

**DOWNTOWN EAST LANSING BUSINESS LOAN
PROGRAM**

LOAN APPLICATION KIT

**DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF EAST LANSING**
410 ABBOTT ROAD, EAST LANSING, MICHIGAN 48823
FAX (517) 337 - 1607
TEL (517) 319 - 6930

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INTRODUCTION

Thank you for your interest in the Downtown East Lansing Business Loan Program. The Loan Program is committed to working with entrepreneurs to create new and better business and job opportunities for the people of East Lansing. The Loan Program is intended to further the economic development policies of the City as set forth in the City's Comprehensive Plan.

Attached are documents which require your careful attention. Before you apply, we encourage you to be acquainted with the program objectives and requirements mentioned in this introduction, Section 1, consists of eligibility requirements, and Section 2 describes the application process, followed by the application form itself.

Each loan application is individually evaluated. The loan conditions will consider the financial needs of the borrower, the degree of risk in lending, your credit history, and the degree of public benefit to be derived from the loan. The interest rate is normally set at the prime rate. In order to assist a significant number of businesses, the amount of each loan is capped at \$20,000.

Intent:

The primary intent of the Downtown East Lansing Business Loan is to further the economic development goals and objectives of the City as set forth in the City's Comprehensive Plan, the City Center element of the Comprehensive Plan, and the City's Retail Enhancement Strategy. In efforts to obtain these goals, the Business Loan Program may be used as an economic development tool (incentive) to retain, expand or attract businesses to downtown East Lansing.

Secondary purposes of the Loan Program include the creation and retention of employment opportunities within the City for low and moderate income individuals. The loan is capitalized through the repayments of loans made using Federal Community Development Block Grant program funds, from the U.S. Department of Housing and Urban Development (HUD), and HUD regulations apply.

Eligible Uses:

Loan funds may be used for most business purposes, including fixed asset financing, working capital, leasehold and real estate development, furniture, fixtures and leasehold improvements, and other business activities as approved by the Review Committee. **PROJECTS MUST ADHERE TO DEPARTMENT OF LABOR DAVIS-BACON LAWS FOR PREVAILING WAGE.** Projects must be located within the Downtown Development Authority District of the City of East Lansing. Staff reserves the right to target limited resources to specific business types. Once a loan application is approved and has closed, the applicant must start the project within sixty (60) days as evidenced by ordering the goods or services for which the loan is being sought. The purpose of the loan must be fulfilled within six (6) months of the approval date.

Job Creation:

The City of East Lansing's goal is job creation and/or retention, particularly for low and moderate income persons. At least 51% of the jobs created or retained by each loan must be available to or held by persons with low and moderate incomes (Based on Current HUD Wage Limits).

Loan Restrictions:

The Loan Program is intended as a source of "gap financing." The City of East Lansing will use the Loan Program to work with banks and other financial institutions to put together loan packages for businesses. The Loan Program should not be seen as the sole source of business finance, and therefore, must be matched with some form of traditional bank financing.

Loan Terms and Conditions:

Terms and conditions are flexible, and will be determined on the ability of the applicant to repay the loan, the public benefits to result from the loan, and the level of risk involved. The interest rate will normally be set at the prime rate. In unique circumstances the City of East Lansing may approve an alternate rate or a variable rate. Typically, the City is willing to subordinate debt to private sources of finance. Only the amount of the financing necessary for the project will be lent. For fixed asset loans, the term will generally be consistent with the life of the asset, but no longer than 5 years.

Applicants should be able to contribute as owner-equity a minimum of 10% of the total project costs. Exceptions can be made for micro-enterprises, which are defined as businesses with five or fewer employees, including the owner(s). The business should also be willing to provide a commercial guarantee on the loan.

Fees:

There is a \$50 non-refundable fee for each application. This fee can be applied to the first loan payment or waived at the discretion of the Board.

Finance Committee Approval:

Once a loan application is approved by the Board, the loan application is good for ninety days. The funds must be expended within six months of loan approval, consistent with the purpose of the loan as outlined in the loan agreement signed between the applicant and the Downtown Development Authority.

