



PERRY DOWNTOWN DEVELOPMENT AUTHORITY
LOCAL REVOLVING LOAN FUND
Policy and Procedures

Downtown Development Authority
of the City of Perry, Georgia
July 2015

LOCAL REVOLVING LOAN FUND
UNDERWRITING POLICY
Downtown Development Authority
(Economic Restructuring Committee of Perry Main Street Program)
Perry, Georgia

GOALS

The goal of the Perry Downtown Development Authority's (DDA's) Revolving Loan Fund (RLF) program is to offer financial assistance to new and expanding businesses within Perry's downtown development district and to expand economic opportunities in Perry's downtown development district by providing flexible and expedient funding at the local level.

OBJECTIVE

To provide loan funds to Perry's small businesses from public resources and to create public-private partnerships with local commercial banks and other private sector lenders and investors. To be eligible for consideration, potential projects must provide permanent employment and/or prevent or eliminate slum or blight. Perry Downtown Development Authority functions as the Economic Restructuring Committee of the Perry Main Street Program.

SCOPE

This program is designed to assist small service, commercial and industrial businesses in the Perry downtown development district by providing "gap financing." To be eligible for consideration of assistance to private, for-profit entities must be contingent upon firm commitments of financial participation from other sources, such as private financial institutions, or the private entities themselves. This financial assistance must meet the overall program objectives and must result in the creation or retention of permanent jobs within Perry's downtown development district to mitigate unemployment.

ELIGIBILITY

The Perry Downtown Development Authority Revolving Loan Fund for the Perry DDA is limited to businesses located within Perry's downtown development district.

Funds may be used for start-up capital costs including:

- Real estate acquisition, development, redevelopment and new construction
- Rehabilitation of public and private infrastructure and facilities.
- Eligible capital expenditures (equipment)

In order to qualify for this program, a business must generally have a net worth of less than six million dollars (\$6 million) and a net profit after taxes of less than two million dollars (\$2 million) annually. No loans will be considered if the proposed jobs retained or created will be less than the ratio of one job per \$25,000 of loan funds.

The business will be required to obtain at least fifty percent (50%) of project costs from a private lender.

The Perry DDA RLF may be used in combination with the Georgia Cities Foundations' Revolving Loan Fund, Georgia Department of Community Affairs' Downtown Development Revolving Loan Fund, Perry Opportunity Zone program and any other incentive programs offered by the Perry DDA and Perry Main Street programs.

INELIGIBLE BORROWERS

- Passive income companies
- Lending and investment institutions
- Unregulated media such as newspapers and magazines
- Speculative ventures
- Employees of the local government if a conflict of interest exists
- Charitable organizations (may be eligible on a conditional basis)

INELIGIBLE ACTIVITIES (include but are not limited to)

- Creation of a job that would cost more than \$50,000 in RLF funds per job
- Reimbursement of project costs prior to submission of RLF application
- Refinancing of permanent debt (a business' use of interim financing is allowed)
- Payment of delinquent taxes or debt
- Product development costs
- General government expenses
- Political activities
- Operating costs

CRITERIA FOR APPLICATION EVALUATION

Highest consideration will be given to those businesses that demonstrate that they will create and/or retain the highest number of permanent jobs for the least amount of public expenditure.

Provision of assistance to private, for-profit entities when the assistance is appropriate to implement an economic development project that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:

- a) creates or retains permanent, full-time jobs or part-time jobs converted to full-time equivalent;
- b) prevents or eliminates slums and blight;
- c) meets urgent needs;
- d) creates, retains or expands businesses owned by community residents; or
- e) assists businesses that provide goods or services needed by residents.

