

UNDERWRITING POLICY

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

(Regular)

City of Cordele Georgia

Approved: 20 April 1999



UNDERWRITING POLICY
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND (EDRLF)
(Regular)

GOAL

The GOAL of this program is to create and/or retain jobs, primarily for low and moderate income persons in the City of Cordele (City) by providing for financial assistance to existing businesses and/or start up ventures where the city's involvement is necessary for the project's viability.

OBJECTIVES

The OBJECTIVE is to provide funds from public sources to small businesses located within the City.

The provision of the loan funds must result in the creation or retention of the maximum number of jobs for the least amount of public expenditure possible. Fifty-one (51%) percent of the employees initially filling jobs created must have household incomes at or below the Georgia Department of Community Affairs (DCA) Section 8 Low/Moderate Income amount; fifty-one (51%) of the employees whose jobs are being retained as a result of the use of these funds must have household incomes at or below the DCA Section 8 Low/Moderate Income amount.

SCOPE

The SCOPE of this program is designed to assist small service, commercial and industrial businesses in the City by providing for gap financing. The financial assistance must result in meeting the overall program objectives and in the creation or retention of permanent jobs for low/moderate income persons.

ELIGIBLE ACTIVITIES

Provisions of assistance to public and private nonprofit entities in order to finance activities must result in the direct creation of employment for low / moderate income persons. Such assistance, however, may not be in the form of outright grants, although it may consist of loan, interest subsidies, guarantees, and can finance such activities as the:

1. Acquisition of real property;
2. Acquisition, construction, reconstruction, rehabilitation, or installation of (except for buildings for the general conduct of government) public facilities, site improvements, and utilities, or
3. Commercial or industrial buildings or structures and other commercial or Industrial real property improvements; and

Provisions of assistance to private, for profit entities, when the assistance is necessary or appropriate to carry out an economic development project. Such assistance shall not be in the form of outright grants, although it may consist of loans, interest / rental subsidies, guarantees, or technical assistance, and must create and/or retain permanent jobs.

Funds from the city's EDRLF are limited to existing businesses or for businesses that propose to start up and must located wholly within the City of Cordele.

In order to qualify for this program a business must have a net worth of less than \$6,000,000, and a net profit after taxes of less than \$2,000,000 annually for the preceding two (2) years.

An application will not be considered if the proposed jobs to be created and/or retained are more than the ratio of one job per \$15,000 of loan funds. At least fifty-one (51%) of the jobs created or retained must be for low/moderate income persons which does not include the principals, owners and/or partners owning the business.

INELIGIBLE BORROWERS

The following are ineligible borrowers: passive income or real estate companies, developer/landlord deals, lending and investment institutions, unregulated media such as newspapers and magazines, and speculative venture or charitable organizations.

DEFINITIONS

ACMCD: Assistant City Manager CD / Director, Community Development

APPLICANT: An individual, partnership or corporation submitting an application to the City through its Economic Development Revolving Loan Fund Committee (EDRLFC) for a loan from its EDRLF.

APPLICATION: A document entitled "Underwriting Policy, Economic Development Revolving Loan Fund, City of Cordele, Georgia", and "Application, Economic Development Revolving Loan Fund" from the City of Cordele, Georgia, available at the Cordele City Hall, Room 240, 501 North 7th Street, P O Box 569, Cordele, Georgia 31010.

CREDIT REPORT: A commercially prepared report from the Credit Bureau, or equal, on the status of the Applicant's credit, etc., to be used in reviewing and evaluating the Application.

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND (EDRLF): A separate fund established by the City for the purpose of depositing and withdrawing funds to provide Gap Financing and other eligible funding as described herein.

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND COMMITTEE (EDRLFC): A committee which has been appointed by the Cordele City Commission (Commission) consisting of a City Commissioner selected by the Commission; a President of a bank located in the city; a Certified Public Accountant representing the city's audit firm; City Attorney; and the ACMCD. This committee will elect a Chairman, Vice Chairman, and Secretary, and be responsible for holding meetings on various matters including public hearings on any Application filed as provided for herein, and making a recommendation to the Commission whether the loan should be approved /not approved/

FIXED ASSET: Permanent business properties such as land, buildings, machinery and equipment.

