

MANDAN GROWTH FUND INTEREST BUYDOWN GUIDELINES

Application to the Mandan Growth Fund for the local match required for an interest buy-down under the Bank of North Dakota PACE or Flex PACE programs may be considered for new and expanding businesses.

Program Overview. The Bank of North Dakota (BND) offers a PACE program and Flex PACE program that provides an interest buydown that can reduce the borrower's rate of interest by as much as 5%. The programs have two major requirements:

1. participation by BND with a local lender in a community based loan,
2. participation by the PACE Fund with the local community in reducing the borrower's overall interest rate.

Additional information available on the Bank of North Dakota website, *banknd.nd.gov*.

BND sets the match requirement on an annual basis. Currently, the City of Mandan's level is 35% of the total buy down cost with the BND providing the remaining 65%.

PACE. A borrower must be a "primary sector" business as defined by NDCC 1-01-49 and certified by the North Dakota Department of Commerce. BND will provide up to \$500,000 for the interest buydown. This puts the maximum local share at \$269,231 for a maximum total interest buydown of \$769,231.

The BND buydown is based on either the business investment OR the number of jobs created. The first three years of job creation will be considered in the allocation. The interest rate buydown is based on the following matrix.

	BND Buydown	Minimum investment	or	Jobs created
Tier One	\$100,000	\$750,000-\$1,200,000		2-5
Tier Two	\$200,000	\$1,200,001-\$2,200,000		6-10
Tier Three	\$300,000	\$2,200,001-\$3,500,000		11-15
Tier Four	\$400,000	\$3,500,001-\$4,500,000		16-20
Tier Five	\$500,000	\$4,500,001 +		20+

Flex PACE. The community determines eligibility and accountability standards based on community needs. Here are the options:

- **Regular projects.** BND will provide up to \$200,000 for the interest buydown, putting the maximum local share at \$107,692 for a maximum total interest buydown of \$307,692.
- **Affordable housing projects (as defined by BND).** BND will provide up to \$500,000 for the interest buydown, putting the maximum local share at \$269,231 for a maximum total interest buydown of \$769,231.
- **Licensed child care projects.** BND will provide up to \$300,000 for the interest buydown, putting the maximum local share at \$161,538 for a maximum total interest buydown of \$461,538.

(more)

Application. Application for the community-based loan and interest buydown needs to be from the borrower's lead North Dakota lender. Once a lead lender and the Bank of North Dakota are on board with the project, the applicant may apply for the local share of the interest buydown.

Standard applications for Flex PACE should be submitted to the Lewis and Clark Development Group (LCDG) for consideration by a loan committee. The use of loan proceeds must comply with program requirements. Interest rates and terms are determined by the loan committee. Interest rates will typically be at 5% or less and the length of the buydown period will generally be limited to three years. To apply, or for more information, contact the LCDG, 200 First Avenue NW, Mandan, ph. 701-667-7620, www.lcdgroup.org.

Applications for PACE or Flex PACE for affordable housing or childcare may be submitted to the City of Mandan for Mandan Growth Fund consideration using its application form.

Terms for local share. The Mandan Growth Fund Committee will generally require repayment of the principal of the local match after the term of the buy down is complete (usually five years). The interest rate and repayment terms will be determined based on the nature of the project and public benefits provided. Criteria include jobs creation, job quality, contribution to the local economy, project scope and level of private investment, generation of sales tax, and extent to which the borrower is provided a product or service missing or in greater need in the community. Priority projects in the areas of primary sector businesses, retail, child care and affordable housing will generally be considered for a 0% interest rate. The maximum interest rate is 5%. Interest shall start accruing on any loan for the local share of the buy down at the beginning of the buy down period, however repayment cannot begin until the buy down has been fully expended. Loan security provisions may be required and will be considered on a case by case basis.

*Approved by the Mandan City Commission – Feb. 18, 2014; Updated Dec. 15, 2015;
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