



Economic Development Loan Fund Program Guidelines for Pilot Program



Economic Development Loan Fund (“EDLF”) Program

Lending Policies and Guidelines

The City of Miami has established an Economic Development Loan Fund (“EDLF”) Program in accordance with the goals and objectives outlined herein. The EDLF Program, which will be administered by the City of Miami (“City”) Department of Community Development (“CD”), will be capitalized using Community Development Block Grant (“CDBG”) funds authorized under 24 CFR 570.

Special Target Areas

Special Target Areas are being formed for the City’s Loan Pilot program to provide forgivable loans of up to \$10,000 to for-profit businesses located in the following areas of the City of Miami:

- District 3
- District 4

Purpose

The goal of the Economic Development Loan Fund Program is to provide businesses with financial assistance to support the retention and creation of jobs for low to moderate income City residents. The EDLF Program is designed to fill the financing gap between private debt financing and private equity. Funds are provided to create economic benefit through increased revenues and the creation and the retention of jobs in the City.

Eligible Area

- Business is located or locating within the boundaries of District 3 or District 4 of the City of Miami.

Loans are Evaluated Based on a Project’s

- Financial viability
- Potential to create or retain jobs
- Management experience
- Community economic impact in terms of jobs created and retained
- Capacity to leverage funds from other sources
- Potential to increase sales and create/retain jobs

- Readiness to proceed

Eligible Use of Funds and Activities

Loan funds can be used for:

- Purchase and Installation of machinery, equipment, furniture, fixtures
- Technology infrastructure
- Renovation, improvement and expansion including leasehold improvements
- Inventory

Note: The use of funds for construction activities such as renovation, improvement and expansion will trigger a requirement that prevailing wages be paid for all labor (Davis Bacon Wage Rates)

Ineligible Use of Funds

Funds cannot be used for the purpose of:

- Paying off a creditor or creditors of the applicant who are inadequately secured and are in a position to sustain a loss.
- Providing funds for distribution or payment to the owner, partners, or shareholder of the applicant.
- Refunding a debt owed to a small business investment company.
- Paying of any tax lien or liability.
- Refinance loans made by other lenders.

Eligibility Criteria

A business may qualify for consideration provided it meets the following criteria:

- Business and/or Principals demonstrate that financing is not otherwise available on terms or conditions that would permit completion and/or successful operation or accomplishment of the project activities to be financed.
- Business is an equal opportunity employer.

- Business is not relocating jobs, except where the loan applicant is forced to relocate due to circumstances beyond their control (i.e. government intervention, building demolition, etc.).
- Project involves no negative environmental impacts.
- Project impacts an adequate number of jobs, as defined by 24 CFR 209 (b)(1)(i), to be created and/or retained for low to moderate income people.
- All applicants shall grant City of Miami residents hiring preference over all applicants for any jobs created as a result of the loan.
- Applicant must be willing to comply with all regulations, guidelines and policies as they relate to the program.

Loan Criteria

Job Creation and Retention:

- All loans will require applicant to create or retain one, full time, permanent job (position) for every \$10,000.00, or parts thereof, loaned.
- At least fifty one percent (51%) of all jobs (positions) created or retained must be made available to low and moderate income persons as defined by HUD under Section 8 of the Housing Act of 1937.

Job Creation

- Jobs (positions) must be created within six (6) months of the loan closing if loan is not used for rehabilitation or leasehold improvements or the total project does not include rehabilitation or leasehold improvements.
- Jobs (positions) must be created within twelve (12) months of the loan closing if loan is used for rehabilitation or leasehold improvements or six (6) month after the completion of the rehabilitation/improvements, whichever is less.

Note: Information regarding the employee income may be required to ensure compliance with this requirement.

Job Retention

- The applicant must give details on why the borrowed funds are required to retain the jobs (positions) and demonstrate that without the assistance, the jobs (positions) would be lost.

Note: Information regarding the employee family income may be required to ensure compliance with this requirement.

Loan Amount

Maximum: \$10,000.00

- A US HUD Release of Grant Conditions or a confirmation of exempt status has to be issue prior to disbursing funds.

Loan Terms

Repayment term shall be as follows:

- Repayment of loan shall be forgiven if borrower meets the job creation/retention requirements.
- If borrower does not meet the job (position) creation/retention requirements, then the City shall call the loan payable within 30 days of the default.

Interest Rates

- The interest rate shall be 0% per annum.

Match Requirements

All loans must be matched by the applicant's funds. Matching participation requirements will be:

Equity: Applicant must have at least 20% equity in business.

Application Fee

There will be no application fee.

Program Requirements:

- Applicants and their spouses may have to sign Unlimited Guaranties, even if the spouse is not part of the Company requesting the funds.

- Unless otherwise approved by the Housing and Loan Committee and/or the City of Miami Commission, all loans will require a collateral position of any and all real property or equipment pledged as security for the loan.
- Loans for equipment may require UCC-1 filings.
- Once the loan is closed, recipient may not pledge, transfer, hypothecate, encumbrance or dispose of any asset purchased, in whole or in part, with funds from the City of Miami, without the written approval from the City of Miami.
- If a business does not meet its minimum job creation requirements, then the City shall call the loan payable within 30 days of the default.

Non-recommended Loans

Loans will generally not be recommended for approval for the following reasons:

- If the requested funds are otherwise available on reasonable terms:
 - a) From the disposal at a fair price of assets not required by the applicant in the conduct of its business or not reasonably necessary to its potential growth,
 - b) Through the use of personal credit and/or resources of the owner, partners, management, or principal stockholders of the applicant,
 - c) From other Government agencies which provide credit specifically for the applicants' type of business, or
 - d) From other known sources of credit;
- For unsatisfactory credit history during the last twelve (12) months.
- If a bankruptcy was discharged during the last twenty four (24) months.
- If the loan will provide funds for speculation in any kind of property, real or personal, tangible or intangible;
- If the applicant is a charitable institution or non-profit enterprise, except for cooperatives which carry on a business activity for the purpose of obtaining pecuniary benefit for their members in the operations of their otherwise eligible small business concern;
- If the applicant is a newspaper, book publishing company, magazine, or similar enterprise;

- If any of the gross income of the applicant, (or any of its principal owners) is derived from gambling activities, except for those small firms which obtain less than one third of their gross income from income or commission from the sale of official state lottery tickets under a state license;
- If the purpose of the loan is to provide funds to an enterprise primarily engaged in the business of lending or investments or to any otherwise eligible enterprise for the purpose of financing investments not related or essential to the enterprise.
- If the purpose of the loan is to finance the acquisition of real property or land.
- If the Applicant and/or its principals are indebted to the City of Miami.
- If the Applicant and/or its principals have been debarred from doing business with federal, state, county or local governments.
- If the proceeds of the loan will be used for moving an eligible business when the move is solely for the purposes of obtaining the benefits of borrowing from the EDLF.

Appeal Process

Applicants will have 10 business days from the receipt of the letter not recommending the loan to appeal the decision. The applicant can provide additional documents at that time for consideration of the underwriting committee. If the loan is not recommended a second time, there will be no further appeal entertained from the applicant.

Loan Approval

Loan approval committee(s) will be created to evaluate the loans for each District. Each committee will be made up of three (3) members comprising of two (2) staff members, to be appointed by the City Manager or his designee, and one (1) member appointed by the District where the businesses are located.