

The Mahaska County Revolving Loan Fund

A. General Purpose of the Fund

The loan funds that will be made available for the Mahaska County Revolving Loan Fund come from repayments of loan(s) issued by Mahaska County from funds received by the county through the Community Development Block Grant (CDBG) Economic Development Set-Aside program and from the USDA's Intermediary Relending Program. Because of program requirements from the CDBG Set-Aside program and the USDA, the primary focus will be on assisting industries that desire to locate, expand or diversify their business into Mahaska County. Priority on award of these funds shall be given to applicants that will provide 51% or more of the jobs created/retained as a result of loans under this program to persons of low income and moderate income (defined as 80% of the median income for Mahaska County).

B. Eligible and Ineligible Activities

1. The Mahaska County Board of Supervisors shall use Intermediary Revolving Loan Funds for the following activities:
 - a. Issuance of loan proceeds to approved applicants for the Revolving Loan Fund
 - b. Fees associated with collection/recapture of funds from borrowers not in compliance with terms of their agreement
2. Loans through the revolving loan fund to ultimate recipients may be used for the following activities:
 - a. Acquisition of land or buildings
 - b. Building construction or renovation
 - c. Machinery and equipment purchases
 - d. Consultant/attorney fees related to the project
 - e. Site preparation
 - f. Infrastructure improvements (water, sewer, roads, etc.) related to the project
 - g. Training costs associated with the hiring of new employees or retraining of existing employees as a direct result of the proposed project, provided:
 1. The business/industry can show that adequate training funds can not be obtained through other programs, or;
 2. The business/industry waives its right to pursue funds from other job training programs.
 - h. Start-up inventory
 - i. Fees associated with the filing of legal documents related to loans made from the fund.
3. Businesses applying for funds may not use loan proceeds for:
 - a. Agricultural production, which means the cultivation, production (growing), harvesting, either directly or through integrated operations, of agricultural products (crops, animals, birds and marine life, either for fiber or food for human consumption, and disposal or marketing thereof, the raising, housing, feeding, breeding, hatching, control and/or management of farm and domestic animals).Exceptions to this definition are:
 1. Aquaculture including conservation, development, and the use of water for aquaculture. Aquaculture means the culture or husbandry of aquatic animals or plants by private industry or commercial purposes including the culture and growing of fish by private industry for the purpose of granting or augmenting publicly-owned or regulated stocks of fish.
 2. Commercial nurseries primarily engaged in the production of ornamental plants and trees and other nursery products such as bulbs, florists' greens, flowers, shrubbery, flower and vegetable seeds, sod, the growing of vegetables from seed to the transplant stage.

3. Forestry, which includes establishments primarily engaged in the operation of timber tracts, tree farms, forest nurseries, and related activities such as reforestation.
 4. Financial assistance for livestock and poultry processing.
 5. The growing of mushrooms or hydroponics.
- b. The transfer of ownership unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area, or provide expanded job opportunities.
 - c. Community antenna television services or facilities.
 - d. Legitimate business activities when more than 10% of annual gross revenue is derived from legalized gambling activities.
 - e. Any illegal activity.
 - f. Any otherwise eligible project that is in violation of either a Federal, State, or local environmental protection law or regulation of an enforceable land use restriction unless the financial assistance required will result in curing or removing the violation.
 - g. Any hotel, motel, tourist home or convention center.
 - h. Any tourist, recreation or amusement center.

C. Eligible Area

All activities funded with loans from this fund shall be for activities that are located within Mahaska County, other than training if the most cost-effective method of providing necessary training is by conducting the training outside of Mahaska County.

D. Description of Eligible Businesses

Loan funds shall be used to provide an incentive to business/industries that desire to locate, expand or diversify their operation in Mahaska County. To be considered a business or industry, a company must be classified as commercial or industrial by the Mahaska County Assessor's Office. This revolving loan cannot be used to assist businesses that are proposing to relocate jobs from one labor area to another. Commercial businesses will not be considered for assistance unless the nature of that business meets the needs and feasibility criteria determined by an objective third party and recommended to the Oskaloosa Area Chamber and Development Group and/or the Chamber's Economic Development Committee.

