

Micro-Loan Fund (MLF)

PURPOSE

The Micro-Loan Fund (MLF) provides affordable, market-rate financing to stimulate the growth of new and existing small and micro-level businesses in the City of Winchester. The MLF provides financing to qualifying businesses based on self-determination of need, where the applicant is unable to fully finance the proposed project with equity bank financing and other private and public financing at affordable terms.

The policies and procedures contained within this document set forth the criteria by which the EDA may determine which economic development activities may be supported with funds made available through the EDA's Micro-Loan Fund (MLF).

TERMS AND CONDITIONS

The MLF offers a loan between \$1,000 to \$15,000 with a -1 prime rate interest rate for projects located within the Enterprise Zone (EZ). Non-EZ projects will be subject to the prime interest rate.

The EDA board may award incentives above the threshold in cases where the project significantly impacts economic and/or workforce development efforts within the City of Winchester. For a project to significantly impact economic and/or workforce development efforts, it must achieve several of the Citywide Economic objectives as defined by the most recent Winchester Comprehensive Plan. The ultimate incentive value is at the full discretion of the board.

The term of the loan is thirty-six (36) months. A monthly amortized payment schedule will be established unless otherwise negotiated and approved by the EDA. There will be no penalty for early repayment.

Loans shall be made in conjunction with other sources of financing. EDA loans serve as secondary sources of financing after primary, private lending sources are exhausted.

Collateral requirements shall be determined on an individual basis by the EDA and may include: deeds of trust on land and buildings; liens on fixed and major movable equipment; liens on accounts receivable and inventory; liens on the corporate assets of affiliated businesses, when appropriate; and key-person life insurance coverage naming

the City as a beneficiary, when appropriate. This collateral may be subordinated to private sector financial institutions participating in the BGR-RLF project, if required.

Loans are possible if the property is being leased or purchased under contract if all parties to the lease or contract agree to the improvements in writing.

All plans for properties located within the Primary or Secondary Districts must be approved by the Board of Architectural Review to ensure consistency with the architectural theme.

APPLICATION PROCESS

Applicants should submit a completed loan application form with detailed descriptions of the proposed project(s) and required additional documents.

Applications with all required materials will be forwarded to the Finance Committee of the Winchester Economic Development Authority for preliminary review prior to a full board vote for approval. Loan approval and award amounts are at the discretion of the Economic Development Authority Board. Full loan amounts are not guaranteed.

Any information submitted by the applicant that is intended to remain confidential shall be noted with specificity. The EDA shall determine (with advice from legal counsel if needed) whether any such information qualifies for confidential treatment under applicable Virginia law. Any questions regarding confidential treatment should be discussed with the EDA prior to the submission of any information requested by the applicant to remain confidential.

The applicant will need to receive financial approval as part of the approval process and the financial underwriting criteria.

The EDA shall require the applicant to pay all of the costs, if any, incurred by the EDA for the MLF loan closing, including but not limited to appraisal, legal, environmental, title insurance, recording costs and filing fees. The fees may be included in the loan application as an eligible use of MLF proceeds.

All approved EDA loans require the signing of a promissory note to receive funds.

If approved, the applicant must complete the work detailed in application within twelve (12) months of receiving the funds.

Only one application may be approved per individual business, as determined by tax ID, during the life of the loan. Subsequent applications outside of the 36-month loan interval may be considered if the proposed project differs substantially from the project previously approved.

ELIGIBLE AREA

The incentive is available citywide; however, priority will be given to businesses located within the EZ.

ELIGIBLE APPLICANTS

Any business or property owner of a commercial, mixed-use*, and/or industrial property within the City of Winchester is eligible to apply. Only one grant will be awarded per business and/or physical address. Non-profit organizations are ineligible for EDA incentives.

In order to receive incentives from the EDA, applicants must be in good standing with or otherwise recognized by the State Corporation Commission as eligible to transact business in Virginia, as well as recognized by the CoR and Treasurer for the City of Winchester as eligible to transact business in the City, in possession of a current business license to operate in the City (as applicable) and not be delinquent in paying any prior taxes.

