

# AVAILABLE ASSISTANCE TO BUSINESSES

*The Gaylord EDA is pleased to offer local businesses access to the following incentives and information resources.*

## **TAX INCREMENT FINANCING**

Tax increment financing is a tool which allows the City/EDA to reimburse the company or land owner a portion of the new property taxes which are generated as a result of a project. The amount of financial assistance available (TIF) is dependent upon a number of factors including but not limited to the assessed market value of the building and the financial need of the company. Several types of TIF districts are authorized by state law, including but not limited applicable to, economic development (new development) projects and those applicable to redevelopment projects.

## **TAX ABATEMENT**

Like TIF, tax abatement is a tool which allows the City/EDA to reimburse the company or land owner a portion of property taxes which are generated within a specified period of time. The difference between TIF and tax abatement is that with tax abatement the County and/or school district have an option to participate (with TIF participation is mandatory). The amount of the tax abatement available depends on a number of factors, including, but not limited to the financial need of the company and participation by County and school entities.

## **EDA REVOLVING LOAN FUNDS**

The Gaylord Economic Development Authority has revolving loan funds (RLF) available. The Gaylord Revolving Loan Fund (RLF) program will operate as a public/private sector partnership of the City of Gaylord and lenders. The RLF will provide up to 50% of each loan up to a maximum of \$30,000 at an interest rate set by the RLF committee in January of each year. The RLF committee will strive to set this rate below current market rate. Matching funds of at least equal to the amount provided by the RLF will be provided at current interest rates by lender. The portion of the borrower's equity to be injected into the project will be determined by the lender.

## **DOWN PAYMENT ASSISTANCE PROGRAM**

The Gaylord Down Payment Assistance Loan Program was established to help promote home ownership in the community. Prospective homeowners must be purchasing a home located within city limits. Program funds may be used when purchasing both new and existing homes. When purchasing a new home, program funds may be used towards closing costs and the down payment. When purchasing an existing home, program funds may be used towards closing costs only.

### **Terms & Conditions**

- Trailers, or mobile homes, are not eligible.
- Maximum loan amount \$10,000.
- Interest rate will be 4%.
- The City reserves the right to adjust the rate based on current market conditions.
- Payments must be made on a monthly basis with a minimum payment of \$50.00.

Applications must be accompanied by a non-refundable origination fee of \$5 per thousand of

the requested loan amount. The application fee may not be part of the loan.

### **SOUTHERN MINNESOTA INITIATIVE FOUNDATION FINANCIAL AND TECHNICAL ASSISTANCE**

The Southern Minnesota Initiative Foundation (SMIF) supports southern Minnesota businesses that innovate, particularly those that use this region's resources to develop high-tech products and services. SMIF provides financing and technical assistance including consulting for start-up or expanding businesses, assessment, planning, and support for implementation and growth management. SMIF has two loan programs available to assist with business start-up and/or expansion. More information is available by calling (507)445-3215 or following this web link: <http://www.smifoundation.org/entre.php?sec=2> For general information for start-up or expanding businesses go to: <http://www.smifoundation.org/entre.php>

### **MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT**

The Minnesota Department of Employment and Economic Development (DEED) <http://www.positivelyminnesota.com/Business/index.aspx> offers numerous technical and financial resources to businesses in Minnesota. A comprehensive, searchable list of services and programs provided by DEED is located at [http://www.positivelyminnesota.com/All\\_Programs\\_Services/ProgramsAndServices.aspx](http://www.positivelyminnesota.com/All_Programs_Services/ProgramsAndServices.aspx)

Business development specialists

[http://www.positivelyminnesota.com/Business/Get\\_Help\\_from\\_Our\\_Experts/Business\\_Development\\_Specialists/Business\\_Development\\_Specialists.aspx](http://www.positivelyminnesota.com/Business/Get_Help_from_Our_Experts/Business_Development_Specialists/Business_Development_Specialists.aspx) work closely with specialized businesses of all types to help them locate and expand in Minnesota. Contact a Business Development Specialist Office at 651-259-7432 or email [economic.development@state.mn.us](mailto:economic.development@state.mn.us) for more information.

