

NEWBERG ECONOMIC DEVELOPMENT REVOLVING LOAN FUND PROGRAM GUIDELINES

March 2010

Manufacturing Loans

1. Must be planning to be or is actively engaged in a business.
2. Annual gross sales/receipts over \$4,000,000 are not eligible; an exception may be made for an assumption.
3. All funds may be loaned out to manufacturing.
4. Job creation or retention will be considered as part of the loan approval process. A target is one job for each \$20,000 loaned. Business shall annually report the number of employees in the business for the current and prior two (2) years during the life of the loan.
5. Loans can be made for up to 50% of the total project; private investment match must be made within six months following the date of loan approval.
6. No loans shall be for less than \$10,000, nor more than \$200,000, or up to 50% of the cash balance available in the fund to be loaned whichever is greater.
7. Loans must be collateralize at 125% for loans equipment as collateral and 100% for loans using real estate as collateral based on an appraisal or other valuation process approved by the City.
8. Loans may be used for business activities that are subject to reporting to the Internal Revenue Service including land, building, equipment and working capital; working capital shall not exceed 20% of the EDRLF. Businesses engaged in business activities that are illegal in the State of Oregon or include State legalized gambling are not eligible to receive funds under the EDRLF program. Businesses involved in the distilling of beer or wine, or, operating under the following Oregon Liquor Control Commission license categories are eligible to receive loan funds:
 - A. Bed and Breakfast License (BB) allows bed and breakfast establishment to sell and serve beer and wine to guests;
 - B. Brewery-Public House License (BP) allows sale of beer, wine, and hard cider to drink at the microbrewery and for off-premises consumption;
 - C. Class C Dispenser (DC) issued to restaurants without separate bars or lounges;
 - D. Restaurant License (R) permits sale of beer and wine with meals in a restaurant setting.
9. Interest rate shall be set by the City Manager for up to 70% prime, but not less than 6% per annum.
10. No loans for refinancing of current debt.
11. Loan servicing fee of 1.5% of the principal loan amount to be deducted from loan proceeds.
12. Repayment terms:
 - A. Three years for working/equity capital;
 - B. seven years or the useful life of the equipment whichever is less, for equipment;
 - C. 15 years for land and/or buildings. Loans larger than \$40,000 may be amortized over 20 years, but a balloon payment would be due at 10 years. The city's program would be based on the same terms provided by the primary lender unless specific terms are granted. The purpose would be to minimize the payments for 10 years.
13. The business must be located in the City of Newberg.
14. The terms and conditions, which must be met to secure the collateral, shall be similar to the bank loans.

Service, Professional, Wholesale, Retail Loans

1. Must be planning to be or actively engaged in a business.
2. Service, professional, wholesale or retail enterprises are eligible to receive up to 30% of the funds under this program; two-thirds of the 30% shall be loaned to businesses in the downtown core.

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3. Annual gross sales/receipts over \$4,000,000 are not eligible: an exception is an assumption.
 4. All funds may be loaned out to manufacturing.
 5. Job creation or retention will be considered as part of the loan approval process. A target is one job for each \$20,000 loaned. Businesses shall annually report the number of employees in the business for the current and prior two (2) years.
 6. Loans can be made for up to 50% of the total project; private investment match must be made within 6 months following the date of loan approval. Loans of \$20,000 or less may be made for up to 80% of the project cost; and on a decreasing sliding scale from 80% to 50% of the project cost at a value of up to \$40,000. For loans over \$40,000, the 50% of the total project criteria shall apply.
 7. No loans shall be for less than \$10,000, or more than \$200,000. The Council may authorize an increase in the limit if the funds are not utilized.
 8. Loans must be collateralized at 125% for loans using equipment as collateral and 100% for loans using real estate as collateral based on an appraisal or other valuation process approved by the City.
 9. Loans may be used for business activities that are subject to reporting to the Internal Revenue Service including land, building, equipment and working capital; working capital shall not exceed 20% of the EDRLF. Businesses engaged in business activities, which are illegal in the State of Oregon or include State legalized gambling are not eligible to receive funds under the EDRLF program. Businesses involved in the distilling of beer or wine, or, operating under following Oregon Liquor Control Commission license categories would be eligible to receive loan funds:
 - A. Bed and Breakfast (BB) allows bed and breakfast establishments to sell and serve beer and wine to guests;
 - B. Brewery-Public House License (BP) allows the sale of beer, wine, and hard cider to drink at the micro-brewery and for off premises consumption;
 - C. Class C Dispenser License (DC) issued to restaurants without separate bars or lounges; and
 - D. Restaurant License (R) permits sale of beer and wine with meals in a restaurant setting.
 10. Loans of \$40,000 or less may be made at an interest rate of 5% for building improvements or business location or expansion within the downtown area bordered by East side of River Street, South side of Second Street including the businesses located on Second Street, West city Limits and the South side of Sheridan Street. For loans over \$40,000, the interest rate shall be 6% or up to 70% of prime, whichever is greater. Loans with interest rates less than 6% may be subject to higher late payment charges and a late charge may be charged.

Downtown Area (River, Second, West city Limits, Sheridan) Terms and Conditions

<u>Term</u>	<u>Amount</u>	<u>Interest Rate</u>
10 years	\$40,000 or less	5%
10 years	over \$40,000	6% or up to 70% of prime

11. No loans will be made to refinance current debt.
12. Loan servicing fee of 1.5% of the principal loan amount to be deducted from loan proceeds.
13. Repayment terms:
 - A. 3 years for working/equity capital;
 - B. 7 years or the useful life of the equipment whichever is less, for equipment;
 - C. 15 years for land and/or buildings. Loans larger than \$40,000 may be amortized over 15 years, but a balloon payment would be due at 10 years. The city's program would be based on the same terms provided by the primary lender unless specific terms are granted.
14. Business must be located in the City of Newberg.
15. There are terms and conditions which must be met to secure the collateral and these are similar to the bank loans.

Land Option Assistance and Affordable Housing

Land Option:

1. The City may use up to \$20,000 to place an option on property proposed to be used for moderate to low income housing which will be developed by a non-profit housing authority or other non-profit home builder.
2. The option must be requested in writing by the non-profit entity and must be approved by the City Council.
3. The option shall not extend more than one (1) year and shall be repaid at the time the final occupancy permit is issued by the City building department, unless the cost of the option is forgiven by action of the City Council.
4. The total funds to be used for an option shall not exceed a total of \$20,000 in any fiscal year, nor \$60,000 total from the fund.

Affordable Housing:

1. The City may use up to \$50,000 of the total EDRLF to finance silent second mortgages for approved low-income families. Each silent mortgage shall not exceed \$10,000.
2. The mortgage must be requested by non-profit agency dedicated to increasing home ownership opportunities.
3. The mortgage must be repaid in full if the home is sold or in full seven (7) years from the loan closing. The City may extend the silent second mortgage period if the family maintains the home and continues to qualify as low income. Interest on the loan shall accrue during the life of the silent mortgage at a rate of 5% per year.
4. The City will not subordinate its second position on the loan.
5. The agency must arrange for, or provide, owner support counseling to assist the owner in order to meet the refinancing obligation.