The EDA shall not discriminate on the basis of race, religion, sex, color, age, sexual orientation or national origin in reviewing and approving applications and administering the incentive program.

**Mixed-use” is defined as building incorporating residential uses in which a minimum of 35% of the usable floor space is devoted to commercial, office, or industrial purposes.

INELIGIBLE APPLICANTS

No member of the Winchester City Council; the EDA; or any other official, employee, or agent of the City who exercises decision-making functions or responsibilities in connection with the implementation of the MLF is eligible for financial assistance under this program.

Non-profits organizations, banks, savings and loan associations, non-independently owned gas stations, used car lots, adult entertainment establishments, check cashing outlets, vape, tobacco and furniture and appliance rental shops are ineligible for EDA incentives.

ELIGIBLE ACTIVITIES

- Small equipment and/or furniture needs, including acquisition, delivery and installation
- Working capital for new sales growth to include accounts receivable and inventory
- Small leasehold improvements and façade renovations

INELGIBLE ACTIVITIES

- Refinancing or consolidation of existing debt
- Leveraged buy-outs
- Distribution or payment to owners, partners, shareholders or beneficiaries of the applicant
- Other activities that the EDA may identify as inappropriate for the program

MLF APPLICATION

| | |
|--|---|
| Legal Name of Business: | |
| Property Address: | |
| Tax ID#: | |
| Applicant: | |
| Applicant Email Address: | |
| Co-Applicant: | |
| Co-Applicant Email Address: | |
| Is this business New or Existing? New: <input type="checkbox"/> Existing: <input type="checkbox"/> | Is this business in the Enterprise Zone? Yes: <input type="checkbox"/> No: <input type="checkbox"/> |
| Amount Requested <i>(May not exceed \$15,000 or be under \$1,000):</i> | |

PROPOSED PROJECT

Describe the overall project for which financing assistance is being requested. *If more space is needed, please continue on a separate sheet.*

| |
|--|
| |
| |
| |
| |
| |
| |
| |
| |

PROJECT TIMELINE

When will the project be completed? If the project was carried out in stages, please list the approximate completion date of each stage. *(All projects shall be completed within 12 months from the date of the loan approval)*

| |
|--|
| |
| |
| |

FINANCIAL COMMITMENT

Please attach detailed invoices relating to the amount of capital investment that you leveraged for the project.

JOBS

State the number of Full-Time and Part-Time positions presently employed by your business (if applicable)

PT: _____
 FT: _____

JOBS BEING CREATED AS A RESULT OF THIS PROJECT

| Job Type | Number to be Hired | Special Training Required? | Hours per week, PT/FT? | Wage estimated |
|----------|--------------------|----------------------------|------------------------|----------------|
| | | | | |

| | | | | |
|--|--|--|--|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Estimate the number of positions that will be created over the next (5) year period of time: _____

REFERENCES

Provide three (3) professional references including at least one creditor and one trade reference.

| | |
|--------------------|----------------|
| Name of Reference: | # Years Known: |
| Relationship: | Telephone #: |
| Address: | |
| Name of Reference: | # Years Known: |
| Relationship: | Telephone #: |
| Address: | |
| Name of Reference: | # Years Known: |
| Relationship: | Telephone #: |
| Address: | |

DISCLOSURES

1. Have you or any officers of the company ever declared bankruptcy or defaulted on any financial or contractual obligation?

Yes: No:

2. Are you or your business involved in any pending litigation?

Yes: No:

3. Are you or your business delinquent on any federal, state or local taxes?

Yes: No:

4. Have any of the individuals listed in the "Management & Ownership" section been convicted of a felony?

Yes: No:

*If the answer is YES to any of the above, please explain:

CERTIFICATION

I certify the above information and statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of obtaining a loan. I authorize the Economic Development Authority of the City of Winchester to make inquiries as necessary to verify the accuracy of the statements made and to determine by credit worthiness.

