

**APPROVED**



Grand Forks Growth Fund, a JDA  
Staff Report  
Growth Fund Committee – April 20, 2026  
JDA – May 4, 2026

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**Agenda Item:** EDA RLF Annual Plan Certification

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Submitted by: Andy Conlon, Economic Development Manager

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**Staff Recommended Action:** Certify the current RLF Plan submitted for approval by the EDA.

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**Growth Fund Action:** Osowski moved to approve the request, second by Crary. Motion passed unanimously.

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**JDA Action:** Motion by Fridolfs, second by Osowski to approve agenda item. Motion passed unanimously.

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**Background:**

The Economic Development Administration (EDA) requires Revolving Loan Fund (RLF) plans to be certified annually. The Growth Fund's RLF Plan was most recently updated in April 2024 and was subsequently submitted to the EDA where it awaits final review and approval. Staff has confirmed with our EDA program administrator that nothing further is required from the Growth Fund at this time to obtain final approval of the plan update. To remain compliant with EDA regulations and requirements, staff recommends recertification of the EDA RLF plan.

**ANALYSIS AND FINDINGS OF FACT:**

- Initial program funding for this EDARLF (formerly C-RUN) was provided by the EDA to provide low-cost loans to assist businesses negatively impacted by the COVID-19 pandemic or contribute to our community's long-term economic resiliency to COVID-19 and future economic dislocations.
- The initial disbursement phase of the RLF was July 1, 2020 – June 30, 2022. The JDA is now in the revolving phase of the RLF. The RLF must remain in the revolving phase for a minimum of 7 years before the JDA can request that the fund be defederalized.
- Since the adoption of the original RLF Plan in October 2020, the JDA has annually certified the RLF Plan and made various amendments and updates, the most recent of which was in April 2024.
- The Growth Fund received a B risk rating as part of its most recent EDA RLF Financial Report. The next financial report is due 7/30/2026. Of note, allowable cash-on-hand percentage relative to the original capital base (19.59%) exceeded EDA's threshold (18.70%) in the final month of the fiscal year. \$884,156 was reported in total available funds, of which \$289,156 was available cash-on-hand and \$595,000 was committed but not yet disbursed funds. With

anticipated 2026 receivables estimated at approx. \$246,126, the JDA will need to loan out at least an estimated \$260,000 by the end of 2026 to no longer exceed the current allowable cash-on-hand percentage.

**SUPPORT MATERIALS:**

- EDA RLF Plan (Locally approved and submitted to EDA)

# **GRAND FORKS GROWTH FUND A JOBS DEVELOPMENT AUTHORITY**

## **EDA RLF Plan Update**

**Approved by Growth Fund Committee: October 19, 2020**

**Adopted by JDA: November 2, 2020**

**Updated by Growth Fund Committee: March 25, 2024**

**Update Approved by JDA: April 1, 2024**

**EDA Approval Pending**

# ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOAN FUND

## PART I: REVOLVING LOAN FUND STRATEGY

### A. Economic Adjustment Overview and Background

The original purpose of this revolving loan fund was to

- alleviate the sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic,
- provide permanent resources to support economic resiliency, and
- further the long-term economic adjustment objectives of the Grand Forks region.

To that end, the Grand Forks Growth Fund, a Jobs Development Authority formed by the City of Grand Forks, ND, was awarded \$1.39 million in CARES Act funding from the Economic Development Administration (EDA) of the U.S. Department of Commerce to capitalize a revolving loan fund (RLF) plus \$139,000 to provide for staffing and administration of this fund over its two-year period of performance. The Growth Fund developed the COVID Response and Unmet Needs (C-RUN) loan program to disburse these funds to impacted businesses.

Like the Growth Fund's original EDA RLF, which was funded after the disastrous flood of 1997 and defederalized in 2021, the initial purpose of this RLF was to provide disaster (pandemic) recovery assistance. As that original RLF entered its revolving phase, its focus evolved from disaster recovery to long-term diversification of the regional economy. As Grand Forks and the nation move beyond that initial economic dislocation into a post-COVID economy, the focus of this RLF will similarly shift toward a more long-term approach to strengthening and diversifying the regional economy and continuing to build economic resiliency.

Rising interest rates, inflation, historically low unemployment, and steady business growth in the face of these challenges, have defined the post-COVID economy to-date. Additionally, economic diversification has become even more important as a means of boosting the resiliency of the regional economy. Recognizing this shifting economic landscape, the JDA embarked on a strategic planning exercise in late 2022. The process involved a "working group" comprising a combination of Growth Fund Committee members and volunteers representing private and public sector entities of all sizes. The group's objective was to evaluate emerging economic conditions and develop an impactful and relevant strategy for the post-COVID economy. Programs could then be modified (or not) to reflect this strategy to ensure a tailored, effective approach to economic development in the region.

