GEOGRAPHIC AREA

The Warroad Communities Thrives Loan Program will provide funding to businesses located in the Warroad Area School District for the calendar years of 2019 and 2020. Available loan pools are $200,000 in Year 1 and an additional $200,000 in Year 2.

PURPOSE

Rural Minnesota is enjoying a relatively new phenomena, the "Brain Gain", a trend of population increases in ages 30-49 into rural areas across Minnesota. This trend, highlighted in the 2012 report by Benjamin Winchester, *Continuing the Trend: The Brain Gain of the Newcomers A GENERATIONAL ANALYSIS OF RURAL MINNESOTA MIGRATION, 1990-2010*, is bringing a resurgence to rural Minnesota as many of these newcomers are highly educated with families, which ultimately impacts the community in a positive way. The report states *"The leaders found that the top reasons cited for migration to rural Minnesota include: 1) a desire for a simpler life, 2) safety and security, 3) affordable housing, 4) outdoor recreation, and 5) for those with children, locating a quality school. Surprisingly, jobs were not found in the top 10 reasons. In short, the decision to move was based on concerns about quality of life."*

This report lends credibility to the position taken by NMF in 2003—that talent has become the main driver of regional economic development and that Quality of Place is the essential ingredient in attracting and retaining a talented workforce. This "Brain Gain" provides northwest Minnesota with an opportunity to boost a trend already moving in a positive direction.

The Communities Thrive Program was designed to connect with communities in a competitive application process and partner a "deep dive" in a small number of communities to help them capitalize on the current "Brain Gain" trend in the ways that best fit their unique community, ultimately building on the strengths and diversity within our region. This program uses place making and planning approaches to support community vitality. Initially we will work with one (1) to two (2) targeted communities to help identify the communities' needs and provide a mix of tools and resources, including flexible lending and grant products, to help the communities meet those needs. Whether it is downtown revitalization, an industrial park with tenants, a new senior living facility, a community wellness center, or improved parks and recreation (as examples), we help with capital needs to make the community's vision a reality. *Better lives* are built because of our investments into our region's communities. We know each community is unique—tourism might provide rich cultural experiences in one place, while other communities rely on business and industry—and the Communities Thrive program is designed to be flexible to capitalize on your community's unique assets.

OBJECTIVES

The objectives of the Warroad Communities Thrive Loan Program are applied toward projects within the Warroad area, defined as the geographic boundaries of the Warroad School District (ISD #690). Priority areas include:

- Community Beautification and Presentation – Projects that will improve the look, feel and overall community experiences.
- Arts, Culture and Heritage – Projects should showcase unique arts & craftsmanship, landmarks and history.
- Lifestyle and Healthy Living – Projects to focus on facilities, renovations, rural transportation solutions for use of the general public.
- Strengthening the Entrepreneurial Ecosystem – Project to support business retention and growth, including start-ups, technology and learning.
- Outdoor Recreation – Projects to focus on waterways, trails, parks, signage and similar efforts.

CHARACTERISTICS OF DESIREABLE PROJECTS/LOANS

- Projects that help provide quality of life amenities
- Projects to capitalize revolving loan funds
- Projects that create transportation and rural connection solutions
- Projects that provide essential goods and services and anchor businesses within the community.
- Projects that invest in the downtown area and create downtown development
- Projects that preserve the vibrancy of the downtown area
- Projects that create new housing units, refurbishing existing housing units and preserve current housing stock
- Projects that increase daycare capacity
- Projects that capitalize on the technology infrastructure located within the Warroad area.
- Projects that repurpose vacant buildings
- Projects focused on driving recreation and tourism

CHARACTERISTICS OF INELLIGEBLE PROJECTS/LOANS

- Applicants only seeking a lower interest rate
- Refinancing loans from other lenders
- Loans that are fully bankable at reasonable terms
- Loans with little or inadequate equity investment
- Consumer loans or loans to individuals
- General agricultural commodity production loans
- Applications projecting excessive competition to local businesses
- Undesirable types of businesses
- Businesses relocating within our Northwest Minnesota region, not to include expansion projects
- Projects that do not align with the principles and core values of NMF
- Projects that require NMF to provide long term primary single family mortgages
- Projects that would put NMF in a position to act as a developer
- Projects that would require NMF to provide property management services

ELIGIBILITY GUIDELINES

Loan Terms

Amount: Up to $50,000 for both start-up and existing businesses

Term: Up to 20 years for projects secured with real estate. Loans secured with equipment, inventory or receivables will be termed on a case-by-case basis. Loans with amortizations greater than 5 years will typically have an adjustable-rate feature, or a balloon payment.

Interest Rate: Interest rates will be fixed for a term of five years.

Collateral: All loans will require collateral. Acceptable forms of collateral include real estate, inventory, receivables, working capital and equipment.

Equity: A minimum of 10% equity investment is generally required.

Use of Funds: Funds may be used for the acquisition of land and buildings, construction or renovation, equipment, and working capital. Refinancing existing debt is generally not permitted. NMF will happily partner with other lenders and act in a gap capacity when appropriate.

HOW TO APPLY

Anyone wishing to apply for funding through this program should contact Robert Maher at robertm@nwmf.org. Robert is a Program Officer at The Northwest Minnesota Foundation and is responsible for administering loans under this program. If you are unsure whether your project qualifies for funding please reach out to Robert. Robert will be able to speak with you over the phone, or meet with you in person, and will help determine whether your project qualifies for funding.

Loan Processing Steps

1. Initial Contact

The initial contact may be in the form of a completed Eligibility Review received by staff, but as often as not the initial contact is by phone or by way of a meeting with the applicant. Staff may request the completion of an Eligibility Review to determine if the project is eligible, or, as in many cases, it may be determined at that time that the project meets NMF goals and a full application is invited. If so, the applicant is provided with the application and business plan outline. All interested parties are entitled to complete an Eligibility Review. A submitted Eligibility Review will be acted upon and the applicant will be informed of its status within 10 business days. Should an application be denied, the applicant is informed in writing of the reasons and informed of any alternatives.

2. Full Applications

Applications will be reviewed for thoroughness. NMF staff will contact the applicant to discuss the application and request any information that had been omitted. Generally, for loan projects, NMF staff will request, at a minimum, two years of personal tax returns and two years of business tax returns. NMF will conduct a credit review that will include pulling a credit report. Staff will complete a write-up review of the application summarizing the project and filling in the blanks regarding information that may have been omitted. The application and review is then mailed to the loan committee.

3. Loan Committee Action

The loan committee may meet in person or by teleconference. After deliberation, the committee will reach a decision by simple majority vote. Applicants are notified of committee action within three business days.

4. Loan Approval

A commitment letter is prepared detailing terms, and requesting further information or documentation as contained in the commitment. Documents requested include items such as insurance policies with endorsement to NMF, title opinion if called for, and so forth. The applicant is directed to sign one copy of the commitment and return it.

5. Loan Closing

Prior to closing, a checklist will be reviewed to determine if all required documents have been received and filed. The checklist contains a complete listing of all those documents that need to be in file prior to closing. NMF staff retains the services of an attorney, and, in the case of most applications, our attorney completes the loan documents. When the loan packet is ready, loan closing will occur and a check for loan proceeds will be delivered. The borrower will at that time pay the costs associated with the loan, such as any loan origination fees and attorney or other fees.

housing

Equal Opportunity

This institution is an equal opportunity provider. NMF is committed to fairness, objectivity, and non-discrimination in its funding policies and considerations. Terms may vary from loan to loan due to credit quality differences, or in recognition of an application's meeting the goals of the foundation.