

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:


| Fiscal Years | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------|------|------|------|------|------|
| Capital Expenditures | | | | | |
| Operating Costs | | | | | |
| External Revenues | | | | | |
| Program Income | | | | | |
| In-Kind Match (County) | | | | | |
| NET FISCAL IMPACT | * | | | | |

| | | | | | |
|---|--|--|--|--|--|
| # ADDITIONAL FTE POSITIONS (Cumulative) | | | | | |
|---|--|--|--|--|--|

Is Item Included In Current Budget? Yes ___ No ___
 Budget Account No.:

Fund ___ Dept ___ Unit ___ Object ___ Program Code/Period ___


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

C. Departmental Fiscal Review: 
 Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

* Fiscal impact is indeterminable


 OFMB 8/11 8/11


 Contract Development and Control 8-11-14

B. Legal Sufficiency:


 Assistant County Attorney 8/12/14

C. Other Department Review:

 Department Director

Palm Beach County Department of Economic Sustainability

Micro Loan Program Policies

The Palm Beach County Micro Loan Program is a revolving loan fund established by the Board of County Commissioners, and funded with federal Community Development Block Grant (CDBG) Program dollars. The CDBG Micro Loan Program is an economic and community development financing tool authorized under Section 105 of Title 1 of the Housing and Community Development Act of 1974, as amended.

Administered by the Department of Economic Sustainability (DES), the intent of the Program is to stimulate economic activity and employment by supporting business development and investment by the private sector. The Program offers financial assistance to eligible entrepreneurs and small business owners who have difficulty accessing credit at low and affordable interest rates from conventional sources. The goals of the Program are to:

- Encourage the creation and retention of permanent jobs;
- Encourage the leveraging of new private investment;
- Perpetuate a positive and proactive business climate that encourages the retention and expansion of existing businesses while helping to attract new businesses; and
- Lend monies at favorable terms to encourage business development while providing recapitalization and growth of the revolving loan fund.

Minimum Requirements

To be eligible for funding, a proposed project shall meet all of the following minimum requirements:

1. Job Creation: Businesses must create and/or retain a minimum of one full-time equivalent (FTE) job for each \$15,000 of CDBG funds
2. Low- and Moderate-Income (LMI) Benefit: At least 51% of the FTE jobs created and/or retained must be made available to LMI persons, as defined by the U.S. Department of Housing and Urban Development.
3. Financial Feasibility and Business Viability: Applicants must demonstrate a viable business enterprise and a project that is financially feasible and has the ability to repay the loan.
4. Compliance with Applicable Laws: Applicants shall comply with all applicable local, state and federal laws and codes, including proper licensures, registrations, certifications, and zoning/land use approvals.
5. Insurance: The business must maintain general liability, commercial liability, worker's compensation, and owned/non-owned automotive insurance coverage in amounts specified by the County.
6. Project Completion: All projects must be able to expend all funds and be completed within 12 months from the date of the Micro Loan approval.

MICRO LOAN CRITERIA

Location of Business

Businesses eligible for Micro Loan funds must be located within the Palm Beach County Urban County Program Jurisdiction. The Jurisdiction encompasses unincorporated Palm Beach County and all local municipalities with the exception of the municipalities of Boca Raton, Boynton Beach, Delray Beach, Jupiter, Wellington, and West Palm Beach.

National Objective

Each activity assisted with a CDBG Micro Loan must meet the CDBG Program National Objective of benefitting low and moderate income persons through job creation/retention. No less than fifty-one percent (51%) of the jobs created or retained under the Program must be offered to low and moderate income persons as defined by the U.S. Department of Housing and Urban Development. Additionally, no less than 51% of persons holding assisted jobs must reside within the Palm Beach County Urban County Program Jurisdiction.

The job creation period begins upon project completion. Jobs must be maintained for no less than one (1) year. Regular reporting of job creation performance is required, and shall include information pertaining to the job positions and persons filling those positions. Reporting requirements will be codified in the loan agreement.

Eligible Applicants

1. Must be private, for-profit businesses that are engaged in the activity of making, buying, or selling goods or providing services to make a profit. Applicant business entities may be sole proprietors, partnerships, corporations, or other legally-established entities registered with the State of Florida, and which have legal authority to incur debt and carry out the purposes of the loan.
2. Shall satisfy the requirement pertaining to U.S. citizenship or residence. If the applicant is an individual, he/she must be a citizen of the U.S. or reside in the U.S. after being legally admitted for permanent residence. If the applicant is an entity, at least 51% of the outstanding membership or ownership, as applicable, must be either citizens of the United States or residents of the United States after being legally admitted for permanent residence.
3. Shall not have a conflict of interest as defined by the U.S. Department of Housing and Urban Development (HUD). Conflict of Interest provisions for CDBG-funded activities are set forth fully in 24 CFR 570.611 and should be reviewed by the applicant.
4. Must not have any outstanding delinquent debt, or be delinquent on any tax debt. Loans from this program may not be used to satisfy delinquencies.
5. Must have filed personal and/or business tax returns and be current in the filing of such.

