



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



3

December 5, 1989

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Commercial Financing Program

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency and City Council of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolution approving the program.

Respectfully submitted,

ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COMMITTEE:

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



December 4, 1989

Redevelopment Agency of the
City of Sacramento

City Council of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Commercial Financing Program

SUMMARY

This Report Recommends adoption of revised Direct Commercial Loan Guidelines and Discontinuation of the previous Commercial Rehabilitation Loan Program as well as the Interior Rehabilitation Loan Program.

BACKGROUND

The Redevelopment Agency currently has three loan programs available in designated commercial target areas in the City and County of Sacramento (see map, Attachment A): 1) the Commercial Rehabilitation loan program; 2) the Direct Commercial loan program; and, 3) the Small Interior Rehabilitation Loan program. In addition, the Agency operates a Facade Improvement Grant Program. A description of these activities along with the recommended changes are found in the following sections.

I. Commercial Rehabilitation Loan Program

This program was approved by the Redevelopment Agency of the City and County of Sacramento on March 12, 1985. The Commercial Rehabilitation Loan Program provides below market interest rate financing at 6 percent interest for a 15 year term for a loan up to \$200,000. Loan funds can be used for eligible rehabilitation activities such as electrical work, plumbing work, structural items, roofs and code-related items. The role of the Agency in the program is to provide a lump sum payment for an interest subsidy.

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The Agency has had only limited success with this program. Even though the number of eligible bank participants was increased in 1986, the Agency has only made four (4) loans under this financing vehicle. In general, it is the staff's opinion that the program has not been responsive to the needs of the small business owner.

II. The Direct Commercial Loan Program

This program was originally approved by the Redevelopment Agency of the City and County of Sacramento on March 12, 1985 and modified in June 1986. The program provides direct financing for new construction, rehabilitation, and acquisition of commercial properties. Currently loan funds are available at 7.5% (9% in downtown), for a fifteen year term with direct financing up to \$200,000 and a one-to-one match of private to public funds over this amount.

Since its inception, 63 loans representing \$4.1 million in Agency funds have been financed by this mechanism.

III. Loans to Property Owners for Building Interior Rehabilitation Projects Under \$10,000

For small rehabilitation projects, a streamlined application process is available for property owners under the Direct Loan Program.

The work can only entail rehabilitation to the interior, up to \$10,000. A full loan package is not required. Only four items must be submitted: 1) a loan application form; 2) a current financial statement; 3) a credit check authorization form; and, 4) a copy of the previous year's income tax returns.

If upon review of the four items, the Agency is uncertain about the ability of the borrower to pay back the loan, more information may be requested.

At this time, no loans have been made under this program.

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IV. Commercial Facade Improvement Grant

This program provides a rebate (in the form of a grant) for 50% of the facade improvements, up to a maximum of \$5,000 per storefront. Eligible activities include: facade renovation, signs, doors, windows, awnings, graphics, exterior lighting, landscaping, decorative fencing, security systems, capital improvements and parking lot improvements. A maximum of \$7,500 per storefront is available if roof repairs or replacement is done in conjunction with facade improvements. Free design services are available.

Recent Developments

In June 1989, the Agency was monitored by representatives from the U.S. Department of Housing and Urban Development for statutory and regulatory compliance with HUD's requirements for economic development activities. HUD reported that our current loan policies were at variance with regulations adopted since our programs were put in place. According to their requirements, in order to use Community Development Block Grant funds to support these activities, the City/County must make a determination that the assistance is "necessary or appropriate" to carry out an economic development project. When the assistance takes the form of financial assistance, the grantee is obligated to conduct and perform a financial analysis to determine the business' financial needs and justify the assistance. More specifically HUD's report stated:

In order to ensure that no business is unduly enriched as a result of such assistance, the grantee must in each case determine that the CDBG funding is financially necessary and that the activity is appropriate given the anticipated public benefits that will result. Such a review must, among other things, verify costs, it must verify that private financing (from lender) is being utilized to the maximum feasible extent, it must verify that private equity is being maximized, and it must verify that the terms of the CDBG assistance are set appropriately, given the ability of the project to service debt.

The Agency's current programs do not include this level of financial review as both the rate and term are standardized. In our opinion, this was the appropriate stance to take given the relatively small loan amounts typically involved in our programs, the need for simplicity as an aid to marketing and the relative expense of making a complex 'needs' determination for small loans

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of this size. Nevertheless, the HUD recommendation is explicit and we must comply if we are to continue our loan program. We could maintain the old standard for our tax increment funded loans, however, are not recommending a bifurcated program in the interest of preventing confusion and conflicts.

PROPOSED CHANGES

In order to comply with HUD's regulations, the existing loan guidelines will have to be substantially altered. Each individual business applicant would have to be carefully examined to discover the level of public assistance required to make the project occur. Thus the direct commercial loan program would be designed as a "gap" financing program. Interest rate and term would be based on the needs of the individual situation and project.

In light of HUD's requirements, the commercial rehabilitation loan program will have to be discontinued in that a standardized package offered to all applicants will no longer meet HUD criteria. In addition, the small interior loans will also have to be discontinued in that HUD now requires an extensive financial evaluation, thus eliminating the streamlined procedure called for by the current program.