The JDA has traditionally focused its portfolio of programs on job creation/retention and business expansion. This approach addressed the economic needs of the area for the past several decades and has been quite successful. The strategic planning working group highlighted the importance of continuing to invest in the region's "legacy" sectors, such as agriculture and manufacturing,

which comprise a significant portion of the area economy and where business and job growth remains strong. Access to affordable capital is a critical component of facilitating growth in these, and indeed all targeted sectors in the Grand Forks region, and rising interest rates and inflationary pressures on input costs are creating challenges for businesses. This is also particularly true in the Uncrewed Aerial Systems (UAS) sector, where capital costs are extensive. As companies flock to Grand Forks to join the burgeoning UAS ecosystem, driven in major part by the Grand Sky drone business park and The HIVE (a UAS-focused tech accelerator funded in part by EDA), maintaining access to affordable capital is key to industry growth.

Workforce was identified as another primary constraint to continued economic growth across sectors in the region; companies are growing, but that growth is limited due to the consistent struggle to fill jobs. Even prior to COVID, North Dakota had a nation-low 2.4% average unemployment rate in 2019 according to the Bureau of Labor Statistics, with Grand Forks County's at 2.5%. Post-COVID, these figures continue to drop, with North Dakota's unemployment rate at 1.9% and Grand Forks County at 1.6% as of September 2023, evidencing this observed growing trend: as companies continue to grow post-COVID and in the face of inflationary headwinds, the number of available jobs continue to outnumber available workers at an increasing rate, making attraction and retention of workforce a major economic development priority for the Grand Forks region.

With these as the major challenges our regional economy face, it is important that the JDA's program portfolio be tailored to adequately address them. In addition to this, a key consensus reached by the strategic planning working group was that the JDA must strive to ensure its resources do not compete with other state or federal programs; local programs should focus on gaps where those programs are less suitable to fill. Resources should be utilized in a way that leverages their unique attributes and maximizes their impact.

To help address the aforementioned quality of life and workforce development challenges, the JDA felt local dollars would be best positioned to make an impact, given the flexibility necessary and inherent local nature of many of these issues. State and federal resources, including the EDA RLF, would be best utilized to help address the impacts of rising interest rates and inflation to preserve access to capital for growing businesses. Continuing to utilize JDA funds to leverage state funds via the PACE interest buydown program (described later) would help in this effort, as would the EDA RLF.

The void left in the JDA's program portfolio left by the defederalization of the original EDA RLF in 2021 initially inhibited the JDA's ability to preserve access to affordable capital. Without the EDA RLF, the JDA lacked a stable source of gap financing dollars to get important projects over the finish line. With dollars from the C-RUN program loans now revolving, the EDA RLF is again a critical component of the overall JDA program portfolio, enabling a well-rounded approach to tackling the challenges and building the resiliency of the regional post-COVID economy in a strategic and tailored way.

## B. Business Development and Financing Strategies

### Objectives

The above-referenced challenges are recognized in the *Region IV Comprehensive Economic Development Strategy, 2019-24*. This CEDS was developed by the Red River Regional Council, one of eight regional planning councils established across North Dakota in the 1970s. Region IV includes the counties of Pembina, Walsh, Nelson and Grand Forks. This gives the CEDS a predominantly rural focus, and the challenges and opportunities of smaller communities are not necessarily reflected in a regional growth center like Grand Forks. Still, the CEDS overarching objectives of promoting long-term economic health and enhanced quality of life is relevant, and several identified objectives apply. The goals stated in the 2019-2024 CEDS are:

1. Support New and Existing Businesses
2. Support Vibrant Community Development
3. Support Visitor and Destination Development
4. Foster Regionalism
5. Disaster Resiliency

Foundationally, the Grand Forks Growth Fund was established to:

- encourage the creation of new jobs;
- enhance the economic climate;
- save existing jobs;
- create new wealth;
- enhance the local property tax base;
- encourage capital investment;
- improve the quality of life;
- promote public and private enterprises and public/private partnerships;
- diversify the local economy.

