



Northern Rocky Mountain
ECONOMIC DEVELOPMENT DISTRICT

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Northern Rocky Mountain EDD Revolving Loan Fund Management Plan

**It was approved by the NRMEDD Board of Directors
June 29, 2017.**

**The NRMEDD RLF Plan has been approved by the State
of Montana.**

**The Plan was revised for Submission to EDA, March 30,
2020.**

Contents

Northern Rocky Mountain EDD 1

- 1. RLF Plan is consistent with NRMEDD CEDS 3
- 2. Economic Adjustment Overview 4
- 3. Plan and Strategies to deal with the Economic Adjustment Program 4
- 4. The NRMEDD RLF Supports Specific Economic Adjustment Activities of the NRMEDD CEDS 5
- 5. RLF Objective:..... 6
- 6. RLF Targeted Businesses: 6
- 7. RLF Business Needs:..... 6
- 8. Purposes of the Revolving Loan Fund..... 6
- 9. Financing Strategy 7
- 10. RLF Administration:..... 7
- 11. Portfolio Standards:..... 7
- 12. RLF Loan Selection Criteria: 8
- 13. The Loan Review Board..... 8
- 14. Eligibility Criteria and Policy not to Substitute for Other Capital:..... 8
- 15. Eligible Projects 8
- 16. Ineligible Loans..... 9
- 17. Revolving Loan Fund Terms and Conditions..... 9
- 18. Fees 9
- 19. Loan Closing Document Package 9
- 20. Loan Review and Screening..... 10
- 21. Collateral Requirements 11
- 22. Moratoria 12

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1. RLF Plan is consistent with NRMEDD CEDS

The NRMEDD RLF Plan is consistent with Goal 4 of the 2017 NRMEDD CEDS, specifically it is to: Serve as a District-wide forum for coordinating economic development discussion and initiatives.

Objective A. Seek to coordinate efforts with public or private entities to avoid duplication of services and improve access to information or resources for residents of the District Board members and staff.

Strategy 1: Board members and staff will play an active role on local, regional, state and multi state committees.

Strategy 2: District personnel will work with existing employers and those interested in expanding within the region to provide job opportunities for area residents.

Objective B: Foster increased regional partnerships to address economic development needs

Strategy 1: Provide opportunities which link businesses together, for example, hold forums with like businesses (industry clusters).

Strategy 2: Utilize the University of Montana's Bureau of Business and Economic Research (BBER), the Center for Applied Economic Research at MSU-Billings, the State of Montana's Census Economic Information Center, and Headwaters Economics to obtain strategic economic data.

Strategy 3: Identify articles that showcase the local area and the economic success stories of the area and share those with others.

Objective C: Provide quality technical assistance for the expansion of Belgrade and Gallatin County Revolving Loan Fund.

Strategy 1: Work with NRMEDD/ Prospera Business Services, Local Banks, Small Business Development Center, Montana Department of Commerce, and other economic development programs to provide business planning and put together viable Revolving Loan Fund loan packages.

Strategy 2: By 2020, expand local funds including the City of Belgrade and Gallatin County's RLFs.

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Objective D: Develop economic clusters to diversify our economy beyond tourism.

Strategy 1: Enhance various sectors of the economy with clustered development of similar industries.

Strategy 2: Develop and implement a plan to establish a District technology initiative that includes a statement of scope, strategy, goals, financing and desired end result.

Objective E: Continue developing local educational curriculum that reflects the needs of local industry and employers.

Strategy: Work with Gallatin College and MSU to emphasize curriculums that equip local students and workforce with skills necessary for the needs of local employers.

2. Economic Adjustment Overview

Nature and Scale of Economic Adjustment Problem:

- Bozeman, MT is MONTANA’S single greatest economic driver
- Distress: The Bozeman regional economic engine is in distress and its impacts carry throughout area cities and towns: The highlights of a March 24, 2020 survey of Bozeman’s downtown is as follows:
 - 97% of businesses have revenue declines 50% or greater
 - 47% of businesses have closed
 - 57% of businesses have laid off employees
- Utility hook ups are provided to show the significance of the Bozeman economy in all of Montana:
 - Bozeman is 45% of all MONTANA electrical hookups
 - Bozeman is 39% of all MONTANA gas hookups (2018)
- Bozeman is the fastest-growing U.S. micropolitan Community

Note, see attached Bozeman Downtown Partnership survey for more detailed information.