The direct loan program would continue to be used to finance acquisition, rehabilitation or new construction. However, each proposal will now have to be reviewed pursuant to the revised needs determination standard. In this regard, as you are aware, the Agency currently contracts with the Sacramento Metropolitan Chamber of Commerce for the services of the Certified Development Corporation (CDC). The CDC assists the Agency in the review and packaging of the commercial loans. This relationship is expected to continue and the involvement of the CDC will be intensified by this newly identified need for detailed financial review and flexibility in the guidelines.

The proposed loan guidelines are attached as Attachment B. To make the program consistent, these guidelines would, if approved, be used for both CDBG and tax increment areas

Since HUD currently allows the rehabilitation of privately owned commercial buildings where the improvements are limited to the exterior of the building, the Facade Grant Program can continue unchanged.

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REVIEW AND SUPPORT FOR PROGRAM CHANGES

The recommended changes were reviewed by the target area business associations and commercial revitalization coordinators. In addition, the Oak Park Project Area Committee, the Del Paso Heights Redevelopment Area Committee, and the Agency Finance Committee and HUD have approved the revised guidelines.

FINANCIAL DATA

The direct commercial loan program is financed by City and County Community Development Block Grant funds and tax increment funds from Oak Park, Del Paso Heights, and Downtown. These funding sources and the level of funding will not change as a result of this report.

MBE/WBE

This action does not involve the provision of new contractual services, therefore, there is no impact.

ENVIRONMENTAL REVIEW

NEPA: This is an exempt activity under the National Environmental Policy Act per 24 CFR Part 58.34(a)(2).

CEQA: This action is not a "project" under the California Environmental Quality Act guidelines, per 15378(b)(3), and is exempt from environmental review.

POLICY IMPLICATIONS

These proposed changes to the Agency's commercial loan program would intimate a new Agency philosophy toward lending; a philosophy which embraces financial need as its uppermost tenet. Typically, this could preclude otherwise solvent applicants from seeking an incentive to develop in our targeted areas where they otherwise might not be inclined to invest. This negative aspect, however, must be accepted if we are to continue to use HUD funds for the program.

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VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of December 4, 1989, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

RECOMMENDATION

The staff recommends adoption of the revised Direct Commercial Loan program guidelines and the discontinuation of the Commercial Rehabilitation Loan program as well as the small Interior Rehabilitation Loan program.

Respectfully submitted,



ROBERT E. SMITH
Executive Director

Contact Person: Leslie Fritzsche
440-1318

TRANSMITTAL TO COUNCIL:

WALTER E. SLIPE
City Manager

LF:jann
4947J
11/22/89

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

REVISED DIRECT COMMERCIAL LOAN GUIDELINES
AND THE DISCONTINUATION OF THE COMMERCIAL LOAN PROGRAM
AND THE INTERIOR REHABILITATION LOAN PROGRAM

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO:

Section 1. The draft Revised Direct Commercial Loan
Guidelines are hereby approved subject to final review of Agency
Counsel.

Section 2. The Commercial Rehabilitation Loan and Small
Interior Rehabilitation Loan are terminated.

CHAIR

ATTEST:

SECRETARY

1100WPP2(519)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

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AND THE DISCONTINUATION OF THE COMMERCIAL LOAN PROGRAM
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MAYOR

