

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

Agenda Item #:

5A-2

AGENDA ITEM SUMMARY

Meeting Date: May 15, 2007 [] Consent [x] Regular
[] Workshop [] Public Hearing
Department: Administration
Submitted By: Administration
Submitted For: Economic Development Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to a) **Approve** an amendment to the local policies developed to initiate and administer a revolving business loan program funded by the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) Section 108 Loan Guarantee Program.

Summary: HUD approved Palm Beach County's request for Section 108 funding on September 26, 2002. The program was developed to create a dedicated source of loan funding for use by businesses, investors, communities and non-profit community and economic development organizations to implement business ventures which will create well-paying jobs and help to revitalize local communities. The proposed amendment to these policies is intended to institute a change in the mission statement and program objectives to reflect that the program will be solely administered by the Office of Economic Development. Since the inception of this program in 2002, the administration of the Community Development Business Loan Program had been the joint responsibility of the Office of Economic Development and the Department of Housing and Community Development. Additionally, the changes will provide additional safeguards to the COUNTY and will make the program more user-friendly to the business community. Other changes will provide clarity on the loan fees and costs and on the eligible activities permitted by the program. Because this amendment will not impact Palm Beach County's HUD-approved underwriting guidelines, HUD review and approval is not required. The proposed amendment will also create a change in the format and layout of the existing Community Development Business Loan Application. Countywide (DW)

Background and Policy Issues: On March 12, 2002, the Board of County Commissioners (BCC) approved policies for the development and administration of a revolving loan program funded by HUD under the CDBG Section 108 Loan Guarantee Program (Agenda Item # 6D-1). The County's application to HUD for funding was approved on September 26, 2002. Approval of the requested amendments to the policies will allow the county to provide improved service to our business community with a program and process that is more in line with what a bank would expect when partnering with Palm Beach County. Upon approval of the amendments requested herein, Palm Beach County Economic Development Office will announce the commencement of the program to businesses, financial institutions and all other prospective applicants by publication of a Notice of Funding Availability.

Attachments:

1. Revised Community Development Business Loan Program Policies.

Recommended By: [Signature]
Economic Development Director

5/7/07
Date

Approved By: [Signature]
Assistant County Administrator

5/9/07
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
External Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Program Income (PBC)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
In-Kind Match (PBC)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET FISCAL IMPACT	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
# ADDITIONAL FTE POSITIONS (Cumulative)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Is Item Included In Current Budget? Yes No
 Budget Account No: Fund _____ Department _____ Unit _____ Object _____
 Reporting Category _____

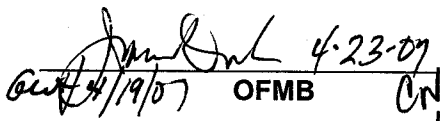
B. Recommended Sources of Funds/Summary of Fiscal Impact:

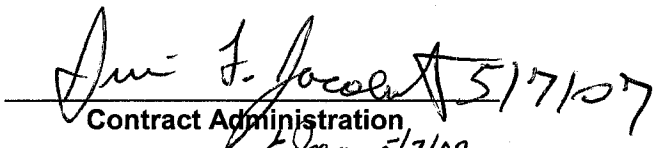
* No fiscal impact at this time.

C. Departmental Fiscal Review: 
 Economic Development

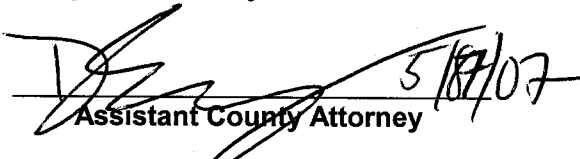
III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

 4-23-07
 OFMB
 CN 4/18/07

 5/7/07
 Contract Administration
 6. Jones 5/7/07

B. Legal Sufficiency:


 Assistant County Attorney
 5/18/07

C. Other Department Review:

 Department Director

This summary is not to be used as a basis for payment.