DEFINITIONS

- A) Fixed Asset – Permanent business properties such as land, buildings, machinery and equipment.
- B) Gap Financing – The portion of funds supplied by the DDA through the Revolving Loan Fund that allows a business to remain in operation, expand operations, or "startup" that would not take place without this financial assistance.
- C) Job – Permanent, full-time employment for a period of not less than 365 days. Part-time jobs must be converted to full-time equivalents (e.g. a job that will require only working half time would count as only one-half a job).
- D) Job Retained – A job that would be lost if the financial assistance from the DDA was not provided. The business applying for the funds must prove to the satisfaction of the Loan Review Committee of the RLF that these funds are necessary.
- E) New Job Created – A job that was not in existence and represents a new budgeted position that will be filled within six (6) months. The job must be tangible and the applicant must commit that this job will be filled after the loan from the DDA.
- F) Loan Review Committee (LRC) – Public and private citizens, who are professionals in the area of finance, appointed by the Perry DDA to review all applications to the Revolving Loan Fund. The committee shall be composed of seven (7) members including: Economic Development director, Community Development director, Main Street coordinator, DDA chairman and three volunteers with expertise in bank lending, accounting, law or real estate. The committee should include female and/or minority representation and in general represent the demographic make-up of the city. Volunteer members should serve no longer than four (4) years.
- G) Market Analysis – Objective process whereby the need, market potential and expected return on investment are determined for a particular product and/or service.
- H) Pro Forma - Estimation of anticipated expenditures, revenues and cash flow for a given period of time.
- I) Startup – A "startup" venture is the creation of a new business that was not previously in existence.
- J) Slums or Blight on a "spot basis" - Acquisition, clearance, relocation, historic preservation and building rehabilitation activities that eliminate specific conditions of blight or physical decay on a spot basis that may not be located in a slum or blighted area. The blight or physical decay must be documented by the City of Perry to meet local or state definitions of blight and physical decay. Under this standard, the activity is limited to the extent necessary to eliminate specific conditions detrimental to the public health and safety.
- K) Slums or Blight on an "area basis" -
 - a) The area, delineated by the City of Perry, meets a definition of blighted, deteriorated or slum area under state or local law;
 - b) Throughout the area there is a substantial number of deteriorating buildings or the public improvements are in a general state of deterioration;
 - c) The assisted activities address one or more of the conditions which contributed to the deterioration of the area; and
 - d) The City of Perry keeps records sufficient to document its finding that a project meets the national objective of elimination or prevention of slums and blight.

APPLICANT REQUIREMENTS

1. Applications will be provided by the Perry DDA to all eligible small businesses interested in this program.
2. A "profit and loss" statement is required for the past three (3) years. A personal financial statement is also required. A cash flow pro forma will be required to indicate future needs of the business (Should be for at least 3 years).
3. A market analysis/business plan should be made for each small business making an application to the RLF. The market analysis should include:
 - a. Business or Product definition such as the mix of goods, merchandise, and/or services to be produced or sold.
 - b. Market description including primary and secondary trade areas, potential customer categories, major competitors, and marketing strategies.
 - c. A "Needs Assessment" based on statistical data and evaluation of such factors as market trends, unmet customer demands, customer surveys, etc., development of data supporting this need and an evaluation of success potential.
 - d. Projection of return on investment based on the information gathered and analyzed for the particular product and/or service.
4. Applicant must fully explain the purpose of the loan and the time schedule for implementation if funded.
5. Applicant must inject five percent (5%) of their own equity into the project (cash, equipment, land, etc.).
6. The goal of this program is the creation/retention of jobs. Therefore, each applicant must commit to the number of jobs that will be retained/created through this financial assistance.
7. Description and documentation of ownership of collateral and its certified market value to be used for the loan. In some cases the DDA may require an appraisal to be conducted.
8. List of credit references and how they can be contacted.
9. Funds awarded under this program must begin to be utilized within sixty (60) days of award.
10. The Underwriting Policy will be provided by the DDA to all businesses requesting a copy. A list of all persons receiving a copy will be maintained in the DDA RLF file in order of date of receipt. This process results in a "first come, first served" method of service. When a minimum amount of cash is on hand, the prospective applicant at the top of the list of underwriting policy recipients will be notified by the RLF committee by certified mail, return receipt requested, that they have two (2) weeks from the date of receipt of the certified mail in which to submit an application to the RLF administrator. The applicant will have thirty (30) calendar days from the date of any written request to the applicant by the DDA to submit additional information needed to complete the application process. Applicants failing to respond to the notice or request for additional information may, at the discretion of the RLF committee, be removed or placed at the bottom of the list.

Depending on the type of activity to be undertaken with the loan funds, various federal, state and local laws may apply. Applicants will be made aware of these during the application process.

The Perry DDA and the Loan Review Committee reserve the right to request and require further information that they deem necessary in order to make a decision as to whether or not to approve an application under this program, including requests for personal guarantees.

It should be noted that if construction is a part of the overall project, special conditions may apply. Site improvements may also necessitate special considerations.

TERMS AND CONDITIONS

All applicants for the Perry Downtown Development Authority Revolving Loan Fund from the Perry DDA are required to obtain at least fifty percent (50%) of the funds for the project from a private lending institution, which is any person, firm or corporation that will lend the necessary funds for private investment required for this program. Applicants can use their own funds to meet this requirement.

