

CITY OF GREEN BAY COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

SECTION 1: GENERAL PROVISIONS

A. Introduction

In 1989, the City of Green Bay approved the allocation of \$200,000 of the city's 1990 Community Development Block Grant (CDBG) Funds for the purpose of establishing an economic development revolving loan fund (RLF) program. The RLF Program, administered by the City's Redevelopment Authority, is subject to related Department of Housing and Urban Development regulations as described in 24 CFR Part 570. The fund grows annually from repayments and interest paid on current loans, which allows for continual consideration of loan applications, and from the City's annual CDBG allocation.

B. Purpose

The purpose of the CD-RLF is to provide a financial opportunity for companies in the City of Green Bay that cannot receive adequate funds for a business venture through traditional or private means ("gap financing"). The program is also designed to create and retain employment opportunities, with major emphasis on employment for persons from low-to moderate-income households.

C. Funding Amount

The maximum amount of a loan from this program is \$250,000. The minimum is \$10,000. Working Capital loans are capped at \$35,000.

SECTION 2: ELIGIBILITY CONSIDERATIONS

A. Area

The area served by the RLF program shall be within the corporate limits of the City of Green Bay. Applications from companies located outside the city limits that have facilities within the city may be allowed to apply as long as the funds will be used AND the jobs created only at the Green Bay facility.

B. Applicants

- 1) Applications may be submitted by the sole proprietor or Chief Executive Officer of any business wishing to establish a new operation or expand an existing operation in the City.
- 2) No member of the governing body, loan review board, or any other official, employee, or agent of the Community who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under this program.
- 3) No program loans will be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- 4) Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition and development disability as defined in Section 51.01(5), sexual orientation or national origin.
- 5) All projects and applicants for eligibility purposes must be compliance with all community adopted plans (i.e. zoning, etc.)

- 6) Businesses that have received previous loans from this program may apply for new financing as long as their earlier loan was repaid and the account was in good standing throughout the loan period.

C. Eligible Activities

Program loans shall be available to eligible applicants for the following activities:

- 1) The acquisition of land, buildings and fixed equipment.
- 2) Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment.
- 3) Clearance, demolition, or the removal of structures or the rehabilitation of buildings and other such improvements.
- 4) Working capital - inventory and direct labor costs only.

D. Ineligible Activities

Program loans shall not be available for the following activities:

- 1) Refinancing or consolidating existing debt.
- 2) Reimbursement for expenditures prior to loan approval.
- 3) Specialized equipment that is not essential to the business operation.
- 4) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation).
- 5) Routine maintenance.
- 6) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a RLF loan are eligible.
- 7) Line of Credit
- 8) Other activities that the Loan Review Committee may identify during the administration of the program.

E. Ineligible Businesses

Program loans shall not be available for the following businesses:

- 1) Speculative investment companies.
- 2) Real estate investment companies.
- 3) Lending institutions.
- 4) Gambling operations.
- 5) Non-public recreation facilities.
- 6) Businesses not serving the interests of the City.

F. Priorities

Priority will be given to projects which include one or more of the following and not necessary in this order:

- 1) A beneficial impact on the Broadway Redevelopment Area, Central Business District, I-43 Business Center, University Heights, and/or Packerland, Tower East or Nicolet Industrial Parks, Olde Main St., Bay Port Industrial Park.
- 2) The relocation of business or industry from inappropriate areas to areas of appropriate land use.
- 3) Existing business and industry.

SECTION 3: GENERAL CRITERIA

A. Job Creation:

- 1) A minimum of 51 percent of the full-time equivalent (FTE) jobs created and/or retained must be made available to persons from low-to moderate-income households as defined by HUD guidelines. The current applicable income guidelines will be attached to the CD-RLF application and shall become a part of the city's contract with successful applicants.
 - a) Low-Moderate income households based on family, not individual
 - b) Not construction/spin-off/indirect jobs
 - c) Seasonal jobs can be counted IF the job is the person's principal source of yearly income.