GAP FINANCING: Funds loaned by the City through its EDRLF which permits businesses to stay in operation, expand its operations, or start up a new business which would not take place without this financial assistance.

JOB: Full-time employment for a period of not less than three hundred sixty five (365) consecutive calendar days, or a part-time job as a full time equivalent. Example: Two (2) part-time jobs of twenty (20) hours each weekly for one (1) calendar year would equal one (1) job.

JOB RETAINED: A job that would be lost if the financial assistance from the EDRLF was not provided. The business applying for the loan must prove the satisfaction of the city's EDRLFC these funds are necessary by whatever means they deem necessary.

LENDING INSTITUTION: Any person, firm, or corporation that will lend the necessary funds for private investment to an Applicant as may be required by this program.

LOW / MODERATE INCOME PERSON: Income levels published by the US Department of Housing and Urban Development (HUD) for the Section 8 Assistance Program available from DCA for Crisp County, Georgia, which income levels are calculated at 80% of the county's median income adjusted by family size. Individual family income levels at the time of the employment of an individual will determine qualification. Note: Applicants shall note that jobs paying minimum wage do not necessarily qualify as low/moderate income jobs.

MARKET ANALYSIS: An objective process whereby the need, market potential, and expected return on investment are determined for a particular product and/or service as contained in the Application.

NECESSARY AND APPROPRIATE: HUD regulations requires all governing agencies which appropriate Title I, economic development funds, to perform a financial analysis on the Applicant. This is to ensure the amount of assistance is not excessive, the business needs the loan to carry out the proposed project, the financial capacity to carry out the proposed project, and the financial capacity to repay the loan.

NEW JOB CREATED: A job not previously in existence and represents a new budgeted position that will be filled within two (2) years from the date of the loan. The job must be tangible. The Application must commit to this in writing as a part of the Application submittal.

PRO FORMA: An estimation of the anticipated revenues, expenditures, and cash flow for three (3) years unless a shorter or longer period of time is deemed necessary by the EDRLFC.

START UP: A Start up venture is the creation of a new business that was not previously in existence.

WORKING CAPITAL: Funds available and necessary for normal business operations.

UNDERWRITING POLICY: A written policy approved by the Commission for applying for and administering the EDRLF.

ELIGIBILITY

Funds loaned from the EDRLF are limited to existing businesses or for businesses that propose start up, either of which must be wholly located in the City.

Highest consideration will be given to those businesses who demonstrate they will create and / or retain the highest number of jobs for low / moderate income persons for the least amount of public expenditure.

In order to qualify for this program a business must have a net worth of less than \$6,000,000, and a net profit after taxes of less than \$2,000,000 annually for the preceding two (2) years.

No loans will be considered if the proposed jobs retained or created are more than the ratio of one job per \$15,000 of loan funds. At least fifty-one (51%) percent of the jobs created and/or retained must be for low/moderate income persons which does not include the principals owning the business.

APPLICANT REQUIREMENTS

All interested parties (individuals, partnerships, corporations) whose names are on file with the City of Cordele, Community Development Office, in a chronological (dated) order will be notified by Certified Mail, Return Receipt Requested, at the earliest time, they have thirty (30) consecutive calendar days after the date shown on the CMRRR receipt, to file an application with the Community Development Office, Room 240, Cordele City Hall, 501

North 7th Street, P O Box 569, Cordele, Georgia 31010. Attn: Assistant City Manager CD. for consideration as outlined herein. If no response is received within this time, or the CMRRR is returned by the United States Post Office as undeliverable, unclaimed, unknown, refused, etc., that party's name will be removed from the list for filing an application, and no further consideration will be given.

