



CITY OF HUGHSON
ECONOMIC DEVELOPMENT COMMITTEE MEETING
 CITY HALL COUNCIL CHAMBERS
 7018 Pine Street, Hughson, CA

AGENDA
MONDAY, JULY 22, 2013 - 5:30 P.M.

CALL TO ORDER:

ROLL CALL:

Mayor Matt Beekman
 Councilmember George Carr
 Councilmember Jeramy Young
 Business Member Marie Assali
 Business Member Jim Duarte

Staff to be Present: Raul L. Mendez, City Manager

1. PUBLIC BUSINESS FROM THE FLOOR (No Action Can Be Taken):

Members of the audience may address the City Council on any item of interest to the public pertaining to the City and may step to the podium, state their name and city of residence for the record (requirement of name and city of residence is optional) and make their presentation. Please limit presentations to five minutes. Since the City Council cannot take action on matters not on the agenda, unless the action is authorized by Section 54954.2 of the Government Code, items of concern, which are not urgent in nature can be resolved more expeditiously by completing and submitting to the City Clerk a "Citizen Request Form" which may be obtained from the City Clerk.

2. PRESENTATIONS: None.

3. NEW BUSINESS:

- 3.1:** Approval of the Minutes of June 24, 2013 EDC Meeting.
- 3.2:** Discuss Local Business Incentive Programs.
- 3.3:** Recap of Stanislaus County Economic Development Bank.
- 3.4:** Discuss Recruitment Strategies for Hughson Business Incubator Program.
- 3.5:** Update on Status of Enterprise Zone Programs in the State of California.

8. EDC COMMENTS:

ADJOURNMENT:

WAIVER WARNING

If you challenge a decision/direction of the City Council in court, you may be limited to raising only those issues you or someone else raised at a public hearing(s) described in this Agenda, or in written correspondence delivered to the City of Hughson at or prior to, the public hearing(s).

UPCOMING EVENTS:

July 22	▪ City Council Meeting, Council Chambers, 7:00pm
August 12	▪ City Council Meeting, Council Chambers, 7:00pm
August 6	▪ National Night Out, City-Wide 6:00-9:00p.m.
August 8	▪ Congressman Jeff Denham’s Mobile Office, City Hall 11:00-12:00p.m.
August 12	▪ City Council Meeting, City Hall Chambers, 7:00p.m.
August 20	▪ Planning Commission Meeting, Council Chambers, 6:00pm
August 26	▪ City Council Meeting, Council Chambers, 7:00pm

RULES FOR ADDRESSING CITY COUNCIL

Members of the audience who wish to address the Economic Development Committee are requested to complete one of the forms located on the table at the entrance of the Council Chambers and submit it to the Committee. **Filling out the card is voluntary.**

**AMERICANS WITH DISABILITIES ACT/CALIFORNIA BROWN ACT
NOTIFICATION FOR THE CITY OF HUGHSON**

This Agenda shall be made available upon request in alternative formats to persons with a disability; as required by the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12132) and the Ralph M. Brown Act (California Government Code Section 54954.2).

Disabled or Special needs Accommodation: In compliance with the Americans with Disabilities Act, persons requesting a disability related modification or accommodation in order to participate in the meeting and/or if you need assistance to attend or participate in a City Council meeting, please contact the City Clerk’s office at (209) 883-4054. Notification at least 48-hours prior to the meeting will assist the City Clerk in assuring that reasonable accommodations are made to provide accessibility to the meeting.

AFFIDAVIT OF POSTING

DATE: July 22, 2013 **TIME:** 4:00pm
NAME: Sandy Cortes **TITLE:** Office Assistant II

Notice Regarding Non-English Speakers:

Pursuant to California Constitution Article III, Section IV, establishing English as the official language for the State of California, and in accordance with California Code of Civil Procedures Section 185, which requires proceedings before any State Court to be in English, notice is hereby given that all proceedings before the City of Hughson City Council shall be in English and anyone wishing to address the Council is required to have a translator present who will take an oath to make an accurate translation from any language not English into the English language.

General Information: The Economic Development Committee meets in the Council Chambers on the fourth Monday of each month at 5:30 p.m., unless otherwise noticed.

EDC Agendas: The Economic Development Committee agenda is now available for public review at the City's website at www.hughson.org and City Clerk's Office, 7018 Pine Street, Hughson, California on the Friday, prior to the scheduled meeting. Copies and/or subscriptions can be purchased for a nominal fee through the City Clerk's Office.

Questions: Contact the City Clerk at (209) 883-4054.



CITY OF HUGHSON
ECONOMIC DEVELOPMENT COMMITTEE MEETING
 CITY HALL COUNCIL CHAMBERS
 7018 Pine Street, Hughson, CA

MINUTES
MONDAY, JUNE 24, 2013 – ~~5:30 P.M.~~ 6:00 P.M.

CALL TO ORDER: 6:09pm

ROLL CALL: Mayor Matt Beekman
 Councilmember George Carr (arrived at 6:35pm)
 Councilmember Jeramy Young
 Business Member Marie Assali
 Business Member Jim Duarte

Staff Present: Raul L. Mendez, City Manager

1. PUBLIC BUSINESS FROM THE FLOOR (No Action Can Be Taken): None.

2. PRESENTATIONS: None.

3. NEW BUSINESS:

3.1: Review and Discuss Economic Gardening.

Mayor Beekman provided an overview of “economic gardening” an entrepreneurial approach to economic development that seeks to grow the local economy from within. He stated that a focus for the City should be on growing and nurturing local businesses rather than hunting for the bigger businesses from outside of the area. The Committee discussed some of the unique local businesses currently in place in the downtown area and attracting businesses that complement them. They also agreed that supporting events to showcase local business is important. Business Member Assali suggested that some of the area’s larger agricultural businesses should be encouraged to open a sampling room in the downtown area to promote their products and markets.

3.2: Review and Discuss Food Entrepreneurship.

Mayor Beekman discussed the new State law (California Homemade Food Act effective January 1, 2013) that allow people who made certain food at home to sell it to restaurants and grocery stores. The Act creates a new category of food production called “cottage food operation” that includes jams, baked goods, dried pasta, granola, candy, chocolate, nut butters, mustard, vinegar, and roasted coffee. City staff indicated that they would research with the Stanislaus County Department of Environmental Resources how the Act was being implemented locally and make any information available at City Hall and the Chamber offices.

3.3: Other Items.

None.

4. EDC COMMENTS:

City staff was directed to research business incentive programs locally and bring back information to the Economic Development Committee at the next meeting for discussion. The Committee also discussed briefly some of the upcoming events being sponsored by the Hughson Chamber of Comments

ADJOURNMENT: 6:55pm

*“Together we
can strengthen
economic
development
and build a
sustainable
community.”*

Staff Contact Information

Laurie A. Smith
Administrative Services Officer
(209) 577-5347
lsmith@modestogov.com

Margaret B. James
Business Analyst
(209) 571-5840
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**Visit our website for more
information and local
assistance:**

- Business Incentive Programs
- Local Business Resources
- State Assistance Resources
- Start a Business
- Small Business Loans
- Modesto Business Listings
- Commercial Brokers
- State Disability Access Laws
- Stanislaus County Economic
Development and Workforce
Alliance
- California Central Valley
Economic Development
Corporation
- Small Business Development
Center
- Alliance WorkNet

www.choosemodesto.com



MODESTO
CALIFORNIA

***Economic
Development
Incentive Program***

Visit us online at:
www.choosemodesto.com

City of Modesto
Community & Economic Development
1010 Tenth Street, Suite 3300
Modesto, CA 95354
(209) 571-5566

INCENTIVE LEVELS

The City of Modesto Economic Development Incentive Program focuses on bringing job-creating businesses to Modesto.

*This equates to a stronger economy where your business can **prosper**.*

The Incentive Program is based on the following criteria:

- Overall impact
- Number of jobs created
- Location of facility
- Impact to City services

Regardless of what business you're in, there's an incentive for you!

Bronze

The Bronze incentive level provides:

- Streamlined plan review through the City's Development Center
- Capital Facility, Water Connection and Wastewater Capacity Fee Deferral Program
- Capital Facilities Fees credits
- Business assistance, information and advocacy

Gold

The Gold level provides:

- All services offered in the Bronze level
- Plus expedited plan review – the first plan review letter will be issued within 15 days of submittal.

Platinum

The Platinum level provides:

- All services offered in the Gold level
- Plus consideration for Capital Facilities Fees (Impact) credits and offsets.

Nurturing Tomorrow's Economy...Today!



Modesto Revolving Loan Process

This document provides an overview of the Process and Stages to obtain a loan through the City of Modesto Community Development (CD) Revolving Loan Fund.

For a detailed overview of the City of Modesto Community Development (CD) Revolving Loan Fund and program requirements please see [Attachment A](#).

For Frequently Asked Questions please see [Attachment B](#)

Approximate Timing:

Stage #	Bus Days	Step Description
1	1	NOTICE OF INTEREST: Complete and submit Notice of Interest Form. City Staff will be advised on loan interest, and initial/projected loan amount. While completing Stage 2, you will be advised of the availability and projected timing.
2	Varies	PREPARATION OF PRESENTATION: Initiate Technical Assistance: Preparation of Loan Package and Business Plan. The length of this stage varies from week to months based on the complexity of the project and research completed and/or business stage.
3	3-5	REVIEW OF PRESENTATION: Staff Review and Recommendation of Business Plan, follow-up with related questions. Projected timing details will generally be available within 7 business days of the submission. This time may run concurrent with Scheduling time.
4	5-15	SCHEDULING COMMITTEE MEETINGS: Depending on the nature of the request, e.g. size, risks, or other factors. The loan request may require approval or recommendation by the CD Loan Committee, CH&CDC, and/or the City Council. An advance public posting is required for some of these meetings which may impact the timing.
5	2-5	PREPARATION AND EXECUTION OF LOAN DOCUMENTS: These may be prepared in advance of the approval, but are subject to approval of the final approving committee.

Notice of Interest Form please see [Attachment C](#)

Complete the Notice of Interest Form and e-mail or deliver to City of Modesto, Attn: Scott Humphries, Parks, Recreation & Neighborhoods Department, e-mail: shumphries@modestogov.com Phone: (209)571-5506.





Preparation of Presentation- Applicant MUST Make Contact for Technical Assistance: Log on to Alliance Small Business Development Center (www.alliancesbdc.com) and complete a Request for Services through the Modesto Office; note that you were referred through the City of Modesto RLF.

NOTE: The Alliance SBDC is the approved source for FREE COUNSELING and Low/No cost Training programs. The Alliance SBDC is certified Small Business Development Center by the US Small Business Administration.

You may also call the Modesto Office at (209) 567-4910 Attn: Kurt Clark to request assistance in preparing the RLF Loan Package.

The Alliance SBDC can help you prepare the needed plans and exhibits, or they can review what you have already done.

Required Items to process a loan request by the CD Loan Committee:

- Business plan, including marketing plan, prior results and financial projections for 3 years or more showing prior and projected progress towards financial criteria. A comparison to industry norms should be included where available.
- 3 Years Business Financials, including all related and supporting federal tax schedules.
- Current/Initial and projected balance sheets for each of the three years.
- Personal Financial Statements and Federal Taxes for each principal with ownership or control over 10%. (If managed by employees, their guarantee may also be required.)
- IRS Form 4506 executed for each person/entity that has tax returns. See www.irs.gov
- If the Business does not meet program minimum financial guidelines, a viable plan to achieve the financial objectives must be developed in the business plan (working with the Technical Assistance Provider - AllianceSBDC.com.) Material progress towards these objectives will increase the consideration of the request.
- Release to allow CD Loan Staff discuss business plan with Technical Assistance Provider.
- Copies of Leases, loan documents for other lenders or abstract of loan terms.

