

# **ECONOMIC POLICY MANUAL**

## **CITY OF SHEBOYGAN ECONOMIC DEVELOPMENT LOAN PROGRAM MANUAL OF POLICIES AND PROCEDURES**

Revised 7/17/08

### **PURPOSE**

The purpose of the Economic Development Loan Program is to promote employment and business opportunities in the City of Sheboygan. Such purposes are declared to be a public purpose for which public funds may be expended. Through the Economic Development Loan Program described in this manual, the City will provide below market interest rate loans to qualified borrowers for specified eligible projects.

### **PROGRAM FUNDING**

An economic development loan pool for the City of Sheboygan is established, and it initially will contain funds allocated through various Community Development Block Grant Programs and income generated by the repayment of economic development loans funded with Community Development Block Grant and Urban Development Block Grant funds. The pool will serve a revolving loan fund for future economic development activities in the City. The funds may be used for loans, interest subsidy or equity position and necessary administrative expense. Loans cannot exceed 30% of total project cost.

### **ELIGIBLE AREA**

Eligible activities must take place within the limits of the City of Sheboygan. Certain designated areas of the City will receive priority. Please contact the Department of Planning and Development for more details at 459-3377.

### **ELIGIBLE APPLICANTS**

Eligible applicants are businesses and/or industries who will locate or expand in the City of Sheboygan by creating new jobs of which more than 51% must be for low and moderate-income people. Businesses and/or industries that will retain jobs that would have otherwise moved out of the area are also eligible if more than 51% of the jobs are for low and moderate-income people. The Eligible applicant will be required to provide documentation of income of job positions created/retained on a yearly basis to fulfill the job requirement. Job pirating is prohibited under Section 588 of the Quality Housing and Work Responsibility Act of 1998.

## **ELIGIBLE ACTIVITIES**

The eligible use of funds under this program applies to private capital improvements or investments needed to expand or maintain employment and production/sales levels in the City. Examples of eligible activities include: (1) building demolition\*, renovation\* or addition\*; (2) land acquisition, site preparation or new building construction\*; and (3) equipment purchase and installation\*. Examples of ineligible activities include: maintenance of plant or shop facilities, and specialized equipment that is not essential to business operation.

\* Denotes eligible activities that are subject to the Davis Bacon Act and other Federal laws.

## **LABOR STANDARDS (DAVIS BACON ACT):**

The Applicant, if awarded an Economic Development Loan through this program, shall comply with and assure compliance of all Project contractors and subcontractors with the Davis Bacon Act, as amended 40 U.S.C. 276a-276a-5, the Contract Work Hours and Safety Standards Act, 40 U.S.C. 327-333, applicable Federal laws, provide weekly payroll reports for contractors/subcontractors working on this project, and other regulations pertaining to labor standards

## **APPLICATION PROCESS**

An application form will be provided by the City of Sheboygan Director of Planning and Development to any person interested in applying for a loan under this program. The City requires that assisted companies provide complete financial information to the Redevelopment Authority (RDA) including:

- Current year to date balance sheet and income statement
- Past two year historical balance sheet and income statement
- A current financial statement
- Sources and use of funds
- **Three year** proforma and cash flow analysis
- Business plan required for new businesses

These must be submitted as part of the application to the Department of Planning and Development, 828 Center Avenue, Suite 104, Sheboygan, WI 53081.

The Redevelopment Authority of Sheboygan will evaluate the application in accordance with the following criteria and in comparison with other applications received:

1. Employment opportunities.
2. Economic impact on community.
3. Amount of project cost over and above loan.
4. Need for financial assistance.
5. Compatibility with nearby land uses.
6. Consistency with existing economic development plans of the City.

The City of Sheboygan will also make a determination of the applicant's ability to repay the loan.

Each completed application will be reviewed by the Redevelopment Authority. The RDA will make a decision within 60 days of application submission. A rejected application may be resubmitted, provided it is revised in accordance with the RDA's recommendations and funds are still available. Decisions of the RDA shall be final.

#### **CRITERIA FOR LOAN, INTEREST SUBSIDY AND EQUITY POSITION APPROVAL**

Pending availability of funds, the RDA will approve applications which have the highest point ranking based upon the criteria in this section. The highest ranking is based upon the total points received from criteria one through eight with the highest possible score being 100. Loan applicants must have a minimum of 50 points to be eligible for loan assistance.

