

CITY OF GLENDORA ECONOMIC DEVELOPMENT LOAN/GRANT PROGRAM

The City of Glendora provides federal Community Development Block Grant (CDBG) funds for eligible economic development projects. The Economic Development Loan/Grant program (Program) provides a Small Business Loan and a Micro-Enterprise Program. Funds are made available to approved businesses with the ultimate objective of creating a benefit for low-to-moderate income (LMI) persons at 80% or less of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles Metropolitan area. A benefit can be met through job creation. The City can fund \$25,000 per full time equivalent job created. Alternatively, for the Micro-Enterprise Program, if the business owner is a LMI person and employs LMI persons, then the benefit has been met through limited clientele and job creation is not required.

Each job created or retained must be a full-time equivalent permanent job. The employer must obtain documentation from the job applicant at the time of hiring that the applicant's income is at or below 80% of AMI for their household size. At least fifty-one percent (51%) of the jobs created or retained must be made available to persons at this income level at the time they are hired.

A business must be able to demonstrate that the CDBG assistance is necessary for new job creation or retention. A qualifying business can use the funds for the purchase of equipment, fixtures, and/or working capital, among other uses. Use of Program funds for the payment of work related to construction, rehabilitation or installation will require the payment of either state or federal prevailing wages, whichever is higher. Please contact our office for further details.

If your business is interested in the City of Glendora's Economic Development Loan/Grant Program, please complete the attached application. There is no cost to apply. Submit the completed forms to:

City of Glendora 116 E. Foothill Ave. Glendora CA 91741

Attn: Valerie Escalante, Economic Development Specialist Phone: (626) 914-8292 or Email: vescalante@ci.glendora.ca.us

ECONOMIC DEVELOPMENT LOAN/GRANT INFORMATION AND EVALUATION STANDARDS

Objectives

The Economic Development Loan/Grant Program (Program) encourages:

- Private section job creation/retention
- Capital formation
- Private sector projects that have a financial feasibility based on recognized underwriting criteria
- Gap financing
- Development of sales tax and property tax base
- Support of existing businesses
- Development of new business

Loan Description

Small Business loan

For purposes of this program, a small business will be defined to have more than five employees but no more than 500 employees for most manufacturing and mining industries, and no more than \$7 million in average annual receipts for most nonmanufacturing industries. This program offers financial assistance to "usually established" small businesses that require capital, but are currently unable to meet the terms of traditional banks without additional resources. This program can meet program criteria by meeting the following job creation requirements:

Job Creation

- Jobs/Funds ratio: One full time equivalent job must be created per \$25,000 of CDBG funds.
- Types of jobs created/retained: At least 51% of the jobs created will be held by, or made available to persons whose household income is at 80% of Area Median Income or less, adjusted for household size. See Attachment A for current year income information.
- Must meet general credit criteria as described in the Economic Development Loan/Grant Policy (Policy).

• Micro-Enterprise Program

A microenterprise is defined as a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise. This program helps new and expanding very small businesses. This program serves a need for local business owners to start up or leverage other commercially approved loans for acquiring working capital for special projects, or purchase equipment. This program can meet program criteria through limited clientele or job creation.

❖ <u>Limited Clientele</u>

Through the Micro-Enterprise Program, if documentation is provided certifying the owner as LMI and 51% of employees are LMI, the CDBG National Objective has been met through Limited Clientele and repayment will not be required. If the owner is not LMI, then one full time equivalent job must be created as noted above.

❖ Job Creation

- Jobs/Funds ratio: One full time equivalent job must be created.
- Types of jobs created/retained: At least 51% of the jobs created will be held by, or made available to persons whose household income is at 80% of Area Median Income or less, adjusted for household size. See Attachment A for current year income information.
- Must meet general credit criteria as described in the Policy.

Eligible Activities

The funds may be used as specified in Sections VIII. and IX. of the Policy, and also listed in Attachment B. Eligible activities include:

- Working capital for inventory and receivables.
- Machinery, equipment, furniture, fixtures and leasehold improvements.
- Acquisition and assembly of owner-occupied land and facilities.
- Construction and installation (please call first).

Ineligible Project and Activities

- Projects outside the limits of the City of Glendora.
- Job pirating. This is the use of federal funds to attract businesses and its jobs away from one labor market to another.
- Projects where underwriting analysis indicates poor credit risk.
- Use of funds to pay debt
- Uses determined as ineligible as described in the Policy.