Once these items are complete, the request is forwarded to the City of Modesto, Attn: Scott Humphries, Parks, Recreation & Neighborhoods Department. At that time you should confirm the availability/timing of loan funds.

The Loan request is then reviewed by staff members, generally within 5-10 business days you will be contacted with any initial questions and the timing of the next Loan Committee meeting. Depending on the amount or other factors, the loan may require approval by the City Council.





Attachment A
PROGRAM REQUIREMENTS

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CITY OF MODESTO COMMUNITY DEVELOPMENT (CD) REVOLVING LOAN FUND

LOANS TO BUSINESSES

Background: As businesses and markets go through transition their borrowing needs often do not meet traditional lenders requirements. The purpose of the City-sponsored Community Development (CD) Revolving Loan Fund is to help meet these needs when a qualifying public policy purpose is also being achieved. Ideally these funds can be leveraged through other resources, to expand the total amount of funds and/or other resources available to the businesses. It is expected that some of the resources leveraged will include "Technical Assistance" in addition to other lenders. Programs like this have traditionally averaged over 4:1 leverage from other funding sources.

It is anticipated that as businesses grow, they will need to work with new lenders and/or acquire additional assets that would not be covered or funded through this loan program; it is understood at times that lien positions may need to be altered either for collateral or position to facilitate new capital needs. The debt may be subordinate to another lenders debt, but not debt of a principal.

Key Public Policy Objectives that are part of this program include:

- Increased employment, with an emphasis on targeted socio-economic groups that meet the criteria defined under federal Department of Housing & Urban Development (HUD) guidelines.
- Increased economic activity, through the addition, expansion or retention of employers.
- Increased economic diversity, as new companies may expand the services available in the local/regionally area.

BORROWER ELIGIBILITY

Target Companies: Small businesses operating within the City of Modesto's sphere of influence with a priority placed on companies owned by disadvantaged groups, and/or located in or employing people residing in low income census tract areas.

FINANCIAL CRITERIA

Profitable with positive trends: This would be net income after interest and depreciation expenses, positive trends do not require sales to be increasing if profitability or cash available to service debt is improving. A decline in sales should be noted and explained though.

Adequate Cash Flow: This is based on cash available to service debt, or net income after taxes and owner distributions, plus depreciation, amortization, and interest expense; compared to the past and/or projected debt service. The threshold for adequate is 1:1, with a plan to exceed 1.5:1, where X:Y is X=projected debt payments (annually) and Y=cash available to service debt (annually.) If adverse trends are present an alternative plan should be prepared. Nonrecurring/One time items should be excluded or adjusted from the calculations. An aggregate cash flow of borrower and guarantors may be used to support the request.



Positive Tangible Net Worth: Tangible assets, less debt. Intangible assets include debt to shareholder(s). Consideration should be given to assets that are under or overvalued in the balance sheet, e.g. accelerated depreciation of equipment, real estate, obsolete inventory, etc.

Alternative Plan: If the above levels are not currently being achieved, a reasonable plan for the accomplishment of the following should be part of the loan request:

Profitability: Positive net income.

Adequate Cash-Flow: Funds available to service debt to cover projected debt service 1.25x or more for producing assets or 1.5x or more to one for non-producing assets. (May be consolidated with guarantor(s) at goal of 1.75x.)

Positive Tangible Net Worth: Reaching positive or within conventional lending guidelines.

LOAN TERMS

Project Amount: \$25,000 or more.

Loan Amount: \$25,000 or more, with emphasis given to loans that leverage other resources.

Loan Types: Term Loans: Maturity from 1-7 years, amortization to begin within 12 months from note date, e.g. interest only for a period of up to one year. Repayment based on amortization of up to 10-years, unless longer term/amortization required by the Small Business Administration (SBA) if leveraged transaction with other funds. Funding may be done in stages, by month.

Payment deferrals and interest rate adjustments may be considered on a case-by-case basis.

Short Term (in lieu of a line of credit)

Interest Rate: Pricing in accordance with type of request, generally Wall Street Journal Prime plus 3% floating, a fixed rate may be approved on a case-by-case basis. A rate floor of 7.25% and cap of 18% will apply after the pilot stage. The rate may increase after a period of time, to encourage borrowers to move to traditional financing as they progress (thus allowing other companies to benefit from the lending program.) The rate structure should be noted in the loan summary. Interest payments are meant to grow the program and provide future leverage of resources for other companies.

Interest Rate -Pilot Period/Intro Rate: The rate may be reduced during an initial period to meet other public policy goals and/or during the pilot stage to accomplish program goals or compensate for the pilot nature of the program.





Origination Fee: 2% origination fee, with a \$250.00 minimum, and documentation fee of \$250.00 will apply for standard loan documents. Any and all third-party fees, UCC, and legal fees to be reimbursed by the borrower. This can be reimbursed or deducted from the loan proceeds.

LOAN PURPOSES

Expansion of Business: An existing business growing through acquiring new equipment, purchase of or expanding or remodeling building space, or to otherwise expand their productive capacity. (Loan term/amortization generally mirrors SBA guidelines, e.g. an amortization of 7-10 years or less, with an exception for the purchase of a building/facility that can be amortized over 30 years and due in 10 years to meet SBA requirements.) If loan purpose is leasehold improvements-term should mirror lease terms or be properly mitigated.

Working Capital: Help provide long-term working capital injection for an existing business. This would be with the intent to retain or increase jobs.

Business Start-up: In rare circumstances, the loan program may entertain requests for business start-up loans. Investors/Principals should have a material intellectual and equity investment in the business, and previous business experience. Ideally the business experience should be in a directly or closely related field. If a company has been in business for less than 12 months, it is considered a start-up. For business start-ups the principals' recent credit history should be superior, with no unexplained slow payments within the last 24-months. Over 2 unrelated 30-day late accounts in the last 12 months would be considered a significant adverse factor and require mitigation.

Projections should be properly vetted and supported when compared to favorable industry standards.

Management: Adequate experience should be in place to cover the management of the business as determined by Committee based on relevant industry standards.

Size of Business: Generally annual revenues of \$10 million per year or less, or meeting the SBA size definition of a small business for their classification. Revenue is generally based on the historical facts (taxes), if a company has an adverse change during the current tax year that would create eligibility the exception can be reviewed on a case-by-case basis.

Type of Business: Initially for profit businesses are eligible, non-profit businesses can be reviewed on a case-by-case basis with emphasis given to impact on employment. The business must operate legally within the laws of California and at the location it operates.

Operating History: For all uses except business start-up, the business should have been in business for over 12 months prior to the date of application.

Financial Criteria: The following are minimum criteria for eligible businesses:

- 1) Must be profitable with positive trends;
- 2) Must have and maintain an adequate cash flow;
- 3) Must possess a positive tangible net worth.



In the event these conditions are not present, applicant's shall demonstrate a reasonable plan to achieve these conditions preferably within the first 12-24 months is to be provided as part of the approval process. Ideally the loans should be collateralized by collateral. Preference is given to companies that can margin the collateral (Loan to value of under 80%, or less.)

Credit Bureau(s) should be in the file and explanation of any derogatory items noted in the file. See special criteria under Business Start-up regarding credit.

Loans from principals to the business should be subordinated to the Loan(s), these are then considered equity.

Annual updates should be provided, with comments about progress towards the financial goals. Key ratios to observe and monitor are: debt service coverage based on funds flow [(net income after taxes, plus depreciation, amortization and interest) divided by debt payments], positive tangible net worth and profitability. This should be reviewed by City staff and placed in the loan file. The number of employees should be tracked on an annual basis, for employers with seasonal variations, peak and minimum employment can be noted to track progress.

Collateral: A filing on Business assets should be taken (UCC Filing Statement.) Ideally the collateral should be adequate to cover the value of the loan. In the alternative, a plan to reach proper collateralization should be identified in the plan. These will vary depending on relevant industry standards.

Technical Assistance: All companies using the program services should have already been involved with Technical Assistance, such as a Small Business Development Center or related program/provider.

Repayment: In the event of difficulty reaching financial objectives for debt service coverage, payments may be reduced to interest only requiring the execution of a new agreement.

CD Loan Committee: An approval committee shall review and approve loan requests with the limit of \$100,000, or other amount as otherwise designated by the City Council. The committee shall be comprised with at least one primary representative from the City Council, Citizens Housing & Community Development Committee, City staff, and a community resource, such as the Stan Alliance or the Alliance Small Business Development Center or a Certified Development Company. Alternate members may vote in the absence of the primary member. Loans in excess of the committee approval limit would require ratification by the City Council. A City staff member shall be designated to act as Secretary to certify approval facts. The Secretary may be a voting committee member. A dissenting voter may provide an explanation, but is not required to. If a request is not approved or recommended by the committee the request may be appealed to the Council.

A majority vote of the Committee is required for approval. Approvals and modification requests must be made in writing and delivered in-person to the Parks, Recreation, & Neighborhoods Director. A written record of the approval should be kept and certified by the Secretary. City staff will provide regular and periodic updates to the City Council on any loan activity.

Subordination Requests: It is expected as participating companies expand they would need additional lending/funding, other lenders may need to be senior on collateral. Subordination and requests to



exchange collateral can be approved by the CD Loan Committee. Repayment may be allowed, in lieu of owner's draw/salary to cover living expenses-to reduce income taxes due. Limits may be placed on the total payments to principals for this purpose.

Collections: In the event of a payment default, collection may be turned over to a third-party. Collections generally would be handled by City staff.

LOAN SUMMARY

The following criteria should be captured in a loan summary:

- How funding will be used to hire or retain low to moderate income qualified employees under Department of Housing and Urban Development (HUD) guidelines.
- Business background, management history and product/business niche. Key clients existing and new/target. How referred into program.
- Financial operating results: Areas of strength and mitigation for weaknesses-Primary source of repayment.
- Financial balance sheet review: Key assets and liabilities, secondary source of repayment is generally from balance sheet sources.
- Additional notes regarding management/principals:
- Loan terms and collateral: Rate, repayment, and related items.
- Recap: Why the loan does not work conventionally, resources being leveraged-including from principals, strengths and weaknesses-recommendation. Future Conditions/results that would increase or decrease risk profile.

APPENDIX

Committee Members:

Council Representative: A primary and at least one alternate member shall be designated and approved by the City Council.

Staff Representative: A primary and at least one alternate member shall be designated by the Department Directors over Community & Economic Development and Parks, Recreation & Neighborhoods

Community Resource Representative: A primary and alternate member shall be designated and affirmed by the Citizens Housing & Community Development Committee.

Committee Members should excuse her/himself if any conflict of interest is present.



Attachment B

FREQUENTLY ASKED QUESTIONS

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FREQUENTLY ASKED QUESTIONS

1. Who funds the “CD”?

The City of Modesto’s Community Development (CD) Revolving Loan Fund is funded by Community Development Block Grant Funds (CDBG) and is committed to helping small businesses provide jobs to low income persons through job retention and/or new job creation.

2. Can I apply for “CD” loan for personal needs, such as to purchase a car or appliance or refinance personal credit card debt?

No, the CD only provides loans for working capital, opening or expanding small businesses through acquiring new equipment, purchase of or expanding or remodeling building space, or to otherwise expand their productive capacity. All CD loans have to retain or create jobs.

