

Development Corporation of Austin (DCA)
Unforeseen Economic Impact Forgivable Loan Program Guidelines

Overview: The DCA Forgivable Loan Program, sponsored by Mower County, is designed to support businesses in Leroy, MN, directly affected by road construction. The program provides financial relief through forgivable loans, aimed at mitigating revenue losses experienced due to the disruption caused by construction activities.

Program Purpose: To assist eligible businesses in recovering from financial losses incurred as a direct result of road construction, with loan amounts based on the degree of revenue loss.

Eligibility Requirements:

All qualifications requirements are at the discretion of the DCA and Mower County Board and may be changed or amended on a case-by-case basis.

1. **Directly Affected Businesses:**

- A business is considered directly affected if it is located within or adjacent to the road construction zone, or if access to the business is significantly obstructed for customers, employees, or deliveries due to road closures, detours, or reduced accessibility.
- The business must demonstrate a direct link between the road construction and a measurable decrease in revenue during the construction period.

2. **Proof of Financial Harm:**

- Businesses must submit financial documentation to show revenue loss:
 - Monthly revenue data for the two years prior to the road construction.
 - Monthly revenue during the period of road construction.
- The financial comparison should clearly demonstrate a decline in revenue during the construction period compared to historical revenue trends.

3. **Types of Businesses:**

- Only businesses located within the affected area or those that experience significant disruption in customer traffic or operations will qualify.
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Loan Terms and Conditions:

1. **Loan Amount:**

- The maximum forgivable loan amount is \$10,000.
- The minimum forgivable loan amount is \$5,000.
- The loan amount is determined based on the total amount of revenue loss, calculated as follows:
 - **Loan Calculation Formula:**
Loss of Revenue = Calculated by using the averaged total revenue from previous two years, during the same time-period or months as road construction months, minus total revenue during the road construction.

- $\text{Loss of Revenue} \times 50\% = \text{Forgivable Loan Amount}$ with a maximum loan amount of \$10,000.
2. **Forgiveness Structure:**
 - The loan will be structured as a forgivable loan over a three-year term.
 - Each year, the recipient must pay **interest only** on the loan.
 - For each year that the recipient pays interest on time, **1/3 of the principal loan amount** will be forgiven.
 - By the end of the three-year period, if all interest payments have been made, the full principal amount will be forgiven.
 3. **Interest Rate:**
 - The annual interest rate will be 4% per year and will be communicated to recipients prior to signing the loan agreement.
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Application Process:

1. **Documentation Requirements:**
 - Completed application form.
 - Proof of revenue loss through financial records (monthly financial statements and/or tax filings) for the two years preceding and the months during the road construction period.
 - Any other documents as requested to verify eligibility and need.
 2. **Review Process:**
 - All applications will be reviewed by the DCA loan committee.
 - Applicants will be notified of their loan amount and terms upon approval.
 - The committee reserves the right to request additional information or clarification during the review process.
 3. **Loan Documentations:**
 - All loan will be secured with the following documents:
 1. Promissory Note
 2. Loan Agreement
 3. Security Agreement
 4. Personal Guarantee
 4. **Application Deadline:**
 - Applications must be submitted prior to the completion of road construction or within 30 days following the conclusion of road construction.
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Compliance and Monitoring:

- Businesses receiving loans must agree to provide annual financial updates to the DCA during the three-year loan term to demonstrate continued operation and compliance with loan terms.
- The DCA reserves the right to conduct audits of financial records to ensure the accuracy of reported losses and continued eligibility for loan forgiveness.

Contact Information:

For questions or assistance with the application process, businesses should contact:

Development Corporation of Austin

507-433-9495

apkeenan@austindca.org

<https://www.austindca.org/pages/business-services/incentives-and-financing/>

These guidelines ensure that the DCA Forgivable Loan Program provides targeted relief to businesses suffering from financial hardship due to road construction, fostering economic resilience in the Leroy, MN community.