- 2) Retained jobs must be documented by showing that the jobs would actually be lost or eliminated without the assistance, and that one or both of the following applies to at least 51% of the jobs:
 - a) The job is held by an LMI person
 - b) If the position is vacated, steps will be taken to ensure that the job will be filled by, or made available, an LMI person.

- 3) Created or retained jobs are only considered available to or held by LMI persons when:
 - a) Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs or the business agrees to hire unqualified persons and provide training; and
 - b) Business must take actions to ensure that LMI persons receive first consideration for filling such jobs. This can be accomplished by comparing the candidate's address to a census tract that meets LMI criteria.

- 4) The Loan Recipient would have 18 months from the time the Loan Agreement is signed to create the agreed upon number of jobs. For every job less than stated number of positions that were to be made available to LMI individuals committed to by the Borrower, the interest rate for funds loaned pursuant to this Agreement will increase by .25 percent, retro-active to the date of initial loan closing.

B. Other General Requirements

- 1) At least \$1.00 of other funds shall leverage each \$1.00 from the CD-RLF.
- 2) A minimum of 10 percent of the total project cost shall be provided in the form of equity.
- 3) The applicant must demonstrate that the proposed project is viable and that the business will have the capacity to repay the loan.
- 4) The project and the related job creation and/or retention must take place within the corporate limits of the City of Green Bay.
- 5) Project elements occurring prior to CD-RLF funding approval are not eligible for CD-RLF funding or for leveraging consideration.

C. Other Federal Requirements

- 1) The use of the CD-RLF must be determined to be “necessary and appropriate” as defined by HUD guidelines.
- 2) Federal Equal Opportunity Requirements apply to all CD-RLF funded projects.
- 3) Federal Fair Labor Standards Requirements apply to construction and rehabilitation if CD-RLF dollars are used to fund all or part of the construction or rehabilitation elements of the project (i.e. Davis-Bacon rules apply for all construction activities).
- 4) The project is subject to environmental review clearance, including review of impacts on historic properties.
- 5) The project is subject to any other applicable state and federal regulations.

SECTION 4: TERMS AND CONDITIONS

A. Financing Methods

- 1) Upon proof of owner’s 10% share (equity), CD-RLF dollars will not to exceed 50 percent of the project’s total cost.

B. Terms

- 1) The interest rate will be determined based on need and/or on the beneficial impacts of the project.
- 2) Deferral of principal and/or interest payments may be allowed based only on special circumstances.
- 3) The maximum loan term on real estate shall be 15 years, on machinery and equipment 10 years, and working capital three years.

C. Collateral

- 1) The City of Green Bay shall have a first position lien on real property and/or machinery and equipment financed by the CD-RLF unless the need to subordinate to another lender is demonstrated.
- 2) If need is shown for the city to take a subordinated position on assets that it is financing with the CD-RLF, the City of Green Bay shall have a first position lien on other assets of the business.
- 3) Personal and/or corporate guarantees are required on all loans.
- 4) Other conditions or performance standards or penalties may be required depending on the circumstances of the proposed project.

SECTION 5: APPLICATION PROCEDURES

A. Preliminary Meeting

Prior to submission of an application, the potential applicant shall meet with the EDA staff to discuss the proposed project and program requirements.

B. Application Format

Applicants shall submit a loan application package consisting of the following information:

- 1) A completed CD-RLF Application Form, as provided at the preliminary meeting.
- 2) A business plan completed within one year of application, which includes the minimum requirements outlined in the application.

- 3) Documentation and/or statement of the need for CD-RLF involvement in the project.
- 4) Documentation of commitments of other lender(s) and/or source and commitment of leveraged funds.
- 5) Financial information as outlined in the application.

C. Application Submittal

The completed application and all required attachments shall be submitted to: City of Green Bay Economic Development Department, 100 North Jefferson Street, Room 200, Green Bay, Wisconsin, 54301. Applications may also be emailed. Please contact EDA staff for appropriate address. Acceptance of applications shall be subject to the availability of CD-RLF dollars.