### **TECHNICAL ASSISTANCE – CITY OF GAYLORD ECONOMIC DEVELOPMENT AUTHORITY**

The City of Gaylord contracts with consulting economic development professionals who are able to assist with technical input into projects, finance packaging and navigating the City review process.

### **JOB TRAINING**

The City of Gaylord has established ties with the Minnesota Department of Employment and Economic Development and is familiar with job training and retraining resources offered through DEED.

### **SMALL BUSINESS DEVELOPMENT LOAN PROGRAM (DEED)**

This state program is available to manufacturing or industrial small businesses (500 employees or less) which create a significant number of new jobs. Eligible projects include business expansions with funding for acquisition of land, building, equipment and/or building construction or renovation. Interest rates depend on the market rate of interest at the time bonds are sold. Terms are typically 20 years for real estate and 10 years or 80% of the useful life for equipment. Projects must be completed within two years. The MN Agricultural and Economic Development Board (MAEDB) review applications monthly.

## **REGION NINE DEVELOPMENT COMMISSION FINANCIAL AND TECHNICAL ASSISTANCE**

The Region Nine Development Commission provides financial and technical assistance to qualifying businesses and communities. Region Nine has three loan programs available.

The Nine County Revolving Loan Program <http://www.rndc.org/nine-county-revolving-loan-fund/> can be used for operating capital, land, buildings, and equipment. Principal payments may be deferred up to 12 months. Loan amounts are a minimum of \$10,000 and a maximum of \$100,000. Phone (800) 450-5643 to speak with a representative about the Nine County RLF.

The Six County Revolving Loan Program <http://www.rndc.org/six-county-revolving-loan-fund/> can be used for operating capital, land, buildings, and equipment. Principal payments may be deferred up to 12 months. Loan amounts are a minimum of \$10,000 and a maximum of \$60,000. Phone (800) 450-5643 to speak with a representative about the Six County RLF.

The Microenterprise Loan Program <http://www.rndc.org/microenterprise-loans/> is intended to help start-up and expanding businesses that may not be served by traditional lenders. Microenterprise loan funds may be used for all costs demonstrated as essential for the project, including working capital, inventory, machinery and equipment, building and leasehold improvements. Maximum loan amount is \$25,000. Phone (800) 450-5643 to speak with a representative about the Microenterprise Loan Program.

## **INDUSTRIAL REVENUE BONDS**

IDBs are private activity bonds (small issue manufacturing bonds) issued by cities or EDAs on behalf of private borrowers to finance the fixed costs of manufacturing facilities. IDBs may be utilized if the company owns or is leasing the facility. The bonds are marketed on their financial strength. Financial statements of the company do not need to be disclosed to investors. If the company is interested in this option, the City or EDA would proceed with requesting an allocation for funds from the state of MN, following submittal of the required pre-application.

## **MINNESOTA INVESTMENT FUND**

The Minnesota Department of Employment and Economic Development (DEED) offers a program, which is a grant to the community that in turn makes a low interest loan to a company for land, buildings, equipment and infrastructure improvements.

## **SBA LOAN/GRANT**

The U.S. Small Business Administration does not offer grants to start or expand small businesses, though it does offer a wide variety of loan programs for business start-ups and expansions including 7(a), 504 and disaster assistance.

### SBA 7(a)

SBA 7(a) loans are the most basic and most used type loan of SBA's business loan programs. The '7(a)' name comes from section 7(a) of the Small Business Act, which authorizes the SBA to provide business loans to American small businesses. A key concept of the 7(a) guaranty loan program is that the loan actually comes from a commercial lender not the Government. All 7(a) loans are provided by commercial lenders called

'participants' because they participate with SBA in the 7(a) program. Not all lenders choose to participate, but most American banks do. There are also some non-bank lenders who participate with SBA in the 7(a) program which expands the availability of lenders making loans under SBA guidelines.