Thereafter, all interested parties requesting information for a loan for funds from the EDRLF, and receiving a copy of the Underwriting Policy and an Application, must, within thirty (30) consecutive calendar days from the date thereof, submit a completed application as described herein for the consideration of a loan. If a completed application is not received within this time, no further consideration will be given.

The Applicant will have thirty (30) consecutive calendar days following the receipt of a CMRRR from the ACMCD to submit all additional information requested. If such information is not received within this time, no further consideration will be given.

A minimum of \$15,000 must be on hand in the EDRLF account prior to the consideration of any application for loan funds.

A Profit and Loss Statement is required to be submitted with the application covering the past three (3) years unless this is a new business.

Financial Statements are required to be submitted with the application - personal for all principals and for the business for the past three (3) years unless this a new business. In that case only the personal financial statements for the past three (3) years are required to be submitted with the application.

Federal, state and local laws may apply. To the greatest extent the Applicant will be made aware of these laws. However, an Applicant is responsible for addressing such laws in writing accompanying the application for EDRLFC review and adhering thereto thereafter.

It is important to note that if new, additional, and/or renovations are a part of the overall project, special conditions may apply (such as Davis Bacon Act. Site improvements may also necessitate special considerations. Permits and licensing may be required.

The EDRFC will hold a public hearing before application consideration for approval as required in the regulations published by DCA.

TERMS AND CONDITIONS

The application for the EDRLF may indicate the applicant must obtain funds for this project from other sources such as private lending institutions. If so, the Applicant must provide a letter of commitment with a date no older than sixty (60) days from such source acknowledging their agreement to whatever is necessary for the Fixed Assets and/or Working Capital. This letter must include the following information: interest rate, term of the loan, collateral, and any other requirements as stated as a part of the loans, and must be signed by an authorized person representing the lending institution or a person authorized to make such a commitment individually or as a representative of the firm.

An APPLICANT MUST PROVE TO THE SATISFACTION OF THE EDRLFC THEY HAVE THE ABILITY TO COVER ALL DEBT SERVICE.

An APPLICANT MUST ATTACH A COPY OF ALL KNOWN INDEBTEDNESS, LEASES, ETC., IN CONNECTION WITH THIS APPLICATION.

FIXED ASSET LOANS may be made at an interest rate of one-half the Atlanta Prime Interest Rate on the date of approval by the Commission, less one (1%) percent, but not lower than five (5%) percent nor higher than ten (10%) percent. Applicants for fixed asset loans are also eligible for one (1) year deferral on the principal, but must pay the interest thereon during this year, followed by a five (5) to ten (10) year payback of the principal and interest. The length of the loan repayment and deferral will be determined by the EDRLFC.

WORKING CAPITAL LOANS may be made at an interest rate of one-half the Atlanta Prime Interest Rate on the date of approval by the Commission, less one (1%) percent, but not lower than five (5%) percent nor higher than ten (10%) percent. Applicants for Working Capital Loans are eligible for a one (1) year deferral on the principal, but pay the interest thereon during this year, followed by a maximum five (5) year payback on the principal and

interest.. The length of the loan repayment and deferral will be determined by the EDRLF.

LOAN REVIEW

As loan funds are available, loan applications will be processed in the following manner:

1. The ACMCD will receive the application and its attachments, review its contents, and when deemed sufficiently complete, order a credit report. The ACMCD will contact the EDRLF for a meeting date, and cause a notice to be published in the local newspaper for a public hearing to be held concurrently with the meeting. The Applicant will be notified by mail of the time, date and place of the hearing and meeting.
2. The EDRLF will hear the matter, and make a recommendation as soon as is practicable to the Commission based on its findings at the hearing and meeting.
3. The Commission, who has final authorization on whether to grant a loan from the EDRLF, will review the recommendation of the EDRLF, and may either approve or deny the recommendation. The decision of the Commission is final.

The ACMCD and the EDRLF reserves the right to request and require further information, and use their discretion in recommending approval / disapproval of each loan Application.

The City of Cordele, Georgia, will not discriminate due to race, creed, color, age, sex or national origin in processing and approving loan applications under this program.