CRITERIA FOR FUNDING ASSISTANCE

PALM BEACH COUNTY COMMUNITY DEVELOPMENT BUSINESS LOAN PROGRAM (Based on guidelines approved by PBC BCC on January 28, 2003)

- A Program Financed Under the HUD Section 108 Loan Program-

**Administered by:
OFFICE OF ECONOMIC DEVELOPMENT**

IN ACCORDANCE WITH THE PROVISIONS OF THE ADA, THIS DOCUMENT MAY BE REQUESTED IN AN ALTERNATE FORMAT. PLEASE CONTACT THE ECONOMIC DEVELOPMENT OFFICE AT (561) 355-3624.

PALM BEACH COUNTY (PBC)
ECONOMIC DEVELOPMENT OFFICE
COMMUNITY DEVELOPMENT BUSINESS LOAN PROGRAM
(As approved by PBC BCC on Insert New Date, subject to amendments)

I. MISSION STATEMENT AND PROGRAM OBJECTIVES

The Palm Beach County Board of Commissioners believes that it is appropriate to utilize all available resources to facilitate economic growth in Palm Beach County. To that end, the Board of County Commissioners, through the Economic Development Office (EDO) shall work to create a source of community financing that will enable entrepreneurs, businesses and appropriate community-based agencies to conceive and implement business ventures that will create jobs, revitalize communities and enhance the overall quality of life for all Palm Beach County residents.

Through its Economic Development Office, Palm Beach County will utilize federally guaranteed loan funding through the U.S. Department of Housing and Urban Development's (HUD), Community Development Block Grant (CDBG) Section 108 Loan Guarantee Program. **All loans financed through this program, must be in accordance with HUD policies / regulations and subsequently approved by the Palm Beach County Board of County Commissioners.**

These funds will be used to provide subordinate financing to borrowers committed to establishing or expanding business interests in Palm Beach County. Loan funding will be provided to eligible borrowers, either through a local revolving loan fund or through a HUD submission application process. To qualify for this financial assistance, borrowers must agree to create an appropriate number of jobs with salaries equal to or greater than the national, industry average salary for those positions or the County's average salary; and/or benefit geographical areas of low-to-moderate income residents. **This local initiative shall be entitled the Community Development Business Loan Program** (also referred to as the HUD Section 108 Loan Program).

It is of paramount importance that Palm Beach County step forward and initiate the creation of a dedicated source of funding by which entrepreneurs, businesses and economic development agencies can utilize in strengthening our local economy.

The major goals and focus of this initiative are as follows:

1. to attract appropriate businesses and industries to Palm Beach County;
2. to assist existing businesses and industries to expand and create additional job opportunities;
3. to assist priority county- and state-designated distressed areas and local communities in their economic revitalization efforts;
4. to create opportunities for small businesses, women-owned businesses and minority-owned businesses; and
5. to help develop a local qualified workforce with the skills to excel in the 21st Century.

Working immediately to address these economic development issues will enable Palm Beach County to develop a solid and diverse local economy which will be resistant to negative national and international economic forces.

The activities to be funded through Palm Beach County's Community Development Business Loan Program shall be undertaken only by: for-profit businesses; non-profit economic development agencies; Palm Beach County Board of County Commissioners; local municipalities with existing interlocal agreements with PBC; and local entitlement communities who execute appropriate interlocal agreements with Palm Beach County. The proposed activities must be economically and financially viable, containing conditions which ensure their ability to directly repay (*at a minimum*) all principal and applicable interest. The funds to be utilized by Palm Beach County to repay the HUD guaranteed loan shall come from the principal and interest payments recouped from the projects financed with these program funds. Also, to the greatest extent possible, the program's loan funds shall be used to leverage the maximum in private sector financing for a project's completion. The Economic Development Office shall take all necessary precautions to assure that activities recommended to receive Community Development Business Loan funding shall be feasible and viable to the greatest extent possible. This primary underwriting standard is federally mandated to prevent the necessity of utilizing county general funds and/or future CDBG entitlement funds to repay HUD the Section 108 Guaranteed Loan.

