



GCRA



Guidelines for the Small Business Loan Program

Funded by

Greenville County Redevelopment Authority
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With

Community Development Block Grant Funds-Recovery

David A. Doser II, GCRA Board Chairman

www.gcra-sc.org

Greenville County Redevelopment Authority

Small Business Loan Program

Introduction

The Greenville County Redevelopment Authority - Small Business Loan Program is currently funded under the American Recovery and Reinvestment Act of 2009. The goal of this program is to spur economic development activities and promote opportunities for employment in the communities. The program shall provide funds to small existing and emerging businesses located in the five participating municipalities, Greer, Fountain Inn, Mauldin, Simpsonville and Travelers Rest and the commercial corridors of the unincorporated areas of Greenville County, outside the City limits of Greenville.

Program Overview

Source & Use of funds:

The Program is capitalized with Community Development Block Grant – Recovery (CDBG-R) funds made available via the 2009 Federal Stimulus Program of the Obama Administration. The fund will be used to establish a small business loan fund program in Greenville County. The loan program shall provide financial assistance to applicants within the guidelines of this revolving loan fund plan.

Service Area

This fund shall be made available to eligible and qualified applicants for start up or existing businesses located in the **central business districts** in the Cities of Greer, Travelers Rest, Mauldin, Simpsonville and Fountain Inn and as wells the **commercial corridors** of the unincorporated areas in the County, outside of the Greenville City limits.

Loan Program

The proposed program shall provide a minimum loan amount of \$5,000 and a maximum of \$25,000 per business/applicant. Approved loans will be amortized over a five year period. The loan repayment **maybe** deferred for up to two years at the discretion of the GCRA Loan Committee; payments on these accounts shall begin at the end of the deferment period and for the duration of the amortized period. The repayment period shall not exceed seven years with proposed interest rates ranging from 3 to 7 percent; exceeding 7 percent in some instances. The GCRA Loan Advisory Committee will determine the interest rate. The proposed loan can be used as a gap fund or 100 percent financed based on need assessments of applicants if other resources are not available. Applicants requiring more than \$25,000 will be reviewed on a case by case base. This request must be approved by GCRA Board members. Applications for the Program will be accepted on a continual basis. Applications submitted at a time when inadequate funds exist for extending loans will be informed of the lack of funds.

Eligible Applicants

Eligible loan applicants for the Program must meet all of the following criteria:

- A start-up or existing small business with at least 51 percent of its interest owned by a U.S. citizen after being legally admitted for permanent residence.
- A start-up or existing small business located in Greenville County outside of the city limits of Greenville including areas within the central business districts of Mauldin, Greer, Fountain Inn, Travelers Rest, and Simpsonville or along major commercial corridors. Home-based businesses are not eligible but maybe considered for the Program contingent upon an approved waiver request from the location criteria by the GCRA Loan Committee.
- A start-up or existing business will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues.
- A start-up or existing small business with at least 20 percent of the total project cost in the form of cash or in-kind equity within the business.
- A start-up or existing small business creating one or more new part-time, full-time, or temporary jobs for a low-moderate income person. The business may also qualify by demonstrating job retention such that the business may be closing down or reducing staff if not for investment of CDBG-R funding.
- An existing legal business located within the service area of this Program with a proper business license, liability insurance, and required permits per local, state, and federal requirements. If an applicant is a new start-up business and does not have proper licenses or insurance, then these items can be made a condition of funding the loan.

Program Requirements

Eligible Activities

Funds under this program are restricted to certain eligible costs. Eligible activities include:

- Acquisition and development of land, easements, and rights-of-way.
- Construction, conversion, enlargement, repairs or modernization of buildings of owned or leased space (including facade repairs), plants machinery, equipment, access streets and roads, parking areas, utilities, and pollution control and abatement facilities. (all property improvements must promote energy conservation)
- Equipment or machinery purchases (energy efficient products required)
- Operating capital if fixed assets (machinery, equipment, real estate etc) are included with the proposed request.
- Technical assistance for private business enterprises.

Ineligible Use of Funds

The following are prohibited activities under this Program:

- Sexually oriented business
- Video poker machines or comparable gaming devices capable of being us for gaming activity.
- Entertainment establishments without approval from the City and also the Board of Zoning Appeals as required by City Ordinance.
- Gambling establishments.

- Swimming pools.
- Zoos.
- Aquariums.
- Golf courses.
- Comprehensive area-wide type planning

Funds under this Program will not pay for reimbursement of expenses incurred prior to the GCRA's formal loan approval and/or completion of project's environmental review. Loans can not be used to pay off any previous debts. The loan funds will not be used to fund a part of a project which is dependent on other funding unless there is a firm commitment of the other funding to ensure completion of the project. The loan funds will not be used to produce agriculture products through growing, cultivation, and harvesting either directly or through horizontally integrated livestock operations except for commercial nurseries, timber operations, or limited agricultural production related to technical assistance projects.

