Carson City
Agenda Report

Date Submitted: April 22, 2014 | **Agenda Date Requested:** May 1, 2014

To: Board of Supervisors | **Time Requested:** 5 min.

From: Community Development – Office of Business Development

Subject Title: For Possible Action: To adopt a Resolution authorizing the expenditure of one dollar ($1) from the Fiscal Year 2013/14 Redevelopment Revolving Fund to establish a revolving loan account for loans to small businesses pursuant to the provisions of Assembly Bill 417 adopted by the 2013 Nevada State Legislature, including approval of the policies and procedures for accepting applications and processing such loan requests. (Lee Plemel)

Staff Summary: Nevada Revised Statutes (NRS) 279.700-740 requires every redevelopment agency in Nevada to create a revolving loan account that may be used to make loans at or below market rate to new or existing small businesses within the redevelopment area, subject to available funding. The intent of funding the account with one dollar at this time is to comply with the provisions of NRS but not fully fund and implement the loan program this year.

NRS 279.628 permits the expenditure of money from the redevelopment revolving fund for the purpose of any expenses necessary or incidental to the carrying out of Redevelopment Plans. **Pursuant to NRS 279.628, this Resolution must be adopted by a two-thirds majority vote (at least four members) of the Board of Supervisors**.

Type of Action Requested: (check one)

- ☒ Resolution
- ☐ Ordinance
- ☐ Formal Action/Motion
- ☐ Other (Specify)

Does This Action Require a Business Impact Statement: ☐ Yes ☒ No

Recommended Board Action: I move to adopt Resolution No. 2014-R-__ authorizing the expenditure of one dollar from the Fiscal Year 2013/14 Redevelopment Revolving Fund to establish a revolving loan account for loans to small businesses pursuant to the provisions of Assembly Bill 417 adopted by the 2013 Nevada State Legislature, including approval of the policies and procedures for accepting applications and processing such loan requests.

Explanation for Recommended Board Action: NRS 279.700-740 requires every redevelopment agency in Nevada to create a revolving loan account that may be used to make loans at or below market rate to new or existing small businesses within the redevelopment area, subject to available funding. The purpose of this item is to comply with State law. Refer to the accompanying Redevelopment Authority item for complete supporting materials.

Applicable State, Code, Policy, Rule or Regulation: NRS 279.382-685; NRS 279.700-740

Fiscal Impact: $1 from FY 2013/14 budget.

Explanation of Impact: The money is available within existing budget.

Funding Source: Redevelopment annual budget.

Alternatives:
1) Provide more funding for the Revolving Loan Account

Supporting Material:
1) Resolution
2) Draft Small Business Loan Program and Procedures
3) Draft Revolving Loan Fund application

(Refer to the accompanying Redevelopment Authority item for complete supporting materials.)

Prepared By: Lee Plemel, Community Development Director

Reviewed By: Lee Plemel Date: 4.22.14
(Office of Business Development)

Marena Works Date: 4/22/14
(City Manager)

Date: 4/22/14
(District Attorney)

Nancy Paulson Date: 4/22/14
(Finance Director)

Board Action Taken:
Motion: ______________________________

1) ________________ Aye/Nay
2) ________________ ________

____
____
____
____

____
(Vote Recorded By)

RESOLUTION NO. 2014-R-____

A RESOLUTION AUTHORIZING THE EXPENDITURE OF ONE DOLLAR ($1) FROM THE FISCAL YEAR 2013/14 REDEVELOPMENT REVOLVING FUND TO ESTABLISH A REVOLVING LOAN ACCOUNT FOR LOANS TO SMALL BUSINESSES PURSUANT TO THE PROVISIONS OF ASSEMBLY BILL 417 ADOPTED BY THE 2013 NEVADA STATE LEGISLATURE, INCLUDING APPROVAL OF THE POLICIES AND PROCEDURES FOR ACCEPTING APPLICATIONS AND PROCESSING SUCH LOAN REQUESTS.

