

NORTHWEST JACKSONVILLE ECONOMIC DEVELOPMENT FUND ("NWJEDF")
GUIDELINES AND PROCESSES
Adopted May 22, 2007
City Council Ordinance 2007-281

Goals of NWJEDF:

- Create new service and retail businesses to serve target neighborhoods.
- Create access to jobs for area residents.
- Provide low interest loans and grants to existing businesses located in the area or new businesses desiring to locate in the area to finance the purchase of machinery and equipment and/or leasehold improvements or façade renovations, where the property owner or leaseholder is located in targeted area(s).
- Encourage investment in older and underutilized buildings within the corridors.
- Stimulate new small business investment within the target area that adds to the tax base.
- Provide loans for business expansion and new commercial development by area residents.

General guidelines for all projects:

- Business must be located within NWJEDF area boundary.
- Completed personal financial statement if a business is not a corporation.
- Initial businesses, for infrastructure only.
- Existing business (defined as 2+ years in business) shall submit at least two years of most recent financial statements or tax returns.
- New commercial development shall submit a complete business plan with pro forma for three to five years projections and demonstrate relevant experience.
- Provide evidence of proper zoning.
- Provide cost estimate for proposed acquisition and/or improvements (to include machinery & equipment purchases and/or proposed leasehold improvements).

Pre-Qualification Checklist:

Business Information –

- Business in existence for two years (unless new commercial development)
- Industry experience of owners/proprietors (resumes/personal biography)
- Demonstrated need/demand for product or service (e.g. Neighborhood Action Plan, Market study, Town Center Initiative Study, Commercial Corridor Study)
- Legal structure, proper licensing and permits and required insurance
- Description of how the funds will be used (Written price quote, invoice, appraisal, etc.)
- Statement of projected job creation with salary breakdown.

Financial information –

- Client will provide 2 years of corporate or personal tax returns
- Existing businesses will provide most recent 2 years of fiscal year end (FYE) financial statements
- Personal financial statement (for new commercial development and non-incorporated businesses)
- Individual and/or corporate credit report (lender's credit report)
- Most recent interim financial statement
- Statement of owner's equity/private capital investment in business and any proposed expansion or relocation (and proof, if available, that client attempted to obtain private financing)
- Financial projections (to include month to month cash flow, projected income statements and balance sheets with assumptions, if business is less than 5 years old).
- Statement of financial contingency plans for dealing with changes in market, cash flow projections not meeting expectations etc.

Technical assistance –

- Counselor may provide necessary assistance to client for completion of business plan.
- Counselor may provide information and guidance on the incorporation process.

Grant/Loan Terms:

- Interest rate on loaned funds will be assessed at a **current base rate of 3%. Rate may be changed at the discretion of the Board based upon market conditions.** Loans should be priced either at or below market rates in order to provide the public policy incentive.
- **City's total contribution can not be more than 25% of the cost of total project cost.**
- **Grant amount can not exceed 10% of total project cost. Grants will be considered based upon the need for gap financing as established through the formal credit underwriting process.**
- **City money shall be the last money used toward the project, oversight entity will confirm the grant/loan recipient's required contribution prior to disbursement of grant/loan.**
- **Loan security may be subordinated to private financing, so long as the City is in no lower than 2nd lien position.**
- **Equity investment of a minimum 20% of the total project cost required. Equity may be defined as ownership interest in property.**
- Written documentation outlining justification for City investment. (e.g. cash flow statements, demonstrated appraisal gap, etc.)
- Upon sale or transfer of property within 5 years of grant, the City is to be reimbursed based on declining scale (e.g. 100% first year, 20% during the 5th year).
- Liens shall be filed against the property and recorded in the Duval County Public Records.
- Recipients of grants or loan agreements to record an encumbrance on the property prohibiting the use of the property for the prohibited uses as

defined herein, for the term of the grants or loans, unless the funds were used for infrastructure in which case the encumbrance shall run with the land.

Eligible expenditures:

- Grant/loan funds provided through the NWJEDF program(s) may be used for acquisition of land or buildings, infrastructure related costs, new construction, renovation of commercial buildings, façade improvements, leasehold improvements machinery/equipment, located within target areas providing needed products and/or services to area residents.
- Loan Funds, in addition to the eligible expenditures listed above, may also be used to pay for professional fees and soft costs (including professional fees associated with design and permitting), and closing fees, appraisals and fixtures for retail businesses, recording fees and other related expenses associated with the documentation of small business loans, located within target areas providing needed products and/or services to area residents.

Ineligible expenditures:

- Working capital, inventory, office equipment and furniture, refinancing of existing debt, payment of delinquent taxes or debts, payments to owners, purchase part of a business and other non-capital related expenses.

Ineligible businesses:

- Nightclubs
- Bars
- Tattoo parlors
- Body piercing shops
- Adult entertainment
- Adult gaming rooms
- Pawn Shops
- Check Cashing establishments
- Pay Day Loans
- Bikini bars
- Used car lots

Project Approval Process:

- Underwriting of projects will be based on criteria established for the NWJEDF, performed by a professional third-party lending institution and recommendations will be made to the NWJEDF Advisory Committee.
 - Underwriting decisions will be based upon business and financial information provided by the client.

- The credit policy and underwriting guidelines for the Northwest Fund will be the same as the 2006 criteria established by the Jacksonville Economic Development Commission.
- Loan/grant administration will be outsourced to a third-party administrator.

Reporting requirements:

Community-based developments shall report for five years or the term of the agreement (whichever is longer) the following:

- Jobs created (including tenant-based and/or leased jobs)
- Occupancy rate (if new commercial development)
- Annual audited financial statements
 - For funding by the Northwest Jacksonville Economic Development Fund of less than \$50,000, an annual report of receipts and expenditures of Northwest Jacksonville Economic Development Fund funds in such form as the Council Auditor shall prescribe, attached hereto as **Exhibit 1**.
 - For funding by the Northwest Jacksonville Economic Development Fund of \$50,000 to \$500,000, an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS).
 - For funding by the Northwest Jacksonville Economic Development Fund in excess of \$500,000, an audit conducted in accordance with both GAAS and Government Auditing Standards (GAS), and if applicable the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations."

Minimum default standards:

Projects will be deemed in default if/for:

- Non-payment of property taxes
- Sale/Assignment of project or property
- Misuse/ineligible expenditure of loaned funds
- Failure to meet reporting requirements
- Failure to complete project by established deadline
- Required/pledged capital investment not made

Default descriptions and cure(s) will be outlined in each re-development agreement.