

Enterprise Development Loan (EDL) Program

Statement of Purpose

The Enterprise Development Loan (EDL) program is intended to encourage private lenders to provide credit to firms that have difficulty securing reasonable financing that promotes growth while preserving working capital. In addition, the EDL program is intended to directly serve the needs of disadvantaged business enterprises that quite often lack the resources to obtain credit through conventional means. The EDL program's primary goal is the retention and creation of jobs for low and moderate-income residents of the City of Toledo by providing subordinated, term-financing at attractive rates.

Eligible Applicants

Eligible applicants must be Toledo entities which meet the following criteria:

The entity must be physically located in the City of Toledo, with priority loan consideration given to business expansion projects located in Enterprise Zone or Community Reinvestment Areas.

Applicants must demonstrate their ability to increase employment opportunities for low and moderate-income residents in the City of Toledo.

For-Profit applicants must meet the definition of a small business as defined by the Small Business Act. For the purpose of receiving an economic development loan, a small business is a business that is not dominant in its field of operation and can further qualify under the criteria set forth below:

- Construction: Average annual receipts do not exceed \$17.8 million for the preceding 3 fiscal years.
- Manufacturing: If there are not more than 500 employees
- Retail: If annual receipts do not exceed \$3.5 million
- Service: If annual receipts do not exceed \$3.5 million
- Wholesale: If the number of employees does not exceed 500

Exceptions to the above generalized size standards and location requirements can be made by the Commissioner of the Economic Development Division of the Department of Development on the basis of an exceptional project impact on the program's objectives of the U.S. Housing and Urban Development (HUD)'s national objectives.

Non-Profit Entities must meet the following criteria:

- The non-profit organization must be incorporated as defined by the Internal Revenue Service (IRS) Code Section 501 (C)(3) and have been in existence at least two (2) years, with an active business development program.
- The non-profit organization's project must have a direct impact on business development in its service area.

Eligible Program Costs

- Purchase of machinery and equipment with a minimum life of three years.
- Purchase of furniture and fixtures.
- Purchase of inventory.
- Working Capital loans for general business operations, not exceeding 25% of the project's total cost.
- Leasehold improvements if the improvements have a useful life of at least three years. (This type of project will require a Historic-Environment Review.)
- Architectural, engineering and other professional services related to the business expansion.

Program Guidelines

1. The maximum EDL participation in a single project is \$100,000 and the minimum EDL participation is \$5,000.
2. The EDL portion of a project may not exceed 33% of the eligible project cost. The remaining 66% must consist of financing originating in the private sector, non-City public funding and/or equity injections of at least 10%.
3. The EDL portion of the project may exceed 33% of a project when a Disadvantaged Business Enterprise (DBE) exception is granted. Such waivers can be granted by a majority vote of the EDL Loan Review Committee or by the Commissioner of the Economic Development Division. (See DBE guidelines section of this policy for a description.)
4. The interest rate of the EDL will be set below market rates and fixed for the life of the loan. The overall interest rate to the participant shall be a blended rate with the private lenders' rate.
5. The term of the loan will be based on the useful life of the asset financed not to exceed 7 years for personal property loans, or 3 years for working capital loans. The Economic Development Loan Review Committee by majority vote can recommend, pursuant to Loan Approval Procedures set forth hereinafter, a waiver to extend the term based on the need of the individual project.
6. The EDL loan will take a subordinate lien position to the Private lender and other non-City public financing sources, subject to their level of participation. Collateral will usually take the form of security position on all assets, including machinery and equipment, leasehold improvements, furniture and fixtures, accounts receivables, and inventory. A Personal Guaranty may be required on loans, if the company's existing cash flow is not adequate to service the proposed debt.
7. The matching funds provided by the private lender shall be disbursed by the lender. EDL funds will be disbursed on a pro-rata basis based upon its percentage of project financing.

Selection Criteria

- Job Creation: Generally, one job should be created per \$10,000 borrowed. (Special priority consideration will be given to those entities that create 1 job per \$5,000 borrowed. The minimum number of jobs to be created that will be considered is 1 job per every \$15,000 borrowed.)
- Financial Feasibility: demonstrated cash flow must be sufficient to cover debt service.
- Project Feasibility: the project must be realistic, based on market conditions.
- Creditworthiness of the borrower.
- Environmental-Historic Review, if project requires it.