RECAPTURED FUNDS

All funds recaptured by the City from this program will be held in a separate account from any other revolving loan funds, and will be used only for future economic development loan purposes for businesses located in the City.

The accounting and administrative system used to account for the EDRLF shall, at a minimum, conform to the guidelines contained in DCA publications including "Guidelines for Administration of Local Revolving Loan Fund" and any other Revolving Loan Fund regulations promulgated by DCA. An accounting of the EDRLF shall also be included in the city's annual audit.

APPLICABLE LAWS AND REGULATIONS

The requirements of the laws and regulations are attached as Exhibit I, and are incorporated into the city's Revolving Loan Fund programs.

CONFLICT OF INTEREST PROHIBITIONS

In general, no person who is an elected or appointed official, employee, agent, consultant, officer or any person serving in a similar capacity with any participating public agency, who exercises or has exercised any functions or responsibilities with respect to the Revolving Loan Fund activities can benefit from City EDRLF activities.

In addition, those persons who are in a position to participate in a decision-making process, Gain inside information regarding EDRLF proposed or related activities, may have a personal or financial interest, benefit from the project, or have any interest in any contract, sub contract, or agreement with respect to the project are also prohibited from benefiting from the EDRLF project.

The prohibitions against benefiting from an EDRLF project would apply to the covered individuals or those with whom they have family or business ties, for one (1) year following their tenure in the covered position.

PROCEDURAL PROCESS

The procedural process of an application for a loan from the EDRLF will be as shown on the "Loan Review" process

APPLICATION
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND
(Regular)
CITY OF CORDELE, GEORGIA

(Note: All banks must be either completed or marked N/A for Not Applicable)

APPLICANT: _____

COMPANY NAME _____

ADDRESS _____

TELEPHONE: BUSINESS _____ PERSONAL _____

FAX _____ e-mail _____

LOAN AMOUNT REQUESTED \$ _____

NUMBER OF JOBS: CREATED _____ RETAINED _____

TYPE OF OWNERSHIP: SOLE PROPRIETOR __ PARTNERSHIP __
CORPORATION __

PRINCIPLES: (For each principle named describe their involvement and Responsibilities)

BUSINESS:

1. Provide a brief history of your business to the present time: _____

2. Provide a description for future plans for your business: _____

FINANCIAL INFORMATION: (Attached the items listed below separately)

1. Current Financial Statement consisting of Balance Sheet, and Profit & Loss Statement.

2. Financial Statement (Business and Personal) for previous three (3) years.

3. Cash Flow / Pro Forma for three (3) years at a minimum

4. Federal Income Tax Returns filed (Business and Personal) for two (2) most recent years to which is attached an affidavit stating these returns were filed with IRS.

5. Collateral Listing with a Certified Appraisal Value and its remaining life for each item, or for new equipment a signed and dated quotation from each supplier no older than sixty (60) days.

MARKET ANALYSIS: May be submitted in narrative, but must include at a minimum the following information:

1. Description of business, service and/or product: _____

2. Describe and define your market area (present and potential): _____

3. Based on 1 and 2 above, develop a Needs Assessment to support your

Business and the need for this loan: _____

4. Projection of return on investment _____

DESCRIPTION OF LOAN REQUEST (Be specific):

1. Purpose of Loan _____

2. Schedule for Implementation, if funded _____

3. Projected results _____

EMPLOYMENT CREATION AND/OR RETENTION (A Letter of Commitment must be attached separately, See Form at Exhibit 2)

1. Number of presently employed full time employees _____

2. As a result of this loan the number of jobs to be created _____; and retained _____

2. Provide a description of each of the jobs to be created as a result of this Loan _____

4. Provide a description of each of the jobs to be retained as a result of this loan _____

3. Number of Jobs Created and/or Retained per City Loan Dollar _____

ESTIMATED TAX REVENUE:

1. Taxes paid on your business last year including sales, excise, ad valorem and others \$ _____

2. Estimated taxes to be generated (for one year) as a result of this loan \$ _____

3. Sources of estimates taxes to be generated (for one year) as result of this loan _____

4. Taxes generated per city loan requested _____

5. Describe the methodology for calculating the estimated tax from each source _____

PRIVATE INVESTMENT (A separate letter of commitment from the lending Institution must be attached).

