**GUIDELINES FOR KNOXVILLE REVOLVING LOAN PROGRAM**

# INTRODUCTION

The City of Knoxville (the City), in order to expand and maintain its economic base by assisting new and expanding businesses, is establishing a revolving loan program in cooperation with the Knoxville Chamber of Commerce (the Chamber). This Revolving Loan Program (RLP) will be carried out under terms prescribed in a written Agreement between City and the Chamber pursuant to Chapter 28E of the Code of Iowa.

The role of the City in the loan program shall be to provide funds from money placed in the RLP through donations and funds from the repayment of loans previously made to local businesses.

The Chamber’s role will include receipt, review by the Revolving Loan Fund Committee (RLFC), and funding decisions on all applications. Once the Chamber approves a business loan application for funding, the City will release the funds for the loan. As repayments are received by the City, the funds will be deposited to replenish the RLP.

# PURPOSE

The Revolving Loan Program (RLP) is intended to provide supplemental financing in support of new and expanding businesses located within the City of Knoxville.

# PROGRAM GUIDELINES

Type of Assistance – The RLP will provide direct loans to new and expanding businesses, or retention projects in Knoxville. The amount of the loan, the interest rate, and the length of the loan will be determined for each project individually based on demonstrated need, locational differential, and availability of funds.

Application Procedure – Applications for RLP assistance are to be submitted to the Knoxville Chamber of Commerce. Applications will be considered quarterly, subject to the availability of loan funds.

Application forms and instructions will be available upon request from the Chamber at 217 South Second Street, Knoxville, IA 50138 (641-828-7555) or are available online at knoxvilleiachamber.com.

Threshold Criteria – All applications for the RLP must satisfy the following minimum requirements to be eligible for assistance:

1. The project must be located within the Knoxville corporate limits;

2. A general guideline of creating one permanent job, (at or above the average manufacturing wage rate in Marion County) created for every $5,000 of RLP funds should be targeted; and/or show evidence to increase property, sales, and/or hotel/motel tax 10% annually of RLP funds requested.

4. Loan funds shall provide no more than 25% of the financing for any project, though financing beyond 25% of the project may be considered for projects of a “high impact” nature. No more than 50% of funds in the account can be requested;

5. There must be evidence of adequate private equity;

6. There must be evidence the project is feasible. The business requesting the assistance should be able to demonstrate that it can, if a loan is made, continue as a “going concern” in the foreseeable future, without any additional or ongoing below-market rate financial assistance;

7. The loan may not be used as working capital;

1. The applicant must be a for-profit enterprise; and

9. There must be evidence that the project conforms to and the property owner is in good standing with the City’s zoning codes and other applicable federal, state, and local codes and regulations.

Eligible Area – The location of each RLP project must be within the Knoxville corporate limits. Any RLP loan must be immediately repaid, including outstanding principal and interest, if the project activity is moved outside the eligible area during the life of the loan.

# EVALUATION GUIDELINES

Application Checklist – Prior to submission of a RLP application to the Knoxville Chamber of Commerce Director, please review the Application Checklist attached. The requested items outlined in the Application Checklist will need to be submitted for review.

Evaluation Procedure – Applications for assistance under the RLP will be submitted to the Knoxville Chamber of Commerce Director at 217 South Second, Knoxville, IA 50138. The Director will review the application for completeness and accuracy, either returning the application to the applicant with any deficiencies noted, or forwarding the proposal to the Revolving Loan Fund Committee (RLFC). The RLFC will meet on a quarterly basis if necessary. Applications will be accepted December 15, March 15, June 15, and September 15. The Knoxville Chamber of Commerce Director will review applications and allow for corrections the 15th – 30th of each acceptance month. The RLFC will review applications starting January 1, April 1, July 1, and October 1. Final decisions will be announced by February 1, May 1, August 1, and November 1.

The RLFC has the authority to engage in negotiations with an applicant to arrive at a satisfactory project and loan agreement. The RLFC may approve the loan and terms of the agreement, disprove the application, or defer action until additional information is available.

Evaluation Criteria – All applications will be evaluated using the Knoxville RLP Loan-Risk Rating Matrix for a new or an existing business. Only projects that have a minimum score of 30 will be considered for a loan.

