

Small Business Loan Program

<u>Current Program</u>		<u>Recommendations</u>
Purpose	To assist small businesses in creating or retaining jobs to benefit low- to moderate-income individuals and to generally stimulate the expansion and development of small businesses.	No change
Eligibility	<ul style="list-style-type: none"> > For-profit business must be located within the defined boundaries of the NRSA (map attached). > Business' net worth cannot exceed \$6 M, and net profit after taxes must average less than \$2 M during the previous two years. > Borrower must be willing to contract for free management and technical assistance if determined necessary by the Small Business Loan Committee. 	Expand geographic eligibility to include previous NRSA + businesses located within areas eligible for RCA funding + QCTs. These additional areas require additional documentation to verify job benefit for low- to moderate-income.
Use of funds	<p><u>Eligible Uses of Loan Funds</u></p> <ul style="list-style-type: none"> > Acquisition of real property. > Acquisition, construction, or rehabilitation of commercial buildings and structures. > Purchase equipment and fixtures. > Energy conservation improvements. > Working capital or operational funds. <p><u>Ineligible Uses</u></p> <ul style="list-style-type: none"> > Acquisition, construction, or rehabilitation of the following: government facilities; schools and educational facilities; facilities used for exhibitions, spectator events and cultural events; hospitals, nursing homes, and other health care facilities. > Purchase of equipment used as personal property. > Political activities. > Income payments. > Housing construction. 	No change
Loan Amount and Terms	<ul style="list-style-type: none"> > Minimum City loan is \$5,000. Maximum City loan amount of \$100,000. > Interest rate of Wall Street Journal Prime + 1%, not to exceed a total of 7%. (Prime is currently 8.5%). > An origination fee of 1% of the loan amount collected at loan settlement. > Maximum term of 10 years (120 months) of equal installments. A longer amortization schedule with a five-year call provision may be considered by the committee on a case-by-case basis. 	No change
Collateral	<p>Preference, but not requirement, for 75% loan to value ratio (\$75 loaned to \$100 of collateral). LTV cannot exceed 100%.</p> <p>City may accept a second lien position in projects involving a private lender.</p>	No change
Loan Repayment	<ul style="list-style-type: none"> > If the first 75% of principal is paid in full and the loan status remains in good standing throughout the original term, the remaining 25% may be forgiven. > Loan payments are due the first day of each month. Late payments are assessed at 4% of the payment amount after 15 days overdue. > If payment becomes 30 days overdue, the Revenue Division may implement procedures for the collection of delinquent loans. > Loans may be repaid early without penalty. 	No change

Credit History	<p>Preference is given to borrowers with a good credit rating; however, the city will consider applicants with credit ratings showing a history of accounts up to 30 days past due.</p> <p>Applicants with bankruptcy or repossessions listed on credit report could be considered too great a credit risk for the program.</p>	<p>Credit history remains one piece of the loan committee's evaluation criteria, but there are no minimum scores or credit history status to be eligible.</p>
Items Required for Loan Committee Review	<ul style="list-style-type: none"> > Loan Application. > Business Plan. > Projected Financial Statements. > Proposed Use of Loan Funds. > Statement of Equity. > Current Financial Statements. > Tax Returns (business and/or personal) for three years. > Personal Financial Statement for each person owning 20% or more of the business. > Personal Credit Report for each person owning 20% or more of the business. > Resumes of owner/operator and other key staff. > Current Obligations of owners and/or business. > Business References. > Collateral offered to secure the loan. > Documentation indicating attempt to obtain funds from a financial institution. > Detail of jobs created and/or retained. 	<p>No change</p>
Job Creation & Retention	<p>For every \$35,000 borrowed, one full-time equivalent job must be created or retained. Businesses must make a good faith effort to make at least 51% of the jobs (created or retained) available to low- to moderate-income persons.</p> <p>A description of the hiring process must be provided to ensure low- to moderate-income persons receive first consideration for appropriate positions.</p>	<p>No change</p>
Loan Committee	<p>Six members representing banking, legal, small business, general business, and two open appointments are approved by Council upon recommendation of the Mayor. The seventh member is ex officio staff person of Community Development. Terms are for three years.</p>	<p>No change</p>
Loan Administration	<p>The City's Revenue Division collects monthly payments and coordinates with Business Inclusion and Advancement to monitor the loan status.</p>	<p>No change</p>

