



Starting My Business- Frequently Asked Questions

Below is a list of some FAQs regarding business startup. While the information may not address all questions, the resources and information herein should provide a useful basis for finding preliminary answers to common questions. The information included in this document in no way intends to supersede legal requirements not stated. The County is not responsible for actions taken or not taken by business owners utilizing this document. If you have any questions, please do not hesitate to contact the Martin County EDA at 507-238-4491.

BUSINESS PLANNING

Q: What type of business should I start?

A: You should start a business that you will be passionate about. Entrepreneurship can be very rewarding; however, it is also challenging and requires the dedication of significant time and financial resources. Therefore, it's very important to love what you do so that it will be easier to stick with it through the difficulties you'll invariably encounter.

Furthermore, you should do some market research as it pertains to the demand, financial feasibility and sustainability of your idea. While passion is important, if a business won't be profitable, it will be difficult to continue its operation long-term.

Q: Is there a comprehensive, step-by-step guide for starting a business?

A: The State of MN has produced a robust guide to starting a business. The information is lengthy, but could provide some valuable points of interest for someone looking for answers. Their guide, including an index, can be found here:

https://mn.gov/deed/assets/guide-starting-business-minnesota-35th-ed-2017_tcm1045-155254.pdf

Q: Do I need a lawyer to set up my business structure?

A: While tools exist online in today's landscape (e.g. RocketLawyer, LegalZoom, etc.), it is up to you to determine your understanding of the topic and what your needs might be. Different structures come with varying levels of personal liability and each tends to have its own set of benefits.

Through the Small Business Development Center, small businesses do have access to a free 30-minute legal consultation that may assist with matters such as this, too.

Q: What types of services does the Small Business Development Center (SBDC) provide, and how do I register for services?

A: SBDC, located in Mankato, MN on the MSU, Mankato campus, provides a number of services to its small business clients. As an organization funded through the Small Business Administration (SBA), their services are provided at no charge.

They can assist with items such as business planning, cash projections, financial/loan packaging, marketing, research, and other business needs. Further, services such as a free 30-minute legal consultation are accessible through the SBDC offices.

Registration is free and easy at:

<https://www.myminnesotabusiness.com/signup>

Staff from Community and Economic Development Associates (CEDA) that work in your community are also available to assist with your business planning needs through the SBDC. Contact the Martin County EDA for assistance: 507-238-4491.

Q: Do I need a business plan to start my business?

A: We highly recommend the construction of a business plan. This plan assists you with explaining your idea/product/service to other organizations in addition to providing a great foundation for you as a business owner.

Many lenders will require the submission of a business plan to receive financing or assistance.

Q: Okay, so I'm going to put the business plan together. How long does it have to be, and what sections should be included?

A: There are no requirements (for brevity or lengthiness). Ultimately the business plan strives to convey where your business is now, and your plans for how to take it where you see the future heading.

Sections for the narrative portion of a business plan can vary, but generally include the following: History, Products/Services, Market Analysis/Strategies (including competition, pricing structure, and distribution (if applicable)), Advertising, Sales, Process for Making Product (if applicable), Management (including resume(s)), Future Plans, Financial Projections (including monthly cash flow projections, profit and loss statement and balance sheet), Business Debts/Credits Summary, Statement of Collateral, Personal Financial Statements, Commitment Letters, Appraisals/Lease Agreement/Purchase Agreement, Affiliates (e.g. franchises, subsidiaries, etc.), Articles of Incorporation and Bylaws.

Many resources and templates exist for business planning. One such example available is through SCORE offices. This template can be located at:

https://www.score.org/resource/business-plan-template-startup-business?_ga=2.103827655.658041553.1512407910-1701587350.1512407910

While the County is not able to write business plans from scratch for companies, our EDA staff can help review business plans and assist with questions. Contact the Martin County EDA at:

507-295-4491 or email amber.patten@cedausa.com or joshua.schuetz@cedausa.com.

Q: When should I meet with a bank?

A: Loan officers will typically require a copy of your business plan, so setting up meetings with your banker once you have completed a draft of your plan and financial projections is a good idea. By this point, you'll have a better indication of your total project costs, your owner's contribution of equity and the amount of financing you'll require.

Q: Do I have to use a local bank?

A: No, it is not required. While the County does not have preferences as to which lender is used for a project, occasionally, lenders working within a community have a first-hand knowledge of the demand for a product or service and the overall impact that a business will have on the community. This can facilitate the lending process.

Q: Can I talk to multiple banks?

A: Absolutely. Business lending is still a human process. Different banks may be able to offer different packages based on their resources, priorities, relationships, etc.

Q: Should I plan to pay myself?

A: The short answer to this question is yes. It is very important that a business owner is able to generate and allocate capital necessary to pay his/her expenses. Without this, a business will ultimately be unable to thrive. While a business owner should expect (at least) the first year of business to be lean or difficult, he or she should still plan to make and draw revenue sufficient to cover all expenses.

Q: What challenges should I expect during my first year of operation?

A: The first year of operation can be difficult for businesses. A couple of common challenges that you should plan for are:

1. Shortfalls in your revenue projections. This is why operating capital is so crucial to success. With unexpected underperformance or expenses inevitably arising, it's important to plan for deficits.
2. Changes in or loss of management. Whether it is a partnership or staff hired, there may be changes in your human capital resources that have to be dealt with professionally, efficiently and expeditiously. An exit plan for partners may be beneficial.

