

Build Forward Duluth Loan Program Overview

PURPOSE: The primary purpose of loans and other financial assistance under this program is to assist small businesses, including childcare centers, with the acquisition and/or renovation of owner-occupied commercial property located within Duluth city limits that require significant capital investment to become commercially viable and create jobs.

ELIGIBLE USES: This loan program offers fixed rate gap financing for fixed assets only (building acquisition, building renovations and fixed equipment installation like boilers or HVAC) for a term of up to 17 years, at market or below market interest rates. Eligible commercial properties must be located within the boundaries of the City of Duluth. The commercial property must be owned or will be acquired by a small business defined as having fewer than 50 employees.

Loan amounts borrowed per job created/retained ranges from \$10,000 to \$20,000, based on established 1200 Fund guidelines found within the Duluth 1200 Fund Bylaws. The maximum amount to be loaned for any project will be \$100,000. A loan with a participating bank (and also possibly an alternate lender like ARDC, Entrepreneur Fund and the Northland Foundation) for the project is required to be equal to or more than the 1200 Fund loan financing. Personal guarantees may be required.

A loan program recipient may be eligible for some loan forgiveness after two years. Loans may be forgiven at an amount up to \$7,500 per full time job or full time equivalent (FTE = 2080 hours annually) created and working at the site of the commercial building. To receive loan forgiveness, the minimum number of jobs created must be 2 FTE's and the new jobs created must be maintained on site for a period of two years or more.

STRUCTURE: City of Duluth Planning and Development staff will provide the initial screening of applicants via review of a pre-application form to determine compliance with the 1200 Fund Loan Criteria. Applicants may work with other local development agencies to prepare their applications. Applicants will be required to pay reasonable legal and closing fees incurred for loan processing and any potential closing costs involved in making the loan lower. Loans may be approved between 4-6 weeks from the date of the submitted application to the city's Planning and Development Office.

Applicants will be required to submit for review a comprehensive business plan (including a three-year projection of both the balance sheet and income statement), sources-and-uses of funds, and an assessment of the potential of the business. Financial statements for the immediate past three years including a balance sheet, a profit and loss statement, and a sources-and-uses of funds statement current to the most recent quarter may also be required.

LOAN FEES: A one-time origination fee will be required; origination fees will be 1% of the loan value being requested and due within 30 days of starting the underwriting process. All loans carry an interest rate of 75% of the current prime interest rate (WSJ-2026), that will be applied monthly over the life of the loan. A one-time fee for closing will be required to be paid at loan closing, closing fees for 1200 Fund services is 2% of the loan value. Depending on the use of the funds, utilizing a holding agency may be required. Holding agency closing fees and the 1200 Fund closing fees may total over \$4,500.

PAYMENT: Payment of the loan will begin one month after loan closing until the loan is paid off. Principle balance of the loan will be deferred for a period of up to three months, interest only payments will be required during the loan deferment period. Automatic payments are required to participate in this program.

SUMMARY:

- Program provides gap financing for commercial building acquisition and improvements. Maximum amount borrowed ranges between \$10,000 and \$20,000 per job created and may not exceed a maximum loan amount of \$100,000.
- Program is applicable only for owner occupied commercial buildings (not leased) by a small business committed to creating 2 or more jobs/FTE's within 2 years.
- Loans are intended to provide gap financing in partnership with commercial banks and/or alternative lenders. The 1200 Fund may take a subordinate position on the loan debt. Loan interest rates are market rate or lower.
- Up to \$7,500 loan forgiveness for each full time job created and maintained 2 years or more is possible for up to 50% of the loan amount (\$50,000). Manufacturing, wholesale, service, childcare and retail (non-personal) businesses only may apply for the loan program.

THIS PROGRAM WAS APPROVED BY THE DULUTH 1200 BOARD ON 10TH DAY OF APRIL 2025