

# CITY OF CORNING ECONOMIC LOAN FUND

## LOAN REVIEW CRITERIA

August 4, 2003

The Economic Loan Fund is an development resource intended to support new and expanding businesses within the City of Corning. While conducting reviews of loan requests, the City's Loan Committee will consider the following criteria.

1. **MISSION STATEMENT:** To encourage the creation or retention of permanent jobs by providing partial financial assistance to new or expanding businesses located in the City of Corning.
2. **OBJECTIVES:** The primary objectives (in order of priority) of the Economic Loan Fund are: (1) to create new employment opportunities through the expansion of existing or the creation of new businesses in the City of Corning; (2) to retain existing employment opportunities in the City of Corning; (3) to provide essential services or businesses lacking in the neighborhood or community; (4) to increase taxable value of property; (5) to identify and provide assistance for projects which present growth potential in terms of future employment; (6) to leverage the greatest level of private funds possible.

Only projects which meet objectives (1), (2) or (3) will be considered for funding. Projects which meet or exceed objectives (4), (5) or (6) will be given priority.

### 3. **REQUIREMENTS TO QUALIFY FOR CONSIDERATION:**

The project must be located in the City of Corning.

The project must create new permanent jobs, retain jobs which would be lost if the project were not undertaken, or stimulate economic vitality in a way that cannot be measured by job creation or retention. The last point involves the start of a needed business or service or filling a space or need that will generate traffic or customers for the business or other businesses.

The project must clearly demonstrate financial need while assuring long-term viability. The Loan Fund is not designed to support high risk ventures but rather to provide flexible financing during the project's early stages.

The applicant for the loan must also demonstrate outside financing; the Loan Fund is not designed to be the sole financing agency. In no case will the Loan Fund provide more than 50% of the funding needed. Other sources of funding which can account for the remaining 50% are bank financing, owner investment and equity,

assistance from Corning Enterprises or other private or public agencies, or other evidence of direct investment in the new business. Existing inventories, equipment or furnishings will be considered as meeting the 50% match only on a discounted basis of 50% of equipment value and 35% of inventory value.

The applicant shall agree to abide by the following:

- a.) Business hours shall be maintained as follows: Sundays, 12:00 noon to 5:00 p.m.; Monday through Saturday 10:00 a.m. to 5:00 p.m.; Thursday and Friday evenings 5:00 p.m. to 8:00 p.m. These hours of operation may be reviewed quarterly at the request of the applicant to determine if any economic hardship is imposed. The Director of Planning and Economic Development shall review such requests and may adjust the hours accordingly.
- b.) The applicant and all employees of the applicant shall be required to park in off-street parking facilities during the above hours. No parking shall be permitted on Market and Bridge Streets or in parking lots numbers 4, 5, 6, 7, 12 and 13.
- c.) The applicant shall maintain the exterior of the business in accordance with the City of Corning Property Maintenance Code. When possible, the applicant will participate in the Corning Enterprises window display program.
- d.) The applicant and his/her employees shall, when possible, participate in the the Customer Service Training Program sponsored by Corning Enterprises.

#### 4. CREDIT WORTHINESS:

Among the documents which an applicant must prepare is an authorization form enabling the City to conduct a full credit check on the applicant's financial history. The applicant must be current on real property taxes, all mortgage payments, federal and state tax obligations, and all other debts. Revolving loans (i.e. credit cards) must be a manageable size and be receiving sufficient payments. The borrower must be free from any unsatisfied judgements or other claims which interfere with the lender's rights in the collateral.

Non-compliance with any of the above will be considered an appropriate reason for loan refusal. The applicant will have the opportunity to correct any of these problems.

Substantial non-compliance, however, will show lack of credit worthiness and can be deemed reason for loan refusal.

#### **5. PROJECT FEASIBILITY:**

The applicant must provide information to the Loan Committee concerning the feasibility of the project. The feasibility of all areas of the project will be examined, including income projections, profit projections and job projections. Questions with regard to the feasibility of the project will be considered reason for loan refusal. The Loan Committee and the Department of Planning and Economic Development will, if possible, provide assistance to the applicant in developing a feasible project.

#### **6. ELIGIBLE USES OF LOAN PROCEEDS**

Loan proceeds may be used for the following: (1) purchase of capital equipment; (2) acquisition and/or new construction; (3) renovations and/or additions to facilities; and (4) inventory and other start-up business expenses. The use of loan funds to refinance existing debt is prohibited as is the use of the loan for working capital expenses such as payroll, sales tax payments, etc..

#### **7. RATES AND TERMS**

The interest rate for all loans is fixed at 2%.