A. Information Required by the Department of Housing and Urban Development

Each Fiscal Year the Community Development Business Loan Program will be advertised to the general public informing them of the funds available for lending. Methods of advertising will include, but will not be limited to the following:

A Notice of Funding Availability (*NOFA*) shall be published in one or more of the following major newspapers: The Palm Beach Post, The Sun Sentinel and The Miami Herald. The *NOFA* will also be published in local county minority newspapers and distributed through the Palm Beach County Business Development Board (*BDB*) and other partnering agencies. The Community Development Business Loan Program will be marketed by the Economic Development Office through outreach efforts with lending institutions, businesses, and distressed areas.

II. FUNDAMENTAL LOAN REQUIREMENT

Each activity for which loan funding is requested must meet one of the three HUD Section 108 program National Objectives as described below. Only those applicants proposing to create new jobs will be considered for funding under the County's Section 108 Revolving Loan Fund Program (*in extreme situations job retention may be considered in accordance with HUD policies and regulations*). The timeframe for the creation of each full time equivalent (*FTE*) position will be determined by Palm Beach County Board of County Commissioners (*BCC*). The job creation timeframe will begin the day the project is completed (*for instance, once the construction of the facility has been completed and the business is authorized to move in, then the creation timeframe begins. If a business is using the loan funds to either purchase equipment or an existing facility, Palm Beach County in its sole discretion, will determine when the creation timeframe begins*). Please note that the *BCC* can allow a business up to three years from the date of occupancy to complete the hiring of all positions.

A. National Objectives

PROVISION OF LOW AND MODERATE INCOME JOBS: Each recipient of a Section 108 Loan shall be required to execute a First Source Agreement with an agency approved and selected by Palm Beach County, stating that at least 51% of the jobs created shall be made available to persons of low and moderate income; or

AREA WIDE BENEFIT: This criterion consists of a loan provided to a business to make available goods and/or services to a residential area that is predominately low to moderate income. In such cases, the Section 108 loan cannot exceed \$250 per low to moderate income person residing in the identified residential area to be assisted; or

ELIMINATION OF SLUMS AND BLIGHT: Community Development Business loans can be provided to a business to combat slum and blighting conditions. Such businesses must be located in a designated slum or blighted area, and the County reserves the right to withdraw this condition at any time should the County feel that it will be in

violation of the HUD 20% rule, which states that no more than twenty percent of the total Community Development Block Grant allocation / funding (*including the Community Development Business Loan Program*) can be used for projects that are designed to combat the Elimination of Slum and Blight.

III. ELIGIBLE ACTIVITIES

The activities determined to be eligible to receive financial assistance through Palm Beach County's Community Development Business Loan Program are as follows:

- Land acquisition;
- Real property acquisition;
- Utility and road infrastructure improvements;
- New construction of commercial and industrial buildings;
- Rehabilitation of commercial and industrial buildings;
- Purchase and installation of equipment and fixtures (*for the purpose of this loan program, equipment and fixtures are defined as fixed assets or fixed items that have a useful life of not less than 10 years*);
- Refinancing of existing debt (*as part of a new project creating new job opportunities*);
- Working capital (*working capital expenses will only be considered in conjunction with the total project and it will not be financed independently. The maximum amount of working capital that will be considered is 10% of the total loan request with Palm Beach County, not to exceed \$50,000. For the purposes of this loan program, the following items are considered as Working Capital: labor costs and moving costs associated with the expansion or relocation of the project and other qualified start-up operational costs*); and
- Any other CDBG-eligible activity approved by the Board of County Commissioners.

Please refer to Section X, for information on projects that require submission and approval by HUD, before any recommendation can be made by the Palm Beach County Board of County Commissioners.

Please note that although HUD may approve certain projects as eligible under this loan program, the approval of all eligible costs and expenses are at the discretion of the Palm Beach County Board of County Commissioners.

IV. ELIGIBLE APPLICANTS

To participate in Palm Beach County's Community Development Business Loan Program, an applicant must be either: a sole proprietorship; an incorporated business; a municipality; a Community Redevelopment Agency; a Downtown Development Authority; other community-based economic development organization; and any other legally-organized business registered with the Florida Department of State. **However, local Entitlement Communities (i.e. Boca Raton, Boynton Beach, Delray Beach and West Palm Beach) must provide a 100% match for loan funding sought to develop projects within their municipal boundaries.**

When proposals for funding are received and reviewed by Palm Beach County, preference shall be given to those "for-profit" and "not-for-profit" applicants who have sustained current business ventures for a minimum of three (3) years; wherein those business ventures are profitable and have adequate cash flow and debt service coverage.