3. What information needs to be included in my Business Plan?

Your business plan should include the following information:

- The type of business you plan to operate
- The products and/or services you will offer
- The customers you will target and serve
- The methods you will use to advertise and promote your business
- Your experience and background in the type of business you plan to operate
- The proposed use for the funding you will receive
- Your past and projected financial statements for your small business

Your business plan is the most important component of your loan application!

4. Are there any fees associated with “CD” loans?

Yes, a 2% origination fee, with a \$250.00 minimum, and documentation fee of \$250.00 will apply for standard loan documents. Any and all third-party fees, UCC, legal etc. to be reimbursed by the borrower. This can be reimbursed or deducted from the loan proceeds.

In all cases, origination and recording fees are financed into the proceeds of the loan.





5. Who makes the final decision on whether my loan is approved?

The CD Committee comprised of a City Councilmember, Citizen Housing & Community Development Committee member, Staff representative from Parks, Recreation & Neighborhoods (PRN), Staff representative from Community & Economic Development and Community resource such as the Alliance.

6. What steps do I need to take to close my loan once it is approved?

After your loan is approved you will need to sign all documents associated with the loan. City Staff will prepare all documents.

7. Why do you require companies to use technical assistance?

When looking at what makes a significant increase in the success of business ventures, a common thread has been access and utilization of technical business resources. This can help avoid or resolve the issues that arise when a company is operating. The odds of success for your business are much higher when this assistance is in place prior to you starting your business.

8. Why do you suggest the use of the Stanislaus Economic Development and Workforce Alliance (www.StanAlliance.com) and the Alliance Small Business Development Center (www.AllianceSBDC.com)?

These groups are public private partnerships that the City helps fund to provide affordable and cost effective resources to area businesses. Their services are available for free or low cost to local businesses. They also can help simplify the tracking of data required for tracking the success of the loan program, saving you and your business time.

9. What kind of business will you lend to?

Emphasis is given to businesses that legally operate and help accomplish the goal of the loan fund; creating and retaining jobs with an emphasis on employing people with LMI. This means that a service, manufacturing, or retail business are all eligible for the loan program.

10. If I complete all the steps am I guaranteed a loan?

Loan approval is based on other factors, including available funds and perceived viability of the proposed business by the committees that approves the loans.

11. If I am declined will I be told why?

Yes





12. I have started the process with the Alliance SBDC and I am being told that I should apply to other lenders, why?

The program attempts to provide access to funds for viable projects that can not be funded through regular lending channels. The SBDC may have knowledge of a loan source that could help your business. These funding sources should be used where possible instead of or with the CD Funds.

13. What do you mean other funding sources should be used instead of or with City Loan Funds?

The CD loan program leverages community resources, so that more people are helped. If another loan program can provide part of the funding, the CD loan program can help more businesses benefit from the limited CD loan resources



Attachment C
NOTICE OF INTEREST FORM

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NOTICE OF INTEREST

CITY OF MODESTO COMMUNITY DEVELOPMENT (CD) REVOLVING LOAN FUND

Interested Applicant Completes:

Company Name:	
Location of Business (Street Address):	
Use of Funds:	
Date Business Started:	
Type of Business Organization:	Select one: Sole-Prop, Partnership, S-Corp, C-Corp, Non-Profit, LLC
Number of Employees:	Current #: _____ if loan granted # New Jobs: _____ # Retained Jobs: _____
Desired Loan Amount:	\$ _____
Company Contact:	
Contact Phone(s):	
Contact Email:	

A prerequisite of the loan program is the active use of Technical Assistance, which can be obtained for little or no cost through a US SBA Certified Small Business Development Center (SBDC.) Use of a non-certified provider will require prior approval of City. The local Certified SBDC is the AllianceSBDC (www.alliancesbdc.com.) By expressing interest and submitting an application package, I authorize City of Modesto Staff to communicate with the Technical Assistance provider(s), unless and until revoked in writing to the City and the Technical Assistance provider.

A major criterion in this loan program is the creation and/or retention of jobs for lower to moderate income residents. The StanAlliance (www.stanalliance.com) provides free services to area business to match employer needs with employees. I agree to utilize these services prior to using other employment resources during the loan term.

I acknowledge that I have reviewed the Program Outline and Process Overview documents. I certify that all documents and supporting exhibits submitted are accurate under the penalty of perjury. I authorize the obtaining and release of both personal and business credit bureaus in the pursuit of this loan request, and authorize the City of Modesto to utilize third-parties to secure such reports.

Executed by: _____ Title: _____ Date: _____





Partnership Incentives Program

The goal of this program is for new businesses to open or existing businesses to expand within vacant store fronts and create additional jobs in our community. The program provides a one-time payment of \$1,000 to help new businesses as business owners see fit.

Applicant Information

Business Name: _____

Business Address: _____
Street Address *Suite #*

Business Owner Name: _____

Contact Phone: () _____ Email address: _____

Participation in the Program

The Partnership Incentive Program requires the Business owner to participate or provide the following:

Development of a Business Plan with input from the Alliance/SBDC representative that serves Turlock and currently located in the Turlock Chamber of Commerce office.

Business Plan Developed?

Yes No

Identification of an appropriately zoned location within the city limits of Turlock. City Development Services staff are available to pre-screen potential sites for applicants.

Site selected?

Yes No

Participation and interaction at a City of Turlock Pre-Development meeting. This service is provided at no cost.

Pre Development meeting?

Yes No

Agree to participate in minor recordkeeping to provide feedback to city staff with regard to general sales, staffing and business trend information on a quarterly basis.

Agree to participate? (Please initial) _____

Yes No

Check presented By: _____ Check Received By: _____
(Please sign)

Program Summary and Goals

The goal of this program is for new businesses to open or existing businesses to expand within vacant store fronts and create additional jobs in our community. The program provides for reimbursement of all fees associated with establishment of a business such as: capital facility fees, occupancy and fire inspections, zoning certificates, building inspection, grading and encroachment permits. It is important to note that the program does not cover the cost of tenant improvements, under new construction, county or school impact fees or any entitlement fees required.

Program Summary and Goals

The goal of this program is for new businesses to open or existing businesses to expand within vacant store fronts and create additional jobs in our community. The program provides for reimbursement of all fees associated with establishment of a business such as: capital facility fees, occupancy and fire inspections, zoning certificates, building inspection, grading and encroachment permits. It is important to note that the program does not cover the cost of tenant improvements, under new construction, county or school impact fees or any entitlement fees required.



City of Turlock

Economic Development and Housing Manager
156 S. Broadway, Suite 230
Turlock, CA 95380-5454

Phone: (209) 668-5542 Ext. 2227
Fax: (209) 668-5668
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City of Turlock
Economic Development
Program

PARTNERSHIP
INCENTIVES
PROGRAM



(209) 668-5542 Ext. 2227

Eligibility Requirements

Participants must agree to participate in the following 4-step process:

1. *Development of a Business Plan with input from the Alliance utilizing the free services available at the Turlock Chamber of Commerce Office.*
2. *Identification of an appropriately zoned location (City staff is available to pre-screen sites for applicants).*
3. *Participation and interaction at a Pre-development meeting.*
4. *Enter into agreement to participate in minor recordkeeping to provide feedback on a quarterly basis for at least one year.*



EFFECTIVE TIME PERIOD AND COST COMPONENTS

The program was adopted by the Turlock City Council and began assisting businesses in January 1, 2011. The program is funded through June 30, 2013.

EXISTING BUSINESS ASSISTANCE PROGRAMS

Enterprise Zone—State program that provides direct state income tax credits for equipment purchases, hiring, and business investment within specific areas.

Entrepreneur Center—located at 300 E. Main, with city funding assistance provides a Turlock presence for Stanislaus Alliance Business Assistance.

Small Business Development Center and Business Resource Center—located in Modesto, provides extensive business counseling as well as research and market analysis.



Employee Recruitment, Hiring, Placement, Training Services through Alliance Worknet.

Fee Deferral Program—

Adopted program provides for fee deferral for up to 20 years.

Free Pre-Development Meeting—A collective meeting with all City Departments to provide meaningful feedback and assistance in order to get your business open or expanded. This service is provided for any commercial or industrial space, building or land. This valuable service is provided free of charge.

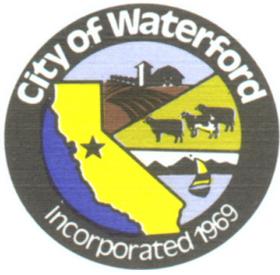
Business Ombudsman— Staff Liaison is available to answer questions and provide assistance in getting through the permitted process.



City of Turlock Economic Development Program

Maryn Pitt
Economic Development and Housing Manager
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City of Waterford

Small Business Assistance Program

Existing and new businesses! Start-ups and entrepreneurs! Do you need some capital to expand operations and create jobs?!? The City of Waterford is offering small business assistance to assist you in your efforts. No loans are involved!

The Small Business Assistance Program (“Program”) is designed to stimulate economic growth and create jobs that will improve the living conditions of residents in the community. The Program provides affordable, non-conventional financing to eligible businesses and development projects who will in turn be required to produce a sufficient number of net new jobs, or in the case of business retention, retain existing jobs.

Summary Details:

- Assistance between \$2,500 and \$35,000.
- Must create new jobs with assistance funds.
- Existing, start-up and new businesses to Waterford are eligible for the assistance
- Common eligible expenses include: operating capital, rehabilitation of building, etc.
- Refundable \$100 application fee; waived for existing businesses.
- Read Small Business Assistance Guidelines, submit preliminary application and if invited to continue, pay application fee and submit detailed business information for consideration by staff and the loan committee for approval.

How do I get the funds?

1. Submit a pre-application detailing job creation and business plan for using the funds.
2. The City will review the pre-application, and may request additional information including:
 - a. Prior 3 years of tax returns
 - b. Prior 3 years of balance sheets and cash flow statements
 - c. A cash flow spreadsheet showing revenues and expenses out 1-3 years
 - d. Resumes/management histories of persons involved
3. Schedule an appointment for free business counseling with the Small Business Development Center.
4. If the funding assistance is supported by the City, it will be taken for approval by the City of Waterford’s Community Development & Housing Loan Committee. A site visit may be considered by the City prior to the Committee meeting.
5. If approved, the City will coordinate the required environmental documentation approval.
6. An authorizing document will be executed with the applicant, and once approved the project can proceed. Funds will be primarily reimbursement-based upon receipt of evidence of the new job creation becoming effective.
7. Funding approval should be available within 30 days, and reimbursements paid within 2 weeks of submittal.

Questions?

Contact City Hall – 101 E Street; (209) 874-2328; togden@cityofwaterford.org.

Guidelines

For

Small Business

Assistance Program

Funded By

City of Waterford

Community Development Block Grant Funds (CDBG)

Adopted by the Waterford City Council on January 17, 2013

**CITY OF WATERFORD
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
SMALL BUSINESS ASSISTANCE PROGRAM GUIDELINES**

1.0 INTRODUCTION

The City of Waterford has established a Small Business Assistance Program, here after called "Program". The Program is designed to stimulate economic growth and create jobs that will improve the living conditions of residents in the community. The Program provides affordable, non-conventional financing to eligible businesses that are not able to receive funding elsewhere. Businesses receiving these funds will in turn be required to produce a sufficient number of net new jobs, or in the case of business retention, retain existing jobs. The Program guidelines have been formally adopted by the City of Waterford and are in conformance with the U.S. Department of Housing and Urban Development (HUD) regulations pertaining to the use of Community Development Block Grant (CDBG) funds.