WHEREAS, pursuant to NRS 279.628, the Carson City Board of Supervisors must approve by resolution, adopted by a two-thirds vote, the expenditure of money from the Revolving Fund for the Redevelopment Authority for any expenses incidental to the carrying out of a Redevelopment Plan adopted by the Carson City Board of Supervisors; and

WHEREAS, the Nevada State Legislature adopted Assembly Bill 417 during the 2013 Legislative session, which added NRS Sections 279.700-740 requiring every redevelopment agency in Nevada to create a revolving loan account that may be used to make loans at or below market rate to new or existing small businesses within the Redevelopment Areas, subject to available funding; and

WHEREAS, the Carson City Redevelopment Authority desires to comply with State law but currently does not have available funds to fund the Revolving Loan Account at a level necessary to make such loans and to bear the cost of administration of a revolving loan program; and

WHEREAS, the Carson City Redevelopment Authority may at a future time desire to fund the Revolving Loan Account and implement a revolving loan program, subject to available funding and the objectives of the Redevelopment Authority.

NOW, THEREFORE, BE IT RESOLVED that the Carson City Board of Supervisors hereby authorizes the expenditure of one dollar ($1) from the Fiscal Year 2013/14 Redevelopment Revolving Fund to establish a revolving loan account for loans to small businesses pursuant to the provisions of Assembly Bill 417 adopted by the 2013 Nevada State Legislature, including approval of the policies and procedures for accepting applications and processing such loan requests, attached hereto.

Upon motion by Supervisor ______________________________, seconded by Supervisor ___________________________, the foregoing Resolution was passed and adopted this _____ day of __________________, 2014 by the following vote:

AYES: ____________________

NAYS: ____________________

ABSENT: ____________________

ABSTAIN: ____________________

Robert L. Crowell, Mayor
Carson City, Nevada

ATTEST:

Alan Glover, Clerk
Carson City, Nevada

Carson City
Redevelopment Authority

Small Business Loan
Program and Procedures

Approved ___________________

SMALL BUSINESS LOAN FUND
PROGRAM AND PROCEDURES

Carson City ("City") adopted Resolution No. 2014-___ creating a revolving loan account ("Account") in the treasury of the City to be administered by the Carson City Redevelopment Authority ("Authority") in accordance with NRS 279.710. The purpose of the Account is to make loans at or below market rate to small businesses located within the redevelopment area or to persons wishing to locate or relocate a new small business in the redevelopment area to expand or improve an existing small business, including, without limitation, costs incurred for remodeling.

The Authority may accept gifts, grants, bequests and donations from any source for deposit to the Account. The money deposited must be invested as money in other accounts in the treasury of the City with any interest and income earned on those funds credited to the Account. Any funds remaining in the Account at the end of a fiscal year do not revert to the general fund, and the balance must be carried forward. Any payment of principal and interest made on loans processed from this program to qualifying small businesses must be deposited to the Account.

The Carson City Redevelopment Authority Revolving Loan Fund Program ("Program") was established to carry out the requirements of NRS 279.700 through NRS 279.740 inclusive. The Authority administers the program directly or may contract with a series of qualified contractors to provide specific services. The Program Administrator may contract for underwriting, documentation of loans, payment and collections, loan monitoring and reporting and other duties as required. Loan approval authority lies with the Authority or the Authority may be delegated to the Loan Committee (Committee) of the Authority.

I. Program Eligibility/Fees

A. Small Business Eligibility

Loans may be made to a small business defined as a business that employs not more than 25 persons.

B. Location

All businesses must be located or locating within the redevelopment area to be eligible for participation (see attached map).

C. Use of Funds

Funds may only be used for cost incurred to expand or improve an existing small business in the redevelopment area, including without limitation, costs incurred for remodeling; or in locating or relocating a small business into the redevelopment area.

Eligible projects include:

- Expansion of existing business
- Acquisition of an existing business
- Working capital
- Equipment purchases
- Relocation to a new location
- Remodeling an existing business
- New business

Ineligible projects include:

- Speculative investments (i.e. real estate purchase for resale, securities transactions)
- Revolving Lines of Credit
- Refinance of debt
- Loans for the enrichment of the existing owners of the business (i.e. payment or reduction of debt from the business to the business owners)

D. Job Creation

There must be one full time equivalent job created or retained for each $10,000, or portion thereof, loaned. Job retention is defined as the maintenance of a job that would cease to exist if funding is not made available to the business.