Not-for-profit applicants must demonstrate the capacity to develop and operate sustained business ventures. The applicant agencies must also employ appropriate staff and have their economic development missions clearly defined in their Articles of Incorporation. The projects proposed by not-for-profit agencies must coincide with those activities of which the agencies have experience and a history of completed endeavors. These projects must also be developed within the geographical boundaries detailed within the agency's By-Laws and Articles of Incorporation. Please note that not-for-profit agencies may be required to provide personal guarantees (*from key individuals / personnel*), as a condition for approval.

V. **TYPES OF ASSISTANCE AVAILABLE**

The primary type of financial assistance to be made available through Palm Beach County's Community Development Business Loan Program will be loans. The loan term(s) shall be negotiable, depending upon the loan amount(s) and the overall risk associated with the proposed project.

VI. **INTEREST RATES, LOAN FEES AND TERMS**

A. **Interest Rates**

The interest rates may be fixed or variable. The rates of interest that are charged to borrowers of the Community Development Business Loan Program funds will also be based upon the interest rate charged to Palm Beach County by HUD. The interest rates charged to a borrower will be determined in part by the location of the proposed project. If the proposed project is to be located within a county- or state-designated distressed area (*i.e. either the "Core" or "Acute" Area within the Development Region*), the interest rate charged shall be 100 basis points (1%) above the rate charged to Palm Beach County by HUD. If the proposed project is not to be located in a county- or state-designated distressed area (*i.e. either the "Core" or "Acute" Area within the Development Region*), the borrower shall be charged an interest rate at 200 basis points (2%) above the rate charged to Palm Beach County by HUD.

B. **Loan Fees and Costs**

Palm Beach County will charge an application fee of 100 basis points (1.0%), charged on the face amount of any Section 108 loan applied for, and 75 basis points (.75%), charged as a loan closing fee. The applicant is responsible for all lender/bank fees, appraisal fees, environmental fees, legal fees (*which include expenses from the County's legal department*), etc. Please note that additional fees may apply if the business is interested in a fixed rate loan. Those fees will be determined by HUD. Palm Beach County will not be responsible for any fees incurred as a result of the applicant making changes to the loan package. Applicants will be given a Good Faith Estimate, which will serve only as a preliminary estimate of the projected County fees. The fees listed on the Good Faith Estimate **may not be exact**. Once the final costs are calculated (*at or near closing time*), those fees may be higher or lower depending on actual costs and expenses associated with each application.

C. **Loan Terms**

Under the Community Development Business Loan Program, applicants may apply for loans at a minimum of \$250,000 or up to a maximum of \$1,000,000. However, the actual loan amount shall be determined by the benefits received by the public (*e.g., number of full time jobs created*). All loans will have loan terms based on the borrower's ability to re-pay, the purpose of the loan, and the useful life of the assets financed. However, maximum loan terms have been established: twenty (20) years for real estate; and seven (7) years for working capital, except where a longer maturity (*up to ten years*) may be needed to ensure repayment.

The maximum loan terms used to finance equipment and fixtures will be limited to the economic life of those assets (*not to exceed fifteen years*). The 20 year maximum will apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated, the 20 year maximum loan term shall **not** be in addition to the time needed to complete the construction or renovation.

VII. **LENDING CRITERIA/UNDERWRITING**

A. **Loan to Value Target**

At no time shall loan financing exceed eighty percent (80%) of the value pledged

(which includes property and/or equipment), as part of a proposed economic development activity. Also, at no time shall a loan provided through this program, exceed forty percent (40%) of the total project costs associated with a proposed economic development project (unless specifically approved by the Board of County Commissioners as a waiver to this requirement).