Terms for loans will be based on the amounts. Those loans under \$20,000 will be repaid within five years. Loans above \$20,001 will be repaid within ten years.

The maximum loan will be no more than 50% of the total project cost. Although 50% is the maximum loan, the Loan Committee reserves the right to authorize a lesser percentage.

#### **8. SECURITY AND COLLATERAL:**

All loans shall be secured. Whenever possible, security will be in real property or the assets of the business, business owners and/or corporate officers. Equipment and inventory of the business will not be accepted as collateral for the loan. The Loan Committee may also ask for any additional security they feel is necessary to protect the City of Corning Economic Loan Fund, and it shall review the collateral for each loan.

#### **9. PROOF OF FINANCIAL COMMITMENT:**

The Loan Committee must be presented with a project budget which shows firm financial commitments for the non-Economic Loan Fund portion of the project. Applicants should

be aware that all loans are contingent upon the nature and degree of the firm financial commitments from non-City sources. Funding of the applicant's share of the project shall be as outlined in Section 3, "Requirements to Qualify for Consideration," above. Applicants must provide information on the private commitments, including source, dollar amount, rate, term, and payments. Projects that require 100% financing, with no personal financial commitment, will not be considered.

#### **10. NEED:**

All projects must demonstrate a need for below-market financing. These loans are to serve as "gap" or "subsidy" financing.

"Gap" loans are defined as those which provide funds needed to complete a project which could not succeed from funding available from other sources. Demonstration of need for gap financing shall be a total project budget, evidence of efforts to secure funding elsewhere, a compilation of outside funding, and a request for the balance as an Economic Loan.

"Subsidy" financing is defined within the following context: although sufficient funds are available from other sources, the cost of these funds are at a level which renders the total project financially infeasible. The Economic Loan funds are needed, therefore, to achieve a lower total project funding rate. Demonstration of need for subsidy financing shall be calculations showing the impact of commercial interest rates on the proposed business verses calculations showing the reduced impact of the mix of commercial and public interest rates on the proposed business.

#### **11. PURPOSE**

Each application shall clearly state the purpose of the loan and the use of loan funds. This statement of purpose shall be specific (i.e., purchase of computer equipment, renovation of showroom space, etc.).

Each application shall include a list of collateral offered. The approval of a loan is contingent on collateral being offered and accepted.

#### **12. CONFIDENTIALITY:**

The Loan Committee understands the need for keeping records and financial information confidential. Only the staff of the Department of Planning and Economic Development and the Review Committee will have access to confidential records submitted by the applicant. The Corning City Council will receive a summary statement listing the reasons the committee recommends the loan. The summary will include the following: the amount of the loan, the interest rate, the length of the loan, the date repayment is to begin, the percentage of collateral applied to the loan, and a tabulation of the vote of the Loan Committee. The Corning City Council must approve the loan by a majority vote of all its members. The terms of any loan cannot be changed without Council approval.

### **13. PAYMENTS:**

Payment terms will be determined by the Loan Committee based on the charts above. The payments will be monthly and commence one month from the date of closing. Late payments will be charged a late fee. If a payment is overdue by more than fifteen days, an additional charge will be due to cover the cost of delay. This late charge shall be two percent (2%) of the monthly payment.

### **14. FORECLOSURE:**

Should any loan fall more than 60 days behind in payments, the Loan Committee will be made aware of the situation and their counsel requested. Foreclosure of collateral is considered by the Committee only after all other remedies have been exhausted. The finality of foreclosure is a major step that the Committee believes should be done on a case-by-case basis. No foreclosure will be done without a recommendation by the Loan Committee, approval by the City's legal counsel, and approval of the City Council.

### **15. FEES:**

A fee of \$50.00 is required at the time of submission of the application. This fee is non-refundable and is used to defray administrative expenses. At the time of loan closing, actual closing costs will be charged the applicant. These are fees typically charged and include filing fees, title searches, attorney fees, etc. A disclosure of actual costs will be provided.

### **16. PROCEDURE:**

Applications should be delivered to the Director of Planning and Economic Development, who is available to meet with interested clients to assist in the preparation of the application. The Director will schedule a meeting of the Loan Review Committee. This Committee reviews the application, meets with the applicant and discusses the project, and makes a recommendation to Council on approval of the grant. If the recommendation of the Committee is negative, the application is rejected and does not go to Council; if the recommendation is positive, the loan will be placed on Council's next agenda. City Council meets the first Monday of each month. Applicants should be aware, therefore, that the time frame for approval can take several weeks, depending on meeting schedules.

Updated August, 2003