If private sector financing is available and the company can still maintain a reasonable rate of return within its industry standards, the project is ineligible. However, if the company would not consider the project without the Glendora Economic Development Program funding and public benefit can be demonstrated, the project may be eligible.

Public Benefit Determination

In determining the public benefit, the following factors will be considered:

- The number and type of jobs created and/or retained
- Other development which is likely to be stimulated in the area by the project activity.
- Increases in the tax base including property, sales and income taxes in the area.
- Increases in needed services which result either from the project itself or from its surrounding activity.

Program Loan Amounts

The amount of the loan is determined by the following:

- Number of jobs created; one full-time equivalent per \$25,000 loan amount.
- Total project costs (The Program will provide up to 75% of eligible project costs up to the program cap and available funds with at least 25% of the costs provided by the business and/or bank participation).
- Project Financing gap
- Eligible costs
- Small Business Loan: Minimum \$25,000 and Maximum \$75,000
 Micro-Enterprise Program: Minimum \$5,000 and Maximum \$25,000
 - Program amounts over the stated limits will require City Council approval.

Financial Guidelines

There are six objectives for economic development underwriting:

- That project costs are reasonable
- That all sources of project financing are committed
- To the extent practicable, CDBG funds are not substituted for non-Federal financial support
- That the project is financially feasible
- To the extent practicable, the return of the owner's equity investment will not be unreasonably high, and
- To the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project

Labor Standards

If the project includes construction, rehabilitation and/or machinery installation Federal Labor Standards may apply. This includes the Davis/Bacon Act which requires that workers doing rehabilitation and/or installation receive no less than the prevailing wage as determined by the Act's guidelines. Also, additional regulations may apply.

Agreements

You will be required to sign binding agreements pertaining to funding use and job creation/retention prior to funding.

Time Period

Application processing takes approximately two months from the time you submit all required documentation.

Procurement

Guidelines require that you follow specific procedures for purchasing equipment machinery, inventory or supplies, or doing construction work.

Monitoring

Monitoring of job creation/retention activities will be made within the compliance year. All records must be kept for five years past the end of the compliance period.

Insurance

Prior to the issuance of funds, proof of insurance as required under the agreement must be provided.

Fund Availability

Applications will be considered when funds are available in each fiscal year.

Glendora Business License

A Glendora business license is required, or must have a pending application.

After funds are awarded

Participants who are awarded funds under this Program will be forgiven after twelve months compliance. Compliance requires the Participant to create one permanent full-time equivalent job for low- to moderate-income persons per \$25,000 loaned/granted. In the case of Limited Clientele, awarded funds will be forgiven after twelve months of financial monitoring performed to gauge the success of the program.

Application Review Scoring

Criteria	Strength	Weight	Weighted	
	1 Low, 5 High	(% of Total)	Score	
Financial Soundness		20		
Owner/operator experience		15		
Business Plan		15		
Potential economic impact				
A. Business on community		10		
B. CDBG funding on business		10		
Owner/3 rd party funding		15		
Future Prospects for growth		10		
Quality of life impact		5		
Total		100%		

Tabulating Scores

Each criterion is scored on a scale of 1 (low) to 5 (high). The scores of each Financial Committee member is added together and multiplied by the weighted percentage of each

criterion. The resulting number is the Total Weighted Score for the Applicant. The higher the Total Weighted Score the more likely the applicant will receive CDBG Economic Development funds.

Criteria Definitions

The following definitions will be used to evaluate applications for the CDBG Economic Development program:

Financial Soundness

(20 points)

The business plan must include a financial plan based on sound financial principals. For existing businesses, the financial plan must include three year history of the following:

- Cash flow
- Actual profit/loss statements
- Year End balance sheet

For start-up and New Businesses (less than one year in operation), the plan must include projected:

- Startup costs
- Operating expenses
- Capital budget

- Three year cash flow
- Three year income/expense statement
- Three year balance sheet

Owner/Operator Experience

(15 points)

The management team's business experience that directly or indirectly relates to their business.

Business Plan

(15 points)

The business plan should precisely define its business, identifies its goals, and serves as the firm's resume. The business plan should include:

- Venture/Project Description
- Market Plan
- Management and Organization
- Financial Plan

Plan

Potential Economic Impact

A. Business on Community

(10 points)

The economic impact of this business on the community in which it is located.