As part of the application process, each applicant is required to provide a letter of commitment from the lending institution acknowledging their agreement to finance at least fifty percent (50%) of the asset. This letter must include the following terms: interest rate, term of loan, collateral and any other requirements stated as part of the loan. The letter must be signed by the lending institution or a person authorized to make such a commitment for that lending institution. All applicants must prove to the satisfaction of the Loan Review Committee that they have the ability to cover all debt services and initial equity investment.

Fixed asset loans will be made at an interest rate of one-half (1/2) of the prime rate (as published in the most current Wall Street Journal) less one, and not lower than three percent (3%) nor higher than ten percent (10%). The life of the loan is not to exceed the life of the asset. Applicants for fixed asset loans are also eligible for a one (1) year deferral on the principal, followed by a five to ten (5-10) year payback of the loan. The Loan Review Committee length will determine the length of the loan. NOTE: A fixed asset loan that is secured by real property may have the following terms if approved by all levels of review: an interest rate of two and half percent (2.5%) and a term of up to fifteen (15) years.

All loans will be screened and approved after review by each of the following, in order of approval:

1. Staff of the Economic Development Department.
2. Loan Review Committee of the Revolving Loan Fund.
3. Perry DDA, which has the final authorization to approve a project for funding.

The City of Perry Economic Development Department and the Loan Review Committee for the DDA's Revolving Loan Fund reserve the right to request and require further information. Upon receipt of a complete application, every effort will be made to respond to the applicant within thirty (30) days of the date of receipt of the application. If the application is denied, the DDA will respond in writing, with the reason(s) for denial of the application.

The Perry DDA and City of Perry will not discriminate due to race, creed, color, age, sex, religion or national origin in approving loan applications under this program.

RECAPTURED FUNDS

All funds "recaptured" by the Perry DDA from this program shall be returned to the RLF account and used only for future economic development projects. The accounting and administrative system used to account for the Perry Downtown Development Authority Revolving Loan Fund shall at a minimum conform to the City of Perry's requirements, and an accounting of the Perry DDA's Revolving Loan Fund shall be included in the DDA's annual audit.

APPLICABLE COMPLIANCE REQUIREMENTS

Non-discrimination Policy

Perry Downtown Development Authority does not and shall not discriminate on the basis of race, color, religion, gender, age, country of origin, disability, marital status, sexual orientation or military status.

Open Records Statute

Georgia law requires that "all state, county, and municipal records, except those which by order of a court of this state or by law are prohibited from being open to inspection by the general public, shall be open for a personal inspection of any citizen of this state at a reasonable time and place, and those in charge of such records shall not refuse this privilege to any citizen" (O.C.G.A. 50-18-70). This means that past and current records on the use of CDBG/EIP funds are required to be open for public inspection.

However, certain proprietary information which is required by DCA to be included in an economic development application and must be supplied by a business in order to compete and which constitute a "trade secret" (O.C.G.A. 10-1-740) et seq.; 16-8-13(a)(4)) is exempt from disclosure under O.C.G.A. 50-18-70.

Conflict of Interest Prohibitions

In general, no person who is an elected or appointed official, employee, agent, consultant, officer or any person serving in a similar capacity with any participating public agency that exercise or have exercised any functions or responsibilities with respect to any RLF activities can benefit from local RLF activities.

In addition, those persons who are in a position to participate in a decision-making process or gain inside information regarding RLF proposed activities or related activities, obtain financial interest or benefit from the project, or have any interest in any contract, sub-contract or agreement with respect to any RLF project are also prohibited from benefiting from a RLF project.

The prohibitions against benefiting from a RLF project would apply to the covered individuals or those with whom they have family or business ties, for one (1) year following their tenure in the covered position. If questions arise concerning the conflict of interest prohibitions, please, contact the Main Street coordinator in order to discuss the situation before proceeding with a questionable project.

Auditing Requirements

RLF accounting standards are to comply with the generally accepted accounting principles found in the Governmental Accounting and Financial Reporting Standards (State of Georgia Accounting Procedures Manual, July 2003 or most current version).

Loan Collection Policy

Following is the policy for collection of all loans made by the Perry DDA from the Revolving Loan Fund:

1. The loan servicing policy will convert from a monthly reminder to a full amortization schedule with payment book given to each borrower with the expectation that full payment will be made each month in a timely manner.
2. If full payment is not made within 15 days, a \$35 penalty is added to the monthly amount due.
3. If full payment is not made within 30 days, a letter is sent by the DDA reminding the borrower of his or her overdue payment and warning them of actions to be taken for non- payment.
4. If full payment is not made within 60 days, a letter is sent by the City Attorney informing the borrower that they are in default and immediate payment must be made.
5. If full payment is not made within 90 days, the loan will be turned over to a collection agency or processed through the court system for default.