7(a) loans are only available on a guaranty basis. This means they are provided by lenders who choose to structure their own loans by SBA's requirements and who apply and receive a guaranty from SBA on a portion of this loan. The SBA does not fully guaranty 7(a) loans. The lender and SBA share the risk that a borrower will not be able to repay the loan in full. The guaranty is a guaranty against payment default. It does not cover imprudent decisions by the lender or misrepresentation by the borrower. Under the guaranty concept, commercial lenders make and administer the loans. Under the program a business applies to a commercial lender for their financing. The lender decides if they will make the loan internally or if the application has some weaknesses which, in their opinion, will require an SBA guaranty if the loan is to be made. The guaranty which SBA provides is only available to the lender. It assures the lender that in the event the borrower does not repay their obligation and a payment default occurs, the Government will reimburse the lender for its loss, up to the percentage of SBA's guaranty. Under this program, the borrower remains obligated for the full amount due.

Loan documentation requirements may vary; contact your lender for information you must supply. Common requirements include: purpose of the loan, history of the business, financial statements for three years (existing businesses), schedule of term debts (existing businesses), aging of accounts receivable and payable (existing businesses), projected opening-day balance sheet (new businesses), lease details, amount of investment in the business by the owner(s), projections of income, expenses and cash flow, signed personal financial statements and personal resume(s). You should take the information, including your loan proposal and submit it to a local lender. If the lender is unable to approve your loan, you may ask if the lender can consider your request under the SBA loan guaranty program. Under this program, the SBA can guaranty up to 85% of a small business loan; however, the lender must agree to loaning the money with the SBA guarantee. The lender will then forward your loan application and a credit analysis to the nearest SBA District Office. After receiving all documentation, the SBA analyzes the entire application, then makes its decision.

#### SBA 504 Certified Development Company Program

The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major assets: Purchase land & improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; constructing, modernizing, renovating or converting existing facilities; and purchasing machinery & equipment. 504 program loan proceeds cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing. See "Minnesota Business Finance Corporation" heading below for more information on the 504 loan program.

#### SBA Disaster Assistance

The SBA Disaster Assistance Program provides financial assistance for those who are trying to rebuild their businesses in the aftermath of a declared disaster. SBA Disaster Assistance is a loan program to help businesses with long-term rebuilding and repairing pursuant to a declared disaster. Website: [www.sba.gov](http://www.sba.gov)

### **MINNESOTA BUSINESS FINANCE CORPORATION**

The Minnesota Business Finance Corporation (MBFC) is a Certified Development Company authorized by the U.S. Small Business Administration to originate and service SBA 504 loans.

The SBA 504 loan program is "the money that makes America work." As a nonprofit CDC, MBFC, a member of the National Association of Development Companies (NADCO), promotes economic development throughout Minnesota. The SBA 504 loan program is economic development financing specifically designed to stimulate private-sector investment in long-term fixed assets to increase productivity, create new jobs and increase the local tax base. This is done by providing long-term, low down payment, reasonably priced, fixed-rate loans to businesses which have the highest probability of successfully creating new jobs and competing in the world marketplace. Program specifications; Structure: 50% bank or nonbank in 1st lien position; 40% SBA 504 in 2nd

lien position; and 10% equity injection. New business or special-purpose building will require 15 percent equity injection. New business and special-purpose building will require 20 percent equity injection. Advantages of 504: Long-term, fixed-rate financing; terms - 20 years on real estate; 10 years on equipment; and, low equity injection - 10 to 20 percent preserves working capital and increases return on equity. Contact information: Minneapolis Office; 100 South Fifth Street, Suite 2400, Minneapolis MN 55402; Phone (612)746-6900. Website: [www.mbfc.org](http://www.mbfc.org)