3. Plan and Strategies to deal with the Economic Adjustment Program

- Ready-to-go: NRMEDD has \$5 million, ready to lend, RLF requests in its pipeline. There are \$millions in RLF requests from manufacturers that are deemed critical to the U.S. supply system and we have several retail/service requests pending funding.

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- Largest Team: NRMEDD has the region’s largest professional banking, legal, accounting team assembled to structure, close and service RLF loans.
- Quick response: Our team has been using virtual tools to package, review, analyze and process RLF applications. Most loans can be reviewed and determined within 7 days.
- The preferred provider: The NRMEDD has active projects in each of its member cities and towns. It is the only SW Montana organization that has documented support from all SW Montana rural cities, towns and chambers. (See letters of support for RLF program). Note support letters were collected February 2020 to demonstrate support for NRMEDD’s RLF application to Gallatin County.
- NRMEDD delivers. In 2019 the Belgrade, MT RLF provided \$900,000 for funding. Within 60 days the District successfully lent all funds. All loans are current and performing. NRMEDD structured the area’s first RLF partnership between a city and a county to fund a single business.
- Most Rural RLFs: NRMEDD manages more rural RLFs than any other organization in SW Montana.
- Experience: NRMEDD staff has more than 40-years experience. It has assembled and managed more RLF programs than any organization in the region. NRMEDD staff originated RLFs for the City of Bozeman, the City of Belgrade, Gallatin County and the Town of West Yellowstone.
- Loan Servicing Software: NRMEDD has proprietary CRM-based software to service its RLF loans; the Microsoft CRM solution operates on the MS Azure Cloud platform.
- Montana that DOES NOT CHARGE A FEE FOR SERVICE. Prospera and other local organizations are membership-based and historically have required borrowers to purchase memberships before preparing applications, receiving funding or accessing in-depth counseling.
- Business Counseling: NRMEDD formed a 30-member Team of Professionals (TOPS) team made up of area accountants, attorneys, marketing specialist, internet security specialist and other professionals who give their services back to the community.
- Partners: NRMEDD has several local partner organizations available to support the NRMEDD RLF including the Montana Manufacturing Extension Center, Small Business Development Center, MoFi, Frontier Capital and other private capital networks.
- No Fees: NRMEDD is the only major business assistance program in SW

4. The NRMEDD RLF Supports Specific Economic Adjustment Activities of the NRMEDD CEDS

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- The CEDS requires NRMEDD to serve as a regional clearinghouse and forum to address major economic challenges. NRMEDD is the regional leader and the only organization that has rallied and organized ALL of the local cities, towns and chambers (see letters of support).

In 2019 NRMEDD established the SW Montana Rural/Urban Cooperation Program. The City of Bozeman and all area cities and towns are members. The Regional Cooperation Program is designed to respond to challenges and disperse business development opportunities to urban and rural markets. The program is supported by a Community Assessment Team (CAT) team with 18 planners, economic developers and GIS professionals who serve small rural cities and towns with free planning/zoning, economic development, flood plain and GIS support services.

5. RLF Objective:

The objective of the NRMEDD RLF is to provide capital necessary to respond to business development needs; to capitalize supply chains, to retain key cluster and defense-based businesses to assist small manufacturing firms incorporate new technologies and respond to new market demands.

6. RLF Targeted Businesses:

Presently up 97% of local businesses are impacted by the COVID-19 virus. A recent survey showed 47% of responding businesses are closed. NRMEDD will seek to provide monies to those companies that address the greatest national, regional and local priorities.

7. RLF Business Needs:

The primary assistance of the NRMEDD RLF is to provide capital, technical assistance and financing strategies to businesses in its service area.

8. Purposes of the Revolving Loan Fund

- a) To promote the economic wellbeing of Gallatin and Park Counties by helping to finance projects which maximize private sector investment;
- b) To stimulate job creation, job retention, housing and expand business ownership opportunities;
- c) To encourage maximum utilization of existing vacant and underutilized buildings;
- d) To stimulate investment in the renovation and conservation of

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- small business space;
- e) To supplement traditional bank financing, business owner investment, and other business loan and investment instruments; and to increase the workforce housing opportunities.

9. Financing Strategy:

The RLF Plan below is to serve Gallatin and Park Counties. It will primarily serve for profit, nonprofits retail commercial and industrial clients.