Loan Application Process

In accordance with Federal law and the U.S. Department of Housing and Urban Development, the GCRA Loan Committee will not discriminate on the basis of race, color, national origin, sex, religion, age, disability, or marital or family status. Loan applications will be processed on first-come, first-served basis. A project summary form and a \$25 non-refundable fee are submitted for review to determine project eligibility for the revolving loan fund program. Applications that don't meet basic requirements of the program will be notified with an explanation of requirements needing to be met.

- If eligible, the applicant must complete four or six hours of GCRA coordinated business training sessions with the Clemson Small Business Development Center and/or SCORE. Start-up businesses are required to complete 6 hours of training and businesses that have operated for more than one year must complete 4 hours. The job training requirement may be waived for applicants with extensive experience at the request and discretion of the GCRA Loan Committee.
- Prior to submission, a SCORE counselor must review the business plan and underwriting information required under these guidelines for completeness. Once SCORE counselors have reviewed the application and certify completion of required business training courses, three copies of the completed application must be submitted by mail or hand delivered along with a non-refundable fee of \$75. The application and all supplemental documents are available on the GCRA website at <http://www.gcra-sc.org/programs/economic-development.html>
- Copies of the applications located within the five municipalities are sent to the municipal economic development representatives to obtain comments and approval and to ensure consistency and compliance with municipal zoning and master plan for the area.
- All applications are reviewed and approved by the GCRA Loan Committee. The GCRA Loan Committee will meet as needed to approve loan applications. A copy of the applicant's credit report is obtained from the Credit Bureau and criminal history is

obtained from the State Law Enforcement Division (SLED). Applicants that have been convicted of drug distribution over the past five years will not be considered for the loan.

GCRA staff conducts a site visit and compiles complete loan file with all the credit, financial, and underwriting information needed to show loan is eligible under these guidelines, and then a loan commitment letter is drafted recommending one of the following actions: 1) approve the loan application as submitted, 2) approve the loan application with special modification of loan covenants, or 3) deny the loan application.

- If the applicant accepts the loan offer by signing and returning the loan commitment letter, the loan documents are drawn for loan closing. Closings of all loans are conducted by the GCRA Attorney. All appropriate documents will be signed and recorded. The application review period takes approximately 1.5 to 2 months from the time that the applicant submits the completed application to the loan closing date not including time added for application deficiencies or unanticipated issues.
- Applications that do not meet the Program guidelines will receive a written denial letter explaining the reason(s) for the denial.

Application Review Documentation

- Completed Business Loan Application
- Resume
- Commitment letter or letter of interest from agencies/institutions providing additional funds (if applicable)
- Two Year Lease Agreement with landlord or proof of property ownership
- Financial Bank statements (last 3 months)
- Personal Financial Statements
- Business Plan
- Budget Summary Form
- Tax Returns (last two years)
- Business Tax ID number
- Financial Statements including (cash flow spreadsheet, balance sheet, two year profit & loss statement, start-up expenses spreadsheet)
- Organizational Papers
- Additional documentation may be required to clarify special circumstances of the business.
- All information on the application will be subject to verification including employment, income, property ownership, lease agreement etc. All information will be confidential, and will be used only for the purpose of determining eligibility for a revolving loan

Federal Requirements

National Objective. All CDBG funded loans must meet a CDBG “National Objective” as described in the federal regulations (24 CFR 570.208). Use of funds under the Program must meet the National Objective of “low and moderate income job creation or retention” such that businesses receiving CDBG financing must certify that at least one job is created or retained

within two years of loan closing date. In order to comply with this requirement, the business must certify household income levels of newly hired or retained employees by completing a Self-Certification Household Income Verification form for each person hired or retained because of CDBG loan funds. See Exhibit “B” – Self-Certification Household Income Verification form.

National Environmental Policy Act (NEPA). NEPA regulations require an Environmental Review Record (ERR) to be submitted for each project/business funded with CDBG monies prior toward or approval of funds. The GCRA is required to complete the proper NEPA review. The ERR level of review is based on the type of project proposed and all aggregated activities to be undertaken. Applicants will be informed of any additional time required for loan processing due to environmental review. The ERR will be done prior to the loan closing date. No costs will be charged to the borrower for this process. Once an application is submitted, no activities can be performed on the project until completion of the ERR as this would be a choice-limiting action under NEPA regulations.

Required DUNs number, verification of not being on federal debarred list, and insurance. All Businesses who wish to receive funds under this Program will be required to obtain a DUN’s number. The DUN’s number is free and can be obtained online at www.dnb.com/us/duns_update. There are a number of other federal laws and requirements that are triggered by the use of CDBG funding. The GCRA will take the lead and ensure compliance with these CDBG regulations in conformance with standards set by HUD. Impacts these federal regulations will have on a proposed project will be explained to the borrower at the time of loan application

Central Contractor Registration (CCR). Central Contractor Registration (CCR) is the primary registrant database for the U.S. Federal Government. Both current and potential federal government registrants are required to register in CCR in order to be awarded contracts by the federal government. Whether applying for assistance awards, contracts, or other business opportunities, all entities are considered “registrants”. All businesses that wish to receive funds under this Program are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. All successful loan applicants must update or renew their registration at least once per year to maintain an active status. To register, please follow the steps listed below:

Step 1: Access the CCR online registration through the CCR home page at <http://www.ccr.gov>. Click on “Start New Registration.” You must have a Data Universal Numbering System (DUNS) Number in order to begin the registration process.