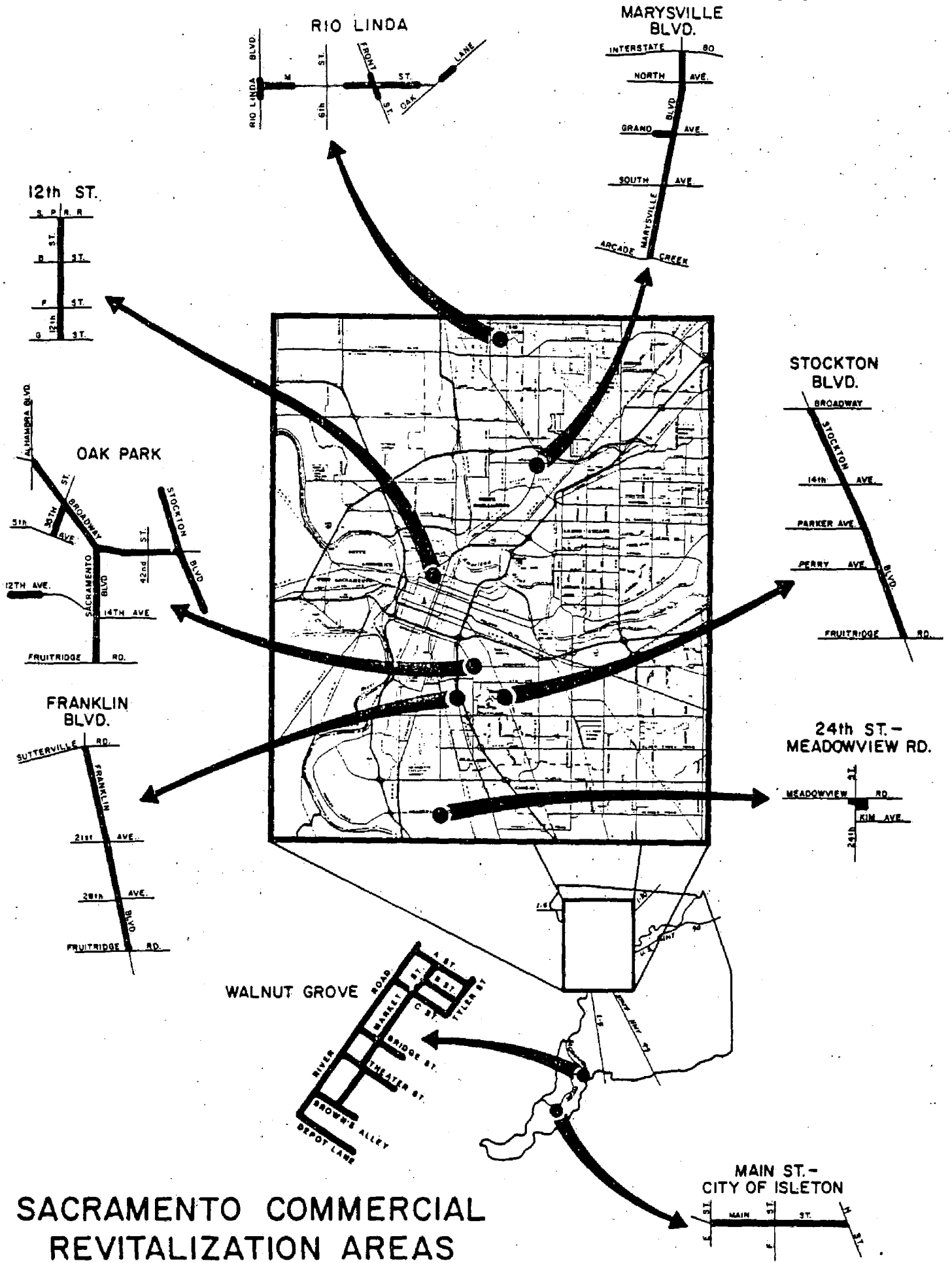
ATTEST:

CITY CLERK

1100WPP2(519)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____



SACRAMENTO COMMERCIAL REVITALIZATION AREAS

I. INTRODUCTION -- SUMMARY

The Direct Commercial Loan Program is made available by Sacramento Housing and Redevelopment Agency (Agency) under direction and authorization of the City Council or Board of Supervisors. The administration of this program will be the responsibility of the Agency through the Economic Development Department (EDD). The program will initially be funded with Community Development Block Grant and Tax Increment funds.

Loan funds are available for various economic development activities undertaken by private businesses which create or retain jobs accessible to low and moderate income people, expand the City's tax base and leverage public and private investments and upgrade commercial areas.

The Direct Loan Program will provide public funds in conjunction with private investments for the development, physical improvement and expansion of businesses. The program is intended to provide assistance to projects whose needs are not currently being met by existing private resources and/or federal and other programs.

II. ELIGIBLE APPLICANTS

Funds will be made available on a competitive basis to assist new and existing businesses located or desirous of locating within an approved commercial revitalization target area (see Exhibit for a listing of eligible areas and map). Applicants may be a sole proprietorship, partnership or for-profit corporation within a proposed project within a target area.

III. ELIGIBLE ACTIVITIES

Activities eligible for funding under the program include normal project development costs, including but not limited to:

A. Rehabilitation

The financing may be used for the following:

1. Repairs to or replacement of a roof
2. New electrical service or other wiring changes
3. Repair or replacement of a foundation
4. Repair of broken steps
5. Replacement of broken windows and doors

6. Replacement of furnaces and water heaters
7. Repair and painting of exterior walls
8. Repair or replacement of faulty plumbing and fixtures
9. Replacement of deteriorated subfloors
10. Insulation and other weatherization repairs
11. Installation of smoke detectors
12. Installation of fire extinguishing sprinkler systems
13. Repair of elevators
14. Renovation/replacement of exterior advertising devices, landscaping, fencing and parking areas
15. Facade improvements
16. Replacement of principal fixtures and components of existing structures where directly related to code compliance, limited to first/primary floor only
17. Renovation through alterations to, or enhancements of, the interior of existing structures where directly related to code compliance
18. Energy saving devices, material or equipment
19. Expansion of existing structure not to exceed 20 percent of floor space
20. Professional, legal, architectural, engineers, City/County permit, loan closing fees, appraisal
21. Acquisition of existing buildings when at least twenty percent of the project costs involve rehabilitation activities
22. The purchase and installation of non-removable, non-personal machinery and equipment, inherent to the business to be located on the site. This equipment must have a depreciable useful life of more than ten (10) years

B. New Construction

The financing may be used for the following:

1. The acquisition of land as part of a new development project, including buildings to be demolished.

2. Demolition/site clearance costs.
3. New construction, expansion, renovation and modernization including on and off site improvements.
4. The purchase and installation of non-removable, non-personal machinery and equipment, inherent to the business to be located on the site. This equipment must have a depreciable useful life of more than ten (10) years.
5. Parking lots
6. Professional, legal, architectural, engineers, City/County permit, loan closing fees, appraisal

All rehabilitation and new construction activities must conform with the City or County of Sacramento building and zoning codes.