B. Cash Flow Ratios

When analyzing the financial pro forma of a Community Development Business Loan applicant, it is imperative that the debt service coverage ratio equals no less than 1.20 to 1. What this means is that for every \$1 of debt service, there is \$1.20 to cover it. Debt service coverage is defined as net operating income divided by principal and interest payments for all existing debt. Net operating income is defined as gross income minus operating expenses.

C. Required Owner Equity

In order to qualify as an eligible applicant under Palm Beach County's Community Development Business Loan Program, the applicant must commit in personal funds or real property, a minimum of ten percent (10%) of the project's total cost. Please note that if real property is being committed as the owner's equity within a project, only up to fifty percent (50%) of the appraised value of real property will be considered. The appraised value used must be approved by Palm Beach County and / or its property appraisal department. All "personal funds" must be contributed to the project up-front and may not be borrowed funds causing a lien to be attached to any project collateral or earnings.

The loans provided through this program will always be made contingent upon all other necessary financing being legally committed to the proposed project.

D. Applicant Capacity

Each applicant seeking a loan under this program must provide information detailing all relevant business experience and experience in HUD related/funded projects. Applicants must also provide information relative to credit history as well as information on each member of the development team (*i.e., attorney, contractor, project manager, marketing representative, architect, etc.*).

E. Project Feasibility

Each applicant seeking a loan under this program must submit proof of the project's overall feasibility. Feasibility can be shown by way of a business plan, market or feasibility study and a commercial appraisal.

Financial pro formas must also be provided by the borrower which adequately describes all operating income and expenses.

F. Maximum Available Assistance

Where low-to-moderate income job creation is the focus of the proposed economic development project receiving financing through this loan program, each applicant is eligible for \$15,000 per full time equivalent (*FTE*) position created. The maximum amount of assistance that can be provided through the Community Development Business Loan Program cannot exceed \$35,000 per job created. If a business is seeking consideration in receiving more than \$15,000 per job created, the Board of County Commissioners has at its discretion the ability to approve such a request; however the project would have to meet the following:

- a) the project is of critical importance to Palm Beach County's local economy; or
- b) the salaries to be paid to the low-to-moderate income workers are significantly above the national average and/or the County's average salary.

VIII. PUBLIC BENEFIT REQUIREMENTS

HUD Regulations at 24 CFR 570.209(b) require Palm Beach County (*as CDBG grantee*) to be responsible for assuring that at least a minimum level of public benefit is obtained from the expenditure of CDBG funding through the Community Development Business Loan Program. The standards set forth below, identify the types of public benefits that must be recognized before the approval of any loan under HUD's Section 108 Loan Guarantee Program. Palm Beach County's Community Development Business Loan Program is a revolving loan fund that will only provide financial assistance to borrowers who are seeking to create jobs, of which 51% must be provided to low-to-moderate income individuals. Therefore, requests for loan assistance will be reviewed and scored according to the amount of funds requested per full time equivalent (FTE) job created.

A. Job Creation

The full time equivalent (FTE) jobs created for low-to-moderate income persons must be filled by Palm Beach County residents. The proposed salaries for all the jobs created, must either equal the national, industry average salary for those positions or the average salary for Palm Beach County.

For a job to be classified as "created" it must be a permanent position created directly by the applicant.

IX. MONITORING POLICY AND PROCEDURES FOR TRACKING OF PUBLIC BENEFITS

It shall be the responsibility of the Economic Development Office to monitor and verify the public benefits that are to be derived from the provision of loan proceeds through Palm Beach County's Community Development Business Loan Program. Borrowers shall be required to enter into a "First Source Agreement" with Workforce Alliance for the hiring of employees working at the completed project. Palm Beach County shall also require that the recipients of loan proceeds submit at least semi-annual reports to EDO which detail how the beneficiaries are employed and paid or are served. EDO shall also make at least annual monitoring visits to the project sites to review records and interview beneficiaries. Each borrower who receives loan proceeds through this

program must submit an independently-audited financial statement to Palm Beach County on an annual basis.