2.0 BUSINESS ASSISTANCE PROGRAM OVERVIEW

2.1 PROGRAM

In general, the City of Waterford will market the Program, accept and process applications, underwrite and recommend approval of assistance, ensure proper assistance closing and disbursement of funds, maintain assistance files and fiscal records and support the City of Waterford's staff in administration of federal grants and program income used to fund this program. The City of Waterford will follow and ensure compliance with these guidelines.

2.2 PROGRAM SERVICE AREA

Financing under this Program is available to all eligible businesses located in the jurisdictional limits of the City of Waterford.

2.3 SOURCE OF PROGRAM FUNDS

The Program is capitalized with Community Development Block Grant (CDBG) funds provided by HUD through the Stanislaus Urban County CDBG Consortium. CDBG funds are federal funds and as such have a number of federal requirements that must be met, as described below.

2.4 ELIGIBLE APPLICANTS

Applicants for the Program must be new or existing legal businesses, located within the City of Waterford, with a proper local business license, insurance, and required permits per local, state and federal requirements. If an applicant is a new start-up business and does not have proper licenses or insurance, these items can be made a condition of funding the assistance. The business can be a tenant leasing space or an owner of property where the business is located. The existing business must create one or more new permanent full time equivalent (FTE) jobs.

3.0 CDBG PROGRAM REQUIREMENTS

3.1 ELIGIBLE ACTIVITIES

Funds under this program are restricted to certain eligible costs. Some common eligible costs are:

- Operating capital (including license and permit fees)
- Rehabilitation of internal or external leased space or owned buildings (including engineering, architectural, and local permits or fees)

In most cases, assistance funds will be disbursed incrementally on a reimbursement basis, or direct payment of vendor/contractor invoices, as eligible costs are verified.

Funds under this Program are provided to eligible businesses. These favorable terms must be balanced by the receiver and City of Waterford with the requirements to create jobs and meet other CDBG program requirements. The City of Waterford will work closely with the eligible businesses to ensure they understand the requirements of the Program and the benefits of participating.

3.2 INELIGIBLE USE OF FUNDS

- Projects that do not create permanent jobs
- Projects that are for housing construction
- Projects not meeting a CDBG national objective or public benefit or federal CDBG underwriting standards
- Projects that are not located within the City of Waterford limits
- Subsidy of interest payment on existing loans
- Refinancing of existing debt

Funds under this Program will not pay for reimbursement of expenses incurred prior to the City of Waterford's formal assistance approval and/or completion of project's environmental review. Projects must have reasonable assurance of job creation performance. Funds cannot be used to support other businesses in which the receiver may have an interest. Nonprofit organizations are not eligible for funding under this Program. Funding a project without City review of assistance underwriting and formal written approval will make the project ineligible.

3.3 MEETING A NATIONAL OBJECTIVE

All CDBG funded assistance must meet a CDBG "National Objective" as described in the federal regulations (24 CFR 570.208).

Use of funds meeting the National Objective of "elimination of slums and blight on an area basis" must show that the business being assisted is located in a former redevelopment agency project area (or comparable blighted area as may be defined by future legislation) or an area formally designated as such by the City of Waterford. CDBG assistance must be documented as directly assisting the project such that area blight is eliminated or prevented.

3.4 MEETING PROPER PUBLIC BENEFIT REQUIREMENT

Because a private business is receiving public funds, CDBG regulations require the creation of jobs by the business to show public benefit. Under the HUD federal regulations one full-time equivalent (FTE) job must be created for each \$35,000 in CDBG assistance provided. Part-time staff may be combined to make up one FTE. One FTE consists of 2,080 staff hours per year.

As with the national objective requirement outlined above, the CDBG public benefit requirement will be enforced via an assistance agreement that the receiver executes at assistance closing. The assistance agreement requires that the business provide payroll documentation to the City of Waterford showing job creation sufficient to meet the \$35,000 per FTE requirement. Once sufficient jobs have been created and documentation is supplied to the City of Waterford, then no more monitoring for jobs will be required. CDBG assistance is intended to create long term employment opportunities but ongoing long term monitoring is not required.

Each person who is a new hire, or is in a position retained because of CDBG assistance funds, must complete a Self-Certification Family Income Verification form. This form must be completed and provided to the City of Waterford so that the demographic and income information can be included in the annual report submitted to HUD. See Exhibit "B" - Self-Certification Family Income Verification form.

3.5 OTHER FEDERAL REQUIREMENTS

National Environmental Policy Act (NEPA) regulations require an Environmental Review Record (ERR) to be submitted for each project/business funded with CDBG monies prior to award or approval of funds. The City of Waterford is required to complete the proper NEPA review, along with any state review under California's Environmental Quality Act (CEQA) review. The ERR level of review is based on the type of project proposed and all aggregated activities to be undertaken.

Applicants will be informed of any additional time required for assistance processing due to environmental review. The ERR will be done as soon as the City of Waterford determines that the project is eligible for funding. No costs will be charged to the receiver for this process. Once an application is submitted, no activities can be performed on the project until completion of the ERR as this would be a choice-limiting action under NEPA regulations.

Required DUNs number, verification of not being on federal debarred list, and insurance. All businesses who wish to receive funds under this Program will be required to obtain a DUN's number. The DUN's number is free and can be obtained online at www.dnb.com. As noted above, HUD also requires that the City of Waterford collect certain income and demographic data from the business and any new hires resulting from the investment of CDBG funds. Applicants will be required to obtain all proper licenses and insurance to operate legally within the community.

Federal and/or State Labor standards and provisions may apply for projects assisted with CDBG funds. The Receiver attests that all applicable standards and provisions will be strictly adhered to.

Other requirements related to CDBG funds: The Receiver agrees to comply with all other requirements associated with the use of CDBG funds, including but not limited to,

Acquisition, Anti-Displacement, and Relocation provisions, Equal Opportunity and Section 3 regulations, Procurement regulations, and Contractor Eligibility and Certification provisions.

HUD Assistance Underwriting Standards are required to be met by each CDBG assistance sub-recipient. There is some flexibility in how the underwriting criteria are used; therefore the funds under this program are more advantageous than commercial business loans. In addition to the commercial lending underwriting criteria, HUD requires that additional underwriting criteria be used because CDBG funds are public funds being provided to private for profit businesses. See Exhibit "A" for CDBG program underwriting guidelines and a list of the additional criteria and how to comply with them as required.

4.0 ASSISTANCE PROCESSING AND APPROVAL

4.1 FAIR LENDING COMPLIANCE

This program will be implemented consistent with the City of Waterford's commitment to fair lending laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with Program funds on the basis of his or her religion or religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause. All personal information of assistance applicants will be kept confidential.

4.2 ASSISTANCE APPLICATION PROCESSING

Assistance applications will be processed on a first-come, first-served basis. The City will accept assistance applications and review them for initial eligibility. Applications that do not meet basic requirements of the program will be returned with an explanation of requirements needing to be met. Applications that do meet basic eligibility requirements will be sent out with instructions including any requests for additional information. The City of Waterford will also meet with the business owners and visit the site of the business.

Once City staff has compiled a complete assistance file with all the credit, financial, and underwriting information needed to show assistance is eligible under these guidelines, an assistance advisory memo will be drafted recommending one of the following actions: 1) approve the assistance application as submitted, 2) approve the assistance application with special modification of assistance covenants, or 3) deny the assistance application. The assistance advisory memo, with proper documentation, will be submitted to the City of Waterford's Community Development & Housing Loan Committee, for review and approval/denial. If the assistance is approved, assistance documents will be drawn for assistance closing. Applications that do not meet the Program guidelines will receive a written denial letter explaining the reason(s) for denial.

4.3 APPLICANT CONFIDENTIALITY

Persons serving as a City of Waterford representative for this Program will not disclose any of the Receiver's personal, confidential information as part of the assistance

approval process. All confidential information of businesses will only be disclosed to persons required to view the information as part of assistance review and approval and/or as part of CDBG funding monitoring agencies: Stanislaus County or HUD, if requested. If the City of Waterford receives a request for public records for an assistance applicant, only non-confidential information, as verified by legal counsel, will be provided.

4.4 APPLICANT DISPUTE RESOLUTION/APPEALS PROCEDURE

Any business applying for assistance through this CDBG program has the right to appeal if their application is denied. The appeal must be made in writing to the City of Waterford within thirty (30) days of receiving notification that the assistance was denied. All appeals will be directed to the City Manager for a final decision.

The City of Waterford is responsible to assure that the Program is implemented in compliance with state and federal regulations. This includes developing accurate and professional files, work write-ups and contract documents. The City of Waterford or his/her representatives will ensure the funded activities are completed and the jobs are created in accordance with federal regulations.

4.5 NO CONFLICT OF INTEREST ALLOWED

In accordance with Title 24, Section 570.611 of the Code of Federal Regulations, no member of the governing body and no official, employee, agent, or immediate family member of the local government body, nor any other person who exercises policy or decision-making responsibilities in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. Exceptions to this policy can be made only after public disclosure and formal approval by the governing body and authorized in writing by the City of Waterford's legal counsel.

4.6 EXCEPTIONS/SPECIAL CIRCUMSTANCES

Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines.

The City of Waterford may consider an exceptional/special circumstance. A report on the situation will be prepared. This report shall contain a narrative, including the staff's recommended course of action and any written or verbal information supplied by the applicant. The City of Waterford's City Manager, and/or his/her designee, shall make a final determination of the exceptional/special circumstances request.

4.7 ASSISTANCE PROCESS

Upon approval, City staff will prepare all documentation necessary for assistance closing. The Receiver will sign all the necessary documents and agreements. The City of Waterford will prepare the closing documents; prepare title and lien searches, and UCC-1 filings, if appropriate. City of Waterford legal counsel will review all agreements and documents, as necessary.

5.0 DESCRIPTION OF ASSISTANCE

5.1 DETERMINATION OF ASSISTANCE AMOUNT

The Program has a maximum assistance amount of \$35,000, and the minimum amount will generally not be less than \$2,500. Amounts will be determined based on the number of jobs to be created or retained (one new job must be created for any assistance amount), and the reasonableness of the costs to be paid for by the assistance.

5.2 DETERMINATION OF TERM

The assistance will not have a term.

5.3 ASSISTANCE INTEREST RATE

The assistance will not have an interest rate.

5.4 PROCESSING FEES

The CDBG program provides administration funds to pay for assistance processing costs. No direct fees will be charged to the receiver other than the \$100 application fee, refundable upon verification of the new job being created.

6.0 ASSISTANCE UNDERWRITING STANDARDS

6.1 INITIAL ASSISTANCE EVALUATION

Each project/business will be evaluated based on how it has performed in the past and its future financial forecast. Specifically, the following questions will be asked upon receipt of an assistance application:

- Will the business create jobs?
- Will the project meet a CDBG national objective?
- Are the costs to be paid CDBG eligible?
- Are the business and all owners' credit worthy?
- Does business have management capacity?
- Does start-up business have a solid business plan and document market demand?
- Is the owner(s) contributing a reasonable amount of equity?
- Was the business financially viable in the past (net income covers debt)?
- Are there reasonable financial assumptions for future viability/success?

By collecting enough initial application information from the receiver(s) to answer the above list of questions, the City of Waterford will have a good sense of how strong a receiver is and how successful they will be if provided CDBG assistance. Most of this information is verbally collected at the initial site visit with the owner, although additional supporting documentation may be requested. By meeting the receiver and asking these questions the City of Waterford will know what additional information/documentation needs to be collected to provide a clear picture of how CDBG funds can be used to assist the applicant. These questions demonstrate the need for CDBG funds.

