

City of Oelwein Intermediary Relending Program Work Plan and Revolving Loan Fund Plan Update March 2024

A. Ability to administer IRP, complete listing of all personnel responsible for administering this program, their qualifications, and experience.

The City of Oelwein has elected to contract with the Upper Explorerland Regional Planning Commission to administer the IRP revolving loan fund.

Upper Explorerland Regional Planning Commission

Economic Development Coordinator – The Economic Development Coordinator will provide direct administration of the Oelwein IRP. Activities will include taking in applications, reviewing for eligibility, completing loan review and due diligence, monitoring of loans, closing for approved loans, taking of minutes and general reporting.

Finance Manager – The Finance Manager posts all deposits and checks to the general ledger; reconciles monthly bank statements to book of accounts; maintains loan records and pay authorizations; notifies the administrator of past due payments; prepares and submits semi-annual online reporting as required by USDA Rural Development; prepares annual budget as required by USDA Rural Development; provides reports as requested by city and/or loan committee; assists City’s auditing firm with fiscal year-end reporting questions.

Executive Director – The Executive Director provides oversight of the Economic Development Coordinator and Finance Manager and will provide technical assistance and guidance for the Oelwein IRP.

The City of Oelwein

City Official – One city official will serve on the IRP lending board to review applications or authorize another city official to represent him/her on the lending board as needed.

Business Leader – Up to two business leaders will serve on the IRP lending board who represent the Oelwein community.

Two Area Lenders – Two area lenders, each with years of banking/lending experience will serve on the IRP lending board.

Director of Oelwein Chamber and Economic Development – The Director will be the contact person for Oelwein businesses interested in the IRP program. This person will serve on the IRP lending board, or a person represented by the Oelwein Chamber and Economic Development.

B. Ability to commit financial resources and Statement of non-Agency funds for administration of the intermediary's operations and financial assistance for projects.

The City of Oelwein has a signed resolution committing \$125,000 to supplement this fund. See attached copy of the resolution with this application.

C. Demonstrate a need for the loan funds. Proposed and known ultimate recipients or Targeting criteria for ultimate recipients and supporting statistical or narrative evidence that such prospective recipients exist in sufficient numbers to justify Agency funding of the loan request.

The City of Oelwein has a need to improve the economic conditions in the community. The US Census shows the median household income in Oelwein at \$37,277, or \$13,174 less than the state of Iowa median household income and \$15,485 less than the US median household income. The percentage of students receiving free and reduced-price lunch is at 54% for grades K-S. Part of the overall plan for economic improvement includes the Intermediary Relending Program to support business expansion.

The City of Oelwein will establish the IRP for business expansion within the corporate city limits. The funds will be utilized for creation of and retention of jobs.

Demonstrated Record of Providing Assistance to Members of Underrepresented Groups:

The City of Oelwein is currently working collaboratively with business owners, including the underrepresented groups, in a facade and awning improvement project. The city allocates its subsidy for the Williams Wellness Center into coupons that are given through the Husky Hub (the school district student services) to allow day passes to the Williams Center to low- and moderate-income families that include underrepresented groups, etc. That amounts to about \$20,000 annually. We are also working with housing rehab with low- and moderate-income families to improve buildings -that is a local-federal funding program.

Plan for targeting loans to underrepresented groups:

30% or more of loan funds will be made available to entities owned by underrepresented groups. Direct one-on-one marketing will be used by the banks to ensure the underrepresented groups are aware of the loans for business expansion.

D. Proposed fees and other charges that will be assessed to the ultimate recipient

1. Loan application fee (non-refundable): \$100
2. Loan closing fee: 1% of IRP loan amount, up to a maximum of \$500
3. Other closing fees: \$10 per closing document (Mortgage, promissory, security agreements).
4. Borrower pays for all closing related costs as required per the conditions of the loan such as title search, appraisal costs, and legal fees.

E. Commitments of financial support from public agencies and private organizations.

Please see the attached resolution of local support from the city.

F. Proven record of obtaining private or philanthropic funds for the operation of similar programs.

1. 2008 Regional Academy for Math and Sciences (RAMS) - \$1.8 mil project with collaboration from City of Oelwein, OCAD, local and state foundation grants and USDA rural development loan
2. 2006 Library expansion - The city raised \$550,000 in local funds for the \$2.8 million facility
3. 2005 Downtown renovations - The city will utilized \$3.5 million in TIF for downtown revitalization

4. 2002 The Williams Center including Fitness Center and Performing Arts Center - The city raised over \$2.0 million in private local funding for a total project of \$8.5 million.
5. 2001 Oelwein Sports Complex - \$500,000 project with collaboration from City of Oelwein, Oelwein School District, local foundation grants and citizen in-kind labor and materials.