LOCATION

Q: Where can I find commercial properties in town to rent or buy?

A: Local cities may have property listing sections on their website. While this may not include all available properties, it does include those which have been submitted to the cities in question and meet the guidelines for posting established by their EDAs.

Q: How hard is it to finance leasehold improvements?

A: Extremely difficult. This is challenging because the improvements being completed by the leasee business owner will stay with the property that is not owned by the business. The lack of collateral can be problematic for the bank or other financing agency.

Occasionally, business owners can work out lower rental payments or other methods sufficient to warrant the project's completion.

Q: What type of zoning district does my business need to be in, and how do I verify that my business type can operate there?

A: Typically, commercial businesses will operate in the business/highway commercial zones. However, it is best to check with your city administrator or clerk to determine if your business requires a conditional use permit or other zoning. If your location is currently in another zone than is required for your business type or the zoning regulations have requirements that are not feasible for your business, you may need to request a zoning change or variance.

ASSISTANCE

Q: What type of assistance is available for new businesses?

A: Both the SBDC and Martin County EDA can provide business consulting services at no cost. Low or no-interest loans may be available through your city's EDA. In addition, both the Southern Minnesota Initiative Foundation and Region Nine Development Commission may have low-interest loans available for your business.

Fairmont EDA Revolving Loan Fund:

<http://www.fedamn.com/business-resources/incentives/local-incentives/> (for businesses in Fairmont)

Region Nine Revolving Loan Fund: <https://www.rndc.org/what-we-do/revolving-loan-fund/>

SMIF Business Loans:

<https://smifoundation.org/business-financing/loans-for-businesses/>

Further, the County's EDA staff is able to assist. Feel free to contact them at:

507-238-4491 or email amber.patten@cedausa.com or joshua.schuetz@cedausa.com

State of MN

Depending upon the project, other incentives such as business financing and job creation awards may also be available through the State of Minnesota. A list of State offered programs can be found here:

<https://mn.gov/deed/business/financing-business/deed-programs/>

USDA

USDA also offers low-interest financing options that are eligible for use in Martin County. Information on the USDA Rural Economic Development Loan and Grant Program can be found here:

<https://www.rd.usda.gov/programs-services/rural-economic-development-loan-grant-program>

Community and Economic Development Associates

CEDA can assist small businesses with microenterprise loans. For more information, contact:

507-867-3164 or info@cedausa.com

Southern Minnesota Initiative Foundation

SMIF provides some financing assistance to a variety of small business industry sectors. SMIF loan programs and assistance can be viewed at:

https://smifoundation.org/what-we-do/econ_development/business_financing/

Q: What is "GAP FINANCING?"

A: Gap financing refers to loans that are provided to an individual or business which are meant to finance the difference between the total project cost and what the traditional lender and equity can cover. These loans are typically: 1. Subordinated, 2. Low-interest, and 3. Less than a traditional lender's contribution.

Q: Can I get grants to cover the costs of my start-up?

A: Potentially, depending on the industry, but it is **highly unlikely**.

Q: What do lenders look for when evaluating an application for assistance from a new business?

A: Lenders look to set business owners up for success with longevity. They want to assist businesses whose plans demonstrate sustainability. This is done through:

- An evaluation of financial sustainability—through which a plan is able to illustrate that a business owner has reasonable projections that allow for debts to be paid each month and an adequate owner's draw to be budgeted to pay personal living expenses.
- A plan that accounts for seasonality.
- A plan that includes operating capital.
- The lender may look at debt to equity ratios and how that may impact the plan's feasibility.
- The protection of an investment through appropriate insurance(s).
- Financial projections and cash flows that make sense and contain consistent numbers.
- Hours of operation that are sustainable and will avoid burnout; if hours are extensive, this may be supplemented with budgeting for staff.
 - If staff are being hired, the plan should validate that appropriate steps have been taken to ensure compliance with regulations and reporting. Of course, corresponding salaries, insurance, etc. should be budgeted for in the projections.
- All relevant licensures and permits should be attained for the business type.
 - If you're unsure what licenses might be required, you can search the following link:
<https://mn.gov/elicense/>
- All other requested project financing should be secured or nearly secured.
- Owner equity should be infused in the project. This is evaluated on a case-by-case basis, but typically ranges from 10-25% of project costs.

BUSINESS REGISTRATION

Q: I'm starting a business in a business/commercial building, do I need to register my business?

A: Martin County does not require that businesses operating out of business/commercial buildings register with the County. It is important to check with your city to see if they have such a requirement.

However, while you're not required to register your business with the County in this circumstance, business owners are still required to register their business with the State of Minnesota's Secretary of State. This registration process can be found online:

<http://www.sos.state.mn.us/business-liens/start-a-business/how-to-register-your-business/>

Their Business Services representatives may be reached by phone for questions at:

1-877-551-6767

To determine whether you are required to register your business with the federal government and to apply for your EIN, you can click here:

<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Employer-ID-Numbers-EINs>

Q: So, I don't have to register my business with a city if I'm operating out of a commercial building, but what if I'm operating my business out of my home?

A: It depends. If your business is operating out of your residence and will/could increase traffic in your neighborhood, you may need to register your business with your city.