C. OTHER INCLUDABLE LOAN COSTS

1. Credit report;
2. Policy of title insurance;
3. Structural pest control report;
4. Loan Contingency. An amount not less than ten percent (10%) of the budgeted cost of all improvements is to be included in the budget to cover cost overruns and required construction changes during the construction period. The borrower must authorize the use of this contingency by change order and the Agency must approve the disbursement. Should funds remain in the contingency amount after project completion, this excess amount will be credited against the loan principal;
5. Inspection fees: appraisal, property inspection reports, and all building permit fees; and,
6. Architectural and/or engineering services up to a maximum of 10% of the total construction cost.

IV. INELIGIBLE LOAN ACTIVITIES

1. Any costs incurred prior to loan approval except for services required for the loan application process, i.e., architectural and engineering appraisal.

2. Equipment which is moveable or has a depreciable life of less than five (5) years, such as office equipment, hotel room furnishings or minor tools.
3. Investment in working capital, advertising, training, operating losses, start-up costs, inventory, accounts receivable, cash for operational or compensating balance purposes.
4. Expenses paid to any individual or organization which is not an independent third party to the project.
5. Developer fees, profit and overhead.
6. Existing equity in the property.
7. Previously incurred franchise or other business development costs.

V. FINANCIAL STANDARDS AND POLICIES

All direct commercial loans must comply with the following financing standards and policies:

A. Jobs Generated/Retained

For new construction projects, applicants for new construction loans will be required to develop a hiring plan which describes the number of jobs which will be created or retained. The plan will include an identification of the jobs created, the timeframe for hiring, description of the process which will be utilized to attempt to hire low and moderate income individuals within the commercial revitalization target areas and a description of planned efforts to hire minorities, women and the handicapped. The borrower will be required to contact and work with the Private Industry Council for assistance in this area. It is the goal of this program that for every \$10,000 of public funds used for new construction, one new job will be created/retained.

B. Pre-Financing Requirement

For a new construction or total rehabilitation project, a marketing analysis and plan for the property must be submitted which describes the proposed tenant mix, the absorption rate of the space, and the impact of this property on the affected target area.

C. Maximum Loan Amount

The maximum loan amount shall be determined as the lesser of the following:

- a. A maximum of \$100,000
- b. An amount which, when added to the outstanding indebtedness, does not exceed 90% of the after rehabilitation appraised value of the property.

D. Private Financial Commitments ("But for" Condition)

The direct loan program is designed to be "gap" or "last resort" financing. No project will receive direct loan funds without an analysis that the amount of private funds has been maximized. The applicant must demonstrate that if the project did not receive direct loan funds from the Agency, it would not be implemented. There are several typical kinds of "but for" statements and situations which may apply to projects. For example:

1. Projects whose risk would and can prevent the full participation and/or investment by the private sector. The unavailability or insufficiency of funds from private institutions must be demonstrated by a letter from the institution.
2. New business -- These projects would involve entrepreneurs engaged in new businesses, but because of a lack of a "track record" would prohibit private sector financing without public leveraging.
3. Other situations in which the primary lender can affirm that "but for" public leveraging of the financial package, the project would not be feasible.

Firm private financial commitments must be submitted before preliminary approval and legally binding commitments must be secured prior to any final direct loan approval. Applicants must provide, at a minimum, 10 percent cash injection for the project. The private injection should be maximized and take into consideration all private assets of the applicant. Other private financial commitments may be in the form of loans from financial institutions, the SBA, investors or other sources. Direct loan participation by the Agency can be subordinated to other financing.

Private lender commitments may be qualified only on the condition of Agency approval of funds and/or the award of other funds to be linked to the direct loan. Any direct loan made prior to full commitment of private funds will be subject to that commitment.

E. CERTIFICATION AND COMPLIANCE REQUIREMENTS

As a function of the use of different sources of public funding, the recipient will be required to certify compliance with certain regulations.

If Community Development Block Grant (CDBG) funds are used:

- . Davis-Bacon wage rates must be paid to tradespeople for construction work over \$2,000, and certified payroll records must be submitted to Agency;
- . Property owners are required to provide relocation benefits and assistance to commercial tenants permanently displaced by rehabilitation or new construction activities; and
- . Historic Preservation requirements must be followed (if applicable).

For all projects, an environmental review of the improvements will be required and performed by Agency staff.

F. FACADE WORK

As a condition of participation under this program, the facade of the structure must be consistent with the design guidelines established for the commercial revitalization area if applicable. If facade work is required on the project, this work must be completed along with the other rehabilitation activities. In conjunction with this program, rehabilitation applicants are also eligible to apply for financing under the Agency's Commercial Storefront Improvement Program.

G. LOAN TERMS/RATE

The direct commercial loan is intended to be a flexible financing tool. The interest rate will be set at the time the loan is made. The rate will reflect the details of each project, e.g., the amounts of risk, pledged security, and economic feasibility. The program does allow for a short-term deferment of interest and/or principal if the economic circumstances warrant it.