E. Project Leverage/Equity

The goal of the overall loan portfolio is to have a project leverage two private sector dollars for each dollar lent under the Small Business Loan Fund Program. The outside dollars can come from many sources, including loans from other financial institutions or from private individuals, funds generated from within the business or funds supplied by the owner of the business. In order for investments to meet the leverage requirement, funds must have been expended on the project being financed within the past 12 months.

F. Collateral

It is required by NRS 279.730 3(a)(6) that the Authority take collateral and a security interest in an amount sufficient to allow the Authority to recoup the amount of the loan made to a small business if the small business defaults on the loan. In all cases an UCC-1 filing on all business assets will be taken. Deeds of Trust must be recorded for all property serving as collateral for a loan.

Collateral that will be more costly to deal with, in a collection process, than the amount of dollars to be recovered should be avoided (i.e. – over-encumbered real estate, real estate with toxic issues).

G. Fees

At the time of application, a non-refundable application fee payable to the Agency in the amount of $150.

II. The Application Package

A. Required to be turned in to the Agency:

The borrower must complete the application for a small business loan and credit authorization. In addition, the application package must include, without limitation:

a) A description of the business history of the applicant;
b) A description of the income history of the applicant;
c) A copy of the business plan of the applicant;

d) A description of the contributions of the applicant to the revitalization of the redevelopment area; and
e) A statement of whether any money from the loan will be used by the applicant to maintain or create any jobs.

B. Required to be turned in to the Agency's third-party financial review consultant for financial due diligence:

1. **Three years of business financial statements** (income statement and balance sheet) and three years of business tax returns, if available.

2. **Personal financial statement** for all individuals owning a 20% or greater interest in the business.

3. **Personal tax returns** for all the individuals owning a 20% or greater interest in the business or any guarantor.

4. **Financial projections** for a minimum of five years for the business. The projections should include information describing any assumptions made in the development of the financial projections. Projections should also be provided on any business, which will be relying on increased sales/profits to repay the loan requested.

6. **Management resume** must be included. This will be used to determine if the prospective business owner(s) has the background necessary to successfully operate the business in question.

7. **IRS form 4506** shall be signed by each applicant and a copy of their driver's license obtained. This form need not be sent to the IRS unless there is some concern that the tax returns provided are not the same as those sent to the IRS.

Other information may be required depending upon the applicant's request, guarantors, other business affiliations, etc.

B. Required Documentation

The documentation required for a complete loan application varies from loan to loan. The following list is not meant to be complete, as each situation will bring about new requirements. The underwriter should review the situation and request those documents that will verify legal structure, occupancy situation, tandem loans, etc.

1. **Legal Structure Documentation** is required if the applicant is either a partnership or a corporation (including both Subchapter S and C corporations and Lending Committees). The documentation required includes the Articles of Incorporation and the By-laws. An operational or organizational agreement is required for LLCs.

2. **A partnership agreement** is required on all partnerships. A general partnership agreement is not required to be recorded at any level. A limited partnership agreement must be recorded with the State of Nevada.

3. **Fictitious Business Name Statement** is required by any business not operating under the legal name of the entity operating the business. For example, if a sole-proprietorship is owned by John Smith and is being operated under John's name only, no statement is required. If the business is being operated as Smith's Plumbing, however, a recorded statement is required. If a corporation operates under a name other than that on the incorporation documents, a statement is also required. The same standard is used for partnerships and Lending Committees.

4. **A lease** is required for businesses operating in rented premises. The lease should be for a period equal to or exceeding the term of the loan. If the lease is for a shorter period of time, then a renewal clause that is exercisable by the tenant is acceptable (a provision to call the loan will be included in the loan documents if the renewal option is not executed).

5. **Cost estimates** are required for equipment purchases, leasehold improvements and any other uses to be made with the loan proceeds. All cost estimates must be supported with appropriate documentation.

6. **Permits** may be required prior to funding. These may include, but not be limited to building permits, use permits, operating licenses, business licenses, water permits and health permits depending upon the particular situation. If the actual permits have not been issued and won't be until after the loan approval, the Program Administrator must determine the likelihood of the permit being issued and the time frame in which they will be issued. In no case should a permit process be anticipated to take more than 45 days after loan approval is granted. (A provision to call the loan will be included in the loan documents should all required permits not be attained by the loan recipient.)

