:

Eligible businesses include the following:

- Commercial
- Retail and services
- Restaurants

Application Process: Applications are available directly from the City of Mequon, Kim Tollefson, Community Development Director at 262.236.2903 or ktollefson@ci.mequon.wi.us

1 Introduction

First Bank Financial Centre commits \$250,000 to establish a loan pool to encourage business development and revitalization in Mequon's Town Center. The loan proceeds will be utilized to fund a wide variety of commercial projects ranging from assisting new businesses locating in Mequon's Town Center with startup costs to assisting existing businesses with renovation or expansion plans. The loans will carry below market rates and favorable terms. The program is designed to encourage new investment in commercial and mixed-use properties by property owners and business owners.

2 Program Descriptions

The Business Development Loan Program is a pool of money made available by First Bank Financial Centre for the purpose of making loans to achieve economic benefits.

Economic Benefits are defined as:

- Business development, including start up or expansion
- Business and job retention
- Redevelopment of blighted or underutilized land and vacant facilities for a mixed-use residential or commercial purpose
- Modernization and rehabilitation of mixed-use residential or commercial
- In general, lending policies and financing techniques will include, but are not limited to:
 - a. Providing below market interest rates
 - b. Providing longer term loan than are traditionally available for typical types of financing
 - c. Reducing the risk for non-participating commercial lenders by providing subordinate financing

3 Eligibility Requirements

Eligible projects shall meet the following basic program requirements:

Eligible area: Eligible projects shall be located in the Mequon Town Center (see attached map)

Eligible applicants: An applicant and the proposed project shall meet the following:

- The applicant must own or have a legal option to purchase the subject property or have a Lease or an Agreement to Lease equal to, or greater than, the term of the loan. Proof of the length of the lease or agreement must be furnished (a signed copy of the lease or agreement will be considered proof).
- The applicant must demonstrate to the City of Mequon Economic Development Board, Common Council and First Bank Financial Centre that there are adequate resources available to complete the project and create economic benefit. This will include proof of a commitment for financing, along with the necessary equity required by the primary lender(s). A current business plan shall be submitted as part of the application process.

- The taxes on the subject property shall be paid up to date prior to the final approval by the Common Council and remain current for the length of the term of the loan.
- If the project is for construction financing, then the plans and specification shall show the property will be substantially improved and all reasonably usable space within the structure will be returned to a state of utility through repair or alternation.
- An applicant is only eligible for funds when full private financing or credit is not otherwise available on terms and conditions which would permit completion and or the successful operation or accomplishment of the project to be financed.
- The applicant and guarantors, if applicable, will have no concurrent interest in any other project receiving assistance through the program.
- The applicant, and guarantors if applicable, shall have a satisfactory credit history.

Eligible Loan Activities

- Fixed asset loans for the acquisition and/or improvement of land, buildings and equipment, including new construction or renovation of existing facilities, demolition and site preparation and environmental or safety compliance

Ineligible Loan activities

- Loans for the purpose of investing in interest bearing accounts, certificates of deposits or other investments not related to job creation/retention is prohibited.
- Loans which would create a potential conflict of interest
- Loans for the purpose of speculative activities
- Loans for the purpose of subsidizing interest payments on existing loans
- Loans for the purpose of purchase or finance equity in privates businesses
- Loan for the purpose of refinancing loans made by other lenders
- Loans for the purpose of payment of taxes

4 Loan Review Criteria

The First Bank Financial Centre and City of Mequon Economic Development Board and Common Council will consider the following priorities and conditions when reviewing an application for financing:

- Priority to businesses that further the Town Center goals and spirit and intent as a pedestrian oriented, mixed-use neighborhood.
- Priority to businesses which will attract large number of people to the Town Center
- Priority to businesses looking to locate in vacant Town Center properties
- Priority based on job retention or new job creation through capitalization of start-up business, business expansion or retention of businesses
- Priority based on security and repayment strength.

5 Loan Terms

It is the goal of the 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 participating partners. The minimum loan amount shall not be less than \$10,000 and the maximum loan shall not be greater than \$25,000 subject to availability of funds in the program's pool.

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

- In order to encourage financial participation in a direct fixed asset loan project by other lenders and investors, the term of the program's loan may be for a longer period than that of the other lender(s). The lien position required by the program 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.
- In projects involving direct working capital loans, the program will normally obtain collateral such as liens on inventories, receivables, 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.
- In projects involving fixed assets loans, the program will normally require obtaining collateral on assets to be financed as well as other assets of the company, as appropriate.
- 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's loan is subrogated, in the assets of the borrower and/or principals of the borrower such as taking liens on inventories, receivables, fixed assets and/or other available assets of borrowers.
- In addition to the above types of security, the program 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.
- The program shall ensure that the borrower obtains adequate hazard and other forms of insurance, as appropriate. The program will also obtain a lender's loss payable endorsement on that insurance.
- The program's loan requests submitted by closely held corporations, partnerships or proprietorships dependent for their continuing success on certain individuals will ordinarily be expected to provide and assign to the program life insurance on these key persons. Personal guarantees will be required from principal owners.

6 Application Process

- An application is to be completed by the applicant and submitted directly to the City of Mequon Community Development Department. The preliminary application will be reviewed for completeness and eligibility within 30 days of submittal.

- The application will be reviewed and final action will be taken by City of Mequon Common Council through recommendations by the City of Mequon Economic Development Board and First Bank Financial Centre. Terms and conditions of the approved project will be established as part of the final loan approval process.
- The Common Council will have loan approval authority, subject to the requirement that any application shall be approved by a majority of the Common Council and approved by First Bank Financial Centre.
- The underwriting and loan processing and servicing will be handled by First Bank Financial Centre.