1. Will provide increased, permanent employment or will retain existing jobs, which would have been lost to the local economy.
  - a. Creates new permanent jobs in a ratio of one job per \$10,000 of Economic Development Loan Pool funds or greater - **15 points.**
  - b. Creates new permanent jobs in a ratio of less than one job per \$10,000 of Economic Development Loan Pool funds - **10 points.**
  - c. Retains existing jobs, which would have been lost to the local economy - **5 points.**
2. Will have a high potential for generating additional spin-off development. Evidence to substantiate this potential must be demonstrated - **10 points.**
3. Will generate additional local tax dollars in excess of anticipated public expenditures.
  - a. Local tax dollars will exceed public expenditures by a ratio of two to one or greater in a ten-year period - **15 points.**

- b. Local tax dollars will exceed public expenditures sufficiently enough in a ten - year period to be economically feasible - **5 points.**
- 4. Would be supported by substantially more private dollars than public dollars.
  - a. Four private dollars to one public dollar - **15 points.**
  - b. Three private dollars to one public dollar - **10 points**
  - c. Two private dollars to one public dollar - **5 points.**
- 5.
  - a. Will provide a high degree of potential benefits to the City of Sheboygan in relation to the risks associated with providing the assistance requested - **10 points.**
  - b. Will provide a low degree of potential benefits to the City of Sheboygan in relation to the risks associated with providing the assistance requested - **5 points.**
- 6. Will have a positive impact on the economy of the City (i.e., will not cause displacement of competing jobs; cause undue hardship on City public facilities) - **10 points.**
- 7. Will have a positive impact on the neighborhood within which it would be located and upon surrounding properties.
  - a. Located in the industrial park or commercial core and compatible with neighborhood land use - **15 points.**
  - b. Outside of these areas but compatible with neighborhood land uses - **5 points.**
- 8. In conformance with existing City comprehensive plans and economic plans. - **10 points.**

## **LOAN AND INTEREST SUBSIDY TERMS**

All loans granted under this program shall be subject to the following terms and conditions:

- 1. Loans will only be made to owners of the business to be affected directly by the proposed activity.
- 2. No loan shall be made to any party whose application does not indicate adequate financial capacity for loan repayment.
- 3. Approved loan amounts may vary according to the amount of dollars in the pool.
- 4. The interest rate and term on the loan will be 4% below prime or a floor of 3%,

whichever is greater, for ten years unless a detailed cash flow analysis indicates a lower rate, longer term, or payment deferral is necessary to generate a positive cash flow. The maximum term will be 20 years.

5. Principal and interest payback will begin immediately on the amount borrowed in equal monthly installments, with payments due on the first day of each month. Payments shall be made to the City.
6. Loans will be secured by a mortgage to security agreements. The security agreements will include LMI job requirements and standards for compliance on a yearly basis.
7. No loans shall be subject to any penalty for prepayment.
8. The funds of each loan shall be paid in the name of the borrower by the City and shall constitute a loan advance in the borrower's name. The City shall not disburse any of the loan proceeds to any contractor, sub-contractor or supplier until it has satisfactory written, evidence that all work has been completed satisfactorily, and that all suppliers, laborers, and sub-contractors have been paid or have delivered releases of their rights to assert liens upon the property.
9. All financial terms will be defined by the book entitled "Encyclopedia of Banking and Finance", Seventh Edition by Munn/Garcia.
10. In the event any installment payment (including, without limitation, the entire principal balance upon maturity), becomes more than fifteen (15) days past due, borrowers shall pay a late payment charge to holder equal to five (5%) percent of the entire unpaid amount of the installment. Payments received after any installment becomes more than fifteen (15) days past due shall be applied first to current installment(s) and then to delinquent installments for purposes of this provision.

## **EQUITY POSITION**

The City will buy non-voting stock in companies that cannot afford loans at any rate. The company must agree to buy all stock back within ten years and must agree not to move any of its operations out of the City of Sheboygan within ten years of the date of the City's initial participation. All applications requesting City equity participation, under this section, shall be submitted to the Common Council for approval.

**APPLICATION  
CITY OF SHEBOYGAN  
BUSINESS DEVELOPMENT LOAN**  
Revised 7/17/08

**GENERAL INFORMATION**

Date of Application Submittal: \_\_\_\_\_

Name of Borrower: \_\_\_\_\_

Operating Name: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

**BUSINESS INFORMATION**

- Limited Liability Corporation (Attach Articles of Incorporation)
- Partnership (Attach Partnership Agreement)
- Proprietorship
- Other: \_\_\_\_\_

Federal Tax ID # : \_\_\_\_\_

DUNS #: \_\_\_\_\_ (If no DUNS #, Applicant will be required to obtain prior to approval)

Type of Business: \_\_\_\_\_  
(Example: grocery, retail, manufacturing, professional, etc.)