10. RLF Administration:

The Northern Rocky Mountain Economic Development District (NRMEDD), shall provide the day-to-day management of the Revolving Loan Fund, including:

- a. Be responsible for the overall Revolving Loan Fund administration;
- b. Assist Revolving Loan Fund applicants with packaging of loan development proposals;
- c. Recommend amount and terms of the Revolving Loan Fund and owner participation for each project;
- d. Seek new loan candidates when directed by NRMEDD;
- e. NRMEDD shall review preliminary proposals for basic consideration and either recommend to approve or recommend to deny;
- f. The NRMEDD Loan Advisory Committee shall include staff or support that is professionally trained and competent to analyze loan applications;
- g. The Loan Advisory Committee will review and recommend applications regarding their compliance with the Revolving Loan Fund standards and objectives;
- h. Evaluating and determining completed loan applications, and preparing a business and credit presentation for Loan Review Board;
- i. The Loan Advisory Committee are responsible for the final loan recommendations;
- j. If appropriate, NRMEDD shall prepare closing documents and facilitate the loan closing;

- k. Servicing the loan portfolio;
- l. Processing monthly loan payments; if any.
- m. Communicating with the Loan Review Board, including coordinating Loan Advisory Committee and Loan Review Board meetings.

11. Portfolio Standards:

The NRMEDD RLF fund has not target percentages. It is open to all types of loans, land, startup and working capital. NRMEDD agrees that with EDA participation loans will leverage a minimum of \$2 private for every \$1 of RLF financing. The Job

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Cost Ratio aims to generate, protect or sustain 5 jobs fore every \$100,000 in RLF dollars.

12.RLF Loan Selection Criteria:

Where possible NRMEDD RLF monies will seek to capitalize on regional assets; support or advance innovation, benefit emerging industry clusters, maximize private investment and create or retain higher-skill and higher wage-paying jobs.

13.The Loan Review Board: The NRMEDD Loan Advisory Board shall consist of three (3) members who are appointed by the Loan Review Board;

- a. The term of each Board member shall be three (3) years, and the members shall serve until successors are appointed and sworn in.
- b. Utilizing the directives of this management plan and the recommendations of the NRMEDD Loan Advisory Committee, the Loan Review Board will review and vote to recommend approving or vote to recommend to deny loan applications received.
- c. For transition purposes the initial terms shall be staggered. Initial appointment shall be one member for one year, one member for two years, and one member for three years.

14.Eligibility Criteria and Policy not to Substitute for Other Capital:

- a. The Revolving Loan Fund will provide financing only for projects located in or around Gallatin and Park County. Preference will be shown to projects that participate with local lenders. It is a policy of the NRMEDD RLF that its monies cannot be used as a substitute for credit that is available from other sources. All benefiting businesses must remain in the project area for the life of the loan or agree to an accelerated loan repayment; NRMEDD has the right to immediately demand payment in full if the borrower closes the business or moves out of the County in which the loan originated.
- b. The applicant must supply the required loan application documents.

15.Eligible Projects

Eligible project activities include loans for:

- a. Business start-ups, expansion, building improvements, renovations, capital equipment, housing, public facilities and/or other economic development activities.
- b. The goal of the Revolving Loan Fund is the creation and

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retention of quality jobs, housing and sustaining or enhancing the real value of commercial and industrial sector.

- c. Eligible uses of the Revolving Loan Fund loan funds include but are not limited to: land or building purchases, housing related projects, construction, rehabilitation, expansion, or installation of commercial and industrial buildings or public facilities; purchase of machinery or equipment; working capital; inventory; and employee training.

16. Ineligible Loans

Loans secured by out-of-state real estate, assets, and/or equipment

17. Revolving Loan Fund Terms and Conditions

- a. No loan shall exceed the maximum length of 10 years.
- b. Interest rates will be a fixed rate between 4% to 8%, or other rates as deemed reasonable for the borrower and NRMEDD..
- c. Typically loan re-payments will be made on a monthly basis and due on the 1st of each month; however, terms and payment schedules will be at the discretion of the Loan Advisory Board.
- d. Loans will be evidenced and documented and may be subordinated to the primary lender/s liens.
- e. Before any Revolving Loan Fund funds are disbursed, all necessary Town, State, or Federal Permits must be obtained.
- f. The Loan Review Board may establish other customary conditions to complete and service the loan.
- g. There is no prepayment penalty provision on any loan.

18. Fees

- a. All costs associated with legal documentation preparation and review, recordings and filings shall be borne by the applicant and shall be payable before or at the closing of the loan.
- b. As appropriate, NRMEDD may charge a loan closing fee not to exceed 1% of the loan amount as a cost of loan closing. These fees will offset the attorney costs related to document preparation and review.
- c. Applications must include a non-refundable \$100.00 loan application fee that is paid to the administrator.