After the initial review, the City of Waterford will collect the proper information required for assistance underwriting. The required documentation is listed in the City of Waterford Small Business Assistance Program Application, included as Exhibit "C". The amount of documentation and detailed underwriting is based on size of the assistance and type of business (existing or start-up) and whether job creation or retention is used. Additional documentation may be required to clarify special circumstances of the business. Below are some to the basic underwriting requirements for a typical assistance applicant.

6.2 PERSONAL AND BUSINESS CREDIT REQUIREMENTS

Each applicant may have third party credit reports obtained for them. All owners of the business with twenty five percent (25%) or more interest may be required to have a credit report obtained for them. Most credit reporting services will provide credit scores. For this program, credit scores of 550 and above are generally considered acceptable credit. If no credit scores are available or obtained, then a narrative must be summarized by the City of Waterford to give a justification for making a determination of good or bad credit. This same narrative process will be used for the business credit reports to demonstrate the good standing or poor standing of the business being evaluated.

6.3 PERSONAL AND BUSINESS FINANCIAL INFORMATION

Personal financial statements will be required for each person who owns 25% or more of the business. Financial statements need to show all assets and liabilities of the interest holder. In addition to these statements, **federal tax return statements for owners and the business for the past three (3) years** are needed to give a historic perspective of income.

For the business, historic financial statements will be required. These will consist of the **past three (3) year's balance sheets and cash flow statements**. These statements should be prepared by the person responsible for doing the bookkeeping and finance management for the business. Based on these statements, the City of Waterford can develop ratios for debt service and payment history.

The business will also need to provide future projected financials. These will consist of **proformas showing projected revenue and costs for the business on a monthly basis for each fiscal year from one (1) to three (3) years out**. These pro-formas must also show the increased costs of the business due to the new jobs created.

A project sources and uses form must be provided to show what funding is required to complete the proposed assistance activity. This form will show the owner's equity as well as private bank financing and any other investments from other sources. The sources and uses give a clear idea of what costs the CDBG assistance will cover and its information must be reflected in the pro-formas as described above.

The information in these financial statements, along with any back up documentation required, will allow the City of Waterford to conduct the project's underwriting analysis. This analysis will be conducted per HUD required underwriting guidelines as outlined in Exhibit "A".

Free and confidential assistance is available through the Stanislaus Alliance Small Business Development Center (1020 10th St., Ste. 102 in Modesto, CA; 209-567-4910), to prepare the documentation discussed above.

6.4 COLLATERAL REQUIREMENTS

No assistance under this program will require collateral.

6.5 BUSINESS EXPERIENCE AND MANAGEMENT CAPACITY

The City of Waterford may obtain resumes and management histories to show the experience of business owners and their management staff in successful operation of the existing business or a comparable business. This will be most important with start-up businesses or with applicants that wish to use CDBG funds to purchase an existing business that is closing.

All businesses will be required to provide evidence of having received business counseling with the Stanislaus Alliance Small Business Development Center (SBDC). In addition, start-up businesses will be encouraged to attend a “Start-up Workshop” or comparable course hosted by the SBDC.

7.0 LOAN SERVICING

There are no loan servicing requirements.

8.0 PROGRAM OVERSIGHT BY CITY OF WATERFORD

The City of Waterford staff will serve as the primary contact for the Program. Once assistance is at the point of approval, the City of Waterford’s staff will prepare the assistance package and coordinate submittal for review and approval. City staff will ensure all assistance documents are properly reviewed by legal counsel and meet CDBG requirements prior to signing by the Receiver.

In addition, the City staff will make the final decisions regarding assistance collection, in the case of default, in conjunction with legal counsel. City staff will complete required HUD CDBG financial reports for program income. City staff will complete the proper quarterly and annual reports for review, approval, signature and submittal by the City of Waterford to the appropriate HUD representative.

EXHIBIT “A”

GUIDELINES AND OBJECTIVES FOR EVALUATING A CDBG ECONOMIC DEVELOPMENT PROJECT

The U.S. Department of Housing and Urban Development (HUD) requires that the state or local government conduct basic financial and underwriting prior to the provision of CDBG financial assistance to a business (24 CFR Part 5, Appendix A to Part 570). HUD has developed guidelines that are designed to provide grantees with a framework for financially underwriting and selecting CDBG-assisted economic development projects, which are financially viable and will make the most effective use of the CDBG funds. The City of Waterford requires that these HUD underwriting guidelines be utilized to determine whether a proposed CDBG subsidy is appropriate to assist a business expansion or retention project. In addition, the project must be reviewed to determine that a minimum level of public benefit will be obtained from the expenditure of the CDBG funds in support of the project.

HUD's underwriting guidelines recognize that different levels of review are appropriate to take into account differences in the size and scope of a proposed project, and in the case of a micro enterprise or other small business, to take into account the differences in the capacity and level of sophistication among businesses of differing sizes.

The objectives of the underwriting guidelines are to ensure:

1. That the project costs are reasonable
2. That all sources of project financing are committed
3. That to the extent practicable, CDBG funds are not substituted for non-Federal financial support
4. That the project is financially feasible
5. That to the extent practicable, the return on the owner's equity investment will not be unreasonably high
6. That to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project
7. That the projected level of public benefit is reasonable

Project Costs are Reasonable

Reviewing costs for reasonableness is important. It will help avoid either too much or too little CDBG assistance for the proposed project. Therefore, it is suggested that the grantee obtain a breakdown of all project costs and that each cost element making up the project be reviewed for reasonableness. The amount of time and resources expended evaluating the reasonableness of cost element should be commensurate with its cost.

For example, it would be appropriate for an experienced reviewer looking at a cost element of less than \$10,000 to judge the reasonableness of that cost based upon his or her knowledge and common sense. For a cost element in excess of \$10,000, it would be more appropriate for the reviewer to compare the cost element with a third-party, fair-market price quotation for that cost element. Third-party price quotations may also be used by a reviewer to help determine the reasonableness of cost elements below

\$10,000 when the reviewer evaluates projects infrequently or if the reviewer is less experienced in cost estimations. If a reviewer does not use third-party quotations to verify cost elements, then the reviewer would need to conduct a cost analysis using appropriate cost estimating manuals or services.

Particular attention should be paid to any cost element of the project that will be carried out through a non-arms-length transaction. A non-arms-length transaction can occur when the business entity receiving the CDBG assistance procures goods or services or acquires property from itself or from another party with whom there is a financial interest or family relationship. If abused, non-arms-length transactions misrepresent the true cost of the project.

Commitment of All Sources of Project Financing

A review of all proposed sources of funding for a project will be conducted to evaluate whether the project is financially feasible given the availability and commitment of other proposed funding sources. This review is necessary to ensure that time and effort is not wasted on assessing a proposal that is not able to proceed.

To the extent practicable, prior to the commitment of CDBG funds to the project, the project review will verify that: sufficient sources of funds have been identified to finance the project; all participating parties providing those funds have affirmed their intention to make the funds available; and, the participating parties have the financial capacity to provide the funds.

Avoid Substitution of CDBG Funds for Non-Federal Financial Support

The proposed CDBG economic development project will be reviewed to ensure that, to the extent practicable, CDBG funds will not be used to substantially reduce the amount of non-Federal financial support for the activity. This will help the City of Waterford to make the most efficient use of its CDBG funds for economic development.

To reach this determination, the reviewer will conduct a financial underwriting analysis of the project, including reviews of appropriate projections of revenues, expenses, debt service and returns on equity investments in the project. The extent of this review should be appropriate for the size and complexity of the project and should use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

Because of this high cost of underwriting and processing loans, many private financial lenders may not finance commercial projects that are less than \$100,000. A reviewer should familiarize themselves with the lending practices of the financial institutions in the community. If the project's total cost is one that would normally fall within the range within which financial institutions participate, then the project review should determine the following:

1. **Private Debt Financing:** Whether or not the participating business (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participate in the project; and

2. Equity Participation: Whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the entrepreneur(s) to make additional financial investments.

If the project involves providing assistance to a micro enterprise owned by a low or moderate income person(s), then the reviewer might only need to determine that non-Federal sources of financing are not available (at terms appropriate for such financing) in the community to serve the low or moderate income entrepreneur.

Financial Feasibility of the Project

The public benefit the City of Waterford expects to derive from the CDBG assisted project (a separate eligibility requirement) will not materialize if the project is not financially feasible. To determine if there is a reasonable chance for the project's success, the City of Waterford will evaluate the financial viability of the project. A project would be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, projections of revenue, project expenses and debt service (including repayment of the CDBG assistance, if appropriate) were determined to be realistic and met the project's break-even point (which is generally the point at which all revenues are equal to all expenses). Generally speaking, an economic development project that does not reach this break-even point over time is not financially feasible. The following should be noted in this regard:

1. Some projects make provisions for a negative cash flow in the early years of the project while space is being leased up or sales volume built-up, and the project's projections should take these factors into account and provide sources of financing for such negative cash flow; and
2. It is expected that a financially viable project will also project sufficient revenues to provide a reasonable return on equity investment. The reviewer should carefully examine any project that is not economically able to provide a reasonable return on equity investment. Under such circumstances, a business may be overstating its real equity investment (actual costs of the project may be overstated as well), or it may be overstating some of the project's operating expenses in the expectation that the difference will be taken out as profits, or the business may be overly pessimistic in its market share and revenue projections and has downplayed its profits.

In addition to the financial underwriting reviews carried out earlier, the reviewer should evaluate the experience and capacity of the assisted business owners to manage an assisted business to achieve the projections. Based upon its analysis of these factors, the reviewer should identify those elements, if any, that pose the greatest risks contributing to the project's lack of financial feasibility.

Return on Equity Investment

To the extent practicable, the CDBG assisted activity should not provide more than a reasonable return on investment to the owner of the assisted activity. This will help ensure that the City of Waterford is able to maximize the use of its CDBG funds for

its economic development objectives. However, care should also be taken to avoid the situation where the owner is likely to receive too small a return on his/her investment, so that his/her motivation remains high to pursue the business with vigor. The amount, type and terms of the CDBG assistance should be adjusted to allow the owner a reasonable return on his/her investment given industry rates of return for the investment, local conditions and the risk of the project.

Disbursement of CDBG Funds on a Pro-rata Basis

To the extent practicable, CDBG funds used to finance economic development activities should be disbursed on a pro-rata basis with other funding sources. Grantees should be guided by the principle of not placing CDBG funds at significantly greater risk than non-CDBG funds. This will help avoid the situation where it is learned that a problem has developed that will block the completion of the project, even though all or most of the CDBG funds going into the project has already been expended. When this happens, a grantee may be put in a position of having to provide additional financing to complete the project or watch the potential loss of its funds if the project is not able to be completed. When the grantee determines that it is not practicable to disburse CDBG funds on a pro-rate basis, the grantee should consider taking other steps to safeguard CDBG funds in the event of default, such as insisting on securitizing assets of the project.

Standards for Evaluating Public Benefit (refer to 24 CFR Part 570.209 (b))

Besides reviewing a project under these underwriting factors, the project must be reviewed to determine that at least a minimum level of public benefit is obtained from the expenditure of the CDBG funds. The minimum standard of public benefit is as follows:

1. The project must lead to the creation or retention of at least one full-time equivalent (FTE) job per \$35,000 of CDBG funds used. Part-time staff may be combined to make up one FTE. One FTE consists of 2,080 staff hours per year.

