



CITY OF
SOUTH ST. PAUL

Small Business and Development Loan Program Policy

Established August 2021

Most Recently Updated June 2022

Each application submitted for assistance will be evaluated by the City on a case-by-case basis to analyze the viability of a proposed project. Depending on the nature and complexity of a program, the timeframe from application to approval is approximately 8 to 12 weeks.

I. General

The South St. Paul HRA first established a Small Business and Development Loan (SBDL) Program in the early 2000s. The program aimed to increase job creation and enhancement of the property tax base. The program was intended to be a “supplement”- not a replacement- for owner/investor equity and bank financing in a project. Today, the SBDL is administrated by the South St. Paul Economic Development Authority (EDA). The Economic and Community Development Department will provide general program oversight on behalf of the City and EDA.

II. Program Purpose

The goals of SBDL program are to stabilize and increase the City’s tax base, create and retain permanent private sector jobs and improve economic opportunities by promoting local business development and expansion, add additional skilled workers with wages above the median income, support business enhancements, and provide support for local business retention.

III. Funding Available

The minimum loan amount of a loan through this program is \$1,000. The maximum amount of a loan from this program is \$150,000, except that a greater maximum loan amount may be approved by resolution of the EDA if all of the following are true:

- The proposed project meets two (2) or more of the Eligible Activities listed in Section IV of this Policy;
- The proposed project is located within one of the Priority Areas listed in Section VI of this Policy;
- The proposed project involves the renovation and/or reinvestment in a building constructed more than 35 years prior to the date of application; and
- Where required by State Law and the City’s Business Subsidy Policy, the proposed project will be subject to an Approved Business Subsidy Agreement.

IV. Eligible Activities

Through consultation with EDA Staff and (as appropriate) lending partners and consultants, applicants will be eligible to apply for one of two fund types: the “Gap Loan Fund” and the “Micro Loan Fund”. Eligible Activities for each of the two fund types are provided below:

- A. Gap Loan - In order to apply for financing assistance through the Gap Loan Fund, a business must be a for-profit enterprise. Eligible projects must meet one or more of the following activities:
 1. Creation or retention of jobs; or the improvement of jobs as measured by wages.
 2. Acquisition of land and buildings.

3. New Construction
4. Façade and building renovations, including renovations to address code deficiencies.
5. Purchase and installation of machinery and equipment.
6. Clearance, demolition, or removal of structures.
7. Infrastructure improvements necessary to support new or expanding businesses.

B. Micro Loan – In order to apply for financing assistance through the Micro Loan Fund, a business must be a for-profit enterprise and have fifty (50) or fewer full-time equivalent employees on its payroll. The following activities are potentially eligible for assistance from the Micro Loan Fund:

1. Working Capital.
2. Inventory.
3. Façade and building renovations, including renovations to address code deficiencies.
4. Purchase and installation of machinery and equipment.
5. Energy Efficiency Upgrades.
6. General Operations.

V. Ineligible Activities

Certain projects, activities, and costs are ineligible for SBDL funds. These include:

1. Refinancing or consolidating existing debt.
2. Reimbursement for expenditures prior to loan approval.
3. Routine maintenance.
4. Specialized equipment that is not essential to business operation.
5. Management fees.
6. Projects in stand-alone residential buildings.

VI. Priority Areas

1. Concord Street between Annapolis Street and Wentworth Avenue
2. Southview Boulevard and Marie Avenue
3. Concord Exchange
4. Concord Street between Dale Place and Linden Avenue

VII. Priority Considerations

1. Assisting Business Expansion- Commercial or industrial-related expansions (ie, adding square footage or employees), and related costs.
2. Renovation to and/or reinvestment in a building constructed more than 35 years prior to the date of application
3. Business equipment acquisition- The purchase of additional depreciable assets for the purpose of expanding industrial/commercial activities.

VIII. Loan Financing Policies and Conditions

A. Gap Loan – the following loan terms and conditions will apply to the Gap Loan:

1. The minimum loan amount is \$15,000.
2. The maximum loan amount is \$150,000, except as stated in Section III (Funding Available) of this Policy.
3. Loan terms for fixed assets are anticipated to range between 10 to 20 years for land and buildings, and 5 to 10 years for machinery and equipment.
4. Interest rates are fixed at 5.50%, subject to the following interest rate discounts,

which may be combined:

- a. Applicants committing 15% or more in cash equity to a project will receive a 0.50% discount on their interest rate.