19. Loan Closing Document Package

Applications will be processed and presented by NRMEDD to the Revolving Loan Fund Loan Review Board. The following is a list of

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documents often included in a loan application. Each loan is different, but NRMEDD will advise the applicant as to which documents are required in their loan package which may include:

- Loan Application Form (signed and dated)
- Written Business Plan
- Explanation of Need for Loan
- Employment Projections
- Source and Use of Funds Statement
- Personal Financial Statement (signed and dated)
- Personal Federal Income Tax Returns (last 3 years)
- Authorization to Release Information (signed and dated)
- Business Financial Statements: Income Statement (last 3 years)
- Cash Flow Projections (3 years)
- Business Federal Income Tax Returns (last 3 years)
- Resumes of Key Personnel
- Vehicle Title(s)
- Lease Agreement(s)
- Buy/Sell Agreement(s)
- Inventory List (list the amount owed on each item).
- Copies of Valid Bids for Construction Projects.
- Written Cost Estimates for Machinery, Equipment, Furnishings & Fixtures Purchases
- Commitment Letter from Bank or Other Lender
- Corporate Documents (By-Laws, Articles of Incorporation, Certificate of Existence)
- Business Licenses
- Bonding Information
- Verification of Hazard Insurance
- Verification of Life Insurance

20. Loan Review and Screening

- a. Completed loan applications will be reviewed and presented to Loan Review Board within thirty (30) days of it being deemed complete by the Contractor. Due diligence, credit presentation and underwriting will not commence until a completed loan application is received. Each loan application must be supported by the applicable due diligence/verifications that needs to be completed within thirty (30) days of receipt of the completed application and all the required attachments:

- Title reports and lien searches for all proposed collateral
- Verification of legal entity's status
- Borrower(s) Credit Report
- Verification of deposits reported on financial statements

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- Verification of loans with lending institutions
 - Borrowers with significant accounts payables and receivables must provide aging reports
- b. Applications that do not pass this preliminary due diligence phase will be declined prior to presentation to the Loan Review Board.
 - c. Secondary due diligence will involve verification of borrower projections, investigation of market, collateral values, and underlying contracts. Each application will require a different scope of investigation. However, the primary focus of investigation will be on factors that impact the borrower's projected cash flow and ability to repay the loan.

21. Collateral Requirements

- a. The Loan Review Board will consider the merits and potential economic benefits of each request. To encourage the participation of other lenders, the Revolving Loan Fund monies may be subordinated to liens securing other loans made in connection with the project.
- b. When appropriate, liens, assignments, and personal guarantees will be secured in accordance with the following principles:
- c. Collateral for working capital loans will normally be liens on inventories, receivables, realty, fixed assets or other available assets of the borrower.
- d. Security in the form of assignment of patents, licenses, and other assets with a realizable value may also be required.
- e. Life and/or disability insurance may be required on each owner or key person(s) of the business or corporation with twenty percent (20%) or more ownership. Such policies will be listed as collateral assignee.
- f. Unless otherwise agreed, hazard or liability insurance may be required on all businesses and policies will have NRMEDD listed as loss payee.
- g. Liens on personal or other non-business assets, co-signers, personal guarantees, or other forms of additional security may be required as determined by the Loan Review Board. Personal guarantees will be required for any person owning twenty percent (20%) of a corporation and who will be listed as a borrower. If the collateral for the loan is jointly owned, all the parties with ownership exceeding 20% must execute the loan agreement and loan closing documents.

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22. **Moratoria:** Moratoria will be permitted on principal payments for a period of time when deemed most appropriate for NRMEDD and the client. Typically, Moratoria would not exceed 18 months.

23. Montana Community Development Block Grant (CDBG) Program-

- a. Loan proceeds received from grants to local governments made under the Montana CDBG program, which in turn were loaned to local businesses, are referred to as program income. Program income expenditures for grants made in 1993 and later are subject to HUD regulations for the CDBG program. Foremost among the HUD regulations are requirements that funds be expended on eligible activities that meet a national objective of the CDBG program. The State of Montana has advised that rates and terms can be established to best address local needs.
- b. CDBG Program Income can be used for CDBG eligible purposes as established in a local government's plan for use of its program income and as stipulated in a Revolving Loan Fund management agreement executed between a local government and a designated management organization. Eligible CDBG uses can include support for economic development (job retention, job training, job creation, or working capital for eligible businesses); public or community facility needs; or housing needs that will meet the low and moderate income national objectives of the CDBG program.