Application Procedures

Applicants applying under the EDL program will be required to submit a proposal that will include but not be limited to the following information:

1. Three years historical financial statements (Balance Sheet, Profit/Loss statement)
2. Three years projected financial statements (Balance Sheet, Profit/Loss statement)
3. Interim financial statements (Not more than 90 days old)
4. One year (month-by-month) Cash Flow Statement
5. Personal financial statement (10% ownership or more)
6. History/Description of business
7. Description of New Project
8. Sources and Users of Funds statement
9. Resumes of officers and key management

Loan Approval Procedure

The Loan Review Committee is appointed by and serves at the pleasure of the Mayor and the Director of the Department of Development and reviews all loan proposals which have been processed by the Financial Assistance staff. The Loan Review Committee may choose a Chairman, a Secretary, and adopt rules for conducting business. The committee will be composed of nine members, who represent these sectors of the community:

- Three (3) commercial banking representatives.
- Three (3) community representatives of small business firms or business services, including at least one accountant.
- Three (3) public sector representatives, including one (1) representative from the Department of Development.

The Loan Committee will meet monthly and will review loan requests on a first-come, first-serve basis.

The Commissioner of the Economic Development Division or Director of Development may override the decision of the EDL Review Committee and forward a project to the Mayor for approval provided that the Mayor is informed of the committee's findings.

Loan Approval Procedure

The Loan Review Committee may reject any loan and will provide the reason therefore. In the event of approval, the staff shall so notify the primary lender of the applicant's choice. No closing shall occur without evidence of all sources of financing in place, approved project design, ready-to-be executed contract documents, acceptable insurance levels and contract compliance information on Affirmative Action/Davis Bacon requirement.

Disadvantaged Business Enterprise Exception

The Director of Development or Commissioner of Economic Development from time to time on a first-come, first-serve basis shall make financial assistance available directly to Disadvantaged Business Enterprises (DBEs). DBEs are to be defined as any business that is owned, operated and controlled by minority group members. Minority group members are U.S. citizens who are African-American, Hispanic-American, Native-American, Asian-Pacific-American, and Asian-Indian-American. "Ownership" by minority individuals means that the business is at least 51% owned by one or more such individuals. Further, management and daily business operations must be controlled by those minority group members.

The requested loan proceeds may be utilized for the purpose of procuring or improving inventory, real or personal property, or both, for the establishment, location, or expansion of retail, industrial, distribution, and commercial businesses in the City of Toledo. DBEs may receive a policy exception from the Director of Development or Commissioner of Economic Development for a funding request waiving the private investment leverage requirement. However, the loan request may not exceed a maximum of \$50,000 or a minimum of \$1,000. A business may receive this DBE exception ruling only once. No outside participation from a private financing institution is required to participate in this approval procedure. Loan requests will be considered up to a maximum of 85% of the total project costs. All loan requests must meet all other information submission requirements related to standard EDL underwriting criteria.

The Director of Development or Commissioner of Economic Development reserves the right to deny loan requests that do not meet the economic development goals of the City of Toledo. All eligible businesses must be located within the City of Toledo. The proposed business must demonstrate that it is unable to obtain financing from other sources. No financial assistance disbursement shall be made without adherence to established procedure and guidelines.

DBEs may qualify for this form of financial assistance when through staff analysis the following conditions are found to exist:

- 1) The project is economically sound and will benefit the citizens of the City of Toledo by increasing opportunities for employment of low to moderate-income persons; by strengthening the economy of the City of Toledo; or by providing an expansion opportunity for a disadvantaged business enterprise;
- 2) The proposed disadvantaged business enterprise is unable to finance the proposed project through ordinary financial channels at comparable terms;
- 3) The value of the project is or upon completion will be at least 85% of the cost amount of the money expended in the development, procurement or improvement of the project.
- 4) The amount to be loaned by the Director or Commissioner of Economic Development will not exceed 85% of the total amount expended in the development, procurement, or improvement of the project;
- 5) The amount to be loaned to the disadvantaged business enterprise will be adequately secured by personal guarantees and primary liens on the physical assets of the business to be obtained by mortgage, assignments, and/or pledges of property or contacts as may be necessary;
- 6) The proposed disadvantaged business enterprise has not defaulted on a previous loan from the City of Toledo or other public entity or the holder of an equity interest in a business enterprise that has defaulted on a loan from the City of Toledo or other public entity;
- 7) The proposed disadvantaged business enterprise must be able to successfully compete in the private sector if it obtains the necessary financial, technical, or managerial support available through the Department of Development and that the support be utilized on an as needed and to be determined basis.

Other Requirements

All projects must comply with Community Development Block Grant requirements.