



Hinesville Downtown Development Authority's
Discover Downtown Hinesville
Revolving Loan Fund

Underwriting Policy as of February 24, 2021

OVERVIEW

Based on a 2019 survey conducted by the Carl Vinson Institute at the University of Georgia as part of the Downtown Hinesville redevelopment plan, the top issue identified was the need to create a vibrant downtown with entertainment, dining and cultural activities, especial after 5pm.

This revolving loan fund is established to increase opportunities to maximize vacant downtown spaces by targeting those businesses the community want to see downtown – restaurants, entertainment venues and cultural experiences.

GOAL & OBJECTIVE

The goal of the Hinesville Downtown Development Authority's (HDDA's) Discover Downtown Hinesville Revolving Loan Fund (DDHRLF) Program is to provide flexible and expedient gap funding to new or expanding small businesses to purchase land or buildings within the HDDA boundaries; and make them move-in ready. Preference will be given to projects that provide permanent employment and/or prevent or eliminate slum or blight, maximize vacant downtown spaces, and/or interject cultural experiences in downtown. The Hinesville Downtown Development Authority functions as the Economic Restructuring Committee of the Hinesville Downtown/Main Street Program.

SCOPE

This Program is designed to assist small service, commercial, and retail businesses in Hinesville downtown development district by providing "gap" financing. Provisions of assistance to private, for-profit entities must be contingent upon firm commitments of financial participation from other sources such as private financial institutions or the private entity themselves. This financial assistance must meet the overall program objectives and must result in the creation or retention of permanent jobs within Hinesville's downtown development district to mitigate unemployment.

FEES

Application fee #1: \$50 is due with application submission

Application fee #2: Upon loan approval, a \$100 processing fee must be received in order for a commitment letter to be issued.

ELIGIBILITY

The HDDA's Discover Downtown Hinesville Revolving Loan Fund is limited to businesses located or created within Hinesville's downtown development district.

Funds may be used for start-up capital costs including:

- Real estate acquisition, development, redevelopment and new construction
- Rehabilitation of public and private infrastructure and facilities
- Eligible capital expenditures (equipment)

In order to qualify for this Program, a business must generally have a net worth of less than six million dollars (\$6 million) and a net profit after taxes of less than two million dollars (\$2 million) annually. No loans will be considered if the proposed jobs retained or created are less than the ratio of one job per \$25,000 of loan funds. The HDDA DDH RLF requests must be at least \$20,000, but not more than \$50,000. **A person may only have one (1) active Revolving Loan Fund application of up to fifty thousand dollars (\$50,000) at a time.**

The business will be required to obtain at least fifty percent (50%) of project costs from a private lender, private equity or self funding.

The HDDA DDH RLF may be used in combination with the Georgia Cities Foundations' Revolving Loan Fund, Georgia Department of Community Affairs (DCA) Downtown Revolving Loan Fund and any other incentive programs offered by the Hinesville Downtown Development Authority.

Any borrower may withdraw their loan application at any time before closing by giving written notice to the Hinesville Downtown Development Authority.

INELIGIBLE ACTIVITIES

Ineligible activities include, but are not limited to:

1. Funding of a job that would cost more than \$50,000 in RLF funds per job
2. Reimbursement of project costs prior to submission of RLF application
3. Refinancing of permanent debt (a business' use of interim financing is allowed)
4. Payment of delinquent taxes or debt
5. Research & development costs for product creation
6. Engagement of Political activities
7. Reimbursement of Operating costs

CRITERIA FOR APPLICATION EVALUATION

Highest consideration given to those businesses that demonstrate they will create and/or retain the highest number of permanent jobs for the least amount of public expenditure.

Provision of assistance to private, for-profit entities when the assistance is appropriate to implement an economic development project that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:

- Creates/retains permanent, full-time jobs or part-time jobs converted to full-time equivalent;
- Prevents or eliminates slums and blight;
- Meets urgent needs;
- Creates, retains or expands businesses owned by community residents; or
- Assists businesses that provide goods or services needed by residents.