I give my consent for the Commissioner of the Revenue to divulge and the City Manager and his/her designee(s) to receive any and all information pertaining to the assessment, payment and/or collection of taxes paid by the applicant, such information to be used for the sole purpose of administering this incentive.

I authorize the EDA to investigate the applicant's and affiliated companies' credit and financial records including bank records. As part of the investigation, I authorize the EDA to request and obtain consumer credit reports on the applicant and affiliated companies' in connection with the opening, monitoring, renewal, and extension of this other loan requests with the EDA. I understand that the EDA may ask for additional information not listed as they deem necessary to complete my application.

Funds will not be disbursed if improvements do not comply with the project as approved. Applicant agrees to terms as set forth above and agrees to abide by loan policies.

Signed: _____

Title: _____

Date: _____

Signed: _____

Title: _____

Date: _____

Applications can be submitted in person, by mail, or electronically to the Economic Development Authority located at 117 E. Piccadilly St., Ste. 301, Winchester, VA 22601. Applications may also be emailed to econ.dev@winchesterva.gov.

REQUIRED DOCUMENTS

| Application Checklist | Check Off When Completed | For Office-Use Only |
|--|--------------------------|---------------------|
| Completed MLF Application | | |
| A written business plan and financial proposal. This should include a brief company history including when it started or is to start, legal structure, management, markets, and products. | | |
| A marketing plan, including a list of key customers and clients a discussion of your industry, and a discussion of competition, need for MLF financing and other matters relevant to your application. | | |
| Financial Commitment. (A document detailing how much capital investment you will be leveraging personal equity and lending for the project.) | | |
| A debt schedule listing debt, to whom payable, and monthly debt amount for each owner with twenty percent (20%) or greater ownership or any co-signers and/or guarantors for the requested loan | | |
| Aging of accounts receivable and accounts payable corresponding with latest available financial statements | | |
| Most recent two (2) years personal Federal Income Tax returns [1040] for each owner with twenty percent (20%) or greater ownership | | |
| Personal Financial Statement for each owner with twenty (20%) or greater ownership or any co-signers and/or guarantors for the request loan including recent credit reports | | |
| Projected Balance Sheets, Income Statements and Cash Flow Statements for two (2) years (first year on a month-by-month basis for new businesses) | | |
| For businesses less than two (2) years old, personal resumes for individuals listed in "Management & | | |

| | | |
|---|--|--|
| Ownership” section of application, including: number of years of experience in the business; educational background; and role in the proposed or existing business. | | |
| A description of how the business plans to use the requested funds | | |
| If applicable, letters from all interested parties (if the building is under lease or contract) agreeing to the scope of the work. | | |
| Letters of commitment from all financial institutions or other sources of funds for the debt financing that are included in the project | | |
| If applicable, please include details if you, other stockholders or partners ever defaulted on loan obligations or been involved in bankruptcy proceedings | | |
| If applicable, please include details if your present company(ies) or any of your past business enterprises ever defaulted on financial or contractual obligations | | |
| Details if you or your business is involved in any pending lawsuits | | |
| Details if you, other stockholders or partners ever were convicted of a felony | | |
| A copy of the franchise agreement if your business is a franchise | | |
| A copy of your company’s organizational documents (i.e. Articles of Incorporation, By-Laws, Partnership Agreement, Fictitious Name Documents, etc.) | | |
| A signed affidavit confirming the applicant is not delinquent or in default on federal, state, or local taxes or any existing private or publicly financed loan. | | |
| List of vendor/supplier cost estimates (including installation) of machinery, equipment, furniture or fixtures to be purchased with the loan if applicable | | |

| | | |
|---|--|--|
| Attached description of the applicant's facility and a plat plan or photo | | |
|---|--|--|

INTERNAL USE ONLY

| |
|--------------------------------------|
| Amount requested: |
| Amount suggested after review: |
| Approval by EDA (Y/N, amount, date): |
| Check issued (date): |
| Comments: |
| |