

2017

alexandria area economic development commission

# FINANCIAL ASSISTANCE GUIDE

Creating Balanced and Sustainable  
Economic Growth in Douglas County



The Alexandria Area Economic Development Commission (AAEDC) is a 501(c)(6) organization dedicated to driving the economic wealth and stability of our communities and we take this to heart in all that we do.

Cultivating and supporting an entrepreneurial spirit is what the Alexandria area is about. Many of the area businesses and companies were started right here. We know how to help hard working people with great innovation and ideas. Our area is also home to many diverse industries from Manufacturing, Healthcare, Service, Tourism, and Retail to name a few. The companies here have found that our area offers a balance not only for their business but for their lives and families. So, with all the Alexandria area has to offer it's no wonder once you come here you don't want to leave.

In addition to financial assistance for businesses located in Douglas County, we provide assistance with business planning, demographic research, and site selection. We are dedicated to building strong businesses and strong communities and will do our best to assist you in any way that we can. Our services are completely confidential and cost free.

Visit us at: [www.LivingAlexArea.org](http://www.LivingAlexArea.org)

## KEY AREAS OF SERVICE

- ★ Commercial Tax Incentives
- ★ Demographic Information
- ★ Revolving Loan Funds
- ★ Business Planning
- ★ Site Selection Assistance
- ★ Financial Packaging

# LENDING INSTITUTIONS OF DOUGLAS COUNTY

---

American National Bank.....	320.762.5330
Affinity Plus Credit Union.....	320.762.1391
Bell Bank.....	320.762.3200
BlackRidgeBANK.....	320.762.4200
Bremer Bank- Alexandria.....	320.763.6622
Bremer Bank- Brandon.....	320.834.2249
First National Bank of Osakis.....	320.859.2101
First Security Bank of Evansville.....	218.948.2259
Kensington Bank.....	320.965.2419
Gate City Bank.....	320.762.3100
Glenwood State Bank.....	320.762.5222
Hometown Community Bank.....	320.763.7400
MidMinnesota Federal Credit Union.....	320.762.2686
Neighborhood National Bank.....	320.763.8366
U.S. Bank.....	320.759.2785
Vantage Bank.....	320.759.5626
Viking Bank.....	320.762.0236
Wells Fargo Bank.....	320.762.2181

# HOW THE AAEDC CAN HELP ...

## Revolving Loan Funds

Revolving loan funds (RLF's) can provide businesses with direct loans, loan guarantees, and other financial assistance. As the Fund receives the principal and interest payments from outstanding loans, the money is made available to another borrower.

## Greater Alexandria Industrial Network (GAIN)

*Eligibility:* Industries already in Douglas County that wish to expand or add facilities, industries that wish to acquire depreciable assets for the purpose of industrial or commercial expansion, and new industry locating in the county.

*Priority:* Applicants who show a positive ratio of funds per quality job created.

- Up to \$50,000 maximum.
- Minimum of 5% private investment versus the utilization of GAIN investment.
- Minimum leverage ratio is 2:1, in private debt to RLF debt.

## Alexandria-Douglas County Developers

The Douglas County Developers Revolving Loan Fund was established to create a county-wide revolving loan fund for business growth and development. The RLF is designed to offer fixed asset financing primarily to private manufacturing and commercial business projects on a long-term basis for businesses located in Alexandria and the surrounding area.

*Eligibility:* Acquisition and/or improvement to land, building, business facilities and equipment, new construction or renovation of existing facilities, demolition, rehabilitation or site preparation, equipment and machinery purchase, or acquisition/improvement of real property for subsequent lease.

*Priority:* Projects creating new jobs with further priority based on the value of the wages and benefits paid to those jobs.

- Up to \$50,000 maximum or half of the total project costs whichever is less.
- The RLF will not finance working capital or professional fees.
- Minimum leverage ratio is 2:1, private debt to RLF debt.

## Tax Increment Financing (TIF)

Tax Increment Financing is a method local governments use to pay for the costs of qualifying improvements necessary to create new development, redevelopment, or public assisted housing. The financing of the qualifying improvements is paid from the increased property taxes generated from new development, redevelopment or housing development that would not have occurred without such assistance.

*Eligibility:* Land acquisition, site work, administrative costs, city assessments, etc.