EXHIBIT "B"

CITY OF WATERFORD
SELF-CERTIFICATION FAMILY INCOME VERIFICATION

Following to be completed by the EMPLOYER

Business Name: _____

Business Location: _____ Waterford, CA

Contact Name: _____ Title: _____

Telephone: _____ Email: _____

Date Employee was hired: _____ Number of hours worked weekly: _____

Please check appropriate box: New Employee Retained Employee

Indicate Type of Position Being Filled or Retained:

<input type="checkbox"/> Supervisor/Manager	<input type="checkbox"/> Craft/Skilled Worker	<input type="checkbox"/> Sales
<input type="checkbox"/> Professional	<input type="checkbox"/> Operative/Semi-skilled	<input type="checkbox"/> Service
<input type="checkbox"/> Technician	<input type="checkbox"/> Laborer/Unskilled	<input type="checkbox"/> Office/Clerical

Signature: _____ Date: _____

Following to be completed by the EMPLOYEE

The company you are applying to for employment, or are currently employed with, was assisted under a Federal funding program which has, as one of its objectives, the creation of jobs for low and moderate income persons. Whether you are from a **low/moderate-income family** depends on the size of the household and your total family household income.

Please check the income you estimate was your total family income **and** the number of family members residing in your household for the past 12-month period. Income is defined as the total annual gross income of all **family members** 18-years of age or older residing within the home. Students away at college but still reported as a dependent on a family member's tax return should also be included. **Family** means all persons living in the same household who are related by birth, marriage or adoption.

Check estimated family income
for the past 12 months

Check the number of family members living
in your household during the past 12 months

FY 2012 Income Limits Summary

Stanislaus County, California										
FY 2012 Income Limit Area	Median Income	FY 2012 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Stanislaus County	\$62,000	Extremely Low (30%)	\$13,050	\$14,900	\$16,750	\$18,600	\$20,100	\$21,600	\$23,100	\$24,600
		Very Low (50%)	\$21,700	\$24,800	\$27,900	\$31,000	\$33,500	\$36,000	\$38,450	\$40,950
		Low (80%)	\$34,750	\$39,700	\$44,650	\$49,600	\$53,600	\$57,550	\$61,550	\$65,500

Income Limit areas are based on FY 2011 Fair Market Rent (FMR) areas. For a detailed account of how this area is derived please see our associated FY 2011 Fair Market Rent documentation system.

HUD: December 1, 2011

EMPLOYMENT

STATUS

____ Part-time or ____ Full-time

POSITION CURRENTLY HELD:

OTHER DEMOGRAPHIC INFORMATION Ethnicity: ____ Hispanic or ____ Non-Hispanic



Following to be completed by the EMPLOYEE (Continued)

Race (please check one):

- | | |
|---|---|
| <input type="checkbox"/> White (Caucasian) | <input type="checkbox"/> Black/African American |
| <input type="checkbox"/> Asian | <input type="checkbox"/> American Indian/Alaskan Native |
| <input type="checkbox"/> Native Hawaiian/Other Pacific Islander | <input type="checkbox"/> American Indian/Alaskan Native & White |
| <input type="checkbox"/> Asian & White | <input type="checkbox"/> American Indian/Alaskan Native & Black |
| <input type="checkbox"/> Black/African American & White | <input type="checkbox"/> Other |

I hereby certify that the information on this form is accurate and complete. I understand that this self-certification may be subject to further verification by the agency providing services, the City of Waterford, or the U.S. Department of Housing and Urban Development. I, therefore, authorize such verification, and I will provide supporting documents, if necessary. Warning: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the U.S. Government.

Participant/Employee Name (please print): _____

Signature (Parent/Guardian if under 18 years old)

Date

Please return completed, signed form to:

**City of Waterford
101 "E" Street,
Waterford, CA 95386
Phone: (209) 874-2328**

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-1

Urgent Routine

AGENDA DATE October 16, 2012

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

STAFF RECOMMENDATIONS:

1. Formally suspend the Stanislaus County Economic Development Bank until further notice.
2. Establish a procedure for granting loan repayment modification terms for previously funded projects based on past performance, nature of request, timeliness of repayment and the application of an annual interest charge equal to the County Treasury rate, or at a minimum 1%, on the remaining loan balance.
3. Authorize the Chief Executive Officer, or her designee, to sign amendments to the executed project funding agreements consistent with the newly established procedure.

FISCAL IMPACT:

There is no fiscal impact to the General Fund associated with this item. The Economic Development Bank program earmarked \$1.5 million dollars annually for five years (Fiscal Year 2001-2002 - Fiscal Year 2005-2006) for economic development projects with strong job creation and retention emphasis. Over that five-year period, appropriations were decreased three of those years (total appropriations \$6,211,950). The Board approved an additional \$1.5 million for Fiscal Year 2006-2007 as part of the annual budget approval process. For Fiscal Year 2007-2008, \$1.5 million was approved for the Economic Development
(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2012-519

On motion of Supervisor Monteith, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: Chiesa, Withrow, Monteith, De Martini and Chairman O'Brien

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

FISCAL IMPACT: (Continued)

Bank but redirected to establish the Community Development Fund under the existing program. Since that time, no additional funding has been approved for the Economic Development Bank as a result of the County's fiscal position. Additionally, as part of the budget strategy for Fiscal Year 2009-2010, the Board released \$3 million dollars of Economic Development Bank fund balance to the General Fund during the Final Budget process as part of the County's budget balancing strategy that fiscal year.

To date, the Economic Development Bank has committed \$7,767,212.94 for 25 projects (6 previously funded economic development projects have withdrawn their proposals and others have used only those funds necessary for implementation) and associated administrative costs. Projects have varied from road infrastructure and water system improvements to business park development, renovation efforts and workforce development. 99% of committed funds have been distributed to date. 7% of total funds committed were allocated to grant based projects during the early life of the program. In total, the amount granted for a variety of economic development projects totaled \$551,693. These grants occurred during the early life of the program and this component was ultimately removed in Fiscal Year 2005-2006.

As of September 30, 2012, the uncommitted balance available in the Stanislaus County Economic Development Bank was approximately \$925,000 and includes loan repayments and accrued interest.

DISCUSSION:

On February 13, 2001, the Stanislaus County Board of Supervisors approved the formation of an Economic Development Bank (Bank) for the purpose of providing resources for economic development projects throughout the County. It was the Board's intent that the funds be used by the nine cities (Ceres, Hughson, Modesto, Newman, Oakdale, Patterson, Riverbank, Turlock, and Waterford) and Stanislaus County to finance infrastructure projects that make possible greater opportunities for job retention, creation, and workforce development.

Eligible jurisdictions with an interest in obtaining funding from the Bank were required to complete an application and submit it to the Stanislaus Economic Development and Workforce Alliance (Alliance). The Chief Executive Officer of the Alliance, and his designees, reviewed each application for completeness and eligibility and provided assistance in the application process as necessary. An Advisory Committee, consisting of representatives from each City and the County, evaluated all applications and made recommendations to the Alliance Board. The Alliance Board acted on the Advisory Committee's recommendation. A majority vote of the Alliance Board members was required before an application is forwarded to the Board of Supervisors for their formal

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

review. A majority vote of the Board of Supervisors was required to award funds from the Economic Development Bank.

Completed Projects: Awarded Grants and Loans

The following is a summarized list of completed economic development projects funded from the Economic Development Bank in the form of grants or loans. All loans in this completed list have been repaid in full by the applicant jurisdiction. Grant recipients were not required to pay back awarded funding.

- Ceres Water System Improvements - water system improvements included extension of water mains and a new well to serve the Service Road Industrial Area. Approved on April 9, 2002. \$141,331 loan.
- Denair Community Services District Water Trunk Line - improvements to water line to improve fire flow capacity for downtown business district. Approved on April 9, 2002. \$50,000 grant and \$125,000 loan.
- Hickman Community Development Plan - development of plan with the specific goal of identifying economic development job creation opportunities for Hickman. Approved on April 9, 2002. \$2,310 grant.
- Modesto State Theater Restoration - restoration of the historic state theater located in downtown Modesto. Approved on March 9, 2004. \$150,000 grant.
- Newman Industrial Park Expansion - addition of well and extension of roads and utilities to serve new area (L, M, and Stanislaus Streets) of existing Industrial Park. Approved on April 9, 2002. \$190,000 loan.
- Patterson Baldwin Road Improvements - advanced engineering to design street improvement for the main entry (Baldwin Road) to the West Patterson Business Park. Approved on April 9, 2002. \$210,000 loan.
- Riverbank Enterprise Facilitation - facilitation program that offered technical assistance to existing and proposed small businesses. Approved on March 9, 2004. \$65,248 grant.
- Stanislaus County Enterprise Zone Environmental Impact Report - preparation of Environmental Impact Report document associated with development of Stanislaus County Enterprise Zone. Approved on December 14, 2004. \$65,248 grant.

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

- Riverbank Roselle Master Sewer Line Project - installation of master sewer line serving commercial and industrial development along Roselle Avenue. Approved on July 8, 2003. \$350,000 loan.
- Riverbank Sports Complex - infrastructure improvements (street, sewer, water and storm drain) to serve Riverbank Sports Complex along Morrill Road. Approved on December 19, 2006. \$400,000 loan.
- Stanislaus County North Gateway Business Park Master Development Plan - master development plan for Planned Industrial area in former Salida Community Plan that identified infrastructure requirements and design and use standards. Approved on January 7, 2003. \$67,483 loan.
- Stanislaus County Route 132 East Improvements - widening and improvements of Route 132 East to provide transportation, economic development and responsible growth benefits to Stanislaus County. Approved on October 28, 2003. \$380,765 loan.
- Stanislaus County Targeted Technology Training - computer and software training using several pieces of curriculum with emphasis on job readiness. Approved on July 8, 2003, December 14, 2004 and June 27, 2006. \$187,478 grant.
- Turlock Francil West Main Infrastructure Project - installation of a sewer line system that will serve the Westside Industrial Specific Plan project area to provide necessary infrastructure. Approved on December 14, 2004. \$600,000 loan.
- Waterford Grange Hall - acquisition of Grange Hall building to establish Waterford Museum and Visitor's Center. Approved on April 9, 2002. \$40,000 grant.

Pending Projects: Active Loans

The following is a list of economic development projects funded from the Economic Development Bank through a loan with active repayment schedules. Project funding agreements were executed by the County and each respective government jurisdiction (city, redevelopment agency (now successor agency), or community services district) as appropriate. With the exception of the Riverbank Industrial Park Specific Plan Project, all awarded Economic Development Bank loans have been drawn down by the applicant jurisdiction. Per the executed project funding agreement, the City of Riverbank continues to draw down funds from the Economic Development Bank for the Specific Plan Project as the work is completed and anticipates using the full allocation in the current fiscal year.

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

Knights Ferry Community Services District - Total Loan Balance \$59,820

Knights Ferry Water Treatment Plant - improvements to bring the public water system into compliance with State requirements.

- Loan amount/repaid: \$83,450/\$23,630.
- Repayment terms: to begin within 60 days after project completion in the amount of \$278 per month. Full repayment by December 31, 2028.

Modesto - Total Loan Balance \$500,000

Kiernan Business Park - implementation plan for the development of business park (industrial, residential, commercial and medical office).

- Loan amount/repaid: \$500,000/\$0.
- Repayment terms: to occur when financing mechanism is established which may include Community Facilities District established within the Kiernan Business Park area, loan repayment from developers, specific plan reimbursement fees or other funding mechanism established. If not repaid by March 1, 2014, parties agree to renegotiate another repayment schedule.