Loan Agreement – If a proposal is recommended for funding, the applicant will sign a loan agreement with the Knoxville Chamber of Commerce. This agreement will, at a minimum, establish the following:

1. **The interest rate of the loan** - No less than 4 percentage points below New York Prime whether it is fixed of a variable rate. The interest rate also shall never be lower than 2 percent.

2. **The term of the loan** - No more than 10 years.

3. **Repayment Terms** - Repayment will be made via equal payments over the term of the loan. Payments will be due and payable monthly, quarterly, semi-annually, or annually. Alternative schedules may be arranged if deemed appropriate. The date of the first payment will be arranged on a project-by-project basis.

4. **Late payment and loan default penalties** – The loan recipient will have a five day grace period, after five days the borrower will be contacted and a determined default rate or penalty interest rate will be instituted.

5. **Collateral and guarantee requirements** - Funds shall be secured by mortgages and/or liens against fixed assets. Other security, including personal guarantees, may also be required. Such mortgages and/or liens may be subordinated to conventional bank financing.

6. **Fee structure** - The loan recipient will be responsible for payment of any direct costs, such as recording fees and legal costs associated with making or closing the loan. Evidence of payment shall be provided at or before the time of the loan closing.

4. **Loan monitoring** - Administration of specific loan agreements and monitoring of funded projects, including collections in the event of a default, shall be the responsibility of the Chamber. Submission of quarterly financial statements, job creation, and or tax increase reports shall be required of all borrowers. A final Quarterly Performance Report and a final Status of Funds Report will be required from all borrowers within 30 days after the period for achieving the employment and or tax increase target expires. Copies of such reports will be distributed to the members of RLFC.

7. **Penalties for failure to meet the *Criteria Threshold* as described above in the *Program Guidelines*** - In the event that the borrower does not achieve the job creation and or tax levels specified, or in the event that the total project cost is less than the amount specified in the application, then loan funds received may be subject to disallowance and immediate repayment. The maximum percentage of loan funds that may be disallowed due to failure to achieve performance targets within timeline will be equal to the percentage of the performance targets not achieved.

The Revolving Loan Fund Committee (RLFC) shall be a subset under the Business & Community Development Committee under the Knoxville Chamber of Commerce. The RLFC shall be comprised of five members. They shall include one member of the City Council of the city of Knoxville, and Chamber appointees representing the banking, accounting, legal and/or business administration profession in the community. In addition, the City Manager of the City of Knoxville and the Knoxville Chamber of Commerce Director shall serve as ex officio, non-voting members of the Revolving Loan Fund Committee. A Chairperson shall be elected by the members of the Committee.

Appointments to the RLFC, other than the member of the City Council, shall be made by the Chairperson of the Knoxville Chamber of Commerce Business and Community Development Committee with the concurrence of the Knoxville Chamber of Commerce Board.

A majority of the RLFC shall constitute a quorum necessary to take any action on a loan application. A written report of the Committee’s action shall be forwarded to the Chamber and the Knoxville City Council.

Members of RLFC who have an apparent conflict of interest regarding the Revolving Loan Fund or any specific project application shall declare their apparent conflict of interest and will not be present while action is taken on said matters. The City Council and its legal counsel shall reserve the right to determine if a conflict of interest exists.

Program Amendments – The terms and conditions of the RLP may be amended by mutual consent of the City of Knoxville and the Chamber.

Confidentiality – The portions of the application materials that contain financial information, business plans, and trade secrets may be submitted separately from the balance of the application and designated as “Confidential”. Such material will not be distributed beyond the membership of the RLFC and, subject to the limits of Chapter 22 of the Code of Iowa, will be held in strict confidence.

Additional Application Information – The applicant must agree to allow RLFC to research the company’s history, make credit checks, contact the company’s financial institution, and perform other related activities necessary for the reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, RLFC will have the discretion of rejecting the application or re-rating it based upon the accurate information.

Administration of the Funds – The finance officer of the City of Knoxville will be responsible for maintaining the appropriate records of the balance of the funds available for the Revolving Loan Program. The finance officer will invest unloaned funds and program income, adding this income to the RLP balance in conformance with the City’s investment policies.

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Retention of Records – All records related to each loan transaction shall be retained by the Chamber for a period of at least three years after the date which the final loan repayment is received.