# REVOLVING LOAD FUNDS & MUNICIPAL FINANCING

## Tax Abatement

Tax Abatement is a municipal financing program that uses the increase in property taxes generated from new development and redevelopment to pay for qualifying improvements. To qualify for Tax Abatement, a project must meet a number of public interest benefits established by Minnesota State Statutes. Each local unit of government, i.e. city, town, county, and school district can grant tax abatement for economic development purposes. The abatement for a parcel may be for any one of the following, but not a mixture of two or more of these types of abatements:

- A rebate of property taxes to the property owner;
- A reallocation of taxes to pay bondholders;
- A reallocation of taxes to pay for public infrastructure costs; OR
- A deferment of property taxes.

## Industrial Revenue Bonds (IRB's)

The City of Alexandria can use its bonding authority to help companies raise revenue for a project, and the money is passed through to a business which is responsible for repayment. Industrial revenue bonds are tax exempt, and therefore provide the borrower with the money at a lower interest rate. This type of financing is generally for larger projects because the up-front expenses incurred with this financing process require a bonding amount large enough to make the reduced interest rate and other benefits attractive.

## USDA Rural Economic Development Loan & Grant Program

The Rural Economic Development Loan (REDL) and Grant (REDG) programs provide funding to rural projects through local utility organizations. Under the REDLoan program, USDA provides zero interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility is responsible for repayment to the Agency. Under the REDGrant program, USDA provides grant funds to local utility organizations which use the funding to establish revolving loan funds (RLF). Loans are made from the revolving loan funds to projects that will create or retain rural jobs. When the revolving loan fund is terminated, the grant is repaid to the Agency.

### Nicole Fernholz, Executive Director

Alexandria Area Economic Development Commission  
324 Broadway, Suite 101 | Alexandria, MN 56308  
320.763.4545 (phone) | 320.763.5320 (fax)  
nfernholz@alexmn.org (email)  
www.LivingAlexArea.org

# CITY REVOLVING LOAD FUNDS

---

## **City of Alexandria Commercial Revolving Loan Fund**

*Eligibility:* Acquisition for demolition, building rehabilitation improvements, demolition of non-functional buildings and public facilities.

*Priority:* Projects creating new jobs with further priority based on the value of the wages and benefits paid to those jobs.

- Up to \$50,000 maximum, not more than 50% of private funds, not less than \$5,000.
- Loan terms equal or less than private portion of loan.
- Interest rates are 3% below current U.S. Treasury Note Rate or 6% whichever is higher.
- Service cost, loan fees and legal fees paid by applicant.
- Loan will be in a junior collateral position to the major source of funding, unless RFL proceeds are the primary source of funds.
- Loan will be secured by a mortgage taken on the property to be improved.

## **City of Alexandria Industrial Revolving Loan Fund**

*Eligibility:* Land, building, machinery, equipment, working capital, relocation, demolition and public facilities.

*Priority:* Expansion of existing industry, creation of new business, demolition of non-functional buildings, job creation, job retention, building rehabilitation, equipment acquisition, public facilities, working capital.

- Up to \$50,000 maximum, not more than 50% of private funds, not less than \$5,000.
- Maximum of \$10,000 per new job created.
- Loan terms equal or less than private portion of loan.
- Interest rates are 3% below current U.S. Treasury Note Rate or 6% whichever is higher.
- Service cost, loan fees and legal fees paid by applicant.

## **City of Alexandria Equipment Revolving Loan Fund**

Projects must be located within city limits. Open to businesses located in zoning districts I-1 (Light Industrial), I-2 (Heavy Industrial), or I-B (Industrial Business).

- Up to \$50,000 loan amount or half of the equipment project cost, whichever is less.

## **Mike Weber, Community Development Director**

City of Alexandria

704 Broadway | Alexandria, MN 56308

320.763.6678 (phone)

mweber@rea-alp.com (email)

[www.ci.alexandria.mn.us](http://www.ci.alexandria.mn.us)

# REGIONAL FINANCIAL ASSISTANCE

---

The West Central Initiative has several different loan programs available, which are designed to be of assistance to individuals, businesses, and communities throughout our region. They provide flexible, accessible, purposeful programs designed to have lasting impact. WCI attracts financial and human resources from diverse sources and directs them toward existing and emerging needs to improve the quality of life in west central Minnesota.

The West Central Initiative (WCI) is considered a “gap” lender that can finance 10-40% of total financing for qualified projects. \*WCI does not compete with local banks. Their funds are utilized as a part of the total financing package and cannot be utilized in projects that can be financed entirely by traditional sources.