Loans will generally have terms of up to fifteen years but the actual term must be justified by the financial parameters of each project. In no instance, however, will the loan term exceed the economic life of the asset to be financed or the term of the lease.

H. LOAN SECURITY

The Redevelopment Agency will obtain sufficient and adequate collateral to secure all direct commercial loans. It will usually be in the form of liens on the assets financed, including fixed assets such as machinery and real estate. Liens upon other non-project assets of the borrower may also be used to secure the loan. It will also be the general policy to require personal guarantees by the principal borrowers as deemed appropriate in the circumstances.

The loan will be evidenced by a promissory note executed by the borrower and will be secured by a deed of trust, security agreement, Uniform Commercial Code #1, or other documents as appropriate. The note will:

- 1) Be for the face amount of the loan;
- 2) Bear interest per annum on the outstanding principal balance at the current approved rate;
- 3) Be repaid at such time or times, at such place or places as designated by the Agency; and,
- 4) Be subject to such other conditions of repayment as shall be fully specified in the promissory note.

I. LOAN ASSIGNMENT

All loans shall become due and payable upon the transfer or sale of the borrower's interest in the property.

J. TIMELY COMPLETION

All projects must be completed in a timely fashion, two years or less from the date of execution of the note.

K. LOAN APPLICATION AND APPROVAL PROCESS

All applications for a direct commercial loan should be made through the Sacramento Housing and Redevelopment Agency -- Economic Development Division.

This office will provide application forms, screen applicants, and may contract with the Greater Sacramento Certified Development Corporation for commercial financing analysis. The financial organization will analyze the applications according to the direct commercial loan standards and will return all applications with a recommendation to fund or not to fund, and their reasons why.

The Economic Development Division will present the proposed loans to the Agency's Finance Committee for approval or rejection. The processing steps are outlined below:

L. APPEAL PROCESS

The applicant has the right to appeal the decisions of the Agency Finance Committee to the full Sacramento Housing and Redevelopment Commission.

M. AVAILABLE ASSISTANCE

For all loan applicants, professional technical assistance is available, including

- . free Direct Commercial Loan packaging assistance
- . free schematic design services for facade improvements, and
- . one-on-one assistance in obtaining building permits.

Please call the Economic Development Division at 440-1318 for more information.

4740J
LF:jann
11/22/89

APPLICATION PROCESS

This section describes the step-by-step procedures for submission and approval of a loan application under this program.

A. Pre-Application

A prospective applicant should first contact the Agency's Economic Development Division (EDD) staff to discuss the proposed project and to receive an overview of the loan program.

B. Application Process

Step 1

Applicant prepares and submits a financial package to the Economic Development Division staff (EDD). (See Exhibit B for Loan Package Checklist.) Sample forms are available at the Agency. Loan packaging service is available free of charge to applicants through the services of the Greater Sacramento Certified Development Corporation (GSCDC) upon request by the Agency. The financial package shall include:

- a. A loan application form (see Exhibit C)
- b. Annual Business financial statements - last three (3) years
- c. Interim Business Financial statement - no older than 90 days
- d. Personal financial statement - each principal
- e. Resume of each principal
- f. A copy of personal and business tax returns (if corporation) - last three (3) years
- g. A Business Plan describing the business, its services or products, its market and management/personnel (approximately two pages);
- h. Financial projections for business for next two years or cash flow projections for the first year and until three months after the break even point occurs
- i. Hiring Plan (see sample, Exhibit E)

Agency staff will be available for assistance in meeting compliance requirements prior to and during application preparation and the applicant will be provided any and all certification and forms to insure said compliance.

Step 2

EDD staff reviews financial package and requests credit report and preliminary title report.

Staff review at this stage shall include a determination that the credit history and ability to repay are satisfactory, given pro formas, future projections, etc. and, that collateral is sufficient, using a 90 percent total loan to value guideline, and a final determination that the loan is consonant with the goals and objectives of the revitalization program. The adequacy of the hiring plan and leveraging commitment(s) will also be reviewed at this time.

Staff will assist in bidding of work and selection of contractor. In addition, staff will verify accuracy of construction b bids.

Step 3

Environmental/Historic Preservation Review. Approval of design by staff, City Design Review, Office of Historic Preservation, as appropriate, and Environmental Review.

Step 4

Funding report outlining recommendation, maximum loan amount and loan terms completed by EDD.

Step 5

EDD staff presentation to Sacramento Housing and Redevelopment Agency Finance Committee.

Step 6

Given approval, assist owner in bidding of work and selection of contractor. Given disapproval, assist applicant to full Sacramento Housing and Redevelopment Commission, if desired.

Step 7

Approval or disapproval of loan by Commission.