E. Type and Amount of Assistance

Funds shall be distributed in the form of loans. Terms of the loans issued shall be negotiated with the business/industry, but in no event shall exceed the amortization of borrowed funds from other sources for the project. Interest rates on commercial loans shall be negotiable but shall not be negotiated lower than 2% below other major financing involved in the project. This disparity in rates between industrial and commercial loans exists because of the historically greater risk involved in commercial ventures vs. industrial, as well as the importance of industrial jobs to the overall growth and prosperity of the county. It is anticipated that these revolving loan funds will be subordinate to other current debts of the business/industry and other debts incurred as a result of the proposed project. Funds may be awarded to a borrower in an amount not to exceed the lesser of:

1. The amount of funds on hand in the revolving loan fund.
2. Not more than \$5,000/ job created/retained (within 2 years).
3. Not more than 20% of the total project cost.

F. Capitalization of the Revolving Loan Fund

Initial capitalization of the fund was through repayments made by Oskaloosa Food Products, Inc. as a part of their CDBG Set-Aside loan. These payments are in the amount of \$12,666.67/year, beginning on 2/15/93 for five years. Additional capitalization in the form of a \$200,000 loan is expected from the USDA Intermediary Relending Program. Not more than 50% of the revolving loan fund cash balance as of the first day of January each year shall be set aside for loans to commercial enterprises. Funds set aside for commercial projects in each year will not be carried forward to the next year if not expended. If an industrial project(s) applies for more than is available after the commercial set aside for the calendar year has been established and there are not sufficient applications for the commercial set aside of funds, the Supervisors may make an award for any amount up to the full amount of funds on hand in the Revolving Loan Fund at the time of application (within the scope of item "B" above).

G. Benefits to Low and Moderate Income Persons

Priority will be given to business/industrial applicants that will provide 51% benefit to low and moderate income persons in the jobs that will be created/retained as a result of participation in the revolving loan fund. Low and moderate income shall be defined as 80% of the median family income for Mahaska County as periodically determined by the Department of Housing and Urban Development.

H. Loan Application Process

Application for the Revolving Loan Fund money shall be made by the business/industrial applicant on the form provided as Exhibit A. Copies of the application will be on file with the Mahaska County Board of Supervisors and the Oskaloosa Area Chamber and Development Group Economic Development Committee. When the application is completed, it shall be submitted to the Executive Director of the Economic Development Committee who shall be responsible for calling a meeting of the loan review committee (composition of the loan review committee is outlined in item "K" below). The committee will make every effort to make a recommendation to approve or deny the application to the Mahaska County Board of Supervisors within 30 days of receipt of the application. Criteria to be considered in review of all applications shall be:

1. The amount of Revolving Loan Funds requested per job created/retained.
2. Percent of funds other than revolving loan funds.
3. The credit worthiness of the proposed business venture.
4. Need and impact of the project. This would include an evaluation of how the project impacts the community, the quality of jobs created, and the time schedule involved in the project and the necessity and appropriateness of the request for participation in the revolving loan fund. (Projects funded under this revolving loan fund must meet the "necessary and appropriate" criteria to be considered for funding. Revolving loan funds may only be provided to a business that truly needs the assistance. The only three criteria to determine this need are a financing gap, insufficient return on investment, or locational disadvantages).

Provided the recommendation is received in time, the application will be included for action on the agenda of the next regularly scheduled meeting of the Mahaska County Board of Supervisors. If timing of loan approval is critical to the business/industry, the Supervisors may call a special meeting to consider the application.

I. Loan Agreements

Prior to the commencement of any project the applicant must have received loan approval from the loan review committee. The cost of any work accomplished prior to loan approval will not be counted towards meeting the goals of the project as outlined in the

application. No payments will be made from the loan fund until an agreement has been executed by the borrower. The loan agreement shall be in substantial conformance with Exhibit "B". Loans will be secured in a manner consistent with the intended use of the funds (UCC filings on machinery and equipment, inventory, etc. and mortgage on real estate acquisitions/improvements).