## **West Central Initiative (WCI) Business and Industry Loan Fund**

*Eligibility:* This fund was developed to provide loans to regional businesses. Funds may be used for business start-ups or expansions, purchase of real estate or equipment, and in some cases may be used for working capital or other intangible uses.

*Priority:* The creation of new jobs, retention of existing jobs, or acquisition of technology that will increase business and employee earning capacity are the primary considerations in funding.

- Up to \$300,000 maximum loan amount.
- Interest is typically less than commercial bank lending rates.
- Personal guarantee is required.
- Loan must be properly secured by collateral.
- Limited financing available through this program for service and retail businesses that do not directly compete with other businesses in the trade area.

## **WCI Small Enterprise Loan Fund (SELF)**

*Eligibility:* Typically, these loans are to retail, service, manufacturing, or start-up businesses. The retail sector is limited to those businesses that are not unduly competitive against similar businesses in the immediate area. Projects must be environmentally sound and provide equal employment opportunities. Applicants must demonstrate their ability to cash flow and service the debt.

*Priority:* Creation of new jobs and business opportunities are the primary considerations.

- Loans will be considered up to \$35,000.
- Interest rates are typically lower than commercial bank lending rates.
- The loan must be fully collateralized.
- Project financed must cash flow.
- Personal guarantee is required.

## **West Central Initiative**

1000 Western Avenue | Fergus Falls, MN 56537  
218.739.2239 (phone) | 800.735.2239 (toll free)  
wci@wcf.org (email) | 218.739.5381 (fax)  
www.wcif.org

# SBA 7A LOAN PROGRAM

---

SBA provides loans to businesses; so the requirements of eligibility are based on specific aspects of the business and its principals. As such, the key factors of eligibility are based on what the business does to receive its income, the character of its ownership and where the business operates. Once you have decided to apply for a loan guaranteed by the SBA, you will need to collect the appropriate documents for your application. The SBA does not provide direct loans. The process starts with your local lender and working within SBA guidelines.

If you are awarded a 7(a) loan, the loan proceeds may be used to establish a new business or to assist in the acquisition, operation, or expansion of an existing business.

## **Nicole Fernholz, Executive Director**

Alexandria Area Economic Development Commission  
324 Broadway, Suite 101 | Alexandria, MN 56308  
320.763.4545 (phone) | 320.763.5320 (fax)  
nfernholz@alexmn.org (email)  
www.LivingAlexArea.org

# STATE FINANCING

---

## **Minnesota Business Finance Corporation (MBFC)**

MBFC is a certified Development Company authorized by the U.S. Small Business Administration to originate and service SBA 504 loans. The SBA 504 loan program is “the money that makes America work.” As a non-profit CDC, MBFC promotes economic development throughout Minnesota.

The SBA 504 Loan Program through the Minnesota Business Finance Corporation provides long term fixed asset financing for small businesses. Proceeds may be used to finance land, buildings, equipment, and related costs. SBA 504 loans are funded jointly by a lender and the federal government. Borrowers benefit from a long-term below market fixed interest rate, minimal equity injection, and loan guarantees up to \$5 million and \$5.5 million for manufacturers and energy efficiency.

## **Tom Saehr, Senior Loan Officer**

Minnesota Business Finance Corporation  
616 Roosevelt Road, Suite 200 | St. Cloud, MN 56301  
320.258.5005 (phone) | 800.593.0123 (toll-free)  
tdsaehr@mbfc.org (email) | 320.255.1815 (fax)  
www.mbfc.org



# VENTURE CAPITAL & EQUITY INJECTION

## Angel Tax Credit

Minnesota's Angel Tax Credit provides a 25-percent credit to investors or investment funds that put money into startup companies focused on high technology, new proprietary technology, or a new proprietary product, process or service in specified fields. The maximum credit is \$125,000 per person, per year (\$250,000 if filing jointly). The credit is refundable, and residents of other states and foreign countries are eligible. **For more information:** [mn.gov/deed/business/financing-business/tax-credits/angel-tax-credit/](http://mn.gov/deed/business/financing-business/tax-credits/angel-tax-credit/)

## RAIN Source Capital Funds

RAIN Source Capital is a multi-state network of RAIN funds that works with angel investors who are interested in supporting growing businesses. RAIN Source helps bring together like-minded angel investors to form individual RAIN funds and then provides these funds with capital, a process for due diligence, legal templates, management support, access to deal flow, and other resources. RAIN Source Capital is working with angel investors in Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, Oregon and other areas. They share expertise, experience, and deal flow between RAIN Source Capital's multi-state network to support growing companies through the area.