C. Site Visit

A site visit must be made by the Program Administrator, or designated representative, prior to the funding of any loan. During the site visit staff shall assess the business in relation to the application presented. Photographs shall be taken and included in the loan file and provided to the Board or Committee.

III. Loan Information: NRS 279.700 – 279.740 allows some flexibility in the terms of the loan:

A. Maximum and Minimum Loan Amounts: The Agency may make small business loans up to $25,000, with a minimum loan amount of $5,000. The loan amount will be determined based on the financing needs, credit worthiness, and loan repayment capability of the applicant and availability of funds within the Account.

B. Rate of Interest: NRS 279.720 (1) requires that the interest rate of a loan shall be at or below the market rate. Therefore, the interest rate will be established on the date of loan approval by the Board or Committee and be not less than two points above the five-year Treasury rate as listed on Bankrate.com (www.bankrate.com/rates/interest-rates/treasury.aspx), but not greater than SBA maximum rate allowed (www.sba.gov/content/7a-terms-conditions).

C. **Term:** The term of any loan that may be made from the Account must be five years or less.

IV. Post Approval

The City Attorney's Office shall prepare all loan documents and other ancillary documents deemed necessary to perfect the loan and security in the required collateral (i.e. loan agreement, promissory note, security agreement, guarantys, UCC filings, etc.).

VII. Reporting Requirements

As required by NRS 279.740, for each fiscal year beginning with fiscal year 2013-2014 and ending with fiscal year 2016-2017, the Agency shall prepare a written report of the loans made from the Account and include, without limitation, information concerning the amount of each loan made from the Account, the term of each loan and a description of the small businesses which have received loans from the Account. The report is due to the Director of the Legislative Counsel Bureau on or before November 30 of each year.

CARSON CITY REDEVELOPMENT AGENCY
SMALL BUSINESS LOAN FUND APPLICATION

APPLICANT INFORMATION

Business Name:	Tax ID or SSN	Telephone No.	NAICS Code
Street Address:	City	State	Zip Code
Billing Address:	City	State	Zip Code
Company Contact Name/Title	Telephone/Cell Phone		

CREDIT REQUEST

Loan Amount Requested:

$

Requested Payment Terms (may not exceed 5 years):

Purpose of Loan: (Check all that apply)

- ❑ Remodel ❑ Equipment
- ❑ Relocation ❑ Business Acquisition
- ❑ Working Capital ❑ Other ______________

Have you received any loan or financial assistance from the City of ________ Redevelopment Agency? ❑ Yes ❑ No
If yes, please provide amount and description:

BUSINESS PROFILE

Type of Business	# of Employes (FTEs) *cannot exceed 25	Date Established	Organizational Structure:
			❑ Partnership ❑ C Corp ❑ S Corp ❑ LLC ❑ LLP ❑ Sole Proprietor

COLLATERAL

Item	Fair Market Value	Lien Amount	Lien Holder

PRINCIPALS OF THE BUSINESS/GUARANTORS (OWNERSHIP INTEREST OF 20% OR MORE)

Name and Address	Title	% of Ownership	Years in Industry

BUSINESS BANKING REFERENCES

Bank Name	Address	Contact Name	Phone Number	Account Number

Is the company an endorser, guarantor, or co-maker of any obligation(s) not listed on the financial statements	❑ Yes	❑ No
Are the principals?	❑ Yes	❑ No
Is the company or are the principals involved in any litigation?	❑ Yes	❑ No
Has the company or have the principals every declared bankruptcy within the last ten years?	❑ Yes	❑ No
Is the company or owner(s) making any other loan requests?	❑ Yes	❑ No

APPLICANT STATEMENT

The undersigned has answered the questions on this application and any supplemental pages or schedules completely and accurately on behalf of the company named above. The applicant(s) authorizes the Agency and/or its third party financial consultnat to check the Principal's and/or Company's credit records and any statements made on behalf of the Company. The undersigned authorizes and directs the Company's creditors to give the Agency or its third-party financial consultant, information it requests, to determine the Company's credit worthiness. The undersigned also gives the Agency permission to give credit reporting agencies and other creditors information relating to any credit the Agency might grant the Company.

Authorized Signature/Title:	Date:
Authorized Signature/Title:	Date:

FOR AGENCY USE ONLY

Loan Type: ❑ New Business ❑ Existing Business

Redevelopment area: ______________________________