Step 8

Prior to closing of the loan, the following information must be submitted and/or executed: (See Exhibit G for Pre-Closing Checklist)

- . A copy of the construction contract between the applicant and the general contractor
- . A copy of the final construction/rehabilitation plans stamped by the appropriate local agency - (e.g., City Building Permit Department)
- . A copy of the Construction Contractors Performance Bond (100% performance, Labor and Material Bond - owner as obligee), if required
- . A copy of the building permit
- . A letter from an insurance agent, stating that fire and hazard insurance will be in effect upon closing of the loan, naming the Agency as loss payee to the extent of the Agency's loan amount. Insurance should be for the total amount of the project or the maximum insurable amount of the project.
- . A copy of the contractor's Workers Compensation and Builders Risk Policy
- . A lien form (UCC 1) on all machinery and equipment to be held as collateral
- . A promissory note
- . A deed of trust
- . A security agreement
- . A loan agreement

Step 9

Agency sets up escrow account.

Step 10

Agency issues proceed order for construction.

Step 11

Contractor/owner obtains necessary permits.

Step 12

Assure compliance with federal labor standard provisions and equal employment opportunity requirements.

Step 13

Construction inspections performed - progress payments issued. (NOTE: A ten percent (10%) retention will be withheld on all progress payments. This remaining ten percent, if unencumbered, shall be paid thirty-five (35) days after the recording of the Notice of Completion or upon full lien release, whichever occurs later.)

Step 14

Agency and/or City/County makes final inspection of completed work.

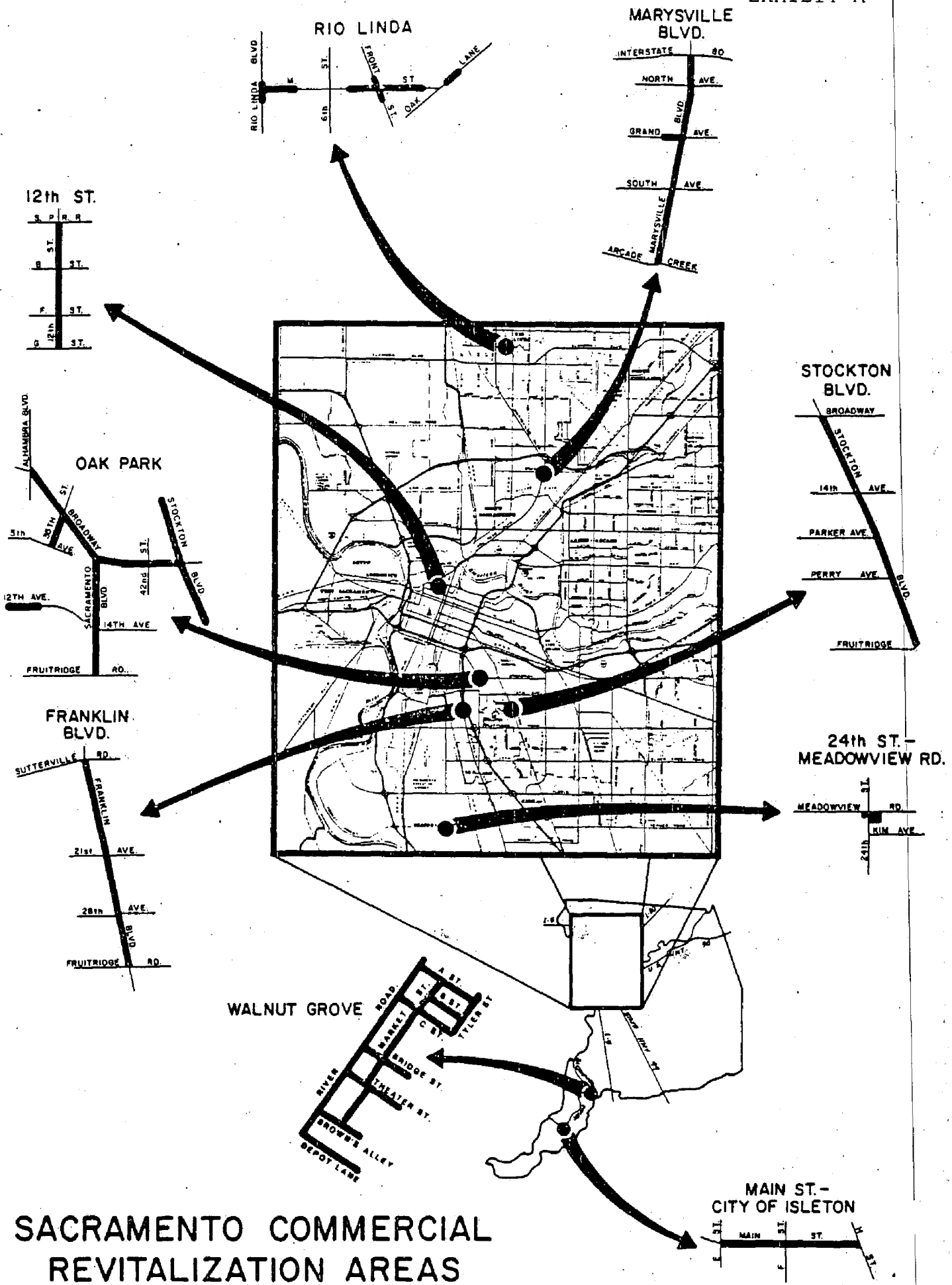
Step 15

File Notice of Completion.

Step 15

Final payment issued.