This “mission” was updated in 2023 with the completion of a strategic planning exercise, which outlined the following priorities to guide the JDA’s efforts:

- be bold and act aggressively;
- support workforce development/quality of life initiatives;
- incent corporate HQs;
- support legacy sectors (value-added agriculture, manufacturing, etc.);
- increase UAS/tech sector focus;
- support young, growing businesses;
- do not duplicate or compete; leverage the JDA’s unique position;
- make a significant local impact;

- priorities efficiency and sustainability in administration of programs

The JDA's strategy to do this centers on the following underlying principles:

- Funding a variety of proposals that collectively offer a mix of employment opportunities, with an emphasis on moderate to high skill levels.
- Revolving Growth Fund dollars and leveraging them with other financing whenever possible and practical.
- Customizing assistance to meet each applicant's circumstances, needs, and timelines in light of the impact of the proposal on the local/regional economy.
- Supporting strategic public improvements/investments that positively differentiate Grand Forks to better attract and retain in-demand workers and targeted businesses.
- Creating an environment that supports a nimble response to opportunities for economic growth and diversification.

### **Targeted Businesses**

The Growth Fund has traditionally prioritized specific industries or business sectors. This includes both "legacy" sectors with a proven track record of success as well as more aspirational sectors. Agri-business and manufacturing are targeted sectors that fall under the legacy category. The Red River Valley is an agricultural center with agri-business assets that include national food processors as well as local producers. Similarly, the region hosts several leading manufacturers who have made a significant contribution to the Grand Forks region's economy and corporate community. Supporting the retention and expansion needs of these legacy sectors is a priority, as is leveraging assets to recruit their supply chain partners.

UAS and high-tech services are rapidly growing target sectors. Greater Grand Forks has been a leader in this emerging sector and is home to a number of unique UAS assets that put it at the forefront of this industry, including The HIVE: a tech accelerator, run by the JDA and supported by EDA, focused on fostering growth among UAS and related tech companies. With its tremendous potential for growth, nurturing this sector is a clear priority. High-tech services are a natural complement to the UAS industry and UND. Momentum has continued to build in the region around this sector and promises to only increase, offering significant growth opportunities.

While the EDA RLF will be available to all eligible businesses in Grand Forks County, those in the sectors mentioned above and identified in the CEDS will be targeted specifically.

### **Business Needs**

The needs of businesses identified below are compiled from a combination of direct interaction with previous applicants, discussions with local lenders and business owners, meetings with local and regional workforce professionals, and are identified in the CEDS. Many of the needs of specific businesses vary based on sector and stage of company, but there are also some common challenges shared across sectors, including:

- Access to capital, particularly for early-stage and/or tech-focused companies

- Access to skilled workforce
- Access to childcare, housing, and transportation for workforce

### **Other Programs and Activities**

*Grand Forks Growth Fund:* In addition to the EDA RLF, the JDA partners with the Bank of North Dakota on the PACE/FlexPACE Interest Subsidy program, which buys down the interest rate on permanent financing for qualifying business expansion projects. The JDA also provides non-program-specific loans as well as grants to ventures, studies and initiatives that support its broader purpose and intent. The EDARLF is a critical component of the JDA's comprehensive financial toolbox to address the needs of targeted-sector businesses in all phases of maturity.

*Grand Forks Region Economic Development Corporation (EDC):* The EDC is a quasi-public nonprofit that, in addition to serving as the deal-making/marketing component for the JDA, also advocates and supports businesses of all sizes in establishing or growing in the Grand Forks region as a connector to resources and advocate, among other things.

*North Dakota Small Business Development Centers (SBDC):* The SBDC provides advisory services and training/coaching support to small businesses throughout the region at no charge.

*SCORE:* SCORE offers free mentoring and coaching services to help area businesses start, develop, and grow their businesses.

*Red River Regional Council (RRRC):* The RRRC is a nonprofit offering a variety of services to businesses and communities in their 4 county northeast ND region, including grant writing services, project management, funding development, direct financing, and consulting, among others.

*Red River Corridor Fund (RRCF):* The RRCF is primarily a capital resource for area businesses, offering both growth and angel capital in various forms to qualifying businesses.

*Dakota Business Lending (DBL):* Dakota Business Lending is a CDC that offers both education and financing resources to area small businesses.

## **C. Financing Strategy**

### **Financing Needs**

The original strategy for the EDARLF was based on immediate disaster recovery assistance in response to the COVID-19 pandemic. As the economy moved beyond that initial need, the strategy moved with it. These funds are now available to borrowers in targeted sectors (noted previously) that are starting up, locating or expanding in Grand Forks.

### **Local Capital Market**

Much of the local commercial lending market consists of local or regional lenders. While this offers many advantages, committable resources and/or tolerance for risk can sometimes limit

the extent to which these lenders are willing and able to participate in business expansion projects. Additionally, the targeted sectors mentioned above, and particularly those in the early stages of maturity, often have extensive capital needs; often greater than can be met by private lender alone.

### **RLF Financing Niche**

The JDA, and specifically its EDA RLF, is able to offer reasonably priced capital to fill this gap. While a few small development authorities operate in the region, the JDA is the most prominent public entity participating in economic development activities in Grand Forks County, making it uniquely positioned to provide this type of gap financing.