APPLICANT REQUIREMENTS

1. Established businesses shall provide a profit and loss statement for the past three (3) years and a cash flow pro forma of at least three (3) years to indicate future needs of the business.
2. Personal financial statements for the past three (3) years are required.
3. A market analysis/business plan should be made for each small business making an application to the RLF. The market analysis should include the following:
 - a. Business or product definition such as the mix of goods, merchandise, and/or services to be produced or sold.
 - b. Market description including primary and secondary trade areas, potential customer categories, major competitors, and marketing strategies.
 - c. A “Needs Assessment” based on statistical data and evaluation of such factors as data supporting this need and an evaluation of success potential.
 - d. Projection of return on investment based on the information gathered and analyzed for the product and/or service.
4. Applicant must fully address the purpose of the loan and the time schedule for implementation if funded.
5. Applicant must inject five percent (5%) of their own equity into the project (cash, equipment, land, etc).
6. The goal of this Program is the creation/retention of jobs. Therefore, each applicant must commit to the number of jobs created or retained through this financial assistance.
7. Description and documentation of ownership of collateral and its certified market value to be used for the loan. In some cases, the DDA may require an appraisal be conducted.
8. List of credit references, and how they may be contacted.
9. Funds awarded must begin to be utilized within sixty (60) days of award.
10. The Underwriting Policy will be provided by the DDA to all businesses requesting a copy. A list of all persons receiving a copy will be maintained in the DDA RLF file in order of date of receipt. This process results in a “first come, first served” method of service. When a minimum amount of cash is on hand, the prospective applicant at the top of the list of underwriting policy recipients will be notified by the RLF Committee by certified mail, return receipt requested, that they have two (2) weeks from the date of receipt of the certified mail in which to submit an application to the RLF committee.

The applicant will have thirty (30) calendar days from the date of any written request to submit additional information needed to complete the application process. Applicants failing to respond to the notice or request for additional information may, at the discretion of the RLF Committee, be removed from or placed at the bottom of the list.

The Hinesville DDA and the Loan Review Committee reserve the right to request and require

further information that they deem necessary to make a decision as to whether or not to approve an application under this Program.

It should be noted that if new construction is a part of the overall project, special conditions may apply. Site improvements may also necessitate special considerations.

TERMS AND CONDITIONS

All applicants for the Hinesville Downtown Development Authority Revolving Loan Fund are required to obtain fifty percent (50%) of the funds for the project from a private lending institution, private equity or self funding. A lending institution is any person, firm or corporation that will lend the necessary funds for the project. Applicants can use their own funds/investment to meet this requirement.

As part of the application process, each applicant is required to provide a letter of commitment from the lending institution acknowledging their agreement to finance at least fifty percent (50%) of the asset/working capital of the project. This letter must include the following terms: interest rate, term of loan, collateral, and any other requirements stated as part of the loan. The letter must be signed by the lending institution or a person authorized to make such a commitment for that lending institution. All applicants must prove to the satisfaction of the Loan Review Committee that they have the ability to cover all debt services and initial equity investment.

Fixed Asset Loans will be made at an interest rate of one-half (1/2) of the prime rate (as published in the most current Wall Street Journal) less one, and not lower than one percent (1%) nor higher than five percent (5%). The life of the loan is not to exceed the life of the asset. Applicants for fixed asset loans are also eligible for one (1) year deferral on the principal, followed by a five- to-ten- (5-10) year- payback of the loan. The Loan Review Committee of the DDA will determine the length of the loan. **Note:** A fixed-asset loan secured by real property may have the following terms if approved by all levels of review: an interest rate of two and one half percent (2.5%) and a term of up to fifteen (15) years.

All loans will be screened and approved after review of each of the following, in order of approval:

1. Loan Review Committee of the Revolving Loan Fund
2. Hinesville DDA, which has the final authorization to approve a project funding.

The Loan Review Committee for the Hinesville DDA's Revolving Loan Fund reserve the right to request and require further information. Upon receipt of a complete application, every effort will be made to respond to the applicant within thirty (30) days of the date of receipt of the application. If the application is denied, applicants may request in writing why the applications was turned down.

RECAPTURED FUNDS

All funds "recaptured" by Hinesville DDA from this program shall be returned to the revolving loan fund account and used only for future economic development projects. The accounting and administrative system used to account for the Hinesville Downtown Development Authority RLF

shall at a minimum conform to the City of Hinesville's requirements, and an accounting of the Hinesville DDA's Revolving Loan Fund shall be included in the DDA's annual audit.

APPLICABLE COMPLIANCE REQUIREMENTS

Conflict of Interest Prohibitions

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

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

The prohibitions against benefiting from a RLF project would apply to the covered individuals (elected or appointed official, employee, agent, consultant, officer, etc.) or family member living in the same household as the covered individual, for one (1) year following their tenure in the covered position. If questions arise concerning conflict of interest prohibitions, please, contact the Downtown Development Authority in order to discuss the situation before proceeding with a questionable project.

