**Section 1: Applicant Information**

***1A.*** *Enter the name of the Applicant:* City of Mandan and Co-Applicants

***1B.*** *Enter information below about the specific department, agency, or political subdivision of the Applicant that has been designated to implement the program(s) described in this application.*

Organization Name: City of Mandan Business Development & Communications Department

**Section 4: Other Credit Support Programs (OCSP)**. Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

**4A.** *Applicants should use the space provided below to provide a narrative statement describing each OCSP. Statement should include (1) background of the program; (2) summary of program guidelines; (3) historical performance of the program (for existing programs); and (4) expected performance of the program.*

| | PERFORMANCE | |
|---|---|---|
| | Historical | Expected |
| BORROWERS | | |
| Total Number | | 265 |
| Average Size | | 100,000 |
| TRANSACTIONS | | |
| Number | | 265 |
| Average Size | | 100,000 |
| Total Amount | | 26,500,000 |
| LOSSES | | |
| Total Amount | | 795,000 |
| Cumulative % | | 3 |
| LEVERAGE RATIO | | 11 |

The applicant as part of a consortium of North Dakota cities will initiate one program: Loan Participation.

The applicant will enter into a cooperative agreement with the all other applicants of the consortium. The consortium will be led by the City of Mandan. The applicant, as part of the consortium, will contract with the Lewis and Clark Regional Development Council (LCRDC) for administration of the program. Section 4F of this application details the qualifications and experience of the Lewis and Clark Regional Development Council to administer the program.

The consortium will establish a Steering Committee consisting of one representative from each municipality and Indian Tribe listed as a co-applicant. This committee will then elect an approximate 15-member Loan Committee consisting of:
- 1 member from each municipality with a population greater than 10,000
- 1 additional member for each additional 30,000 of population from municipalities with populations greater than 10,000
- 3 members elected by the remaining co-applicant municipalities and Indian Tribes.

The Loan Committee membership will be experienced in commercial lending, business start-up and expansion and economic development.

The Loan Committee will approve and deny loans based upon the following general guidelines:

LOAN PARTICIPATION PROGRAM

The Loan Participation Program will assist borrowers in financing start-up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction, renovation, or tenant improvements of an eligible place of business.

• Loan Amounts: The Loan Participation Program will fund up to 50% of a project. To ensure a diverse portfolio the maximum size of direct loan from SSBCI funds will be $1,000,000 supporting loans up to $10,000,000. This represents less than 10% of the overall loan portfolio helping to insuring the soundness of the portfolio. Generally, the Loan Participation Program will fund 20% of the project.
• Rates and Terms: The Loan Participation Program will offer rates ranging from 4% to market rate. Projects perceived as having a high development impact or providing assistance to minority or under-served persons, or businesses impacted by natural disasters, are eligible for the most attractive rates. Terms vary by asset type: 10-20 years for real estate, and 3 to 10 for machinery and equipment, 1-5 years for inventory and working capital.
• Collateral position. Generally the SSBCI loan will be in a shared 1st, 2nd or shared 2nd lien position on assets financed with SSBCI dollars. LCRDC will fund up to a 100% loan to value.
• Fees: LCRDC will charge a up to a 2.0% origination fee and will recuperate all hard costs including mortgage filing fees, lien fees, title searches, credit reporting fees, etc.
• Borrower Size: The Loan Participation Program uses the Federal funds allocated under the SSBCI to extend credit support that targets an average borrower size of 500 employees or less.
• Underwriting: The LCRDC will underwrite the loans. LCRDC will rely on the participating lender appraisals and other lender documentation to streamline the process. LCRDC loan officers are experienced commercial lenders. All loans will be reviewed and approved by the Loan Committee.
• Losses and Recoveries: Historically, in managing other loan pools, the LCRDC has experienced high delinquency rates (around 10% to 15%) but low loss rates of less than 4%. LCRDC typically allows lenders to take the lead in loan workouts with the agreement that lenders will pass along excess recoveries to LCRDC.
• Leverage: The estimated leverage ratio will be 5:1 under the Loan Participation Program, however with the funds revolving, it is estimated that the leverage ratio by December of 2016 will be $11:1. LCRDC will also utilize its other sources of capital to further increase the leverage ratio.
• All loans will be serviced by LCRDC. Although loan participations are possible and LCRDC currently has several in its portfolio the vast majority of Lenders prefer that LCRDC loan directly to the borrower and service their own loans. In the event a loan is participated, the lender will be responsible for the preparation of all loan docs, filing and perfecting of all security interest and collection of payments. LCRDC will remain responsible for oversight of the loan including but not limited to review and analysis of borrower financial statements, at minimum annual on-site visits, and borrower adherence to loan covenants.