## **D. Financing Policies**

- **Eligible Lending Area:** Grand Forks County, ND.
- **Allowable Borrowers:** Businesses operating in the targeted sectors listed above will be prioritized for funding from this program, but applications may be accepted from any business (for-profit and non-profit).
- **Allowable Lending Activities:** Loan funds may be used for working capital, property and equipment acquisition, and construction activities.
- **Loan Size:** No single loan may exceed \$347,500 (25% of EDA's \$1.39 million initial capitalization). The minimum loan amount is \$10,000.
- **Interest Rates:** In accordance with 13 CFR 307.15(b)(1), interest rates will not be less than four percent or 75% of the prime interest rate listed in the *Wall Street Journal*, whichever is lower. The JDA will generally offer RLF funds at the lowest possible rate; however, the JDA may, at its discretion and on a case-by-case basis, offer a higher rate. Under no circumstances will no-interest loans, forgivable loans or grants be made available.
- **Terms:** Aligning with JDA standard policies, working capital loans will typically have a five-year term and equipment acquisition loans will typically have a ten-year term. The JDA may, at its discretion, offer a maximum term of 10 years for working capital loans and 15 years for equipment acquisition loans. No standard deferral period applies, however, the JDA may, at its discretion, offer up to a 6 month deferral period in unique circumstances. Interest will accrue during any deferrals.
- **Fees:** If a loan payment is more than 10 days late it incurs a late fee. Late fees are determined by the monthly loan payment amount. Loans with monthly payments greater than \$1,500 incur a late fee of \$150. Loans with monthly payments less than \$1,500 incur a late fee of \$75. The JDA may charge other fees, including origination and application fees, at its discretion to offset or recoup costs associated with administering the loan, in accordance with JDA policies and procedures.
- **Equity, Collateral and Security:** Loans will be collateralized by assets and security positions deemed appropriate by the JDA. When offered as collateral, appraisals are required for real estate; appraisals may also be required for equipment, machinery, furnishings and fixtures if values are questionable. The JDA may also require guaranties from the company, its principals and/or their spouses.

- **Moratoria:** The JDA has the authority to negotiate special financing, such as a restructuring or approval of a temporary moratorium on principal payments because of temporary difficulty or extenuating circumstances. Loan recipients must make all requests for loan moratoria or other special financing requests in writing, explaining why the request is necessary and include a plan as to how the business will be able to resume repayment after the moratorium period is over. Moratoria may not exceed six months; requests for moratoria/deferral/forbearance of payments for up to 60 days may be acted on by the Growth Fund Chair. Other requests will be forwarded to the Growth Fund Committee and JDA for review and action.
- **Start-ups:** Start-up businesses are eligible for the EDA RLF and are subject to the same review process and program requirements as other borrowers.
- **Working Capital:** Working capital loans are permitted and, like all loans in the program, must be adequately collateralized.
- **Credit not otherwise available:** Borrowers are generally expected to pursue financing from private or other public sources, and may be asked to provide a “turn-down” letter or otherwise demonstrate that credit is not otherwise available to the applicant on terms and conditions that permit the successful operation of the business.
- **Ineligible Lending Activities:** No loan will be made for any of the following uses or as prohibited by 13 CFR 307.17:
  - 1) Acquire an equity position in a private business;
  - 2) Subsidize interest payments on an existing RLF loan;
  - 3) Provide borrower-required equity contributions under other federal loan programs;
  - 4) Enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;
  - 5) Provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit or any investment unrelated to the RLF; or
  - 6) Refinance existing debt, unless
    - i. a “sound economic justification” for the refinancing is demonstrated (e.g., the refinancing will support additional capital investment intended to increase business activities); or
    - ii. RLF capital will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan.
  - 7) To induce relocation of existing jobs;
  - 8) To finance gambling activity, performances or products of a prurient sexual nature, or any illegal activity, including the cultivation, distribution or sale of marijuana that is illegal under Federal law;
  - 9) To provide collateral to obtain other financing;
  - 10) In violation of 13 CFR 314.4 regarding Authorized or Unauthorized Use of Property

## E. Portfolio Standards And Targets

**Target Percentages:** In the initial disbursement phase, the focus of RLF funds was to stem the impacts of COVID, where the most significant impacts were felt by the retail and hospitality industries. As strategy shifts post-COVID, the RLF will target the stated sectors in an effort to produce the following allocation of the portfolio. These percentages are meant to reflect the JDA's anticipated allocation of resources across targeted sectors and may be used to guide funding allocation decisions, but are intended to serve only as guidelines, not requirements.

