



CITY OF NEWARK

SMALL BUSINESS LOAN GUARANTEE PROGRAM

OVERVIEW & APPLICATION INSTRUCTIONS

2014

**CITY OF NEWARK DEVELOPMENT DEPARTMENT
40 WEST MAIN STREET, SUITE 407
NEWARK, OHIO 43055**

JULY 2014

City of Newark Small Business Loan Guarantee Program Description

The City of Newark Development Department and Park National Bank have partnered to create a citywide Small Business Loan Guarantee Program for small, for-profit businesses located in Newark, Ohio. In order to make loans more readily available, the City will use funding to offer loan guarantees on various types of business loans provided by Park National Bank. Applicants are not limited in the type of projects to which the loans may be applied.

The program is intended to encourage economic development through the establishment of new businesses and growth of existing businesses. Loan proposals with a positive effect on job creation and retention, the abatement of building deterioration, and service to low-moderate income individuals will be viewed most favorably by the Development Department. Loan proposals must be consistent with federal, state, county, and local regulations including zoning, building, health and safety codes. The approval of applications will be determined at the discretion of the City of Newark Development Department.

The loan guarantees offered by the Development Department shall range between \$1,000 and \$5,000. The loan guarantee shall cover a maximum of 25% of the loan provided by Park National Bank. For the purposes of this program, the loans offered shall range between \$4,000 and \$50,000. The City has budgeted \$12,750 in Community Development Block Grant funds to be used on loan guarantees for the 2014 program.

Important: Applicants should be aware that the use of these grants to pay for construction activities or construction materials will require that Davis-Bacon prevailing wage rates be paid to all workers for the entire construction project. All estimates submitted as part of this application must be completed using prevailing wage rates available at <http://www.wdol.gov/dba.aspx>

Program Goals

1. To provide opportunities for local businesses to secure necessary financing for business improvement projects.
2. To address the issues of building deterioration and local blight.
3. To support the restoration of buildings to include their original features.
4. To provide services to the low to moderate income population.
5. To create jobs with an emphasis on jobs to be offered to low to moderate income individuals.
6. To continue to foster a favorable business climate in Newark.
7. To serve as a catalyst for further business growth and revitalization.

Program Process

The program process may vary to some extent based on the nature of the loan proposal.

1. The Development Department will use a compiled list of inquirers, the local newspaper, a

list of local media, City Council, Licking County Chamber of Commerce, the local office of the Ohio Small Business Development Centers, SCORE, Workenomics, Park National Bank, and Newark website to inform the public about the program's availability.

2. The City of Newark will issue a request for applications beginning on July 28 and ending on December 19 at 4:30 p.m. **No applications submitted after December 19 at 4:30 p.m. will be considered for this round of funding.** Loan guarantees may be awarded during or after this period.
3. Applications should be submitted to:

City of Newark Development Department
Attn: Stuart Moynihan, Economic Development Coordinator
40 West Main Street, Suite 407
Newark, Ohio 43055

4. The City will accept questions related to the application requirements. However, applicants are responsible for making their own determinations related to the type of project and loan they will pursue. Questions should be directed to:

Stuart W. Moynihan
Economic Development Coordinator
smoynihan@newarkohio.net
(740) 670-7546

5. All application information and materials requested in this packet must be submitted by the deadline.
6. Applicants must submit a detailed description of the project to be supported by the proposed loan. The description should include a project plan indicating project milestones and a timeline with estimated dates for reaching milestones and project completion. For construction projects, the project plan should include a scope of work, drawings, and color photographs.
7. For construction projects, the Development Department will conduct the initial historical review of the project and submit a Section 106 Review for the property to the Ohio Historic Preservation Office for final historical review. Section 106 Reviews typically require 30 to 60 days.
8. Any change to the project plan desired by the applicant following submittal of the application must be submitted to the City in writing and must be approved in writing by the Development Department. If the proposed change is not approved, the applicant must comply with the original project plan.
9. Applicants must qualify under Community Development Block Grant requirements and City of Newark requirements. Those that qualify will be reviewed for feasibility, appropriateness for funding, and program suitability by a committee including one bank representative. The City of Newark will direct applicants found suitable for the program to have their personal financial status and loan information reviewed by Park National Bank.
10. Park National Bank will determine which applicants will be offered loans. Loan terms will be negotiated between Park National Bank, the City, and the applicant. However, the availability, total number, and amounts of the loan guarantees will be dependent on the

amount of funding the City has budgeted for the program. Please see the attachments *Information Checklist for Loan Application* and *Personal Financial Statement* for a partial list of documentation necessary to submit a loan application to Park National Bank.