4740J/12
11/22/89
LF:jann



SACRAMENTO COMMERCIAL REVITALIZATION AREAS

NOTE: FOR FURTHER CLARIFICATION, DETAILED MAPS CAN BE OBTAINED FROM THE REDEVELOPMENT AGENCY.

LOAN PACKAGE CHECKLIST

- _____ Loan Application Form
- _____ Annual Business Financial Statements (last three years)
- _____ Interim Business Financial Statement - within 90 days
- _____ Personal Financial Statement - each principal
- _____ Resume of each principal
- _____ A copy of personal and business (if corporation) tax returns (last three years)
- _____ A Detailed Business Plan
- _____ Financial projections for business for next two years (profit and loss statements and cash pro formas)
- _____ Hiring Plan
- _____ Summary of Collateral Form
- _____ Credit Check Authorization Form
- _____ Preliminary Plans and Specifications
- _____ Construction/machinery cost estimates
- _____ CDBG National Objective Determination (if applicable)

Other Package Information (As Applicable)

- _____ Title report on property to be acquired or to serve as collateral
- _____ If real property is to be purchased or rehabilitation performed, an appraisal of the property must be submitted
- _____ Deposit Receipt - purchase agreement
- _____ Copy of unsigned/signed lease
- _____ Marketing analysis and plan for leasing of new construction projects
- _____ Articles of incorporation and by-laws
- _____ Partnership agreement
- _____ Applicable permits and licenses
- _____ Commitment letter from other funding source(s)
- _____ A corporate resolution to borrow

LOAN APPLICATION

EXHIBIT C

Name of Applicant and Title _____

dba (Firm Name) _____

Address _____
(No. and Street) (City and State) Zip Code

Contact Person _____

Phone Number _____
(Area Code)

Type of Firm _____
(Partnership, Sole Proprietorship or Corporation)

Describe Service or Product _____

Years in Business _____

Current Employment _____ Projected Employment _____

Action Requested _____

If Corporation, Officers or if partnership, partners:

| | | |
|----------|-------------|------------------|
| 1. _____ | Title _____ | Ownership _____ |
| 2. _____ | Title _____ | Ownership _____% |
| 3. _____ | Title _____ | Ownership _____% |
| 4. _____ | Title _____ | Ownership _____% |

LOAN INFORMATION:

Proposed Amount of Loan \$ _____

Use of Funds Acquisition of Land Expansion Rehabilitation

Acquisition of Building New Construction Machinery/Equipment

Soft Costs

Proposed Uses:

Proposed Sources:

| | | |
|-------|----------|----------|
| _____ | Borrower | \$ _____ |
| _____ | Bank | _____ |
| _____ | SBA | _____ |
| _____ | Other | _____ |
| _____ | Agency | _____ |

Total Proposed Uses \$ _____ Total Sources \$ _____

Ratio of private financing to loan request _____ to 1

Source of Loan Repayment

a) Primary Source _____

b) Secondary Source _____

READINESS OF PROJECT

Land and/or buildings acquired? _____ Yes _____ No

Zoning and planning approvals
obtained? _____ Yes _____ No

Lease commitment firm? _____ Yes _____ No

Lender commitment firm? _____ Yes _____ No

Preliminary Plans completed? _____ Yes _____ No

Final Plans completed? _____ Yes _____ No

If plans are not complete, what is the status? _____

Status of bids _____

LENGTH OF PROJECT

Construction start date _____

Construction completion date _____

APPLICANT'S SIGNATURE _____ DATE _____

BUSINESS PLAN1. Description of the business

- Name and location
- Legal structure
- Principal owners
- Nature of Business
- History of the Business

2. Product or Service

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

BUSINESS PLAN (Cont.)

7. Benefits to the Community

- Jobs created/retained
- Building Rehabilitation
- Meeting community needs
- Increased community tax base

8. Summary of Future Plans

- Shortrange and Longrange
- Expansion
- Relocation

The Business Plan will be used to introduce your business to prospective lenders. It will show them how well your proposal has been thought out. 1 paragraph for each number item should be enough. Overall length of 2-5 pages is sufficient.

COPY

BUSINESS PLAN

DESCRIPTION OF THE BUSINESS

Acme Sheetmetal, Inc. is a California Chartered Corporation. The business structure is as follows:

Timothy G. Wilson, President - 50% Ownership
Marilyn T. Wilson, Secretary
John S. Smith, Vice-President - 50% Ownership
Eugene W. Carlyle, Treasurer

The business is located at 123 Main Street in Anytown, Ca. 94000.

HISTORY OF THE BUSINESS

The business was established on September 22, 1974. The principal owners, Tim Wilson and John Smith, each contributed \$10,000 from their savings. Additional funding was obtained with an SBA loan of \$15,000.00 which was paid in full in 1975. The first two years of operation were the most difficult. Sales were hard to develop and paying off the SBA loan ahead of schedule resulted in a tight working capital position. But, in 1976, the performance of the business began to improve and a steady growth in sales and profits is expected to continue into the future.

FACILITIES

The business has been leasing its present facility since 1974. The growth in the past three years has led to crowded conditions in the shop area. The existing floor plan does not allow efficient use of available floor space and precludes further expansion.