- Energy/environment, life science, value-added agriculture: 25-40%
- Tech (UAS, aerospace, information services, commercialization of tech, etc.): 20-30%
- Manufacturing: 20-30%
- Other Sectors: 10-30%

**Private Sector Leverage:** The RLF must maintain a minimum ratio of \$2 in private financing for every \$1 in RLF financing for its overall portfolio. This ratio will also apply to individual borrowers unless a valid rationale is demonstrated.

**Cost Per Job Target:** The target cost per job created or retained is one job for every \$50,000 loaned, on a portfolio-wide basis. This figure, based in part on historical trends and job cost information from past EDA RLF recipients, is also reflective of increased post-COVID labor costs and impacts of the labor shortage in North Dakota and the Grand Forks region specifically. According to the Bureau of Labor Statistics as of the date of this document, North Dakota maintains the nation's lowest number of unemployed persons per job opening at 0.3 (national average is 0.7). Additionally, the JDA's intended focus on UAS and tech sectors; two industries with substantial labor costs, also informs the cost per job target. This figure is meant to guide overall portfolio performance rather than individual borrowers.

## F. Loan Selection Criteria

Ultimately, each loan request will be reviewed and structured based upon the need for financing, its consistency with JDA goals and priorities, the desirability of the project, the relative risk involved, the growth potential of the firm, and prudent lending practices. The following factors will be considered in evaluating requests for RLF funds:

- Is the proposed loan consistent with the RLF Plan?
- Does the proposed project capitalize on regional assets?
- Does the proposed project enhance productivity or innovation?
- Is the borrower an early-stage business in a targeted sector?
- To what extent will the borrower maximize private investment that would not otherwise be made without RLF investment?

- Will the proposed project result in the creation or retention of higher-skill and higher-wage jobs?
- Is the business locally headquartered?
- Does the proposed project make a significant local impact?
- Can the proposed loan be administered efficiently and sustainably?
- Does the proposed project enhance quality of life?

## **G. Performance Assessment Process**

The Semi-annual Financial Report, Form ED-209, is prepared by City Finance Department staff and reviewed and approved by the Community Development Director. Concurrently, progress reports in narrative form will be prepared to summarize activities, accomplishments and challenges. These reports are submitted to EDA, then presented to the Growth Fund Committee and the JDA at their next meeting. This ensures that the performance of the RLF is publicly assessed at least twice a year, at which time any issues with overall RLF compliance can be raised and associated policy changes can be discussed. The EDA RLF plan, policies and procedures are updated as needed, but no less than every five years.

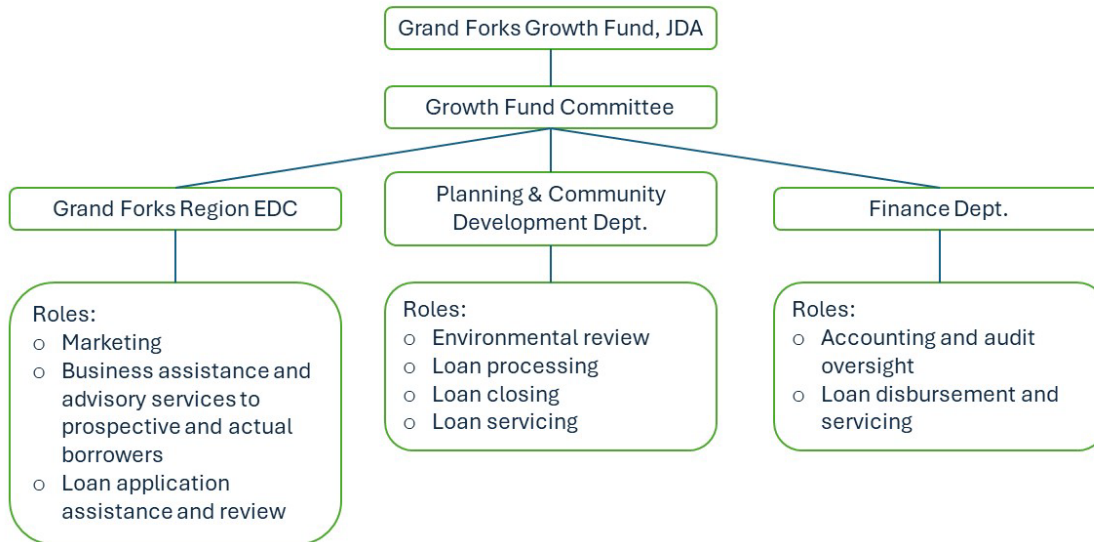
Community Development Department staff evaluate and review RLF program parameters on an ongoing basis as part of their interactions with local businesses, lenders, community partners, and prospective applicants to ensure the program is responsive to community needs. EDA will be notified if any substantive changes to the plan are required.