NRSA Building Rehabilitation Program

<u>Current Program</u>		<u>Recommendations</u>
Qualifying area	Qualifying building must be located within the defined boundaries of the NRSA (map attached)	Expand geographic eligibility to include previous NRSA + businesses located within areas eligible for RCA funding + QCTs.
Criteria for project to qualify	<p>Applicant/borrower must be the property owner.</p> <p><i>Minimum Private Investment: \$2,500</i></p> <p><i>Minimum Public Investment: 50% of the total cost for Preferred Eligible Improvements; 25% of the total cost for Eligible Improvements.</i></p> <p>Total public investment up to a maximum of \$10,000.</p>	<p><i>Minimum Private Investment: \$5,000.</i></p> <p><i>Total public investment up to a maximum of \$20,000.</i></p>
Use of funds	<p><i>Preferred Eligible Improvements:</i> Restoration, repair, or replacement of windows (upper floor windows must be re-opened), doors, exterior walls, cornices, eaves, parapets, chimneys, or other architectural elements; exterior painting; awnings, marquees, and related exterior lighting and electrical fixtures; masonry repair; removal of modern facades to restore vintage quality (slipcover facades must be removed); building signage that clearly identifies the business.</p> <p>Improvements (exterior or interior) addressing building code compliance and/or health and safety issues also qualify as a preferred eligible project.</p> <p><i>Eligible Improvements:</i> Parking lot improvements and/or landscaping improvements if part of a larger storefront improvement plan.</p> <p><i>Ineligible projects:</i> Non-conforming uses are not eligible. Removal of historic details, blocking window openings, construction of slipcover facades, new construction, improvement of adult businesses, property acquisition. Design fees and permits fees are also not eligible.</p>	No Change
Loan repayment	Entire amount of the loan is deferred for three (3) years. The entire loan amount will be forgiven if (A) the property and site are maintained and in building code and zoning compliance three (3) years following program reimbursement to the owner, and (B) the owner has not been cited as a chronic violator by Code Enforcement for any property he or she owns in the city at any point during the three (3) year period. If both conditions are not satisfied, the loan must be repaid. If the property changes ownership at any point during the three (3) year period, the loan must be repaid. The repayment term is 12 months at a prime plus 1% interest rate.	No change
Review Committee	<p>Project Applications are reviewed by an internal review committee consisting of Small Business Development Specialist, BIA Director or designee, Planning & Development Services Director or designee, Chief Building Official, and Revenue Division Director or designee. Evaluation criteria includes improvement to the appearance of the building, site, and impact to the area.</p> <p>Applications receiving support of the internal committee will be reviewed for approval by the Small Business Loan Committee.</p> <p>Approval is subject to the availability of funds.</p>	No change

<p>Procedures</p>	<ol style="list-style-type: none"> 1. Property owner submits application with scope of work and cost estimate. 2. City staff completes a preliminary review to determine the eligibility of the work, the need for building permits or other applicable permits, and reasonableness of the cost estimate. 3. Staff evaluates and determines the level of technical assistance needed by the owner during the bid solicitation process and issues a letter detailing the arrangements. 4. Property owners submit three (3) cost estimates from local vendors if available, including qualifications of proposed contractors [ex. licensed if required, bonded if required, related experience, etc.]. Local vendors are businesses with a physical address location within the corporate limits of Winston-Salem (P.O. box does not qualify). Local MWBE vendors must be given the opportunity to bid/propose. 5. Application considered by Internal Review Committee (IRC). 6. If application approved by IRC, the project is reviewed for approval by Small Business Loan Committee (SBLC). 7. If approved by SBLC, notice is provided to applicant outlining the details of the City's participation in the project. 8. Once permits (if required) are in place, a loan closing is held with the loan officer or City Attorney's Office. A notice to proceed is provided to the owner. 	<p>Matching funds to be disbursed upon submission of invoice and verification that construction has been satisfactorily completed. This eliminates the need for the borrower to float the amount of the building rehabilitation loan in order to pay contractor.</p>
	<ol style="list-style-type: none"> 9. A purchase order is created for the borrower. 10. In addition to Inspections (if required), CD construction advisor staff monitors construction throughout the process to ensure compliance. 11. Upon completion of the project, Inspections (if required) and CD construction advisor ensure work completed satisfactorily. 12. Paid invoices/receipts are submitted by owner to City staff for review. 13. If project and documentation are complete, a request for check to the borrower is submitted. Funds are delivered to the borrower. 	