The application, with the attached forms and supporting documents, and the \$50.00 application fee, should be returned to:

City of East Lansing
Downtown Business Loan Program
Community and Economic Development
410 Abbot Road
East Lansing, MI 48823

If you have any questions, please contact the Community and Economic Development staff at (517) 319-6930, or by FAX at (517) 337-1607, or at www.cityofeastlansing.com/development.

SECTION 1 - Application Process

Summary of the application process:

Step 1. Develop an idea for your business expansion or new business start up. Request an application kit, and complete the questionnaire on pages 3 and 4 to see if you qualify.

Step 2. Have a business plan that, at the minimum, demonstrates the purpose of the loan and why it is needed. If you have questions concerning the business plan, please contact staff. A number of organizations in the Lansing area provide technical assistance in preparing business plans. Business counseling is available upon request.

Step 3. Review the application kit. It is recommended that you contact staff, and arrange for a meeting to review the documents, discuss the specific information needed, and have any questions answered.

Step 4. Submit a completed application, including supporting materials, to the Community and Economic Development Department. Staff will review your application for completeness. The \$50 non-refundable application fee is due at this time.

Step 5. Following review of your application, eligibility and feasibility will be determined. Staff recommends the amount and terms of financing to the DDA. The staff will also work with the applicant to identify other financing from banks or other financial institutions. The DDA meets on a monthly basis.

Step 6. The DDA Board will then make a decision about your loan application. In the event of a disapproval, you will be notified in writing of the decision.

Step 7. If approved, the DDA staff will prepare the appropriate loan documents. Within ten business days of approval, you will receive a commitment letter summarizing the conditions of the loan agreement, including the required use of the loan, its term, employment requirements, loan conditions, etc.

Step 8. A loan closing will be scheduled, in collaboration with the City's Attorney. The closing should, if possible, be scheduled to coincide with that for other money borrowed from the project.

Step 9. You're in business. Loan disbursements may start once all agreements are in place. Payments are sent to the City of East Lansing Downtown Development Authority, 410 Abbott Road, East Lansing, Michigan, 48823. The project should start within 6 months with documentation sent to the City staff to that effect (i.e. invoices and canceled checks).

SECTION 2 - Eligibility Questionnaire

PLEASE ANSWER THESE QUESTIONS BEFORE SUBMITTING AN APPLICATION FOR BUSINESS LOAN FUNDS:

1. Will your business be or is your business currently located in the Downtown Development Authority District of the City of East Lansing?

yes no

2. Do you have a business plan?

yes no

3. Are you willing to fulfill your loan purpose within 6 months of receiving the loan?

yes no

4. Do you have or planning to have bank financing?

yes no

5. Are you willing to provide a commercial guarantee on the loan?

yes no

6. Do you have a financing gap, after your equity contribution and other loans are found, of \$20,000 or less?

yes no

7. Are you current in all your taxes?

yes no

If you can answer "yes" to all of the above questions, you may be eligible to participate in the Downtown Development Authority Business Loan Fund, and the East Lansing Downtown Development Authority encourages you to review the attached materials. If you could not answer "yes" to each of the questions, you may still want to discuss your situation with staff. If you have any questions please call the Community and Economic Development department at (517) 319-6930.

East Lansing Business Loan Program

Downtown East Lansing Small Business Loan Application

Company Name:

Primary Contact:

Title:

Brief Business Description of Company:

Address:

City, State, Zip:

Phone: E-Mail:

I (we) Am Applying As:

An Existing Business Approximate Date Started:

A New Business Projected Start Date:

Corporate Form: C S LLC Partnership Sole Proprietorship

State in which incorporated: Employer Identification Number (EIN):

Corporate Officers

President	<input type="text"/>	ownership	<input type="text"/>	(%)
Vice President	<input type="text"/>	ownership	<input type="text"/>	(%)
Secretary/Treasurer	<input type="text"/>	ownership	<input type="text"/>	(%)

List each product or service that your company provides to customers or plans to develop:

*\$50 Refundable Application Fee. Make check payable to:
City of East Lansing, 410 Abbot Rd., East Lansing, Michigan 48823.