Modesto Redevelopment Agency - Total Loan Balance \$405,000

Kansas Avenue Business Park - development of master plan for the revitalization and redesign of the business park.

- Loan amount/repaid: \$405,000/\$0.
- Repayment terms: to occur from development (tax increment, proceed of land sale, tax allocations bonds, etc.). Repayment anticipated to begin when revenue streams become available. If not repaid in full by June 30, 2015, parties agree to renegotiate terms and conditions of loan repayment.
- Listed on Modesto Successor Agency to Former Redevelopment Agency ROPS (Recognized Obligation Payment Schedule) as required per the Redevelopment Dissolution Act.

Newman Redevelopment Agency - Total Loan Balance \$300,000

Newman Downtown Plaza - gateway to downtown plaza from State Highway Route 33 providing both a visual link and pedestrian connection.

- Loan amount/repaid: \$300,000/\$0.
- Repayment terms: to begin on July 1, 2012 at \$60,000 annually. Repayment terms renegotiated in September 2011. Full repayment by July 1, 2016.
- Listed on Newman Successor Agency to Former Redevelopment Agency ROPS (Recognized Obligation Payment Schedule) as required per the Redevelopment Dissolution Act.

Oakdale - Total Loan Balance \$104,000

Wakefield Drive Extension Phase I/II - construction of Gregor Avenue to Wakefield Drive to improve access to the Oakdale Business Park.

- Loan amount/repaid: \$293,000/\$189,000.

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

- Repayment terms: Phase I: repayment of \$115,000 by December 31, 2007. Phase II: repayment of \$178,000 to begin on January 1, 2004 and loan shall be retired within 20 years or by January 1, 2024. City of Oakdale is currently making annual payments of \$9,000.

Patterson - Total Loan Balance \$600,000

Patterson Waste Water Treatment Facility - design of waste water treatment facility expansion to provide sewer capacity for further development in the West Patterson Business Park beyond the Keystone development.

- Loan amount/repaid: \$665,186.37/\$65,186.37.
- Repayment terms: to begin on January 31, 2012 with initial payment of \$65,186.37 and \$100,000 annually in each subsequent year. Repayment terms renegotiated in January 2012. Full repayment by January 31, 2018.

Riverbank - Total Loan Balance \$1,387,805

Riverbank Downtown Improvements - infrastructure improvements, reconstruction of streets, sidewalks, lighting, landscape and Plaza Del Rio in downtown area.

- Loan amount/repaid: \$500,000/\$100,000.
- Repayment terms: to begin on August 1, 2009 with initial \$100,000 payment (already provided to County) and then August 1, 2012 (\$100,000), August 1, 2013 (\$100,000) and August 1, 2014 (\$200,000). Repayment terms renegotiated in October 2010. Full repayment by August 1, 2014.

Riverbank Industrial Park Business Loan Program - development of loan program to create a fund to infuse existing manufacturing business at industrial park with the necessary capital to expand.

- Loan amount/repaid: \$750,000/\$0.
- Repayment terms: City anticipated using tax increment upon Riverbank Army Ammunition Plant property conveyance for repayment. Other repayment sources anticipated included lease revenue and business participation generated from the Riverbank Army Ammunition Plant. Full repayment by November 1, 2013.

Riverbank Industrial Park Specific Plan - development of specific plan for the revitalization and redevelopment of business park.

- Loan amount/repaid: \$300,000/\$0. (Drawn: \$237,804.52)
- Repayment terms: within 60 months of the first disbursement of funding and no later than December 31, 2014, the project will be complete and the loan repaid. City anticipated using a land-secured financing mechanism for repayment (Community Facilities District, Industrial Revenue Bond, Mello Roos, etc.). Full repayment by December 31, 2014.

Turlock/Turlock Redevelopment Agency - Total Loan Balance \$889,305

Fransil Lane/West Main Traffic Signal Construction - development and construction of a traffic signal system at Fransil Lane/West Main intersection.

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

- Loan amount/repaid: \$889,305/\$0.
- Repayment terms: to occur three years after project completion and in annual payments of \$127,043.57 (commencing January 1, 2014). Full repayment by January 1, 2020.
- Listed on Turlock Successor Agency to Former Redevelopment Agency ROPS (Recognized Obligation Payment Schedule) as required per the Redevelopment Dissolution Act.

Status of the Economic Development Bank

On May 2, 2012, the Stanislaus County Chief Executive Officer, administratively suspended the Economic Development Bank loan program in light of the limited jurisdictional interest in utilization (by the few project submissions received in past funding cycles) and the growing uncertainty of repayment of outstanding bank loan obligations by former redevelopment agencies (now successor agencies). The Stanislaus Economic Development and Workforce Alliance was notified of this “soft freeze” of the program and directed not to initiate any additional funding cycles until further notice. At the core of this action was to provide an opportunity for the oversight boards of successor agencies with Economic Development Bank obligations to take action to formalize these as “enforceable obligations” per the Redevelopment Dissolution Act (AB1x 26). In addition, this would also provide an opportunity for Chief Executive Office staff to conduct an evaluation of the program and make recommendations regarding modifications and changes in order to make it a more effective economic development tool. This evaluation is scheduled to be completed during the mid-year review in the current fiscal year. Board action is recommended at this time to formalize the suspension of the Economic Development Bank.

Procedure for Granting Loan Repayment Modification Terms

The Stanislaus County Chief Executive Office has received two recent requests (Newman Redevelopment Agency and City of Riverbank) for modifications to current loan repayment schedules (Attachment A). In the past, such modification requests were considered and approved administratively by the Chief Executive Officer or designee. Given the current economic downturn and local climate, the Chief Executive Officer directed staff to develop a procedure for the granting of loan repayment modifications moving forward. Past history and performance have always been a considering factor and will continue to be so. Additionally, it is appropriate to establish an interest payment component for any changes in repayment schedules in order to recover what it would be earning in the County Treasury. Thus, it is recommended that an annual interest charge equal to the County Treasury rate, or at a minimum 1%, on remaining loan balances be instituted with any future loan repayment modification approvals. The interest based on the County Treasury rate will be calculated for the fiscal year at the time of payment. The current interest rate in the County Treasury earned on pooled cash is approximately 1% and hence the baseline amount. A final considering factor for

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

future requests will be the timing of said payments and specifically the final payoff. Although providing a level of flexibility, payment schedules will not be modified whereby the final payment exceeds three years from the current payoff date. In addition, requests for loan repayment modifications will only be granted approval on a one-time basis. This will prevent jurisdictions from requesting extensions over the three year threshold and more than one time. It is also recommended that Chief Executive Officer, or her designee, be authorized to sign any future project funding agreement amendments consistent with these newly established procedures.

Recent Requests for Loan Repayment Modification Terms

In summary, the requests from the Newman Successor Agency (former Redevelopment Agency) and City of Riverbank would make the following changes to the repayment schedules of their current Economic Development Bank loans.

Newman Successor Agency (Former Redevelopment Agency) Downtown Plaza Project (\$300,000) – modify the five year repayment schedule for annual payments of \$60,000 to begin on March 1, 2013 (rather than July 1, 2012). Full repayment would be achieved by March 1, 2017 (rather than July 1, 2016 or 8 months later). The interest calculation at the current County Treasury rate of 1% of the available balance would be as follows: Fiscal Year 1 - \$3,000; Fiscal Year 2 - \$2,400; Fiscal Year 3 - \$1,800; Fiscal Year 4 - \$1,200; Fiscal Year 5 - \$600; or Five Year Total of \$9,000. The County Treasury rate will be revisited annually each fiscal year to see if an adjustment is necessary for this interest charge calculation. It is important to note that the City of Newman has fully met their past Economic Development Bank loan obligations (Newman Industrial Park). Furthermore, as part of the Downtown Plaza Project, the Newman Successor Agency de-obligated \$100,000 of the total amount approved (\$400,000) for the project originally awarded since other funding sources were accessed and the full allocation from the Economic Development Bank was not needed.

City of Riverbank Downtown Beautification Project (\$400,000) – modify the repayment schedule so that payments are spread into smaller payments over the upcoming years. The current obligation calls for annual payments of \$100,000 in August 1, 2012 and August 1, 2013 and \$200,000 in August 1, 2014. First payment, under the modified schedule, would include an initial payment of \$35,000 in August 1, 2012 (already received in good faith); \$40,000 in January 1, 2013; \$50,000 in August 1, 2013; \$50,000 in January 1, 2014; \$50,000 in August 1, 2014; \$50,000 in January 1, 2015; \$50,000 in August 1, 2015; and \$75,000 in January 1, 2016. Full repayment would be achieved by January 1, 2016 (rather than August 1, 2014 or 17 months later). The interest calculation at the current County Treasury rate of 1% of the available balance would be as follows: Fiscal Year 1 - \$4,000; Fiscal Year 2 - \$3,250; Year 3 - \$2,250; Year 4 - \$1,250; or Four Year Total of \$10,750. The County Treasury rate will be revisited annually each fiscal year to see if an adjustment is necessary for this interest charge calculation. It is important to note that the City of Riverbank has fully

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

met their past Economic Development Bank loan obligations (Riverbank Sports Complex and Riverbank Roselle Master Sewer Line) and intend to meet other current obligations relative to the Riverbank Industrial Park. Furthermore, as part of the Downtown Beautification Project, the City of Riverbank repaid \$100,000 of the total amount approved (\$500,000) for the project originally prior to the changes in economic conditions and dissolution of redevelopment agencies.

POLICY ISSUES:

The recommended action is consistent with the Board priority of A Strong Local Economy and Effective Partnerships. The Stanislaus County Economic Development Bank has successfully provided economic benefits to the community and the effective administration of the program ensures the appropriate use of public funds.

STAFFING IMPACT:

The Chief Executive Office will continue to manage the Stanislaus County Economic Development Bank portfolio with technical assistance provided by the Auditor-Controller and County Counsel. An evaluation of the Economic Development Bank program will be conducted by the Chief Executive Office and brought back for Board consideration during the Fiscal Year 2012-2013 Mid-Year Financial Report as stated in the Adopted Proposed Budget.

CONTACT PERSONS:

Keith Boggs, Assistant Executive Officer, 209.525.6333
Raul Mendez, Senior Management Consultant, 209.525.6333



May 30, 2012

Raul L. Mendez, Community Manager
Stanislaus County Chief Executive Office
1010 Tenth Street, Suite 6800
Modesto, CA 95354

RE: Stanislaus County Economic Development Bank Loan – Payment extension.

Dear Raul:

As you know with the passage of AB 1X26, cities and counties are struggling to adhere to the complicated and confusing criteria. The Newman Successor Agency has two ROPS approved by the Department of Finance. Each ROPS included the Economic Development loan for repayment. However, the current level of tax increment being provided in June 2012 will only cover the bond payment. As a result, the Successor Agency is requesting a modification to the payment schedule that would allow for March payments instead of July. If approved, the first payment would be scheduled for March 1, 2013, with the remaining four payments in March of subsequent years.

Should you have any questions, please feel free to contact me.

Sincerely,

Michael E. Holland
City Manager



City of Riverbank

6707 Third Street
Riverbank, CA 95367
(209) 869-7101 Ph.
(209) 869-7126 Fax

July 20, 2012

Raul Mendez
1010 10th Street Place
County CEO Suite 6800
Modesto, CA 95354

RE: Riverbank Downtown Beautification Project ED Bank Loan Deferment Request

Dear Mr. Mendez,

On August 2010, the Stanislaus County Economic Development Bank approved a deferment for the Riverbank Downtown Beautification Project which modified our repayment schedule to be paid in full by August 2014.

