

THE MISSION OF THE DULUTH 1200 FUND IS TO FOSTER THE LONG-TERM VITALITY AND DIVERSITY OF DULUTH'S ECONOMY BY PROVIDING SUSTAINABLE AND RESPONSIVE GAP FINANCING AND FUNDING OPTIONS THAT EMPOWER LOCAL BUSINESSES TO STARTS, GROW, AND THRIVE.

Build Forward Duluth Loan Program Overview

PURPOSE: The primary purpose of the 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 ftes 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.

THE MISSION OF THE DULUTH 1200 FUND IS TO FOSTER THE LONG-TERM VITALITY AND DIVERSITY OF DULUTH'S ECONOMY BY PROVIDING SUSTAINABLE AND RESPONSIVE GAP FINANCING AND FUNDING OPTIONS THAT EMPOWER LOCAL BUSINESSES TO STARTS, GROW, AND THRIVE.

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.

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/ftes 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 subordinated 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 loan program.

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