#### **USDA: RURAL BUSINESS COOPERATIVE SERVICE, BUSINESS AND INDUSTRY GUARANTEE PROGRAM**

Loan guarantee (up to 80%) to individuals, partnerships, corporations, cooperatives or non-profits for improving private business enterprises. Loans can be for business creation, expansion or refinancing and used for land acquisition, facility construction, equipment purchases and/or working capital. Terms depend on proposed collateral but are typically seven years for working capital, 15 years for equipment and 20 years for real estate. Requires 20% equity injection for new businesses or 10% for existing businesses. Applications accepted year round. Website: <http://www.rurdev.usda.gov/mn/rbs.htm>

#### **INCENTIVES FOR DISADVANTAGED PERSONS**

The African Development Center ([www.adcmnnesota.org](http://www.adcmnnesota.org)) provides business consulting services and financing to African entrepreneurs. Latino Economic Development Center ([www.ledc-mn.org](http://www.ledc-mn.org)) provides business development services to Latino entrepreneurs, including help with understanding financing and regulatory processes. The SBA's 8(a) Business Development Program is a business development program (<http://www.sba.gov/aboutsba/sbaprograms/8abd/index.html>) created to help small disadvantaged businesses compete in the American economy and access the federal procurement market. Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as members of a group.

#### **ONLINE RESOURCE – A GUIDE TO STARTING A BUSINESS IN MINNESOTA (FREE)**

A copy of this document is available in electronic format from the City of Gaylord Economic Development Authority. This publication by the Minnesota Department of Employment and Economic Development is intended to provide a concise, summary discussion of the major issues faced by those starting a business in Minnesota. This edition of the Guide contains three major sections: the narrative text; a Resource Directory, which provides addresses and telephone numbers of organizations referenced in the text; and the Directory of Licenses and Permits, which lists all business licenses and permits required by the State of Minnesota, the state agency which issues or administers the license or permit, and a telephone number for obtaining more information. Topics presented in the narrative text are presented in the order in which the new business owner typically must address them. <http://www.mn.gov/deed/images/guide-starting-business-minnesota-34th-ed-2016.pdf>

#### **ONLINE RESOURCE: SBA FREE ONLINE BUSINESS COURSES**

The SBA offers over 25 free online courses for businesses. Topics include: starting a business, business planning, business management, financing & accounting, marketing & advertising, government contracting, risk management & cyber security, e-commerce, international trade, federal tax training and small business retirement. For more information go to: <http://www.sba.gov/services/training/onlinecourses/index.html>

#### **FREE BUSINESS CONSULTING SERVICES**

The SCORE Association (Service Corps of Retired Executives) "Counselors to America's Small Business" is a nonprofit association comprised of 11,500 volunteer business counselors throughout the U.S. and its territories. SCORE members are trained to serve as counselors advisors and mentors to aspiring entrepreneurs and business owners. These services are offered at no fee, as a community service. SCORE's experienced business experts provide general business advice on everything from how to write a business plan, to cash flow management, to developing a small business advisory board. Assistance for aspiring entrepreneurs may involve investigating the market potential for a product or service and assessing the capital needs to start a business. Counselors can provide insight into how to start a business, operate a business, buy a business or franchise

and sell a business. The SCORE website offers practical "how to" information to help you run your business. Website: <http://www.score.org> or [www.stcloudscore.org](http://www.stcloudscore.org)

**FREE BUSINESS COUNSELING: MINNESOTA SMALL BUSINESS DEVELOPMENT CENTERS**

The Small Business Development Centers provide business counseling services for prospective and current business owners at no charge. Services include business planning, loan application preparation, sales and marketing assistance, accounting, and financial analysis. Website: <http://www.myminnesotabusiness.com/>  
Local offices: Mankato State University phone (507) 389-8875.