Expected Performance:
Based upon an average loan size of $100,000 under the Loan Participation Program, the City of Mandan and joint applicants expect to provide 265 loans for a total of $26,500,000 by December 2016 leveraging $143,500,000 in private sector investment and creating over 2,600 jobs.

The consortium expects to provide financing in four major categories; Construction, Equipment, Working Capital, and Real Estate.

Construction: The consortium expects to fund 2 to 3 construction loans per year for a total of 12 loans throughout the award period. Generally, the value of new commercial properties in the area range from $500,000 to $10 million. As LCRDC has alternate funds available to fund small construction projects the SSBCI funds will be utilized on the larger construction projects. The consortium expects the construction projects to last between 12 months to 24 months resulting in an expected average term of 18 months. It is expected that the funds will represent 10% - 20% of the construction projects. The SSBCI portion of the loan is estimated at $500,000 supporting total loans ranging on average of $5 million to $10 million.

As LCRDC also contracts with Lewis and Clark Certified Development Company, a SBA504 lender, it is expected that the construction loans of projects funded with SSBCI funds will be taken out with the SBA504 loans which have a maximum of $5MM resulting in the ability of permanent financing for projects up to $12.5 million.

Equipment and Working Capital: The consortium expects to fund 97 equipment loans and 96 working capital loans throughout the award period. This averages to approximately 3 loans per month. Based upon historical experience LCRDC expects the majority of the projects that are applying for equipment loans will also be applying for working capital assistance as well. Therefore, the credit analysis and underwriting of the loans per project will be significantly less than individually. Based upon that it is expected there will be on average 2.5 loan packages per month based on 93 individual and 50 combined applications throughout the award period. The average equipment loan is expected to be $100,000 of SSBCI funds supporting loans of $500,000 to $1 million with a 5 year term as some equipment will have a terms of 3-10 years. Working capital will have an average SSBCI loan size of $50,000 supporting total loans ranging from $250,000 to $500,000 and average term of 1 year. The SSBCI portion of the projects in these categories is estimated at 20% of the total financing package. These estimates are based upon the historical portfolio of LCRDC.

Real Estate: It is expected that 60 loans will be made throughout the award period for real estate purposes, including but not limited to acquisition of land and buildings, expansion of existing buildings, and leasehold improvements. This is approximately 1 loan every month over the award period. Based upon terms ranging from 10 years to 20 years it is expected that the average will be 12.5 years. The SSBCI loan will average $100,000 and will support loans averaging $500,000. The SSBCI portion of the projects in this category is estimated at 20% of the total financing package.

Attached are detailed projections of the expected performance of the funds. The projections are based upon the historical performance of similar funds administered by LCRDC. The combined average of all funds and basis for projected performance is as follows:

Average Loan Size: $100,000 Loan Participation
Average Rate: 6.0% Loan Participation
Average Term: 60 months

Although LCRDC is confident the portfolio will perform as projected, the focus of the funding from type to another to meet both the need of the participating municipalities as well as the requirements of the SSBCI can easily be changed at the direction of the Loan Committee and Steering Committee. The Loan Committee will oversee the overall performance of the portfolio to ensure that it is meeting SSBCI requirements and will adjust rates, terms, and conditions as necessary.

In the event that the applicant is funded at level lower than requested due to multiple applications there will be not material affect on the expected size of loans, performance of the portfolio or ability to attain a 10:1 match. Based on an allocation of $9.7 million, the number of loans funded throughout the award period would be reduced to 211, however the average size of the loans provided per category and the expected ratio of type of loan provided is not expected to change significantly, as they are based upon the historical information provided by LCRDC. The match is expected to remain $11:$1 over the award period.

Income:
Fee Income: 1.0% origination fee
Interest Income: Based on average rate on outstanding loan balances per program

Expenses:
The expenses are based upon full funding of the SSBCI funds to the applicant. In the event the allocation is less than the full amount the expenses will be adjusted accordingly.
Annual Salaries: Director/Loan Officer $80,000, Credit Analyst II $60,000, Credit Analyst I $40,000, Loan Processor $40,000
Fringe: 33% of base salary
Travel: Travel consists mainly of in-state travel for customer and bank meetings
Other: Consists of general office supplies, marketing materials, etc.
Indirect: Indirect is calculated based on the Economic Development Administration approved indirect policy which LCRDC currently follows

Reserves:
A reserve for bad debts will be funded beginning in month 6 of operations and will be based on a 3% estimated loss rate. The loan loss reserve will be built from repaid loan principal. Once the reserve reaches 3% of the outstanding loan balance it will be maintained at the 3% level.