1. Dollar amount of private investment: \$ _____

2. Source of private investment _____

Page Sixteen:
UP, EDRLF
Amended:

3. Describe Financial Arrangements: (Equity, Long Term, Mortgage Bonds, Other Public Funds, etc., Clearly Defined and Committed): _____

4. Describe and Document Ownership of Collateral and Certified Market Value: _____

CREDIT REFERENCES: (List below with full addresses, etc)

| <u>NAME</u> | <u>ADDRESS/TELEPHONE</u> |
|-------------|--------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

SUBMITTED THIS THE _____ DAY OF _____, _____.

(Each Principle Must Sign)

Witness

Principle/Owner

Notary Public
My Commission Expires _____
[Seal]

Page Seventeen:
UP, EDRLF
Amended:

Firm

Principal / Owner

Title

Principal / Owner

Title

Principal / Owner

Title

Witness

Notary Public
My Commission Expires _____
[Seal]

EXHIBIT I: (Page 1 of 3)
UP, EDRLF
AMENDED:

APPLICABLE LAWS AND REGULATIONS

By virtue of the City of Cordele's approval of the "Underwriting Policy, Economic Development Revolving Loan Fund" Amended on _____, the requirements of the following laws and regulations are hereby made a part of said policy.

GENERAL:

1. The Housing and Community Development Act of 1978, as amended and as implemented by the most current HUD regulations (24 CFR, Part 570).
2. State of Georgia Community Development Block Grant Program Regulations.
3. Title 50, Chapter 18, Article 4, Official Georgia Code, Georgia Open Records Act.
4. Program Regulations Georgia CDBG Program - Small Cities - Non-Entitlement Program, published by the Georgia Department of Community Affairs.

FINANCIAL MANAGEMENT:

5. 24 CFR Part 85.
6. Federal OMB Circular A-128.
7. Federal OMB Circular A-87.

CIVIL RIGHTS:

8. Title VI - Civil Rights Act of 1964.
9. Section 109 - Title I - Housing and Community Act of 1974.
10. Title VIII of the Civil Rights Act, 1968.
11. Section 504 of the Rehabilitation Act of 1973.
12. Executive Order 11246 - Equal Employment Opportunity, as amended by Executive Order 11375, Parts II and III.
13. Executive Order 11063 - Equal Employment Opportunity, as amended by Executive Order 12259.
14. Section 3 of the Housing and Development Act of 1968, as amended Section 118 of Title I, Community Development and Housing Act, 1974.
15. Georgia Department of Community Affairs Civil Rights Compliance Certification.
16. Age Discrimination Act of 1975.
17. Executive Order 12432: National Priority to Develop Minority and Women Owned Businesses.

EXHIBIT I (Page 2 of 3)
UP, EDRLF
AMENDED:

LABOR STANDARDS:

18. The Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations.
19. The Davis-Bacon Act (40 U.S.C. 276(a) to (a-7), as supplemented by Department of Labor regulations.
20. The Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented by Department of Labor regulations.

ACQUISITION/RELOCATION:

21. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. (46 U.S.C. 4601) and regulations at 24 CFR, Part 42.
22. The Georgia Relocation Assistance and Land Acquisition Policy Act of 1973.
23. The Georgia Urban Redevelopment Law (OCGA, Section 36-61-1, et. seq.).