SECTION 6: REVIEW PROCESS

A. Staff Review

The EDA staff shall review the application for completeness and verify that the proposed project meets the standards and eligibility requirements set forth in this manual. If the application is incomplete, the EDA staff will contact the applicant and list the deficiencies. The review process will not continue until the application passes preliminary review. EDA staff will analyze the complete application and prepare a recommendation for the Loan Committee.

B. Environmental Clearance

The proposed project must receive official environmental clearance from the city prior to the applicant expending or committing to the expenditure of any of the CD-RLF funds. This is a federal requirement and will be completed by EDA staff.

C. Credit Check

The economic development staff will perform a credit check on both the company's principals and on the business.

D. Negotiation of Terms

Upon completion of the application review with a favorable recommendation, the Economic Development staff shall meet with the applicant to negotiate and arrive at a consensus on the terms including, the loan amount, interest rate, term of loan, collateral, and repayment schedule. The terms will be part of the loan package recommendation for the Loan Committee's consideration.

E. Formal Review

The Loan Committee will meet to formally review the application, receive the EDA staff recommendation, and deny funding or approve the application. Applicants are encouraged to attend the Loan Committee meeting to provide additional information and answer questions by committee members.

F. Notice of Award / Denial of Application

If the application is approved and negotiation of terms is successful, the applicant will be sent a notice of award letter. If the application is not approved, the applicant will be sent a letter of denial stating the reason for denial. The notice letter will have a schedule of when loan documents should be complete and a suggested loan closure date.

SECTION 7: DISTRIBUTION OF FUNDS TO APPROVED APPLICANTS

- A. **Loan Agreement**
Prior to the city’s distribution of CD-RLF funds, all appropriate documents such as a loan agreement, promissory note, repayment schedule, security instruments, personal guarantee and any others deemed appropriate shall be prepared and executed.

- B. **Evidence of Expenditures**
The business must provide documentation related to CD-RLF fund expenditures prior to release of CD-RLF funds. Such documentation shall be for expenditures outlined in the application and the loan agreement, and shall include invoices, receipts and/or final bills of sale or canceled checks as determined appropriate by the EDA staff.

SECTION 8: ADDITIONAL REPORTING REQUIREMENTS

- A. **Federal Reporting Requirements**
During each quarter, the loan recipient shall complete a document which details the number of jobs created during that quarter that would fulfill the company’s commitment to providing jobs to low/moderate income households. The report form will be mailed to each loan recipient.

The EDA staff shall monitor the job creation and/or retention of the business utilizing the payroll records of the business. The business shall be required to provide the EDA staff with all documentation, payroll records and contact with employees necessary to document that all requirements are being met. Site visits will be conducted to audit payroll documents and use of loan funds.

- B. **Leverage Commitments**
The EDA staff shall monitor the expenditure and use of funds committed for leveraging. Documentation required from the business shall include invoices, receipts and final bills of sale or canceled checks as determined appropriate by the EDA staff.

SECTION 9: REPAYMENTS AND DEFAULT

- A. **Repayments**
All payments are due on the 1st of each month.

- B. **Prepayment of Loan**
There is no penalty for pre-payment of the loan.

- C. **Late Payments**

Any payment more than 30 days past due will be considered late. The loan recipient will be contacted by EDA staff requesting the account is brought current. After 60 days, EDA staff will send a letter requesting full remittance of late payments.

D. Default

Failure by the business to make any payment of principal or interest within 90 days after the payment is due and payable shall be considered a default. In the event of a default, all sums due and owing to the city shall, at the city's option, become immediately due and payable. To exercise this option, the City Attorney shall prepare a written notice to the company. The notice shall specify the following:

1. The default.
2. The action required to cure the default.
3. The date, not less than 60 days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.

SECTION 10: PROJECT & LOAN CLOSURE REQUIREMENTS

A. Project Closeout

Upon completion of the project funded by the RLF, the business shall notify the city that the project has been completed. Loan recipients may document closure with photographs of completed work and other statements related to the project.

B. Loan Closeout

One month before closing out the loan, the business should contact the city for the correct amount to pay off the outstanding loan balance. Once the final payment is made, the business will be sent a letter with all originating loan documents returned marked "paid in full."