



## Cloquet, Minnesota

# LDO Loan Program

(Fund 201)

## OVERVIEW

The Cloquet LDO Loan Program was created in 2012 to achieve local goals for development in the community. While all businesses are eligible, the program was created to respond to needs from the commercial/retail business sector. This flexible source of loan funds in collaboration with local lenders provides gap financing to businesses on relocation/expansion projects that encourage the creation of quality jobs and increase new property tax opportunities 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 that create or retain permanent jobs and demonstrate a significant payroll and other long term economic benefits to the City of Cloquet. Other projects as determined by the EDA.

## USE OF PROCEEDS

### Eligible activities for assistance include:

- Equipment and machinery.
- Furniture, fixtures and inventory.
- Land and building acquisitions.
- New building construction or building renovation.
- Building expansion or site improvements.

### 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.
- Working capital.
- Previously completed or started projects.

## CONTACT

Additional information and application may be obtained online at [www.cloqueteda.com](http://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](mailto: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.
- Interest rates shall generally be at Wall Street Journal prime rate -1 with a minimum of 2.5%; fixed for the term of loan.
- Terms shall generally be: 3-5 years on leasehold improvements, office equipment and inventory; 5-10 years on manufacturing machinery and equipment; and 15-20 years on real estate (land, buildings, and site improvements) or for terms consistent with and/or required under Federal SBA guidelines or other State and Federal lending requirements.

### Loan Conditions/Amount

- The loan fund shall not provide gap financing exceeding 50% of the total project cost and total public funding (government) will not exceed 50%.
- Job creation and retention as well as compliance with business subsidy is required.
- Relocation of business outside of Cloquet Area requires immediate and full loan repayment.
- Minimum equity participation shall be 10%.

### 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.