



**Suffolk County Economic Development Corporation
First Generation Transit Oriented Development Retail Revolving Loan
Fund (TOD Retail RLF)
Policies and Procedures**

<i>Fund Capitalization</i>	<p>\$300,000</p> <p>After initial capitalization, Suffolk County Economic Development Corporation (SCEDC) will also apply for other capital funds to supplement the capitalization. Among the additional potential sources for capitalizations are;</p> <ul style="list-style-type: none">• U.S. Economic Development Administration (EDA)• New York State Empire State Development Corporation (ESD)• Commercial banks
<i>Source of Initial Fund Capitalization</i>	Suffolk County Economic Development Corporation (SCEDC)
<i>Administrator</i>	<p>Suffolk County Economic Development Corporation (SCEDC)</p> <p>SCEDC will use the professional services of the National Development Council (NDC), http://ndconline.org/, to assist with the administration of the program and deliver such services as part of its professional services contract with the Office of Economic Development.</p>
<i>Loan Size</i>	<p>\$20,000 to \$75,000</p> <p>Loans may be senior credit facilities or subordinated credit facilities to other commercial loans from participating banks.</p>
<i>Eligible borrowers</i>	Existing retail and service businesses located within designated redevelopment areas. It is preferred that the applicant business must have at least eighteen (18) months of operations and a year ending financial statement.
<i>Ineligible borrowers</i>	Start-ups Not-for-profit organizations
<i>Eligible use of proceeds</i>	<ul style="list-style-type: none">• Tenant and site improvements• Working capital• Machinery and equipment
<i>Term</i>	<p>Coterminous with lease, not to exceed ten (10) years</p> <ul style="list-style-type: none">○ Interest-only in year one



	<ul style="list-style-type: none"> ○ Self-amortizing years two through end of term <p>Most loans will have a term of five (5) years.</p>
<i>Rate</i>	Fixed rate of 3%.
<i>Loan Participation</i>	Encouraged but not required. Above terms apply to participation loans with area commercial banks.
<i>Collateral</i>	While the TOD Retail RLF will primarily be a cash flow loan program, prudent lending standards require it to secure a loan with general security agreement, UCC filings, and a perfected lien on business assets.
<i>Personal and other Guarantees</i>	Yes. By all owners who own 20% of more of business. All loans will also be guaranteed by commercial property owner.
<i>Loan Package</i>	<p>Intake Form</p> <p>Project Description: a short narrative describing the project and its intended outcomes and proposed Sources and uses of funds supported by cost estimates and/or invoices.</p> <p>Letter of Intent to Lease: Signed by Landlord and applicant.</p> <p>Business Financials: Applicant must have been in operation for more than 18 months and minimally submit an accountant prepared full year financial statement plus interim (compiled or reviewed statements) and the most recent year's tax return.</p> <ul style="list-style-type: none"> ○ If the Applicant has been in operation for less than 18 months, there must be a verifiable secondary source of income and reasonable family expenses to permit the business to operate without undue pressure from family responsibilities. <p>Personal Financial Statement: less than 60 days</p> <p>Credit Release Form: authorizing SCEDC and/or NDC to check the company's and entrepreneur's credit</p> <p>Verification of Taxes Paid: The Applicant must submit documentation verifying that the Applicant is current on its income and payroll taxes.</p> <p>Projections and Business Plan: simple projection that demonstrates the intended impact of the financing, and a copy of the pre-existing business plan.</p> <p>Financial Statement from Property Owner/Landlord</p>