B. CDBG funding on business

(10 points)

The economic impact of CDBG funding on the business.

Owners/3rd party funding

(15 points)

The "Project Financing and Use of Loan Proceeds" form must indicate all anticipated or secured funding sources. These may include:

Owner investment

Credit Card Financing

Traditional Commercial Loan

Other

Other Private Investment

Future Prospects for Growth

(10 points)

The future prospects for short and long term growth of the business.

Quality of Life Impact

(5 points)

The business' impact on the quality of life of the community in which the business is located.

Please add any additional information which in the judgment of the applicant would be appropriate to full support the application. Applications will be reviewed by the Program Administrator. If the applicant is determined to be qualified, the application will be forwarded to the Loan Committee for approval. At the completion of the review, the applicant will be informed if the application has been approved or denied.

Business Plan Outline

1. Description of Business

- Name and location
- Legal structure
- Principal owners
- Nature of the business
- History of the business
- Franchise: include Franchise Agreement with FTC Disclosure

2. Product or Service

- Describe product line(s) or types(s) of service
- Describe materials and supply sources
- Methods of production
- Quality and cost of production or service

3. Market Information

- Market area and trends
- Customers and potential new customers
- Competition, names, locations and size
- Advantage of your product/service over others

4. Advertising

- Methods of advertising and promotion
- Sales methods
- Pricing policy
- Customer service

5. Facilities

- Location
- Size and zoning
- Age and condition
- Expansion opportunities

6. Management and Personnel

- Management expertise
- Key personnel (position, qualifications)
- Professional services
- Present and future manpower requirements
- Personnel breakdown-skill levels, hours, wage rates, unionization, etc.

7. Benefits to the Community

- Job created/retained
- Building rehabilitation
- Meeting community needs
- Increase community tax base

8. Financing Plan

- For Existing businesses: must include a three year history of cash flow, actual profit-loss statement, and year-end balance sheet.
- For start-up businesses, must include projected three year cash flow, income/expense statement, and year-end balance sheet, as well as start-up costs, operating expenses and capital budget.

9. Summary of Future Plans

- Short range and long range
- Expansion
- Relocation

Note: the business plan is an important component to your loan package. It will show how well your proposal has been thought out. One paragraph for each number item is sufficient.

ATTACHMENT A

FY 2014 Income Limits Summary

FY 2014 Income	Median Income	FY 2014 Income Limit	Persons in Family							
Limit Area	THEOTHE	Category	1	2	3	4	5	6	7	8
Los Angeles County	\$60,600	Very Low (50%) Income Limits (\$)	28,550	32,600	36,700	40,750	44,050	47,300	50,550	53,800
		Extremely Low (30%) Income Limits (\$)	17,150	19,600	22,050	24,450	26,450	28,400	30,350	32,300
		Low (80%) Income Limits (\$)	45,650	52,200	58,700	65,200	70,450	75,650	80,850	86,100

ATTACHMENT B

Excerpt from "City of Glendora Economic Development Loan/Grant Policy"

VIII. TYPE OF PROJECT

Funding priority will be recommended for projects that meet the overall design scope and criteria for the location, create jobs for low- to moderate-income persons, expand economic opportunities and generate sales tax.

- **A.** New Retail/Commercial
- **B.** Quality food establishments
- **C.** Art gallery and supplies
- **D.** Entertainment-related activities
- **E.** High-tech industrial uses
- **F.** Manufacturing

Manufacturing is defined as follows: To be engaged in the production of something different and distinct from the original article. Substantial transformation is required, resulting in a change to its superficial appearance and altering its substantial character. Manufactured goods are goods made by machinery in large quantities, from primary goods such as steel and textiles, and baked goods.

IX. USE OF FUNDS

A. Eligible Use of Funds

An eligible use of funds includes the following activities:

Start Up Costs Working Capital Inventory

Purchase Equipment Installation of Fixed Equipment Tenant Improvements

Rehabilitation Facade Improvements

B. Ineligible Use of Funds

Funds cannot be used for the following: reimbursement of expenditures prior to approval; professional services such as feasibility and marketing studies, accounting, management services, and other similar services; or other activities that the City may identify as inappropriate for the program.