## PART II: REVOLVING LOAN FUND OPERATIONAL PROCEDURES

### A. Organizational Structure

#### Critical Operational Functions

A summary diagram for key operational functions follows:



#### Loan Administration Board

The Growth Fund is the City of Grand Forks' primary economic development mechanism. Established in 1987, it was the first-in-the-nation use of local sales tax dollars for economic development. Other sources of revenue include equity investments, business loan payments, lease revenue from JDA-owned properties, property sales proceeds and the EDA RLF. Since 1995, the Fund has been managed by the Grand Forks Growth Fund, a Jobs Development Authority (JDA). The Growth Fund Committee advises the JDA. All requests for funding are subject to a public hearing, and approval requires a majority vote of the JDA at a duly noticed public meeting.

The City's Community Development and Finance Departments staff the Growth Fund and manage its portfolio. The Grand Forks Region Economic Development Corporation (EDC) provides the "deal-making" and marketing component of the Growth Fund and actively promote its use for qualifying projects, both with commercial lenders and prospective applicants. EDC staff will work alongside lenders and applicants to complete necessary application documents via digital format. Marketing information will be updated as necessary to reflect any substantive programmatic changes as they are approved. Incorporated as a 501(c)(6) non-profit organization in 1988, the EDC's mission is to expand economic opportunity for the Grand Forks region through industry growth and diversification. The EDC is funded by the City of Grand Forks, Grand Forks County and private sector member companies across the region. The EDC's operational and strategic oversight is provided by an eleven-member board of directors representing the local business community and city and county government.

The JDA is governed by an eight-member board composed of the Grand Forks City Council and Mayor. Advising the JDA is the Growth Fund Committee, made up of three City Council members and four members nominated by the EDC. Appointees from the EDC serve three-year terms; all Growth Fund Committee appointments are subject to approval by the Grand Forks City Council. For both the JDA and Growth Fund Committee, a majority constitutes a quorum.

**Conflict of Interest:** It is the policy of the City of Grand Forks and the JDA to maintain the highest standards of conduct to prevent conflicts of interest in any actions taken by its officers, employees, representatives, board members or elected officials. A conflict of interest generally exists when an “Interested Party” participates in a matter that has a direct and predictable effect on the Interested Party’s personal or financial interests. A conflict may also exist where there is an appearance that an Interested Party’s objectivity in performing his/her responsibilities is impaired. Additionally, a conflict of interest may result from non-financial gain to an Interested Party, such as benefit to reputation or prestige in a professional field. To avoid conflicts of interest and to ensure that no Interested Party benefits directly or indirectly from any action taken regarding using of RLF funds, the provisions of 13 CFR 302.17 and Part II-I of the EDA’s Revolving Loan Fund Standard Terms and Conditions will be strictly followed.

Board members are required to disclose any actual or potential conflicts of interest. Upon disclosure, the board votes to determine if the member who has disclosed will be recused from participating in the decision relevant to the actual or potential conflict of interest. In compliance with 13 CFR 302.17(c)(3), board members and their immediate family shall not receive an RLF loan for a period of two years after their departure from the board.

## **B. Loan Processing Procedures**

### **Standard Loan Application Requirements**

Borrowers must complete an application via the JDA’s online portal through Neighborly. Applications typically originate through borrower contact with EDC staff, who assist the applicant in developing and packaging a viable project and proposal. EDC staff work with prospective borrowers and their lead lender to 1) ensure the applicant’s business, proposed financing structure and use of funds are consistent with EDARLF policies and 2) package a complete and comprehensive application and presentation.

In addition to the application form, applicants will provide company financial documents that may include federal tax returns, YTD balance sheet, YTD cash flow statement, pro forma cash flow statement, pro forma income statement, business plan, debt schedule, personal financial statement, commitment and/or turn down letter, and a certificate of good standing from the North Dakota State Tax Commissioner. Not all items listed above will apply for each loan applicant and certain situations may require additional items not listed.

### **Credit and Financial Analysis**

EDC staff work closely with applicants and their commercial lenders to assemble projects and complete applications that facilitate appropriate credit and financial analysis. Provision of documentation supporting that analysis (e.g. appraisals, credit reports, etc.) is included as part of the application. Standard collateral requirements vary based on the nature of the loan, as illustrated in Section C below. The JDA typically mirrors the commercial lender's collateral and security requirements in a subordinate position. Equity requirements are typically determined at JDA discretion and documentation varies based on project type (e.g., cash equity may require written confirmation from applicant's lender). The JDA typically asks for a "turn-down" letter from the private lender; however, this may be waived at JDA discretion upon other evidence of a funding gap that the EDA RLF will fill.