Step 2: Complete and submit the online registration. If you already have the necessary information on hand (see below), the on-line registration takes approximately 1 hour to complete, depending upon the size and complexity of your business or organization.

Loan Underwriting Standards

Each project/business will be evaluated on the Four C's of Credit: cash flow, character, capacity and collateral. However, applications with the greatest anticipated economic impact for the community and assisting those impacted by recession shall receive the greatest priority. Criteria to be considered in determining economic impact includes number of jobs created or saved (part time, full time or temporary jobs), wage scale of employees, benefits paid to employees. Applications that will benefit low and moderate income persons shall be given a higher priority. Additionally, job creation along commercial corridors in former GCRA strategy areas will be given priority. The GCRA Loan Committees will be responsible for determining priorities of application to be funded. Specifically, the following questions will be asked upon receipt of a loan application:

- Will the business create or retain jobs?
- Are the project costs to be paid CDBG eligible?
- Are the business and owners credit worthy?
- Do they have good character (pay bills on time)?
- Does the business have management capacity?
- Does the business have a solid business plan that documents market demand?
- Is the owner(s) contributing a reasonable amount of equity?
- Was the business financially viable in the past? (net income covers debt)
- Are there reasonable financial assumptions for future viability/success?
- Is there enough collateral to secure the loan funds?

Collateral Requirements. All loans under this program must be collateralized by commercial lending standards. Security shall consist of the best lien available on real estate, equipment, inventory, etc. The discounted value of the security (using typical lender discount rates) shall equal or exceed the value of the loan. A personal guarantor is required for all loans. Types of collateral may include some combination of the following:

- Secured liens on real property
- UCC liens on machinery, equipment, other fixtures
- Life insurance or retirement funds, as appropriate (etc.)

Loan Servicing. Servicing of loans will include monitoring payment performance, periodic reviews of the conditions of the loan approval, including but not limited to, financial data, job creation, collecting and posting payments, personal inspections and site visits, as deemed appropriate. The Borrower shall keep detailed records of the Project and the use of Loan proceeds. The Borrower shall attend and furnish to Lender personal and business financial statements, employee income verification forms and related documents, and certificate of liability insurance at the bi-annual review scheduled by GCRA staff. The bi-annual review serves to ensure compliance with loan covenants and assess repayment ability of the loan and strength of collateral and guarantees. Consequently, the Borrower shall furnish and offer the Lender documents and information at the bi-annual review including:

- Current bank statements showing cash available in savings and checking accounts
- Accounts Receivables i.e. invoices or credit for services rendered but not yet paid for.

- Business Balance Sheet, Cash Flow and Profit and Loss Statement
- Personal Financial Statements for Borrower(s) and Loan Guarantors, Self-Certification Household Income Verification form and payroll information indicating hours worked and rate of pay.
- Copy of certificate of liability insurance
- Information concerning changes in the business lease, location or ownership, any additional debt incurred, changes in insurance and status of pledged collateral.

Conflict of Interest Requirement. Consistent with HUD regulations regarding conflict of interest, Greenville County Council members, Greenville County Redevelopment Authority Board and staff members are prohibited from gaining or benefiting financially from any program administered by GCRA, either directly or indirectly. Other elected officials in Greenville County or its municipalities may be eligible for assistance under the programs administered by GCRA provided prior approval is obtained from HUD and the appropriate governing body.

Payments

Disbursement of funds. Funds will be disbursed to applicants in a lump sum payment or in two or more installments at the discretion of GCRA Loan Committee. If installments are recommended, payments will be disbursed upon satisfactory completion of required work as outlined in the loan commitment letter.

Loan Payment. Loans are serviced by the GCRA. Instructions will be given at the time of closing as to how and where payments are to be made. If deferment period is granted, payment shall be required at the end of the deferment period through the amortized period of the loan.

Default/Delinquency in payments. In cases where there are unforeseen circumstances or emergencies, the Executive Director, or his/her designee, is authorized to take appropriate action as necessary to protect the GCRA's interest on any properties that may be involved in foreclosures. This authority shall include the authorization to bid as feasible on properties to recoup outstanding loan proceeds. A report of any delinquency account shall be reported to the GCRA Delinquent Accounts Committee.

Other Lending Criteria

- If the business relocates outside of the County of Greenville and or to the City Limits of Greenville, the GCRA Committee may require immediate pay off of the loan.
- UCC and lien search fees, filing security documents, filing legal documents fees, etc.) shall be the responsibility of the applicant. The GCRA Loan Committee may waive or amend this fee structure.

Complete applications and supporting documents should be mailed or submitted to the following address:

Greenville County Redevelopment Authority
301 University Ridge, Suite 2500
Greenville, SC 29601

Attention: David A. Doser II, GCRA Board Chair

For information, regarding the Small Business Loan Program, please contact.

Greenville County Redevelopment Authority
301 University Ridge, Suite 2500
Greenville, SC 29601

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