



Cloquet, Minnesota Federal CDBG Loan Program

(Fund 202)

OVERVIEW

The Cloquet Federal CDBG Loan Program was created through two CDBG Grants to the City to be borrowed out to a local manufacturing company. As the money was paid back to the City, a revolving loan fund was created with emphasis on job creation / retention and serving the LMI population within the City of Cloquet.

ELIGIBLE BUSINESSES

Any new or expanding manufacturing business, distributing, warehousing, packaging and processing facilities, office, industries (including corporate, professional and technical) and retail are eligible upon the finding that certain conditions set by the Federal Government are met.

USE OF PROCEEDS

Eligible activities for assistance include:

- Equipment and machinery.
- Furniture and fixtures.
- Land and building acquisitions.
- Working capital and inventory.
- New building construction or building reconstruction/rehabilitation.
- Building expansion or site improvements.
- Utilities or infrastructure.
- Workforce development.
- Microenterprise assistance.

Ineligible use of proceeds:

- Loans may not be used to service or refinance any existing debt.
- Not-for-profit businesses are not eligible.
- Personal property items.
- Previously completed or started projects.
- Other uses as listed by the Federal Government.

CONTACT

Additional information and application may be obtained online at www.cloqueteda.com or from:

Holly Hansen, Community Development Director
101 14th ST
Cloquet MN 55720
Ph: (218) 879-2507 ext. 4
Email: hhansen@cloquetmn.gov

LOAN TERMS AND CONDITIONS

Loan Terms

- Final loan terms/rates are determined by agreement between the participating lender and City on a case-by-case basis.

Loan Conditions/Amount

- The loan fund shall not provide gap financing exceeding 50% of the total project cost.
- Create one job per \$50,000 of investment maximum.
- Relocation of business outside of Cloquet Area requires immediate and full loan repayment.
- Must meet financial (cash flow), collateralization, and credit requirements for borrowing and all federal program requirements.
- Prevailing wage/Davis Bacon contractor rates apply to the use of these funds; or if benefiting low and moderate income jobs 51% of those jobs, must be made available to 50-80% of area household median income.

Loan Security/Collateral

Loans must be secured by collateral sufficient enough to assure repayment. Acceptable security could include a mortgage or land, building and/or equipment; and in some projects assignment of accounts receivable. A personal guarantee from each major principal in the company is a requirement. A life insurance policy matching the City's loan and naming the City of Cloquet as beneficiary may be required from each major principal in the company.

Origination and Closing Costs

An application fee of \$250 is due on the date of application. There are no service fees. The business must pay all loan administrative and closing costs on the date of the loan closing.