### **Environmental Review**

Following JDA approval of an EDARLF request, the Community Development Director, or their designee with the requisite knowledge and experience, will complete a NEPA-compliant environmental review. This department also manages the NEPA reviews associated with the City's HUD-funded projects.

For construction projects, the Community Development Director or their designee will conduct the following assessments:

- Determine whether the project will result in a significant adverse environmental impact. The applicant may be asked to submit additional documentation as necessary to make the determination. No activity shall be financed which would result in a significant adverse environmental impact unless that impact is to be mitigated to the point of Insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.
- Determine whether the project involves new above-ground development within a floodplain based on a review of the proposed development against FEMA Flood Insurance Rate Maps. No activity shall be financed which would result in new above-ground development in a 100-year floodplain, per E.O.11988. This determination will be made by reviewing the proposed development against FEMA Flood Insurance Rate Maps.
- Determine whether the project will be located within or adjacent to any wetland area. The applicant may be required to provide wetland delineation information as necessary. No activity shall be financed which would result in alternation of any wetland or in any adverse impact on any wetland without consultation with the U.S. Department of the Interior Fish and Wildlife Service and, if applicable, a Section 404 Permit with the Army Corp of Engineers shall be obtained.
- The Community Development Director or their designee shall notify the State Historic Preservation Officer (SHPO) of each approved loan that involves significant new construction and expansion and request and receive comments on the effect of the proposed activity on historic and archaeological resources prior to closing of the loan. In cases where SHPO has recommended actions or has determined an adverse impact, the

Community Development Director or their designee and loan applicant will work with the SHPO and EDA to address any issues identified before the loan is closed.

- All loan applicants are required to provide information regarding whether or not there are any hazardous materials such as EPA listed hazardous substances, leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials present on or adjacent to the affected property that have been improperly handled and have the potential of endangering public health. If necessary, the loan applicant will be required to perform or provide evidence of performance of a Phase I Site Assessment to identify possible sources of contamination, a Phase II Site Assessment to test soil and/or groundwater samples, and a Phase III Site Remediation involving mitigation of applicable contaminants. Financing will not be approved which involves unresolved site contamination issues. The loan applicant will be responsible for working with the appropriate state environmental agency office to resolve any outstanding issues before any loan can be approved for the affected site.

### **Loan Write-Up**

Loan applications are summarized in staff reports presented to the Growth Fund Committee and JDA. Included in these “write-ups” are summaries of the applicant business’s history, the proposed project, its consistency with the RLF plan and JDA priorities, policies, and procedures, specifics of the financing components, a summary of security position, and more. This document is then provided, along with the completed application itself to Growth Fund Committee and JDA members in advance of their meeting to allow time for thorough review.

### **Procedures for Loan Approval**

Qualified applications will be placed on the Growth Fund Committee agenda. The applicant, EDC, and City staff jointly present the application and staff report, including terms and conditions of assistance and consistency with the RLF plan, to the Committee for review and discussion. Growth Fund Committee action is by majority vote of a quorum (four or more members). Recommendations are then forwarded to the JDA for final action.

The JDA meets as needed, typically on the first Monday of the month. Prior to taking action on any request for financial assistance, the JDA holds a public hearing on the request. Public hearing notices are published prior to the scheduled public meeting. Following presentation of the requests and the public hearing, the JDA takes final action. Approval requires a majority vote of a quorum (five or more members). JDA decisions are not subject to appeal. Approvals are documented via retention of approved staff reports and meeting minutes in the project folder.

## **C. Loan Closing and Disbursement Procedures**

### **Loan Closing Documents**

Following JDA approval, Community Development staff prepares a term sheet for review and signature by the applicant. This summarizes the terms approved by the JDA and ensures a “meeting of the minds” between lender and borrower. Upon receipt of the signed term sheet from the borrower, Community Development staff prepare standard loan documents as shown

in the table below. As appropriate, title searches may be reviewed prior to preparation/execution of loan documents, and subordination agreements prepared when applicable. All security instruments will be recorded following loan closing, as appropriate. Standard documents are as follows (see Appendix for templates):

Document Type	Type of Loan	Type of Loan
	Working Capital	Equipment Acquisition
Loan Agreement	X	X
Promissory Note	X	X
Amortization Schedule	X	X
UCC Lien	X	X
Personal Guaranty	JDA Discretion	JDA Discretion

### Loan Agreement Provisions

Each borrower will sign a detailed loan agreement outlining the specific requirements and terms under which the loan will be made and the covenants to which the borrower will conform to. This will include a specific loan purpose for which the loan funds may be used. Borrower will agree to protect and hold harmless the Federal government in accordance with 13 CFR 307.10(c) as part of the loan agreement. Borrower will also agree in the loan agreement to comply with all Federal statutory and regulatory requirements that apply to activities carried out with RLF loans. Loan documents include loan call stipulations for instances of non-compliance.