X. LOAN APPLICATION REVIEW AND LOAN PACKAGING

All loan applications submitted for consideration under Palm Beach County's Community Development Business Loan Program shall be reviewed by the Economic Development Office for HUD/CDBG Section 108 compliance. Those applications seeking funding through the revolving loan fund and complying with local underwriting criteria and HUD/CDBG Section 108 regulations shall then be reviewed for project feasibility and approved by the EDO Section 108 Review Committee.

This review committee shall be comprised of County staff and/or affiliates, and/or private lending institutions. This review committee shall also make final funding recommendations to the Board of County Commissioners. Once approved by the Board of county Commissioners, these loan requests shall be submitted to the local HUD Area Office for a confirmation of compliance with the National CDBG Objectives.

Board of County Commission supported loan applications which exceed \$1,000,000 shall be submitted directly to HUD for its review of the project's underwriting and analysis of the project's collateral as well as for compliance with National CDBG Objectives. This HUD review process will also be employed for BCC supported loan applications which do not meet the Community Development Business Loan Program's underwriting requirements.

Loan requests seeking: funds for public facilities or "area wide benefits"; or funds to assist a "limited clientele" will be submitted to HUD for review prior to the EDO Section 108 Loan Review Committee making funding recommendations to the Board of County Commissioners. The Economic Development Office will prepare, package and submit all HUD Section 108 application documentation to HUD for appropriate review and approval.

The Economic Development Office anticipates the loan process to be completed in a timely manner. However, each applicant should realize that the level of complexity and the type of project each business presents to Palm Beach County, can add additional steps to the decision process, which could in turn result in more time needed in finalizing the application.

XI. APPLICATION FORM AND OTHER REQUIRED INFORMATION

A. Basic Application Form

At a minimum, the Palm Beach County Community Development Business Loan Program's application shall require the following:

1. Full description of applicant (*individual or corporate*);
2. Applicant's ownership interest in finished project;
3. IRS identification number;
4. "Truth under penalty of law" clause;
5. Authorization to search credit;
6. Description of other completed CDBG or federally funded projects;
7. Description and identification of development team (*i.e., attorney, engineer, architect, general contractor, etc.*);
8. HUD and/or Palm Beach County Compliance Forms; and
9. Project Summary and Analysis.

B. Other Required Information

Each applicant shall also be required to submit the following documentation and information (*further documentation may be requested as necessary*):

1. CPA audited corporate financial statements for the last three (3) years and/or corporate income tax returns for the last three (3) years;
2. A business plan which describes market and applicant capacity;
3. Interim financial statement not less than sixty (60) days old;
4. Three year financial pro formas which include operating statements, balance sheets, and funding source and use details;
5. Description and salaries of the jobs to be created;
6. Site control evidence (*i.e. deed, lease, option, etc.*);
7. Description of pending personal and/or corporate lawsuits; and
8. Company history, including major customers, suppliers, and market share.

C. Additional Program Information/Requirements

1. Proposed projects must comply with the County's Section 108 application requirements.
2. Applicants who are awarded funding will be required to enter into an agreement with Palm Beach County.
3. Section 108 funds cannot be used to reimburse for costs incurred prior to the execution of an agreement with the County.
4. All proposed projects are subject to an environmental review. Funds cannot be expended prior to addressing all environmental concerns. After completion of the conceptual approval by the Loan Review Committee and County Administration, an Environmental Audit Phase I must be undertaken by a qualified licensed consultant at the applicant's expense.
5. All Section 108-funded projects are required to comply with federal, state, and local statutes, regulations, and other applicable requirements, including but not limited to: Section 3 of the Housing and Community Development Act, concerning employment and contracting opportunities; the Davis-Bacon Act, concerning payment of prevailing wage rates in construction projects; Asbestos and Lead-Based Paint requirements; Liability/Multi-Vehicle/Worker's Compensation Insurance requirements.
6. Section 108-funded equipment and services must be obtained in accordance with Federal procurement requirements.
7. Section 108-funded activities that result in the displacement of persons or businesses will trigger the Uniform Relocation Act (URA). An activity will

cause displacement if the property is occupied by owners or tenants at the time of application submittal. URA requirements are complex, and can be costly to implement, so contact EDO for technical assistance if a proposed Section 108 project might cause displacement.