ENVIRONMENTAL:

24. The National Environmental Policy Act (NEPA) of 1969 implemented by Executive Order 11514 of March 5, 1970, as amended by Executive Order 11991 of May 24, 1977 and the Council on Environmental Quality's (CEQ) NEPA Regulations, 40 CFR, Parts 1500-1508.
25. Environmental Review Procedures for the CDBG Program, HUD, (24 CFR, Part 58).
26. The National Historic Preservation Act of 1966 as amended; particularly Section 106 and the Regulations of the Advisory Council on Historic Preservation.
27. Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971; particularly Section 2(c).
28. The Reservoir Salvage Act of 1960; particularly Section 3, as amended by the Archeological and Historic Preservation Act of 1974.
29. Flood Disaster Protection Act of 1973 as amended; particularly Sections 102(a) and 202(a).
30. Executive Order 11988, Floodplain Management, May 24, 1977 (42 FR 26951 et. seq.) particularly Sections 2 and 5.
31. Executive Order 11990, Protection of Wetlands, May 24, 1977 (42 FR 56961 et. seq.) particularly Section 2(a).
32. Georgia Air Quality Act of 1978 (O.C.G.A. Section 12-9-1, et. seq.) to regulate air pollution and protect air quality.
33. Shore Assistance Act of 1977 (O.C.G.A. Section 12-5-230, et. seq.).
34. Georgia Hazardous Waste Management Act (O.C.G.A. 12-8-60, et. seq.).
35. Georgia Health Code (O.C.G.A. 31-3-1, et. seq.) regulates individual sewerage treatment systems.

EXHIBIT II: (Page 3 of 3)
UP, EDRLF
Amended:

36. The Coastal Zone Management Act of 1972 as amended; particularly Section 307(c) and (d).
37. The Safe Drinking Water Act of 1974 as amended; particularly Section 1424(e).
38. The Endangered Species Act of 1973 as amended; particularly Section 7.
39. The Archeological and Historic Preservation Act of 1974.
40. The Coastal Resources Barriers Act of 1982, as amended.
41. The Wild and Scenic Rivers Act of 1968 as amended; particularly Section 7(b) and (c) (16 U.S.C. 1278(b) and (c)).
42. The Clean Air Act Amendments of 1970 (P.L. 91-604, 42 U.S.C. 7401 et. seq.) as amended, particularly Section 176(c) and (d) (42 U.S.C. 7506(c) and (d)).
43. HUD Environmental Standards (24 CFR, Part 51) Environmental Criteria and Standards (44 FR 40860-40866, July 12, 1979).
44. Georgia Coastal Marshlands Protection Act of 1970 (O.C.G.A. Section 12-5-280, et. seq.) to protect the ecology of marsh/wetlands
45. Georgia Groundwater Use Act of 1972 (O.C.G.A. Section 12-5-170, et. seq.).
46. Georgia Safe Drinking Water Act of 1977 (O.C.G.A. Section 12-7-1, et. seq.).

Conflict of Interest Prohibitions

In general, no person who is an elected or appointed official, employee, agent, consultant, officer or any person serving in a similar capacity with any participating public agency, who exercise or have exercised any functions or responsibilities with respect to any RLF activities can benefit from local RLF activities.

In addition, those persons who are in a position to participate in a decision-making process or gain inside information regarding RLF proposed activities or related activities, may obtain a personal or financial interest, benefit from the project, or have any interest in any contract, sub-contract or agreement with respect to any RLF project are also prohibited from benefitting from a RLF project.

The prohibitions against benefitting from a RLF project would apply to the covered individuals or those with whom they have family or business ties, for one (1) year following their tenure in the covered position.

EXHIBIT II

Date _____

City of Cordele, Georgia
P O Box 569
Cordele Georgia 31010

Attn: Chairman, Economic Development Revolving Loan Fund Committee

Dear Sir or Madam:

This is to certify that the herein named business will employ a total of _____ persons in this business covered by this application for Economic Development Revolving Loan Fund from the City of Cordele. _____ of these persons will fill newly created positions, and _____ of these persons will be retained. All of these positions will be full time employees and all positions will be for full time employment. Further, all these positions will be filled within two (2) years (twenty four months) from the date of closing of this loan.

A minimum of fifty-one (51%) percent of all employees will meet the low and moderate income criteria shown in the latest published Section 8 Low / Moderate Income Limits published by HUD and distributed by the Department of Community Affairs.

Sincerely yours,

Owner