G. Plan for re-lending the loan funds

1. *What will be accomplished?* The goal of the loan fund will be to create economic development and jobs.
2. *How the funds will get from the intermediary to the ultimate recipient?* The Oelwein IRP Board will approve or deny the loan applicant. Upper Explorerland and/or qualified board members will serve as the closing agent with the borrower.
3. *Service area:* Corporate city limits of Oelwein
4. *Eligibility criteria:* All businesses in or locating in Oelwein are eligible. Community development projects will also be eligible for IRP loans. Borrowers must create or retain jobs. Borrowers must be denied full financing from a commercial lender. The borrower must have a minimum of 10% equity.
5. *Loan purposes:* Economic development and community development
6. *Fees:* \$100 non-refundable application fee, 1% closing fee, not to exceed \$500, and other related closing fees.
7. *Rates:* 0% -8% annual interest rate or prime rate plus 3%, whichever is higher. (0% interest rate will only be used for special projects where there is a large amount of job creation or special needs by the city).
8. *Terms:* maximum of 5 years with potential for balloon loans.
9. *Collateral requirements:* As appropriate for the applicant as determined by the IRP loan review board.
10. *Loan Limits:* Limits will typically range from loan size of \$5,000-\$125,000.
11. *Priorities:* job creation
12. *Application process:* intake goes through the Oelwein Economic Development office. The application review is done by the IRP board. The closing and loan servicing as well as IRP reporting is done by Upper Explorerland. Qualified board members may also complete loan closings.
13. *Method of disposition of the funds to the ultimate recipient:* Upper Explorerland and/or qualified board members will disburse the loan funds to the borrower. The IRP funds will be held in an account in Oelwein.
14. *Reporting requirement by the ultimate recipient:* The borrower will be required to provide financial updates at least annually and will provide employee information annually. The borrower will allow the IRP representatives to make regular visits and inspections as necessary.
15. *Lending Requirements:* as per Rural Development Instructions
16. *Renewal of balloon loans:* will require a short application, a new denial from a lender and an updated financial statement. Interest on approved renewal loans will be the current prime rate minus 1%, however it will not be lower than the original existing rate.

Eligible loan purposes, RD Instructions 4274.321

IRP loan funds may be used to fund any project, which will create permanent employment, diversification of the local economy, or increase to the local tax base in the City of Oelwein. Project activities which can be funded with the RLF funds include, but are not limited to: land acquisition, site preparation, building acquisition, building construction, building remodeling, machinery & equipment, furniture & fixtures, and working capital for business start-up and expansion activities. In addition, IRP loan funds may be used to fund:

- Aquaculture and hydroponics, as defined in this subpart.
 - § 4274.302 Definitions.

Aquaculture. The commercial cultivation of aquatic animals and plants in natural or controlled marine or freshwater environments.

Hydroponics. The commercial cultivation of plants by placing the roots in liquid nutrient solutions rather than in soil.

- Commercial fishing.
- Commercial nurseries engaged in the production of ornamental plants and trees and other nursery products such as bulbs, flowers, shrubbery, flower and vegetable seeds, sod, and the growing of plants from seed to the transplant stage.
- Forestry, which includes businesses primarily engaged in the commercial operation of timber tracts, tree farms, and forest nurseries and related activities such as reforestation.
- Value-added production.
- Housing, only when related to community development projects and, limited to working capital, equipment, pre-business development costs, and other such business purposes. Agency IRP loan funds may be used to assist a housing project planner, a housing project builder, a construction subcontractor (indirect soft costs such as architectural, engineering, and legal fees), or for any other business-related aspect of a housing project that is separate from the sale and/or purchase transaction involved in transferring ownership of a single or multi-family dwelling. While the proceeds from a sale might be used by an ultimate recipient to repay an Agency IRP loan, an Agency IRP loan cannot be used to finance a residential housing purchase. Agency IRP loans may not be used to assist in the purchase of residential housing (single, multiple dwelling, etc.) as financial assistance moves outside of community development when the financial assistance (a mortgage loan) is requested for a purchase.