8. Projects involving real property acquisition or construction related projects must provide an appraisal report performed by a qualified/certified appraiser, at the applicant's cost, after completion of the Preliminary Phase and conceptual approval of project.

Note: ANY ACTIVITY WHICH MAY CAUSE DISPLACEMENT OF RESIDENTS AND/OR BUSINESSES SHALL PROVIDE THE FOLLOWING PRIOR TO THE AWARD OF ANY CONTRACT: **A)** A RELOCATION PLAN MEETING ALL REQUIREMENTS OF 24 CFR CH. V SECTION 570.606, AS AMENDED. THIS PLAN SHALL BE CERTIFIED BY A CONSULTANT CERTIFIED BY HUD, OR AN AGENCY OF HUD AS MEETING ALL LEGAL REQUIREMENTS; **B)** A DOCUMENT LEGALLY BINDING THE GRANT AWARDEE TO PLACE IN THE PROJECT BUDGET SUFFICIENT FUNDS TO FULLY IMPLEMENT THE RELOCATION PLAN; AND **C)** AN EXECUTED INDEMNIFICATION AND HOLD HARMLESS AGREEMENT TO PROTECT THE COUNTY AGAINST ANY AND ALL COSTS INCURRED FOR THE DISPLACEMENT AND RELOCATION OF PERSONS OR BUSINESSES AFFECTED BY THE ACTIVITY.

Note: NOT-FOR-PROFIT APPLICANTS MUST DEMONSTRATE THE CAPACITY TO DEVELOP AND OPERATE SUSTAINED BUSINESS VENTURES. THE APPLICANT AGENCIES MUST ALSO EMPLOY APPROPRIATE STAFF AND HAVE THEIR ECONOMIC DEVELOPMENT MISSIONS CLEARLY DEFINED IN THEIR ARTICLES OF INCORPORATION

XII. MAXIMUM PROGRAM RISK

A. Maximum Amount of Outstanding Section 108 Principal

The maximum amount of outstanding HUD Section 108 Guaranteed Principal notes shall not exceed 75% of Palm Beach County's HUD Section 108 Loan Authority at any given time.

B. Maximum Pledge of Annual Entitlement for Loan Loss Reserve

The maximum percentage of Palm Beach County's annual CDBG entitlement that can be pledged as collateral against total outstanding HUD Section 108 Principal notes is 10% or \$700,000. All other risks associated with any and all projects must be collateralized by the project's assets and earnings, or additional collateral provided by the applicant.

A Loan Loss Reserve shall be established for the primary purpose of protecting Palm Beach County's annual CDBG entitlement against defaults by borrowers of local Section 108 loan funds. This reserve shall make direct payments to HUD, preventing a default by Palm Beach County. This Loan Loss Reserve may also include matching funds from local lenders. With HUD approval, the Loan Loss Reserve may then become an additional source of funding for business development.

XIII. APPLICATION FORMAT, SUBMISSION AND TECHNICAL ASSISTANCE

This Application Packet is available in paper hard copy and in electronic word processing format. To obtain the electronic version of the application via e-mail, please call (561) 355-3624, or submit your request via email to jbbrown@pbcgov.com or memcgee@pbcgov.com.

Applicants must submit one original application with required documentation and three copies. Applications may not be submitted in electronic format (*neither FAX nor e-mail*). Please complete all questions in the application. If not applicable, indicate N/A. Applications should be typewritten and all required attachments should be provided and clearly labeled.

Applications must be signed by the appropriate person (*e.g. Corporations by CEO or Partnership by Managing Partner, etc.*). Unsigned applications will not be considered.

You must familiarize yourself with the overall policies and criteria which govern the operation of this loan program, as you will be required to follow and comply with them.

EDO staff is available to provide technical assistance in the preparation of this Section 108 application for funding. Please contact EDO at (561) 355-3624 to request technical assistance.

Technical assistance on the application will focus on clarification of the information requested and interpretation of regulations. **Please submit a complete application packet; staff will not review application drafts.**