COMPANY BACKGROUND

Please answer the following questions even if you have a business plan to accompany the Application:

If you are already in business, has your product or service proven viable? Yes No
(If No, Please describe your obstacles below)

Where do you currently market your products or services:

Please list local, regional, or national/international firms you consider to be your primary competition:

Are you planning to add new product(s) within the next two years? (Please explain) Yes No

Are you planning to expand your markets within the next two years? (Please explain) Yes No

How many new full and part-time employees do you plan to **add** over the next two years?

Full-Time:

Part- Time:

What will their roles be:

How many new full and part-time employees do you plan to **retain** over the next two years?

Full-Time:

Part- Time:

What will their roles be:

FINANCING

Please describe your personal financial investment and time commitment to this business:

What are your projections of needed capital for the business during the next 1-3 years?

Which funding sources do you intend to pursue?

List the top three milestones which the company attends to achieve with this investment:

1.

2.

3.

How can the Downtown Development Authority and/or the City best help you meet these milestones?

Please add any additional information that will help the selection committee evaluate your company's potential for success:

ATTACHMENTS

Many of the exhibits listed below may be contained in your business plan. Please attach a copy of your business plan to the application. **These attachments and exhibits are required to complete the loan.**

I. COMPANY BACKGROUND

- A brief narrative describing the company's history
- Resume's of key principals in the company
- A description of the company's current operations including products, markets, etc.
- Trade references, primary customer listing, and banking relationships
- A description of the company's current establishments/operating facilities - both leased and owned
- A Summary of the company's current full and part time employees
- A description of the company's need to undertake the loan

II. PROJECT INFORMATION

- Physical description of the proposed project, including any business or residential relocation which may result from the undertaking of the project
- Source of all project costs shown in Part 2 of the Application Document (vendor quotes, negotiated sales prices, engineer's or contractor's estimates, catalog prices, etc.
- A summary of proposed project financing, including status of other loan applications, sources of equity, capital, etc.
- Amount of loan assistance requested with this application, proposed repayment terms, and available security
- For projects involving realty acquisition and/or development, evidence of site control or current ownership in the form of a binding option, sale agreement, etc.

III. FINANCIAL INFORMATION

- Financial statements of the company for at least the past year
- Current on all Local, State, and Federal Tax obligations
- Projected balance sheet and income statement for the year following completion of the project, and projected monthly cash flows for at least the first year following completion of the project
- Interim financial statements of the company through the most recent month available, but in no case more than three months prior to the loan application date
- Personal financial statements (either on a standard bank form or in a comparable format) for each principal owning at least 20% of the company
- Documentation on each outstanding debt shown on the most recent balance sheet including use of proceeds, original principal amount, to whom payable, current principal balance, interest rate, monthly payment, security, and status (current or delinquent) - May substitute a credit report that includes complete information..
- Documentation on personal and/or business collateral to be provided. If collateral is real property, specify location, mortgage holder, if any, and owner's equity in property
- Documentation on personal and/or business collateral to be provided. If collateral is real property, specify location, mortgage holder, if any, and owner's equity in property

Please list three references with contact information regarding your business plan and the people involved:

1.

2.

3.

Credit Review and Waiver of Confidential Records

Applicant acknowledges that the staff may obtain relevant credit information with respect to the applicant business and/or its principals.

Authorization for Credit Review

Authorization for Promise of Confidentiality

Certification

My signature below certifies that all the information contained in this application is true and complete. I authorize the East Lansing Downtown Development Authority and/or City staff to verify the information contained on this application by contacting the references given. I also understand that the information contained in this application will be used only to determine my eligibility to lease space in the Innovation Center and will be kept confidential.

Applicant (Typed, if Completing Electronically)

Date

Title

Please Send To:

Lori A. Mullins
Community and Economic Development Administrator
City of East Lansing
410 Abbot Rd.
East Lansing, MI 48823
lmullins@cityofeastlansing.com
517-319-6887 office
517-337-1607 fax