J. Monitoring of Progress

On a quarterly basis, the borrower will submit two copies of a report explaining the progress that has been made toward attainment of the goals as outlined in the application. One report will be provided to the Mahaska County Board of Supervisors. The other copy will be provided to the loan review committee. The reports will also include evidence of the number of jobs created/retained to date.

K. Administration of the Fund

The loan fund will be administered by the Mahaska County Board of Supervisors. In an effort to assist in making decisions concerning the administration of the loan fund, the Supervisors will establish a revolving loan review committee that will be comprised of the Executive Board of the Oskaloosa Area Chamber and Development Group's Economic Development Committee, one member of the Mahaska County Board of Supervisors, and one citizen member appointed by the Supervisors. Revolving Loan Fund money will only be allowed for use for project eligible activities as outlined in "B" above and fees associated with recapture of loan funds from borrowers not in compliance with the terms of their agreement. All payments on loans issued through this fund will be due and payable in the amounts and at the time specified within the loan agreement to the Mahaska County Treasurer. Idle funds shall be invested, to the maximum extent possible, in interest bearing accounts.

L. Project Closeout/Completion

When evidence that all activities (including job creation) as spelled out in the loan agreement are completed, a certificate of completion will be issued.

M. Default or Noncompliance

It is anticipated that from time to time loan delinquencies will occur. A late payment penalty of 1% per month of the payment amount shall be assessed to all payments over ten days late. If delinquencies occur in excess of the ten day limit, the Mahaska County Treasurer shall notify the loan review committee of the delinquency. A personal contact by a member(s) of the loan review committee will then be made with the borrower to determine the cause and offer any technical or consultant service deemed appropriate. In the event that a second delinquency occurs within a three month period from the last delinquency, the business shall appear before the loan review committee to determine the nature of the continued delinquency. Failure to comply with the reasonable requests of the loan review committee and repeated delinquency acts may result in the loan review committee recommending to the Mahaska County Board of Supervisors to accelerate the interest rate of the loan or calling for full payment of the loan. Restructuring of the loan may be one of the remedies considered by the loan review committee, but if it is determined that this would only forestall inevitable failure of the business to meet its debt, restructuring agreements will not be considered.

N. Amendments to and Review of the Plan

This revolving loan fund plan may be amended from time to time as deemed necessary and appropriate by a majority vote of the Mahaska County Board of Supervisors. In conjunction with the loan review committee, the Mahaska County Board of Supervisors shall

conduct a public hearing on an annual basis after issuance of the first loan. The purpose of this public hearing will be to assess the effectiveness of the program and gain public opinion on any proposed changes.

O. Other Requirements

In addition to the above requirements for participation in the program, the following shall apply:

1. An environmental review will be conducted for each approved project. Completion of the environmental review will be evidenced prior to release of any loan funds. No funds may be expended on a project that shows that it will have a harmful effect on the environment.

2. Businesses participating in this program will assure the County that they will not discriminate in the hiring or employment of personnel as a result of participation in the revolving loan fund.

3. If the borrower finances a construction project through the revolving loan fund, he/she must provide assurances that the federal labor standards will be adhered to.

4. If relocation of existing businesses or residents will occur as a result of the proposed project, the borrower will be required to submit a plan for how those businesses/residents will be assisted in relocating. The business will be expected to provide relocation benefits to those required in the Uniform Acquisition Relocation Act.

5. No employee, agent, consultant, officer or appointed official of Mahaska County or of the loan review committee will be eligible to participate in this program without prior approval of the State of Iowa, the United States Department of Agriculture, and the Department of Housing and Urban Development.

6. Businesses participating in this program will abide by all Fair Housing laws as they may apply.

7. Businesses participating in this program will abide by the Hatch Act that generally prohibits the use of project funds for political purposes.

P. Waiver of Program Requirements

Nothing contained within this Revolving Loan Fund prevents the Mahaska County Board of Supervisors from waiving of any adopted program rules and regulations upon recommendation from the review committee, provided, however, that the waiver does not violate any federal, state or local law.

NONDISCRIMINATION STATEMENT

In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, religion, age, sex, disability or marital or family status. (Not all prohibited bases apply to all programs).

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