The proposed Euclyer type steel building to be constructed at 639 Industrial Street will have 1,600 square feet of shop area and office space.

A railroad spur, easy freeway access and the availability of local skilled labor make it a desirable location.

PRODUCT AND MARKET

Acme Sheetmetal now produces components for the heating and air-conditioning industry. It also manufactures special sheetmetal ducts.

and equipment housings for specialized industrial firms and for use in agriculture.

75% of all sales are to 17 major firms in the San Francisco Bay Area with additional sales to other firms throughout California.

Because of space limitations in its present facility, Acme has not been able to set up much needed additional equipment. This has led to a backlog in orders and has delayed the introduction of two new product lines.

The growing demand for Acme's products is based on quality and competitive pricing. Referrals from existing customers have dramatically increased Acme's Market penetration. The move to the proposed new location and the acquisition of additional modern equipment will sharpen Acme's competitive edge.

Acme's main competitors are: Sloppy-Fit Duct Company, Ghost Town, California and Tin Manufacturing Company, Rustville, California.

MANAGEMENT AND PERSONNEL

The business is managed jointly by the principal owners. Mr. Wilson assumes responsibility for production, quality control, training and plant supervision, and Mr. Smith is in charge of purchasing, sales and marketing.

The Company presently employs seven (7) full-time workers. Increased production capacity in the new location will create a minimum of five (5) additional jobs.

BENEFITS TO THE COMMUNITY

The local community will benefit from this project in several ways. Five full-time jobs will be created as a result of the expanded facilities and acquisition of machinery and equipment. The expansion of our business will provide increased services to the community of this type and will serve as an incentive for other firms needing our services to locate nearby. In addition, a local construction company will receive the contract for approximately \$60,000 for the construction of the facility. Lastly, the community tax base will be raised through the increased value of the real property.

HIRING PLAN

The following information is supplied in conformance with the job creation requirements on my direct commercial loan for my property located at

1. Currently, I employ _____ individuals on a full and part-time basis in the following positions:

| <u>Name</u> | <u>Position</u> | <u>Salary</u> | <u>Hrs./Wk.</u> |
|-------------|-----------------|---------------|-----------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

2. As a result of the development of this project, _____ new jobs will be created. At least _____ new jobs will be available to low/moderate income individual(s). The breakdown of the new positions is as follows:

| <u>Position</u> | <u>Salary</u> | <u>Total Number</u> | <u>Hrs./Wk.</u> |
|-----------------|---------------|---------------------|-----------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

3. In order to ensure these jobs will be available to low/moderate income individuals, I agree to contact Jim Pardun of the Private Industry Council (PIC) at (916) 449-1300 both when new positions are generated and when positions become available through turnover. The PIC will assist in the advertisement and referral of individuals for the filling of these vacancies. When possible, opportunities will be developed to hire and train unskilled individuals for career opportunities in the business. In addition, other minority and community organizations will be contacted and I agree to advertise vacancies in the local area with the focus on low/moderate income individuals in the neighborhood.

4. I certify that in accordance with the Civil Rights Act of 1964 and subsequent amendments,* that I will not discriminate in the selection and hiring of employees on the basis of race, color, national origin, sex, handicap or age.

5. I certify all the above information is true and accurate. I further agree to submit any requested progress reports or documentation regarding my compliance with the above. I realize that my inability to comply with the terms of this hiring plan will be sufficient cause for immediate repayment of the loan made by the Redevelopment Agency of the City of Sacramento for the property located at

Signature

Date

*Section 109 of the Housing and Community Development Act of 1970, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.

CREDIT CHECK AUTHORIZATION FORM

Program Manager Economic Development
 Sacramento Housing and Redevelopment Agency
 630 I Street, C-25
 Sacramento, CA .95814

RE: Credit Check Authorization

To Whom it May Concern:

This letter is to give authorization for the Sacramento Housing and Redevelopment Agency to initiate a credit check on my personal credit history; the business, _____; and the corporation, _____. Along with the initiation of a credit history, you are also authorized to check references from suppliers and other creditors.

Sincerely,

 Signature of Applicant

 Signature of Spouse

 Name of Applicant
 (Please print or type)

 Name of Spouse
 (Please print or type)

 Social Security Number

 Social Security Number

 Date of Birth

 Date of Birth

 Address

 Previous Address

 Name of Business
 (Please print or type)

 Name of Corporation

PRE-CLOSING CHECKLIST

- _____ A copy of the construction contract between the small business and the general contractor.
- _____ A copy of the final construction/rehabilitation plans stamped by the appropriate local agency - city building permit department.
- _____ A copy of the Construction Contractors Performance Bond (100% Performance, Labor and Material Bond - owner as obligee).
- _____ A copy of the building permit.
- _____ A letter from an insurance agent, stating the hazard insurance will be in effect upon closing of the loan, naming the lender as mortgagee. Insurance should be for the total amount of the project.
- _____ A copy of the contractor's workers compensation and Builders Risk Policy.
- _____ A lien form (UCC 1) on all machinery and equipment to be held as collateral.