	<p>Two business references; The Applicant should provide references from two enterprises that do business with the Applicant.</p>
<p><i>Underwriting requirements</i></p>	<p>Positive Cash Flow: adjusted cash flow should be positive and growing.</p> <ul style="list-style-type: none">• Cash flow, whether it be based upon historical financial statements or projections, should exceed debt service on existing loans and proposed loan(s).• Officer compensation/owner’s draw should be reasonable and adequate. If earnings are positive because the owner is taking no or little compensation, there must be a verifiable secondary source of income and reasonable family expenses to permit the business to operate without undue pressure from family responsibilities. <p>Positive Credit History: Generally speaking, the Applicant must present a positive credit history.</p> <ul style="list-style-type: none">• The personal credit score should be greater than 600. A score of 650 or above is preferred.• Weaker credit scores are permitted provided major blemishes on the credit record have been adequately explained and resolved. <p>Current on Taxes: The Applicant business and the owner should be current on payroll and income taxes or be on an accepted payment plan with the taxing authority.</p> <p>Net Worth: The Applicant’s net worth should be positive, without undue intangibles and good will.</p> <ul style="list-style-type: none">• Negative net worth may be accepted when the cause has been adequately explained and remedied. <p>Site visit: The site visit should evidence a going concern clearly established and engaged in business.</p> <p>Business References: The Applicant should provide references from two enterprises that do business with the Applicant.</p> <p>Overall, the credit report will comment on the four primary factors of a credit analysis;</p> <ul style="list-style-type: none">• Cash Flow – Does CF (existing or projected) exceed debt service obligations?• Collateral – Is there sufficient collateral to secure the loan?• Character – Does the applicant demonstrate history of paying obligations and have good references?• Capacity – Does the applicant demonstrate ability to manage business?



<p><i>Loan Approval Process</i></p>	<ul style="list-style-type: none"> • Application submitted • Loan report completed and sent to loan committee within three weeks from the submission of a <u>complete</u> application, with all items requested in application included. • Meeting scheduled with loan committee. • Loan request summarized to loan committee by EDC Chief Executive Officer at meeting. • Should loan be approved, closing to occur within a reasonable period. <p>Each loan request should have a minimum of four votes to secure approval.</p> <p>Loan approval is not guaranteed for applicants.</p>
<p><i>Quality Indicators and Risk Mitigants</i></p>	<p>The Applicant should have quality indicators that mitigate risk including training, credit worthiness, and education/experience.</p> <p>Training</p> <ul style="list-style-type: none"> • enrolled in Small Business Development Center (SBDC) class in encouraged <p>Credit Score</p> <ul style="list-style-type: none"> • indicating strong effort to pay obligations • weaker credit scores accepted if there is a good reason and the issue has been resolved <p>Education and/or experience</p> <ul style="list-style-type: none"> • educational experience relevant to operation of the business • experience managing employees or money (not necessarily in the Applicant business)
<p><i>Closing Documents</i></p>	<p>Standard package of closing documents is being developed and will include:</p> <ul style="list-style-type: none"> • Note • Security Agreement • UCC Filing • Personal Guarantee (of applicant) • Guarantee by Property Owner • Incumbency Certificate • Company Authorizing Resolution



<i>Fees</i>	<p>The following fees apply. All will be due at closing and can be funded with proceeds of loan.</p> <ul style="list-style-type: none">• Credit Report Fee of \$25. Credit report will be ordered by the National Development Council.• 1% commitment fee, payable to the SCEDC.• Legal fees:<ul style="list-style-type: none">○ Applicants shall be responsible for the payment of any and all fees and costs of legal services rendered to an Applicant in connection with this application and any subsequent matter related to a Loan.○ As the terms of a Loan under the Program are non-negotiable, the SCEDC does not expect to incur legal fees. However, if the SCEDC seeks the advice of counsel in connection with a Loan and incurs legal fees, the SCEDC will require the Applicant to pay such legal fees and that of the SCEDC. In such an event, the SCEDC will give advance notice to the Applicant of the approximate amount of such fees.
<i>Loan Administration</i>	<p>At the loan closing, borrower will receive a loan repayment schedule.</p> <p>Payment requests will not be sent out monthly. Payments will be due by the 5th day of each month.</p> <p>EDC staff will call delinquent borrowers and monitor repayment.</p> <p>EDC staff will involve EDC counsel, as appropriate, for actions to protect its security interest for borrowers who have not met the loan obligations, as detailed in the closing documents.</p>