For those borrowers who are consistently late in making payments to the Perry DDA, the RLF Administrator may deviate from the policy set forth above. On the third instance within a one year period where borrower has not made full payment in 30 days, the RLF Administrator may immediately request the City Attorney to inform the borrower that he or she is in default and immediate payment must be made. Any additional instances where the borrower is 30 days or more late may be immediately referred to the City Attorney to inform the borrower that he or she is in default and immediate payment must be made.

The RLF Administrator may depart from the collection policy if a hardship can be documented to his or her satisfaction. The determination of whether a hardship exists shall be at the sole discretion of the RLF Administrator. The RLF Administrator should maintain a copy of any departure from the foregoing policy in the borrower's file.



PERRY DOWNTOWN DEVELOPMENT AUTHORITY REVOLVING LOAN FUND INSTRUCTION SHEET AND APPLICATION

Listed below are the criteria for financing through the RLF Program:

1. The business must be located within the limits of the Perry DDA area.
2. The business must commit to create or retain jobs.
3. The business will be required to obtain at least fifty percent (50%) of project costs from a private lender.
4. Personal equity injection of five percent (5%) will be required.
5. The business must demonstrate a reasonable chance for success to the loan lender or other source. Review Committee using Market Study, Pro Forma, Business Plan and other documentation.
6. Collateral may be required, as well as personal and/or corporate guarantees.
7. The applicant is responsible for all loan and legal fees associated with an approved loan.
8. The information that any applicant provides must be truthful and accurate to the best of that applicant's knowledge. Failure to comply constitutes fraud and will result in the immediate termination of the loan process.

The process requires that the participant fill out completely the attached loan application and submit all required information. Failure to provide any information requested may be grounds for denial of the loan.

Once all information is received, it will be forwarded to the Loan Review Committee for review.

If the application meets the criteria and underwriting requirements, it will be submitted to the Perry DDA, at a regular meeting, for their approval. If the application is denied, applicants may request in writing why the application was turned down.

Minimum loan amount: \$5,000

PERRY DOWNTOWN DEVELOPMENT AUTHORITY REVOLVING LOAN FUND APPLICATION

Business name: _____

Current address: _____

Proposed address: _____

Telephone number: _____

Tax ID number(s): _____

Date business established: _____

Business account's bank: _____

Loan officer /account number: _____

GENERAL INFORMATION

Organization type: ___ Sole proprietor ___ Partnership ___ LLC ___ c Corp ___ Sub-S Corp

Number of permanent jobs to be created/retained: _____

Job title: _____ Wage/pay: _____ Benefits: _____

Manager: _____ Wage/pay: _____ Benefits: _____

MANAGEMENT

List of partners and stockholders who own twenty percent (20%) or more stake in business:

Name: _____ Address: _____ % ownership: _____

Does the applicant own the business? ___ yes ___ no

SOURCE AND USE FOR PROPOSED FINANCING SOURCES

Bank loan: _____ % of total: _____

RLF loan: _____ % of total: _____

Applicant equity: _____ % of total: _____

Other sources: _____ % of total: _____

TOTAL: _____ % of total: _____

TOTAL PROJECT COST

Acquisition: _____ % of total: _____
 Real estate acquisition: _____ % of total: _____
 Renovation/construction: _____ % of total: _____
 Working capital: _____ % of total: _____
 Other: _____ % of total: _____
 Other: _____ % of total: _____
 Other: _____ % of total: _____
 TOTAL: _____ % of total: _____

BUSINESS INFORMATION

Do you have a business plan? _____ Yes _____ No

Your business plan should include:

1. Brief history of your business
2. Detailed description of the project, the use of loan proceeds, including written estimates of proposed costs from suppliers and contractors and the projects anticipated completion date
3. Financial Information
 - a. Current financial information (within the last 90 days)
 - b. Financial Statements for the previous three (3) years
 - c. Personal Financial Statements (for each owner/principal)
 - d. Cash Flow Pro Forma (3 years minimum)
 - e. Schedule of business debt
4. Market Analysis
 - a. Describing your product.
 - b. Describing and defining your market area
 - c. Projected return on investment
5. Proof of other funds
 - a. Letter from participating bank stating loan terms and conditions
 - b. Letter from bank stating bank account balance for equity contribution
6. Description of security offered for this loan request
7. Personal resume of each owner/principal
8. Credit references

APPLICANT'S CERTIFICATION

I/we certify that all information in this application and all information furnished in support of this application are true and complete to the best of my/our knowledge and belief. Verification may be obtained from any source named, and I/we agree to submit to personal and business credit checks.

