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Development Corporation of Austin

Development Corporation of Austin (DCA) Forgivable Loan

OVERVIEW

The purpose of this program will be to provide for the promotion and continuation of existing lifestyle businesses within Mower County. Most of these businesses are owned and operated by one individual or a family. The forgivable loan/grant program will provide an incentive for a new individual to purchase an existing lifestyle business and continue operations. A lifestyle business is defined as a for profit business in which the owner will be treating the business as their full-time job.

APPLICATION PROCEDURE

The DCA Director or their delegate serves as the loan officer. The DCA Director will gather preliminary details of the project. A full application is provided by the applicant and reviewed by the DCA Director and/or their delegate. The application is then referred to the DCA Loan Committee for review and recommendation.

A Loan Review Committee reviews the information and may call a second meeting to include the applicant before recommendation making a recommendation to the DCA Executive committee. The DCA Director and Loan Review Committee will complete the due diligence worksheet.

The DCA Loan Committee provides a recommendation to the DCA Executive Committee of the Board for final authorization. No loan shall be approved or funded prior to DCA Executive Committee authorization.

QUALIFICATIONS

1. The business being purchased must have been operating for the past three years.
2. The business will require at least 1 full-time employee, 2 part-time employees or 3 Seasonal Employees. Total employee hours must be at least 40 hours per week.
3. Projections from the new owner must show a positive cash flow and ability to service all debt related to the business purchase.
4. All qualifications are at the discretion of the DCA and Mower County Board and may be changed or amended at their discretion. Qualifications may be changed or amended on a case-by-case basis.



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LOAN

- The loan needs to be approved **prior** to the purchase of the business to qualify.
 - Prior to the purchase of the business is defined as the purchase agreement has not been finalized, any bank loan(s) has not been finalized and/or the new business owner has not reopened and operated the business.
- The loan amount will be a 2:1 match of the purchaser's personal investment towards the acquisition. The maximum loan amount will be \$25,000.
- The loan amount will be a direct correlation with the percentage of the business being purchased. If the purchaser is buying 25% of the business, they are eligible for 25% of the \$25,000 maximum. This applies to all percentage amounts.
- Should the purchaser buy an additional percentage of the business they will be eligible for that percentage, up to 100% total per business.
- The minimum percentage purchased to qualify for a percentage of the forgivable loan is 25% of the business.
- Contract for Deed is not an acceptable loan.
- The loan should charge a fixed rate of interest equal to prime (Wall Street Prime) at the time of closing. The purchaser will pay interest.
- The loan should be secured by sufficient collateral and personal guarantees from the purchaser.
- For each year, the business stays open, and the purchaser meets the requirements of this program 20% of the original balance will be forgiven. At the end of the five (5) years should all the conditions of this program have been met the remaining principal balance will be forgiven.
- Should the business be sold during the five (5) years the entire remaining principal balance of the loan becomes due.

Note: The costs for preparation and filing of the paperwork necessary to document the loan and security interests granted to the Development Corporation of Austin will be deducted from the loan proceeds. This amount is a \$500 application and origination fee and is only charged if the loan is finalized.