- b. Projects that have been approved for financing from a private commercial lender for at least 60% of the total project cost will receive a 0.25% discount on their interest rate.
- c. Applicants that are able to demonstrate that they have consulted with the “Open to Business” program, free to all South St. Paul residents and businesses, will receive a 0.25% discount on their interest rate.
- d. Applicants that are able to demonstrate that their project will result in a property value increase of 15% or more will receive a 0.50% discount on their interest rate. (*Dakota County Property Taxation & Records can assist with this analysis.*)
- e. Applicants that are able to demonstrate that their project will result in the creation of three (3) or more new jobs at or above the “2 Working Adults, 2 Children” [Living Wage Calculation for Dakota County](#) will receive a 1.00% discount on their interest rate.
- f. A 0.50% discount on interest will be provided for any project that involves any one or more of the following:
 - i. Installation of an elevator in a multi-story building.
 - ii. Installation of fire suppression systems.
 - iii. Installation of environmental infrastructure, such as vapor mitigation systems.
 - iv. Abatement of hazardous building materials, such as asbestos.
 - v. Installation of solar, geothermal, or wind energy systems or technologies.

- vi. Installation of commercial food preparation facilities and required ventilation systems.
 - vii. Vertical commercial/residential mixed-use development (i.e., commercial unit(s) at the street level with residential unit(s) on upper level(s)).
5. For projects that demonstrate extraordinary public benefit, the EDA may choose to structure loans in such a way as to provide applicants/borrowers with deferred repayment, interest-only repayment periods, or partial loan forgiveness.
 6. Interest earnings or other profits earned from the sale of the loan will be returned to the SBDL fund for re-lending or for administrative costs.
 7. The EDA may deny any project which it deems inappropriate according to the guidelines established in this document.

B. Micro Loan Fund - the following loan terms and conditions will apply to the Micro Loan:

1. The Minimum Loan Amount is \$1,000.
2. The Maximum Loan Amount is \$15,000.
3. Loan terms are anticipated to range between 3 to 7 years.
4. Interest rates are fixed at the WSJ Prime Rate + 2.500%.

IX. Loan Application and Review

A. Pre-application or Preliminary Meeting- A pre-application is required to screen potential projects for eligibility.

1. A brief pre-application in narrative form will be required for all potential applicants in order to determine the proposed structure and eligibility of the project.
2. Pre-applications may be submitting on an open basis throughout the year.

B. Applications

A full application requires the following documents, unless waived by the EDA through the pre-application process:

1. Company description including product or service, history, legal structure, ownership and subsidiaries.
2. A detailed business plan describing the scope of the project including site plans, building plans, renderings or blueprints.
3. Project budget and amount of loan request.
4. Proof of private financing commitment.
5. Payment of an Application Fee equivalent to \$125 + 2% of the requested loan amount, not to exceed \$1,250 total. Application fees will be non-refundable and will not simply be “rolled into” the loan amount.
6. Other documentation as requested.

C. Loan Review Committee. A loan review committee as designated by the EDA will be responsible for the review and recommendation of approval or denial of any loan application.

D. Incomplete Application. Department Staff will determine if the application is completed.

X. **Distribution of Funds to Approved Applicants**

A. Loan Agreement. Prior to the EDA’s distribution of SBDL funds, all appropriate documentation, including loan agreement, promissory notes, repayment schedule, security agreement, personal guaranty, and all other documents deemed necessary, shall be prepared and executed.

B. Evidence of Expenditures. The business must provide documentation related to the SBDL fund expenditures prior to the release of SBDL funds. Documentation may include invoices, receipts, final bills of sale, cancelled checks, a lien waiver or other documentation as deemed appropriate by the review board.

XI. **Repayment and Default**

A. Repayments. All payments are due within 30 days of the billing date. The first billing will be within 45 days after the funds have been released.

B. Prepayments of Loans. There is no prepayment penalty.

C. Late Payments. Any payments not paid within ten (10) days of the due date will pay a late fee equal to 5% of the amount of the installment due. Loan recipients will be contacted by staff requesting the account is brought current. After 21 days, staff will send a letter requesting full remittance of late payments.