Signature _____ Date _____

Signature _____ Date _____

**ECONOMIC DEVELOPMENT AND REVOLVING LOAN FUND SUPPLEMENTAL
INFORMATION AND DOCUMENTATION**

(To be completed by applicant and RLF administration)

Applicant: _____

RLF amount requested: _____

Total project cost: _____

1. JOB CREATION/RETENTION

Total number of existing jobs: _____

Total number of jobs to be created: * _____

Total number of jobs to be retained: * _____

RLF dollars per job created: _____

RLF dollars per job retained: _____

** Permanent full-time positions of at least one year's duration (except in certain cases of agricultural businesses whose operations are necessarily seasonal, the RLF will consider as permanent any full-time job of at least twelve (12) consecutive weeks' duration, and will count it as the equivalent of one-fourth (1/4) of a permanent job. For example, if an agricultural business proposed to employ one hundred (100) persons, each for twelve (12) full-time consecutive weeks, the number of jobs created would be counted as twenty-five (25). Likewise, were one hundred (100) persons to be employed, each for twenty-four (24) full-time consecutive weeks, the number of jobs created would be counted as fifty (50).*

2. PRIVATE INVESTMENT*

Dollar amount of private investment: _____

Source(s): \$ _____

Private investment as percent of total project: % _____

Private to RLF funds leverage ratio: _____

Private to RLF/other public funds leverage ratio: _____

**Private investment must be documented by letters of commitment.*

3. OTHER PUBLIC INVESTMENT*

Amount: _____

Source(s): _____

Other public investment as percent of total project: _____%

**Other public investment must be documented by grant awards, grant commitments or letters of commitment.*

4. OTHER REQUIRED DOCUMENTS

- a. For an LLC, a copy of the applicant's operating agreement is required.
- b. For corporations, a copy of the applicant's articles of incorporation and a copy of the bylaws are required.

(To be completed by RLF administrator)

5. RECAPTURE PROVISIONS

Describe the rate, terms, period and other applicable elements of the RLF loan's repayment (be specific and detailed); also describe what entity will be responsible for servicing the RLF loan: *Any direct assistance to private for profit entities must be "recaptured".*

_____ Year Loan _____ % Interest Monthly payment \$ _____

Loan will be serviced by the City of Perry Economic Development director or Main Street coordinator.

SAMPLE LENDING INSTITUTION COMMITMENT LETTER

(To be completed on the letterhead of the lending institution and addressed to the RLF applicant)

Dear _____:

Please, be advised that we have reviewed your financial statements and project proposal regarding for financing for (describe proposed project, specify construction, expansion, etc.) in (location). It is our understanding that (applicant) has applied for \$ _____ in the Perry Downtown Development Authority Revolving Loan Fund to (describe purpose for financing) as part of the project.

Based on the financial and project feasibility information provided, we feel the RLF funds for (describe project) would make this a viable project and hereby commit to provide (describe amount and type of financing) for (describe purpose of financing). This commitment has been approved by our (loan committee board, etc.) and is subject to the following terms and conditions: (specify terms and condition; receipt of the grant award can be a condition).

Sincerely,
(signature of officer or official authorized to make commitment)

SAMPLE COMMITMENT LETTER TO CREATE/RETAIN JOBS

(To be completed on company letterhead and addressed to RLF administrator)

Dear _____:

Contingent only upon the receipt of financing under the Perry Downtown Development Authority Revolving Loan Fund program as provided for in the application of (developer, industry, company, business, corporation, etc.). the (company) hereby commits to the Perry Downtown Development Authority to (describe proposed project, specific construction, expansions, etc.) at a total cost of approximately \$_____. The \$_____ in RLF funds will be used to (describe use of funds) as provided for in the application.

(Developer, industry, company, business, corporation, etc.) further commits to create and/or retain (number) full-time permanent jobs. We will initiate project activities on or about (date) and complete the same on or about (date). We will provide the applicant with a construction scheduled upon initiation of project activities and documentation or hiring, within ninety (90) days of project completion.

(Developer, industry, company, business, corporation, etc.) also hereby commits to repay the (loan amount) in RLF funds as provided for in the application.

Sincerely,
(signature of officer or official authorized to make commitment)