Date Established: \_\_\_\_\_ Years in Business: \_\_\_\_\_

- New
- Existing

Officers:	NAME	TITLE
	_____	_____
	_____	_____
	_____	_____

**PROJECT DATA**

Project Location: \_\_\_\_\_

Acres/S.F. of Site: \_\_\_\_\_ Zoning: \_\_\_\_\_

Do you currently own the site? YES: \_\_\_\_\_ NO: \_\_\_\_\_

**PROJECT SUMMARY**

Give brief narrative/description of the project below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**TYPE OF PROJECT**

Current assessed value of property: \$ \_\_\_\_\_

Expected increase in current assessed value: \$ \_\_\_\_\_

New Building: \_\_\_\_\_ Addition: \_\_\_\_\_ New Equipment: \_\_\_\_\_

Renovation of Existing Building: \_\_\_\_\_

Square Footage: Existing Building: \_\_\_\_\_ New or Expanded Building: \_\_\_\_\_

Expected Increase in Tax Base: \$ \_\_\_\_\_

Construction Start Date: \_\_\_\_\_ Construction Completion Date: \_\_\_\_\_

**EMPLOYMENT PROJECTIONS/ECONOMIC IMPACT**

Number of Low/Moderate Income Jobs To Be Created: \_\_\_\_\_

Number of Full-time Jobs: \_\_\_\_\_ Number of Part-time Jobs: \_\_\_\_\_

Title of Position(s) \_\_\_\_\_

\_\_\_\_\_

Number of Low/Moderate Income Jobs To Be Retained: \_\_\_\_\_

Number of Full-time Jobs: \_\_\_\_\_ Number of Part-time Jobs: \_\_\_\_\_

Title of Position(s) \_\_\_\_\_

\_\_\_\_\_

Of the Jobs to be Created or Retained, please provide the following:

	<u>Management/ Supervisory</u>	<u>Professional/ Technical</u>	<u>Skilled Labor</u>	<u>Unskilled Labor</u>	<u>Total</u>
End of First Year:	_____	_____	_____	_____	_____
End of Second Year:	_____	_____	_____	_____	_____
Average Wage:	_____	_____	_____	_____	_____

Describe Employee Benefits: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**SOURCES OF FUNDS** (Costs must be verified by written estimates from contractors)

	<u>TOTAL COSTS</u>	<u>30% OF TOTAL</u>
Land Acquisition	\$ _____	\$ _____
Site Preparation	\$ _____	\$ _____
Building Construction	\$ _____	\$ _____
Building Renovation/Demolition	\$ _____	\$ _____
Equipment	\$ _____	\$ _____
Soft Costs	\$ _____	\$ _____
<i>TOTAL</i>	\$ _____	\$ _____

**FUNDING SOURCES** (Must be verified with letters from other funding sources indicating commitment of their portion of total costs from project costs above.)

Financial Institution:	\$ _____
CDBG Loan (30% of Total or \$10,000/job created/retained)	\$ _____
Equity of Owner	\$ _____
Other (List): _____	\$ _____
<i>TOTAL FUNDING</i>	\$ _____



**LEGAL INFORMATION**

Are your property tax and personal income tax payments current? YES: \_\_\_\_ NO: \_\_\_\_

Have you been party to any lawsuits within the past 12 months? YES: \_\_\_\_ NO: \_\_\_\_

Phase I environmental assessment conducted? YES: \_\_\_\_\_ NO: \_\_\_\_\_

**COLLATERAL**

The collateral offered to secure this loan is as follows:  
(Ex. Land, property, buildings, life insurance policy (Cash surrender value), etc.)

Property

Value: Tax Assessor's Value \$: \_\_\_\_\_ Appraised Value: \_\_\_\_\_  
(Attach Copy of Deed, Appraisal, etc.)

Other:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Value \$: \_\_\_\_\_  
Value \$: \_\_\_\_\_  
Value \$: \_\_\_\_\_

TOTAL COLLATERAL OFFERED \$ \_\_\_\_\_

**GUARANTEES/LIFE INSURANCE/OTHER**

Personal and Business guarantees required. Please explain:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**LEGAL INFORMATION**

Attorney: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Architect/Engineer: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Financial Institution: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

**CERTIFICATE**

I hereby certify that all the above statements and attachments submitted hereto are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
APPLICANT'S SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
PRINT ABOVE NAME