Ineligible loan purposes, RD Instruction 4274.321

- (a) Agency IRP loans. The intermediary cannot use Agency IRP loan funds to pay for its administrative costs and expenses. The intermediary may use the portion of the IRP revolving loan fund that consists of revolved funds for debt service reserve and reasonable administrative costs, in accordance with this section or for making additional ultimate recipient loans.
- (b) IRP revolving loan fund loans. IRP revolving loan fund loans cannot be used for any of the purposes identified in paragraphs (b)(1) through (13) of this section.
1. Assistance in excess of what is needed to accomplish the purpose of the ultimate recipient's project.
 2. Distribution, payment, or loans to the owner, partners, shareholders, or beneficiaries of the ultimate recipient or members of their families when such persons will retain any portion of their equity, or control, in the ultimate recipient. This is not intended to prevent the sale of a business among immediate family members as long as the selling immediate family member does not retain an ownership interest and the price paid is deemed to be reasonable. This type of transaction is not an arm's length transaction and reasonableness of the price paid will be based upon an appraisal acceptable to the Agency.
 3. Charitable institutions and fraternal organizations that would not have revenue from sales, fees, or stable revenue source to support their operation and repay the loan.

4. Assistance to Federal government employees, active-duty military personnel, employees of the intermediary, or any organization for which such persons are directors or officers or have 20 percent or more ownership.
5. A loan to an ultimate recipient that has an application pending with or a loan outstanding from another intermediary involving an IRP revolving loan fund if the total Agency IRP loans would exceed the limits established in § 4274.331(c).
6. Agricultural production. For the purposes of this program, Agricultural production does not include those activities specifically listed as eligible uses of IRP revolving loan fund loans in § 4274.320(b)(15) through (19).
7. The transfer of ownership unless the loan will keep the business from closing, prevent the loss of employment opportunities in the area, or provide expanded job opportunities.
8. Community antenna television services or facilities.
9. Any illegal activity.
10. Any project that is in violation of either a Federal, State, or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation.
11. Loans to lending and investment institutions and insurance companies.
12. Golf courses, racetracks, or gambling facilities.
13. An entity is ineligible if it derives more than 15 percent of its annual gross revenue (including any lease income from space or machines) from gambling activity, excluding State-authorized lottery proceeds or Tribal-authorized gambling proceeds, as approved by the Agency, conducted for the purpose of raising funds for the approved project.

Loan limits, RD Instruction 4274-D, § 4274.331

Ultimate recipients: Loans from intermediaries to ultimate recipients using the IRP revolving fund must not exceed the lesser of:

1. \$250,000; or seventy-five percent of the total cost of the ultimate recipient's project for which the loan is being made.
2. No more than 25 percent of an IRP loan approved may be used for loans to ultimate recipients that exceed \$150,000. This limit does not apply to revolved funds.

H. Goals, Strategies, and anticipated outcomes for the intermediary's program including jobs created for low-income area residents or self-empowerment opportunities.

The primary goal of the Oelwein IRP is to create quality jobs in our community. The secondary goal is to support the overall economy including support for businesses that provide necessary amenities in the community.

The Oelwein IRP intends to lend to businesses creating good jobs at above median salaries. By creating better paying jobs, this will open up lower paying jobs for entry level employees, benefiting every strata of the local economy.

I. Technical assistance: explain how technical assistance will be made available to ultimate recipients and potential ultimate recipients. Qualifications of the technical assistance

providers, nature of technical assistance, expected and committed sources of funding for technical assistance, describe organization providing such assistance and the arrangement between such organization and the intermediary.

Director of the Oelwein Area Chamber and Development: The Director of the Oelwein Area Chamber and Development will provide the first contact with the business. The Director has years of business experience and can provide immediate technical assistance to interested applicants. There is no charge for this service.

Upper Explorerland: The Economic Development Coordinator, will also provide technical assistance to interested businesses persons. The Economic Development Coordinator reviews business plans, projections, and other elements related to business expansions and start-ups. There is no charge for this service.

University of Northern Iowa Regional Business Center (UNI RBC): This organization has a highly trained staff of business experts and provides additional business assistance in the area of projections, market identification, and other elements of successful business activity. The UNI RBC has a strong connection with the City of Oelwein. There is no cost for this service.

The Northeast Iowa Business Network (NIBN): Oelwein is part of this six-county marketing group. NIBN works together to attract new businesses and provides support for existing business growth. This group consists of numerous economic development professionals that are on-call for any necessary technical assistance. The NIBN group has also hired a free confidential business counselor, who comes to Fayette County twice a year. There is no cost for this technical assistance.

This document [Revision Dated March _____, 2022] is hereby adopted by the City of Oelwein. The City of Oelwein acknowledges that any changes to this document require the prior approval of USDA Rural Development.

By: _____ Mayor 03/25/2024
For City of Oelwein (Title) (Date)

This Revolving Loan Plan is hereby approved by USDA – Rural Development.

By: _____ _____ _____
For USDA – Rural Development (Title) (Date)