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In the Midst of Opportunity...



**City of Cokato EDA
255 Broadway Avenue
Cokato, MN 55321**

Cokato

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Business Low Interest Loan Program



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255 Broadway Avenue
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(320) 286-5505 www.cokato.mn.us**

About The Loan Program

The City of Cokato and its EDA are pleased to offer a Low Interest Loan Program for current and new business located or expanding in Cokato! Dollars in this fund were initially generated by an Urban Development Action Grant (UDAG) received by the City. It is the goal of the City and its EDA to cycle these funds through the city and provide assistance to its business community. As of 2010, the fund balance was approximately \$25,000.

Purpose

The purpose of the loan program is to support business retention, expansion of employment opportunities, goods and/or services.

Loan Guidelines

Following are general loan program guidelines:

- **ELIGIBLE APPLICANTS:** include credit worthy building owners and/or tenants of commercial or industrial buildings in Cokato. Ineligible businesses include loans made for political, religious or pornographic purposes.
- **LEVERAGE:** All applicants must provide dollars from other sources. City loan dollars shall be considered "gap financing".
- **LOAN AMOUNT:** Minimum loan size: \$5,000 with a maximum \$25,000.



General Program Guidelines

- **ELIGIBLE USES:** Loan dollars may be used for acquisition and development of real property, real property rehabilitation (expansion or improvement), machinery and equipment purchases and working capital. The EDA and Council may consider funds for a business buy-out when deemed essential to retain an existing business.
- **WAGE REQUIREMENT:** The average wage of the jobs created or retained with the loan dollars shall meet or exceed at least \$8.50 per hour, not including benefits to employees.
- **LOAN TERM/RATE:** The general term is not to exceed four (4) years or 48 months with an interest rate as determined by market conditions or other financial indicators.
- **CRITERIA FOR LOAN CONSIDERATION:** The City and EDA shall consider the following as a part of the loan review:
 1. Public purpose to be served with the project.
 2. Compatibility with the city's overall development plans and objectives.
 3. Retention of existing jobs and/or projected new employment opportunities.
 4. Impact on City services (water, sewer, etc.)
 5. Type of facility to be build (metal, brick, etc.), if applicable.
 6. Type of business (retail, light manufacturing, etc.)
 7. Potential adverse effects to existing businesses or industry expansion (if any) to the community or trade area.
- **LOAN PAYMENTS:** Payments must be made to the City of Cokato either directly or indirectly by a lending institution according to the approved amortization schedule. There is no penalty for prepayment of loan funds. Payments may be deferred only by a majority vote of the City Council.

- **PROJECT COMMENCEMENT:** Projects utilizing the loan program may not begin prior to approval of the loan application or issuance of a building permit, where applicable.
- **COLLATERAL:** Items may include the following: Liens on real property personally and in business, (mortgage deed) liens on real property held personally (subject to City Council approval), machinery and equipment liens, personal and/or corporate guarantees.
- **RIGHT TO RESTRICT:** The Cokato EDA and City Council reserve the right to restrict the use of the loan fund and approve loans on a case-by-case basis.

Application Process

Businesses are asked to complete an application after a primary lender/funding source has been secured. City/EDA staff will review the application and forward complete information, which is consistent with the loan criteria, to the Cokato EDA. The EDA shall prepare a recommendation to the City Council.

It is the policy of the City to use sound practical credit philosophy and standards in providing loans with the understanding that a certain calculated level of risk is acceptable.

Additionally, the primary lending institution and /or outside resources will be relied upon as a financial expert to aid the city in the decision making process. Credit criteria will include: personal guarantees, collateral position, equity contribution and acceptable repayment plan. A waiver of loan criteria may be approved upon recommendation by the EDA and approval of the City Council.

Applications and information on the complete application process are available from the City offices by contacting: 320-286-5505 or emailing: cityclerk@cokato.mn.us.

Information may also be found on the City's web site at: www.cokato.mn.us under the economic development link.