11. Prior to approval of a loan application, Park National Bank will permit the City to review the completed loan application and any associated documentation. The City will have the option to approve or disapprove the use of a loan guarantee on the loan.
12. The City and Park National Bank will negotiate the amount and other terms of the loan guarantee. Loan guarantees will be jointly held in a no-fee, non-interest bearing account with Park National Bank.
13. Disbursements of loan funds will require approval from both Park National Bank and the City in order to ensure that funds are spent in conformity with the project plan.
14. The business shall notify the City when loan funds are spent, project milestones are met, and when a project is completed. The City will make inspections and site visits as necessary to ensure that the agreed upon plan is followed.
15. Subject to the terms of the guarantee agreement between the City and Park National Bank, the City will be released from the guarantee obligation at the end of the first half of the loan's term so that the funding can be reallocated more quickly.
16. Should an applicant default on their loan during the period of the City's guarantee obligation, funds in the amount of the loan guarantee shall be drawn from the account held with Park National Bank with the City's approval.
17. Loan guarantees that are not applied to defaulted loan will be rolled into the next program round for use as additional loan guarantees.

Program Guidelines

These program guidelines shall serve as the standard policy for the City's loan guarantees. However, guidelines may be modified at the discretion of the Development Director.

- The City's loan guarantees may be applied to any type of small business loan offered by Park National Bank.
- Loans may be used for any business improvement or activity that can be shown to meet program requirements.
- The maximum term of a small business loan shall be five years.
- The minimum size of a loan guarantee shall be \$1,000. The maximum size of a loan guarantee shall be \$5,000.
- The maximum percentage of the loan that a guarantee can cover is 25%.
- The minimum loan size is \$4,000 and the maximum size is \$50,000.
- Businesses must be for-profit entities.
- Businesses shall have between zero and fifty existing employees.
- Businesses must be located in the City of Newark.
 - Businesses with the primary office in Newark are preferred.
 - Locally owned businesses are preferred.
 - Franchise businesses are acceptable. However, the franchise owner must be a

- Newark resident.
- Businesses exhibiting growth potential are preferred.

Federal Proposal Requirements

Applicants must provide a Data Universal Numbering System (DUNS) number as part of the application for the purposes of tracking the distribution of CDBG funds. Businesses that do not have a DUNS number may acquire one for free at <http://fedgov.dnb.com/webform> or by telephone at 1-866-705-5711.

As the funds used to make loan guarantees are Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD), a business must be able to meet a *National Objective* and a *Public Benefit Standard* as required by HUD to be considered eligible. Businesses receiving loan guarantees will be required to perform reporting tasks both at the time of application and at specified times during the loan term to verify eligibility.

Businesses will be required to show that **one** of the following National Objectives will be met:

1. The business has a service area, as designated by the business, which has 51% low to moderate income residents. The service area must be defined by the general contiguous location where the business's customers live, and not simply by the business's location. This National Objective applies primarily to retail and service businesses. The City may assist the business in determining if their service area meets this requirement before an application is submitted.
2. The business is within a "blighted area" as defined by city ordinance. Currently, the "blighted area" is defined as downtown Newark. In addition, the loan must be used to address the conditions that contributed to the blighted designation: building and infrastructure deterioration, poor maintenance, inadequate lighting, overall building vacancy, vacancy of upper stories, decreased property values, and decreased business profitability.
3. The loan will be used to create full-time equivalent, permanent jobs, 51% of which will be made available to low to moderate income individuals. Documentation showing family income as low to moderate at the time of employment must be provided by the employer as long as jobs are being created by the funding, i.e. the length of the loan guarantee. **Or**, the loan will be used to retain jobs, 51% of which are held by low to moderate income individuals. The employer must provide documentation that family income of employees is low to moderate and definitive evidence that the jobs would be lost without CDBG funding. Upon request, the City may provide figures to employers to assist them in determining that an employee's family income is low to moderate.

Businesses must also show that the use of CDBG funds will result in meeting a Public Benefit Standard. Businesses will be required to show **one** of the following:

1. The business provides goods or services to residents of a service area designated by the business such that the number of low to moderate income persons residing in the area amounts to at least one low to moderate income person per \$350 of CDBG funds used.
 2. The business will create or retain at least one full-time equivalent, permanent job per \$35,000 or less of CDBG funds used.
- **Note:** Loan guarantees for exterior commercial building renovations could be considered Commercial Rehabilitation and do not require the demonstration of a Public Benefit.

In instances when the loan will be used for construction activities, the loan applicant must present the City with Certified Payroll Reports, as provided by all hired contractors, showing that the following requirements have been met:

- Construction activities costing \$2,000 or more that are financed in whole or in part by CDBG funds will require that prevailing wages be paid for the entire construction project as required by the Davis-Bacon Act. This does not apply to administrative and soft costs or the purchase of building materials.
- As required by the Copeland Anti-Kickback Act, workers must be paid weekly, deductions from worker's pay must be permissible, and contractors must maintain and submit weekly payrolls.