Eligible Uses

Loan funds can be used for:

- o Acquisition and installation of machinery and equipment; and
- o Working Capital*

*Working Capital may be labor and moving costs associated with the expansion or relocation of a project, receivable financing, employee training, marketing costs, inventory, leasing of business premises, salaries and general operating expenses.

The County has the sole authority to determine eligible use of loan funds.

Non eligible Uses

- o Reimbursement for expenditures prior to loan closing.
- o Repayment of other debt.
- o Equipment that is not essential to the business operation.
- o Commercial/Residential building construction and/or reconstruction.
- o Land/Building Acquisition
- o Routine Maintenance.
- o Motor vehicles that will be operated on public rights-of-way

- Other uses that the County may identify as inappropriate for the Program.

The County has the sole authority to determine ineligible uses of loan funds.

Required Owner Equity

The applicant must commit a minimum of ten percent (10%) of the total project cost. All private project funding sources should be maximized, and the actual equity contribution required will be determined on a case-by-case basis. The applicant must provide proof of equity availability.

Collateral

Palm Beach County will collateralize all loans to provide maximum protection of its financial interest. Collateral for such loans may include, but is not limited to any realty, personal property, or other tangible asset capable of being mortgaged, pledged, or otherwise encumbered by borrower in favor of Palm Beach County. In most instances, the County will be the first lien holder, however, where other lenders are involved, the County may take a subordinate position but is under no obligation to do so. In the case of fixed asset financing a 1:1 coverage shall be required. In the case of working capital 50% coverage ratio shall be required.

Other

All Micro Loan funded projects are required to comply with Federal, State and local statutes, regulations and requirements, including but not limited to Workers Compensation, insurance requirements, Environmental Requirements, Handicapped Access Regulations, Davis-Bacon and Related Acts, and the Uniform Real Property Acquisition and Relocation Assistance Policies Act.

LOAN TERMS

The Micro Loan Program offers secured fixed-rate amortized loans with mandatory monthly repayment of all principal and interest.

Rates

The interest rate on secured Micro Loans shall be fixed at a rate of five percent (5%).

Terms

- Working Capital – Up to a maximum of three (3) years.
- Machinery and Equipment – Up to a maximum of the economic life of the machinery and equipment or five (5) years, whichever is less.

Amount

- The minimum loan amount is \$10,000.
- The maximum secured loan amount is \$25,000.
- The actual loan amount will be determined on an individual basis with consideration to: financial feasibility; ability to repay; collateral; equity contribution; nature of the project; project scale; and public benefits.
- DES will seek to provide the least loan amount necessary to realize the project.
- The minimum acceptable debt coverage ratio is 1.20

Fees/Costs

- A non-refundable application fee of one hundred dollars (\$100.00) shall be paid by borrower upon acceptance of the loan offer.
- Closing costs of two percent (2%) of the loan value and an Attorney Fee totaling \$250.00 shall be paid by the borrower.
- Borrowers will receive a good faith estimate of the projected Palm Beach County fees.
- The borrower will be responsible for all other non-County fees, including bank/SBA/independent institutional lender fees, appraisal and environmental fees, legal fees from outside firms, and any other fees.

MICRO LOAN REVIEW AND PROCESS

Notice of Funding Available

The Palm Beach County Micro Loan Program will be advertised through a Notice of Funding Available published in a local newspaper and the County's website, and distributed to local economic development organizations.

Underwriting

In considering an application for a Micro Loan, DES will perform a detailed underwriting that will include, but not be limited to, a review and analysis of:

- Project concept
- Business history
- Business structure, management, and staffing
- Business and/or personal tax reports
- Historical and projected financial statements
- Creditworthiness
- Owner equity
- Security and collateral

Loan Review Committee

A Loan Review Committee (LRC) shall review all of the CDBG Micro Loan applications submitted by the Loan Administrator and make the recommendation to approve or disapprove the loan application.

The LRC will review each application with the required financial information to determine:

1. Number of jobs to be created
2. Amount of CDBG Micro Loan fund participation necessary
3. Amount of cash or equity required
4. Ability of loan applicant to repay the loan
5. Collateral or security available
6. Trends from business history or market

No loan shall be made without the recommendation of the LRC. Loans recommended for approval shall be submitted for final approval by the County Administrator or his designee.