Due to the current economic conditions we still face and the closure of the RDA, the City of Riverbank is asking for a loan extension and a change in repayment terms. If acceptable, the proposed schedule would be payable in the following manner:

- August 1, 2012 (\$35,000)
- January 01 & August 1 2013 (\$40,000 & \$50,000)
- January 01 & August 1 2014 (\$50,000 & \$50,000)
- January 01 & August 1 2015 (\$50,000 & \$50,000)
- January 01, 2016 (\$75,000)

The City of Riverbank is fully committed to meeting its financial obligations and appreciates your patience while we work through these difficult times.

Thank you,

Dawndi Morrell
City of Riverbank
209-863-7112

**ECONOMIC DEVELOPMENT "BANK"
PROJECT FUNDING AGREEMENT**
(Riverbank Downtown Beautification Project)

2013 APR 19 A 10: 27

Amendment No. 1

This Amendment No. 1 to the Project Funding Agreement for the Riverbank Downtown Beautification Project by and between the County of Stanislaus (County) and the City of Riverbank (Applicant) is made and entered into on February 1, 2013.

WHEREAS, the County of Stanislaus and the City of Riverbank hereto previously entered into an agreement dated August 1, 2008, whereby the County would advance funds from the Economic Development "Bank" in the amount of \$500,000 to complete the Riverbank Downtown Beautification Project (hereinafter the Agreement).

WHEREAS, the County approved on October 6, 2010 a modification of the original repayment schedule for the funds drawn in the amount of \$500,000 by the Applicant for completion of the project. At that time, one annual payment of \$100,000 had been made by the applicant leaving a loan balance of \$400,000. The new repayment schedule consisted of the following payments: August 1, 2012 - \$100,000; August 1, 2013 - \$100,000; and August 1, 2014 - \$200,000.

WHEREAS, based on the Redevelopment Dissolution Act ABx1 26 that dissolved redevelopment agencies in the State of California as of February 1, 2012 and as such a source of repayment for Agreement, the Applicant requested a modification to the current repayment schedule that would change the terms of the repayment schedule as follows: August 1, 2012 - \$35,000; January 1, 2013 - \$40,000; August 1, 2013 - \$50,000; January 1, 2014 - \$50,000; August 1, 2014 - \$50,000; January 1, 2015 - \$50,000; August 1, 2015 - \$50,000; and January 1, 2016 - \$75,000.

WHEREAS, on October 16, 2012, the Board of Supervisors established a procedure for granting loan repayment modification terms for previously funded projects based on past performance, nature of request, timeliness of repayment and the application of annual interest charge equal to the County Treasury rate, or at a minimum 1%, on the remaining loan balance.

NOW, THEREFORE, the parties hereto mutually agree to amend said Agreement as follows:

1. Paragraph 1.4 of the Agreement is amended to read as follows:

1.4. The payments of up to \$500,000 from the "Bank" to the Applicant shall be set up as an account receivable by the County Auditor-Controller which shall be retired over time by the Applicant. This receivable shall be entirely retired by the Applicant by the date specified in the repayment schedule set forth in Section 2.2 or any extension agreed to in writing by the County. An annual interest charge equal to the County Treasury rate, or at a minimum 1%, on the remaining loan balance shall be due within 30 days of the annual payment. The annual interest charge shall be calculated by the Chief Executive Office and an invoice for the amount due will provided to the Applicant a month prior to the date of the first annual payment (in August). The County shall designate that the

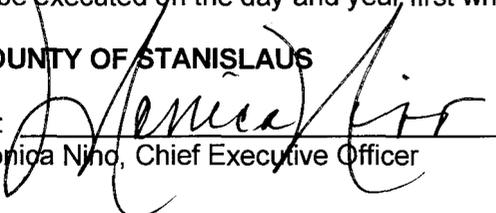
County Auditor-Controller provide the Applicant with the status of the receivable account upon receiving a written request from the Applicant; otherwise, a statement showing the status of the account will be provided to the Applicant at the end of each fiscal year.

2. Paragraph 2.2 of the Agreement is amended to read as follows:

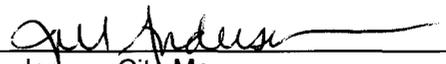
2.2 Applicant agrees that the Project will be completed and repayment to the "Bank will be as follows: August 1, 2009 - \$100,000; August 1, 2012 - \$35,000; January 1, 2013 - \$40,000; August 1, 2013 - \$50,000; January 1, 2014 - \$50,000; August 1, 2014 - \$50,000; January 1, 2015 - \$50,000; August 1, 2015 - \$50,000; and January 1, 2016 - \$75,000. The payments will also include an additional annual interest charge of 1% of the balance due to the "Bank" within 30 days of receipt of invoice. If the funds advanced by the "Bank" to the Applicant are not repaid in full by the date specified, the Applicant agrees to meet with the County to renegotiate the repayment terms and conditions of this Agreement.

All other term and conditions of the Agreement shall remain in full force and effect. IN WITNESS WHEREOF, the parties hereto have caused Amendment No. 1 to the Agreement to be executed on the day and year first written above.

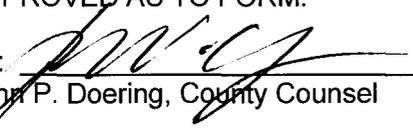
COUNTY OF STANISLAUS

By: 
Monica Nino, Chief Executive Officer

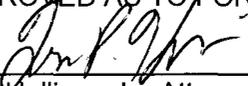
CITY OF RIVERBANK

By: 
Jill Anderson, City Manager

APPROVED AS TO FORM:

By: 
John P. Doering, County Counsel

APPROVED AS TO FORM:

By: 
Tom Hallinan Jr., Attorney for Applicant



CALIFORNIA ECONOMIC DEVELOPMENT INITIATIVE

NEW TOOLS FOR A NEW ECONOMY

An informational briefing from The Governor's
Office of Business and Economic Development

NEW CALIFORNIA INCENTIVES:

AB93 & SB90 reshape and strengthen the state's economic development tax programs to bolster California's business environment and put Californians back to work. Building upon the framework of existing targeted programs, these bills redirect roughly \$750 million annually from the current geographically limited Enterprise Zone program to three new business incentive programs.

**A LOOK AT THE NEW
PROGRAM COMPONENTS...**

SALES TAX EXEMPTION

The existing sales tax credit for businesses located in Enterprise Zones will be expanded to a statewide sales tax exemption on manufacturing equipment or research and development equipment purchases by companies engaged in manufacturing or biotechnology research and development. A business will be allowed to exclude the first \$200 million equipment purchases from the state share of sales tax (4.19%) beginning on 7/1/14. The sales tax exemption will be available statewide until 6/30/22.

HIRING CREDIT

The hiring credit is for businesses located in census tracts with the 25 percent highest share of both unemployment and poverty in the state. The hiring credit also applies to current Local Agency Military Base Recovery Areas (LAMBRA) and Enterprise Zone boundaries excluding wealthy areas. The hiring credit also reinstates the boundaries for two recently expired Enterprise Zones in Antelope Valley and Watsonville. The hiring credit will be available for the hiring of long-term unemployed workers, veterans within 12 months of separation from service, people receiving the Federal earned income tax credit, ex-offenders and recipients of CalWorks or general assistance. The hiring credit will only be allowed to taxpayers who have a net increase in jobs. The hiring credit will be 35 percent of wages between 1.5 and 3.5 times the minimum wage for a period of five years. In five pilot areas designated by GO-Biz the credit will be calculated on wages starting at \$10 per hour. The hiring credit is available for employees hired between 1/1/14 and 1/1/21.

INVESTMENT INCENTIVE

The California Competes Credit will be created and administered by GO-Biz. Businesses will have the opportunity to compete for available tax credits. Criteria for competition includes the number of jobs to be created or retained, the extent of poverty in a business development area, a minimum compensation limitation and a set job retention period. Approval of any proposed incentive will be made by a five member committee composed of a representative from the Treasurer's office, Department of Finance, GO-Biz, the CA Senate and CA Assembly. Approved credits may be recaptured if a business fails to fulfill the terms and conditions of the contract. 25% of these credits will be designated for small businesses.

FORMER ENTERPRISE ZONE PROGRAM

Taxpayers will be allowed to continue using Enterprise Zone carryover credits for 10 years and will be able to continue to earn hiring credits for employees hired prior to January 1, 2014.



AB93 & SB90 VS. FORMER ENTERPRISE ZONE LAW



**Enterprise Zones
Former Program**



**Governor Brown's
Proposal - AB93 & SB90**

Manufacturing Equipment Sales Tax Exemption



Enterprise Zones
Former Program



Governor Brown's
Proposal - AB93 & SB90

Incentive Type

- Income Tax Credit

- Sales Tax Exemption

Value of Incentive

- Limited by income earned in the zone

- Eliminates California portion of sales tax (4.19%)

Maximum Annual Amount

- \$1 million of equipment for non-corporations; \$20 million for corporations

- \$200 million of equipment regardless of entity type

Getting The Incentive

- Claim made when annual income tax return is filed

- Benefit immediate - no state tax paid at time of purchase

Business Location

- Must locate in enterprise zone

- Anywhere in California

Equipment Qualified for Tax Incentive

- Basic manufacturing equipment - no research and development

- Basic manufacturing equipment AND
 - R&D for manufacturing & biotech
 - Addition of necessary tenant improvements (ex: clean rooms)

Hiring Credit



Enterprise Zones
Former Program



Governor Brown's
Proposal - AB93 & SB90

- Middle Class Wages
- Max Credit Amount
- Credit Calculation
- Employee Qualifications
- Poverty Area Targeting
- Retroactive Availability
- Credit to Replace Current Employees
- Incentive Transparency

- NO - credit based on wages paid UP TO \$12 an hour
- \$36,000 per employee (five year total, 2,000 hours)
- 50% of wages in first year. Declines 10% each year to zero for a total of 150%
- Extensive. Consultants hired to claim business' credits for them
- Zone boundaries are gerrymandered for interests other than reducing poverty
- Yes
- Yes - common use of program
- No - tax information is confidential

- YES - credit based on wages above \$12 an hour and up to \$28 an hour (or above \$10 an hour base in limited pilot areas).
- \$56,000 per employee (five year total, 2,000 hours)
- 35% of wages each year for a total of 175%
- Persons unemployed 6 months, veterans within one year of separation, Earned Income Tax Credit recipients, ex-offenders and recipients of CalWorks or general assistance.
- Areas based on census tracts with highest unemployment and poverty rates as well as LAMBRAS and current enterprise zone boundaries (excluding wealthy areas).
- No
- No - employer gets credit only for increasing jobs
- Yes - Tax credit info will be publicly posted on FTB webpage

California Competes Incentive Credit



Enterprise Zones
Former Program



Governor Brown's
Proposal - AB93 & SB90

Incentive Transparency

- No - Tax information is confidential

- Yes - All California Competes incentive awards will be made public and award information must be posted on the GO Biz webpage

Expanding Businesses

- Businesses can only expand in an enterprise zone

- Location can be ANYWHERE in California

Attracting Businesses

- Businesses wishing to move to California can only locate in an enterprise zone

- Location can be ANYWHERE in California

Return On Taxpayer Dollars

- Incentivizes low paying jobs

- GO-Biz negotiates amount of credit based on factors including the number of jobs, location and new capital investment.