Auditing Requirements

RLF accounting standards are to comply with the generally accepted accounting principles found in the Governmental Accounting and Financial Reporting Standards (State of Georgia Accounting Procedures Manual, July 2003 or most current version).

Loan Collection Policy

Following is the collection policy for all loans made by the Hinesville DDA from the Revolving Loan Fund:

1. The loan servicing policy is that full payment will be made each month in a timely manner.
2. If full payment is not made within 15 days, a \$35 penalty is added to the monthly amount due.
3. If full payment is not made within 30 days, a letter is sent by the DDA reminding the borrower of his or her overdue payment and warning them of actions to be taken for non-payment.
4. If full payment is not made within 60 days, a letter is sent by the City Attorney informing the borrower that they are in default and immediate payment must be made.
5. If full payment is not made within 90 days, the loan will be turned over to a collection agency or processed through the court system for default.

For those borrowers who are consistently late in making payments to the Hinesville DDA, the Revolving Loan Fund committee may deviate from the policy set forth above. On the third instance within a one (1) year period where borrower has not made full payment in 30 days, the RLF committee may immediately request the City Attorney to inform the borrower that he or she is in default and immediate payment must be made in full. Any additional instances, where the

borrower is 30 days or more late, may be immediately referred to the City Attorney to inform the borrower that he or she is in default and immediate payment must be made.

The RLF committee may depart from the collection policy if a hardship can be documented to the DDA's satisfaction. The determination of whether a hardship exists shall be at the sole discretion of the Hinesville DDA. The DDA should maintain a copy of any departure from the foregoing policy in the borrower's file.

NOTIFICATION

The HDDA reserves the right to announce all loan commitments publicly.

For additional information, please contact the Hinesville Downtown Development Authority at (912) 877-4332, or Michelle Ricketson, HDDA executive director at mricketson@hinesvilledowntown.com.

HDD RLF DEFINITIONS:

- **Fixed Asset** – Permanent business properties such as land, buildings, machinery, and equipment.
- **Gap Financing** – The portion of funds supplied by the DDA through the RLF that allows a business to remain in operation, expand operations, or “startup” that would not take place without this financial assistance.
- **Job** – Permanent, full-time employment for a period of not less than 365 days. Part-time jobs must be converted to full-time equivalents, (i.e. two part-time jobs equal one full-time job.)
- **Job Retained** – A job that would be lost if the financial assistance from the DDA was not provided. The business applying for the funds must prove to the satisfaction of the Loan Review Committee of the RLF that these funds are necessary.
- **New Job Created** – A job that was not in existence and represents a new budgeted position that will be filled within six (6) months. The job must be tangible and the applicant must commit that this job will be filled after the loan from the DDA.
- **Loan Review Committee (LRC)** – Public and private citizens, who are professionals in the area of finance appointed by the Hinesville DDA to review all applications for RLF. There should be at least five persons on the committee, and they may consist of City Finance Officers, Bank Loan Officers, Downtown Development Director, Downtown Development Chairman, Accountants, Realtors, Lawyers, etc. The Committee should encourage female and/or minority representation, and in general, represent the demographic make-up of the City.
- **Market Analysis** – Objective process whereby the need, market potential, and expected return on investment are determined for a particular product and/or service.
- **Pro Forma** – Estimation of anticipated expenditure, revenues, and cash flow for a given period of time.
- **Start-Up** – A “startup” venture is the creation of a new business that was not previously in existence.
- **Slum or Blight on a “spot basis”** – Acquisitions, clearance, relocation, historic preservation and building rehabilitation activities which eliminate specific conditions of blight or physical decay on a spot basis that may not be located in a slum or blighted area. The blight or physical decay must be documented by the City of Hinesville to meet local or state definitions of blight and physical decay (a sample resolution declaring slum or blight can be obtained from DCA). Under this standard, the activity is limited to the extent necessary to eliminate specific conditions detrimental to the public health and safety.
- **Slum(s) or Blight on an “area basis:** -
 - a) The area, delineated by the City of Hinesville, meets a definition of blighted, deteriorated or slum area under state or local law;
 - b) Throughout the area there is a substantial number of deteriorating buildings or the public improvement are in a general state of deterioration;
 - c) The assisted activities address one or more of the conditions which contributed to the deterioration of the area; and
 - d) The City of Hinesville keeps records sufficient to document its finding that a project meets the National Objective of elimination or prevention of slums and blight.