RAIN Funds benefit communities by:

- Creating a sustainable investment fund.
- Providing a source of capital and expertise critical to early and high growth companies.
- Helping to recruit and nurture technology companies.
- Building the capacity for local wealth creation.
- Growing businesses that create good jobs.

## Steve B. Mercil

RAIN Source Capital Funds  
1600 University Avenue West, Suite 401 | St. Paul, MN 55104  
651.632.2140 (phone) | 651.632.2145 (fax)  
[SMercil@RainSourceCapital.com](mailto:SMercil@RainSourceCapital.com) (email)

## Lakes Venture Group 2, LLC

A member of the RAIN Source Capital network, LVG2 is an investment/venture fund with a focus on investing in venture companies in out-state Minnesota. Its portfolio companies are primarily early stage startup enterprises in diverse industries such as medical devices, woodworking tools, and software.

Lakes Venture Group 2, LLC currently has:  
\$820,000 capitalization | 26 members | 5 companies funded

## John Reid

320.834.6070 (phone)

# ADDITIONAL BUSINESS RESOURCES

---

## **West Central Minnesota Small Business Development Center**

The West Central Minnesota Small Business Development Center (WCSBDC), hosted by the Offutt School of Business at Concordia College, is available to support small businesses in any stage. Their team of consultants provide free information, confidential counseling and one-on-one support to start, build and grow your business. The SBDC's services include, but are not limited to, strategic marketing, business planning, franchising, financial projections, market research, expansion, and patent information. They also work with local partners to offer a variety of seminars and workshops throughout the area. They have the tools, templates, training and services to make the process as easy as possible. Remember their services are free and confidential.

## **Matt Magness**

West Central MN Small Business Development Center  
1310 8th Street South | Moorhead, MN 56562  
218.299.3037 (phone) | 218.632.4277 (fax)  
sbdc@cord.edu (email)  
[www.offuttschoolofbusiness.org/sbdc](http://www.offuttschoolofbusiness.org/sbdc)

## **SCORE (Service Corps of Retired Executives)**

SCORE mentors to America's small business, and is a non-profit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed. SCORE is a resource partner with the U.S. Small Business Administration, and their counselors include both retired and working business leaders with real world experience in starting and growing businesses. Business counseling services are free of charge and confidential.

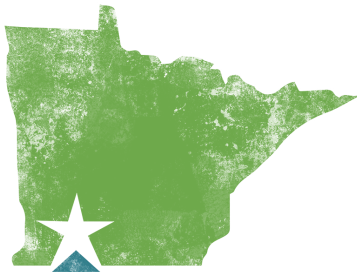
## **Alexandria SCORE Chapter**

Alexandria Technical & Community College  
Customized Training Center  
1601 Jefferson St | Alexandria, MN 56308  
320.763.4510 (phone)  
[www.score.org](http://www.score.org)

# CONTACT INFORMATION

---

Alexandria Area Economic Development Commission:.....	320.763.4545
Alexandria Technical & Community College Customized Training Center:.....	320.762.4510
City of Alexandria:.....	320.763.6678
Douglas County Assessor’s Office:.....	320.762.2389
Douglas County Auditor’s Office:.....	320.762.3881
Douglas County Land & Resource:.....	320.762.3863
Internal Revenue Service:.....	800.829.1040
MN Department of Employment and Economic Development (DEED):.....	651.259.7114
MN Workforce Center—Alexandria:.....	320.762.7800
State of MN Small Business Assistance Office:.....	651.556.8425
West Central Initiative:.....	800.735.2239
West Central MN Small Business Development Center:.....	218.299.3037



**LIVING**

alexandria area  
economic development commission

BRINGING TOGETHER PEOPLE & IDEAS...

LET US HELP YOU  
CREATE THE FUTURE!

Alexandria Area Economic Development Commission  
324 Broadway Street, Suite 101 | Alexandria, MN 56308  
320.763.4545 (phone) | 320.763.5320 (fax)  
aaedc@alexmn.org (email)  
[www.LivingAlexArea.org](http://www.LivingAlexArea.org)