

MITCHELL COUNTY CONSTRUCTION LOAN PROGRAM (CLP)

GUIDELINES

The **Construction Loan Program (CLP)** is intended to be incentive financing which will assist businesses, individuals, or organizations with building projects **located in Mitchell County**.

The main goal is to provide funds to improve the economic base and the appearance of Mitchell County.

Use of the Funds

CLP funds shall be used for construction of new, expansion, rehabilitation, or renovated building(s). Loans can range from a small portion of the project cost to a larger share.

The match requirement is at least 2:1 (two dollars of non-CLP program funds for every dollar of CLP funds).

The larger the match, the higher the score on the criteria. CLP funds provide only a small portion of the total project cost. Private financing and equity contributions provide the greatest share and are required. The Board of Supervisors (BOS) has determined that loans will carry a 0% interest rate.

One loan will be permitted per individual, business, entity, etc. at a time. Also, only one loan per project. Once the loan is repaid, applying for a new loan is permitted.

CLP funds are limited. Disbursement of CLP funds will be based on the CLP fund balance, and goals of the program.

CLP Goals:

1. Encourage funding assistance to businesses, developers, and homeowners that are starting up, expanding, or renovating their property.
2. Assist development efforts and strengthen relationships between local businesses, homeowners, and local banks.
3. Provide funds necessary to leverage other public and private sources of funding to assist in construction.
4. Encourage new construction and construction related to renovations.

Application Fee:

\$50 non-refundable application fee due when submitting application.

Program Boundaries:

The CLP boundaries are defined as all areas within Mitchell County.



Evaluation Criteria and Application Standards

To achieve the stated goals of the CLP and reach stated objectives, the following loan standards are to be considered.

1. Loan requests will seek to leverage a minimum of two dollars of non-CLP program funds for every dollar of CLP funds (2:1)
2. The applicant must provide evidence that non-CLP or private financing has been secured and committed in a sufficient amount to carry the private portion of the CLP loan package. If conventional financing is not required, the applicant must demonstrate the ability to repay the loan.
3. Activities financed by the loan will generally be new construction or expansion/renovation of an existing building.
4. Time-Frame for completion of project: **2 years** from the date of approval.
5. Loans will be awarded on a competitive basis. MCEDC committee will review applications and make recommendations to the Board of Supervisors (BOS). The BOS will have the final approval.
6. Loan applications will be processed continuously as long as funds are available.
7. In order to receive funds, a project must score a minimum of 60 points out of the possible 100. Scoring is based on criteria as follows:

- **Use of Funds-Meet Goals.....Maximum 25 points**
- **Hiring Mitchell County ContractorsMaximum 25 points**
- **Purchasing Materials in Mitchell County.....Maximum 25 points**
- **Matching Funds.....Maximum 25 points**

Financing Policies

The following financing policies will apply to all loans made under the program.

1. Applicant will sign a loan agreement with Mitchell County Economic Development Commission.
2. The minimum loan is \$2,000. The maximum loan will not exceed \$20,000.
3. Loans will be interest free for the term of the loan.
4. Payments will be made annually on or before specified date each year:
 - a. If loan is taken out Jan. 1 - June 31, the first payment will be due **Jan. 10** of the following year.
 - b. If loan is taken out July 1 - Dec. 31, the first payment will be due **July 10** of the following year.
5. If a payment is late, a fee will be assessed in the amount of 5% above the prime lending rate on the outstanding balance.
6. Delinquent loans will be turned over to the County Attorney for legal action after 90 days.
7. The **repayment** schedule will be **amortized over ten years with a five-year balloon payment.**
8. A lien on property will be secured and a \$500.00 fee will be deducted from total loan amount to cover legal and recording fees.



Revisions and Post Application Procedures

Changes in the approved work specifications for a project must be approved by the MCEDC. Approved changes in work verifications will be attached to the original applications, dated, and signed by a designated representative of MCEDC. At the completion of the project, the applicant, and a designated representative of MCEDC will conduct a formal inspection. A Certificate of Approval will also be issued to the applicant. Deviations from an approved plan may disqualify the applicant from participation in the loan program resulting in immediate repayment of the loan and a \$500 penalty fee.

Misuse of Funds

Misuse of funds will result in repaying the loan at the maximum interest permitted by Iowa law.

Application Fee

A \$50.00 non-refundable application fee is required when submitting CLP application.

Questions:

1. Examples of 2:1 funding

Project	Total Cost	Non-CLP Funds: Source	Non-CLP Funds: Amount	CLP Funds: Amount
Replace Siding	\$6,000	ABC Bank Loan	\$ 4,000	\$ 2,000
Addition	\$60,000	ABC Bank Loan Personal Savings	\$ 35,000 \$ 5,000	\$20,000
New Shop	\$300,000	ABC Bank Loan Company Funds XYZ Grant	\$200,000 \$ 60,000 \$ 20,000	\$20,000

2. Non-CLP funds can consist of private funds, a bank loan and/or a grant.
3. A person or business that does not reside in Mitchell County **can** apply for the CLP as long as the funds go toward construction (new or renovation) of property in Mitchell County.
4. A person or business associated with MCEDC or Mitchell County BOS **is** eligible for the CLP as long as they meet the criteria for the loan.
5. Time frame: The CLP funded project must be completed **2 years** from the date of approval for the loan.
 - a. An **extension** for completion of the project can be **requested** if there are circumstances that warrant it, however the extension will not be guaranteed from the MCEDC or BOS.
6. A CLP can be used for a project that has already been started.