### Loan Disbursement

Following execution of required loan documents, funds may be disbursed; under no circumstances will RLF funds be released prior to receipt of fully executed copies of all loan documents. Funds for working capital will generally be disbursed to the borrower’s account upon execution of all necessary documents. To ensure funds are used for the agreed loan purpose, funds for equipment will generally be disbursed either on a reimbursement basis; sent to the borrower’s account upon the provision of receipts for purchased equipment, or by paying equipment vendor(s) directly upon receipt of a detailed invoice. Funds are typically disbursed via ACH transfer in one lump sum in coordination with City Finance staff, though paper check or staged disbursements may also be considered in unique circumstances.

## D. Loan Servicing Procedures

### Repayment

Each RLF loan is assigned a unique “19000 series” loan number. Once a loan has closed, it is set up in the City’s Neighborly loan management software and entered in the general ledger. Neighborly generates invoices for payment in accordance with the promissory note, flags late payments, and also can serve as a tickler for specific tasks, such as for ongoing monitoring or special reminders. Community Development administrative staff receives RLF payments and enters them into Neighborly. The payment is then coded for appropriate journal entries and

submitted to Finance staff for deposit. As stated in the promissory note, if a payment is more than 10 days late, a late fee in accordance with the RLF plan is assessed.

### **Monitoring**

As per JDA policy, borrowers agree to the following requirements to assist in monitoring:

1. Recipients must, until the note is repaid in full, agree to provide the JDA upon demand with: financial statements; a summary of business operations for the preceding year and projections and goals for the upcoming year; information on the number of and average compensation (as defined by NDCC 54-60.1) for jobs to be created or retained.
2. Recipients must enter into an agreement with the JDA that addresses:
  - a. goals for the number of full- and part-time jobs to be created or retained within two years (if applicable);
  - b. the Recipient's financial obligation if applicable jobs goals are not met; and
  - c. the Recipient's commitment to continue operations for five years.
3. Recipient must allow annual, or more often as necessary, site visits by City staff until the loan is satisfied.

### **Job Creation**

Jobs progress report forms will be sent to RLF loan recipients annually and will be subsequently reviewed and tracked by Community Development Department staff. Job creation metrics tracked by North Dakota Job Service may also be used to assist in tracking progress.

### **Loan Files**

When the loan is entered in Neighborly, a checklist is reviewed to ensure the project file is complete. Along with the checklist, a complete application (including attachments), approval documents (staff reports and minutes), copies of all loan documents, subsequent reports, and relevant correspondence are filed digitally in the project folder; original loan documents are filed separately in the vault. The project folder is updated throughout the term of the loan to reflect post-closing correspondence and monitoring.

### **Defaulted Loans**

Borrowers with loans 30 days past due will receive a notice via email or USPS mail. In the event a borrower's payment exceeds 60 days past due, staff will seek a meeting with the borrower. If a delinquency extends 90 days and cannot be resolved through restructuring or other method approved by the Growth Fund Committee and/or JDA, it may be declared in default and be turned over to the City Attorney for collection.

### **Write-Offs**

If the City Attorney advises that all reasonable collection options have been exhausted, staff will recommend that the JDA write off the loan as uncollectible; however, the JDA will retain any and all rights to enforce liens and judgments on such loans. If payment is received on a defaulted EDA RLF loan, it will be applied as required by 13 CFR 307.20.

## **E. Administrative Procedures**

### **Accounting**

Financial administration of the EDARLF is largely the role of City Finance Department staff, who monitor JDA finances and ensure that the JDA and the RLF operate in accordance with generally accepted accounting principles (GAAP) and comply with audit requirements. A separate cash account is maintained to keep RLF dollars separate from other JDA funds. RLF funds will be held in an interest bearing account.

### **Administrative Costs**

Income from RLF lending activities will be used to cover reasonable and necessary costs associated with its administration; excess RLF income will be added to the capital base. Community Development and Finance staff functions are monitored to ensure they are appropriately allocated and charged against RLF income vs. other JDA or City funds.

### **Audits**

The full value of the RLF is included on the City's Schedule of Federal Expenditures. Should the dollar amount of the RLF qualify it as a major federal program, City Finance staff will ensure that auditors perform the required audit procedures.

# APPENDIX

- Application
- Loan Checklist
- Marketing Handout
- EDA RLF Credit Analysis Evaluation Matrix
- Loan document templates