



CITY OF PORTERVILLE
COMMUNITY DEVELOPMENT BLOCK GRANT
BUSINESS REVOLVING LOAN FUND

BAP-CV PROGRAM GUIDELINES ADDENDUM

INTRODUCTION

The City of Porterville’s Revolving Loan Fund (RLF) is designed to meet the capital needs of new or existing businesses located in the City of Porterville. The CARES Act provided additional Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD) referred to as CDBG-CV, in order to help communities prevent, prepare for or respond to the Covid-19 Pandemic. The CDBG-CV funded program hereon out referred to as BAP-CV will model the RLF and is designed to avoid job loss caused by the effects related to social distancing due to the COVID-19 pandemic; by providing short-term working capital assistance to businesses to enable retention of jobs held by low- and moderate-income (LMI) persons or for the creation of positions that were eliminated due to COVID-19. All requirements noted in the Business Assistance RLF guidelines are required for BAP-CV loan applicants unless noted below.

Job Retention/Creation

The City’s aggregate job retention/creation portfolio must maintain a 1:\$35,000 job retention/creation ratio. Any position retained/created must be held by a person in a LMI household.

Documenting Jobs

For purposes of meeting the CDBG public benefit requirement, all jobs should be retained for at least 24 months. As part of the application for BAP-CV funding, the business must provide proof that 51% of positions retained are held by a person in a LMI household. All hires must be made through the Employment Connection and a certification obtained reflecting the LMI status of the new hire. This documentation shall be submitted to the City of Porterville within five (5) business days of start date of new hires. For retained positions, documentation of income shall be included with application for BAP-CV funds.

Permanent Jobs

Only permanent jobs directly related to the assisted activity are considered for purposes of determining whether the project generated the requisite amount of public benefit. The business



owner can count themselves as an employee if they are working full time in the business. A permanent job is defined as a job classification that provides 2,080 hours a year employment. Full time equivalent jobs (FTE) are considered toward establishing a final job count. Fractions of full-time employment (e.g. 0.5 FTE) are not considered in meeting the program’s public benefit standard. However, two part time jobs of at least 1040 hours per year each can count as one FTE job.

National Objective

Each Business Assistance activity funded under the CDBG program must meet the national objective of expanding economic opportunities, principally for low- and moderate-income persons. BAP-CV funds must be made available to persons of low-and moderate- income persons (80% AMI and below) and at least 51% of the jobs retained or created must benefit low-and moderate- income persons.

This is accomplished by documenting that the jobs that are retained/created by the BAP-CV assisted business retention project will be filled by or made available to persons of low-and moderate-income.

PY 2020 Porterville Income Guidelines- Area Medium Income								
Household Size								
AMI	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Low Income (80%)	\$39,150	\$44,750	\$50,350	\$55,900	\$60,400	\$64,850	\$69,350	\$73,800

ELIGIBLE APPLICANTS

Eligible applicants include on-going, for profit businesses and non-profit organizations that are classified as industrial, commercial, service or retail business, and that are located in or expanding to the City of Porterville. The project to be financed with the BAP-CV Program must be located within the incorporated area of the City of Porterville.

Eligible applicants must have a minimum credit score of 600 unless compensating factors are provided and/or justifiable evidence is provided that reduces risk. A twelve (12) month history of on-time payments for revolving accounts or alternative forms of credit (i.e. rent history, cell phone, gas or electricity account) is also required.

ELIGIBLE COSTS

Eligible costs include:

Working Capital (Capital for day to day operations of the firm, acquisition of assets, or payment of obligations).

- Purchase of materials or equipment needed to assist businesses with social distancing requirements.



- Purchase of safety supplies and/or materials for employees.
- Assistance to avoid job loss caused by business closures related to social distancing
- Purchase of equipment needed to assist with point of sale systems to encourage online purchasing and enhance curb-side pick-up.
- Assistance for business stabilization due to COVID-19 related revenue shortfalls including business license fees, lease payments, and payroll payments.

After a loan is awarded, the awardee will be required to provide documentation that the loan funds were spent on eligible costs. This may include cancelled checks, receipts, or a bank statement highlighting the uses. Costs incurred prior to issuance of a loan and execution of a loan agreement are not eligible. **Please note:** *Retroactive payments are not allowed; all expenses must be current or future expenses.*

Duplication of Benefits:

BAP-CV funds may not be used to pay costs if another source of financial assistance is available to pay that cost. Applicants must demonstrate that they have applied for available programs and demonstrate the need for BAP-CV funding for employee retention to reflect that if not for BAP-CV funds the employees retained would be lost. For job creation it must be demonstrated that if it were not for BAP-CV funds the business could not open/remain open or hire back positions lost due to COVID-19. BAP-CV funds can only be utilized with other funding sources if there is a gap in funding.

INELIGIBLE APPLICANTS

BAP-CV Loans shall not be available for the following business:

- 1) Speculative investment companies
- 2) Real estate investment companies
- 3) Lending institutions
- 4) Gambling operations
- 5) Companies or applicants that have received more than one notice of violation for failing to follow the executive order of the governor
- 6) Any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs
- 7) Having outstanding unpaid judgments or involuntary liens at the time the City's loan is recorded
- 8) Having bankruptcies, which have not been dismissed prior to the recordation.
- 9) Other businesses not serving the interest of the City

INELIGIBLE ACTIVITIES

- 1) Retroactive payments are not allowed; all expenses must be current or future expenses.
- 2) Refinancing or consolidating existing debt.
- 3) Reimbursement for expenditures prior to loan approval.
- 4) Routine maintenance.
- 5) Professional services such as legal fees, feasibility and marketing studies, accounting services, etc.



- 6) Other activities that the City may identify as inappropriate for the RLF program or not consistent with City's Economic Development Plan and five year Consolidated Plan.
- 7) Projects where there is not reasonable assurance of repayment of the loan.
- 8) Business operating out of a private residence (Home Occupancy Permit) where services will be performed at home. Businesses operating under a Home Occupancy Permit (HOP) for office purposes only, but not providing services from the residence may be eligible for funding on a case by case basis. An example of business that may qualify are those that perform repairs, maintenance, or professional services in a client's home or business (such as a home remodel contractor, plumber, traveling notary services, etc).

The business HOP address must be located within the Porterville city limits. A funded business that operates under a HOP will be monitored on an annual basis to ensure that the business address remains within the city limits, even though the actual performance of services may be outside the city limits, the then current loan amount, plus any interest due, shall become due and payable to the City.

Projects are not eligible if they create conflict of interest pursuant to California Government Code Section 887100 et seq. for any current City elected official, appointed official, or employee.

LOAN PROCEDURES

Release of Funds:

Prior to the release of funds, the following documentation shall be in place or provided at appropriate time during the term of the loan.

- 1) Promissory Note. A promissory note shall be prepared by the Community Development Director, or designee, and signed by the authorized representatives of the business at the time of loan closing. The note shall be dated, reference the agreement between the City and the business and specify the amount and terms of the loan funds to be delivered.
- 2) Security. A personal guarantee shall be provided as security for all loans in the amount of \$50,000 or less. A personal guarantee for loans shall be prepared by the City Attorney, or designee, and signed by the authorized representatives of the business at the time of loan closing. Mortgage and or lien instruments are required to be provided as security for all loans over \$50,000 and shall be prepared by the City Attorney, or designee, and signed by the authorized representatives of the business at the time of loan closing. Real property located in California is the preferred form of security. The City Attorney, or designee, shall record all security instruments and place copies in the project file, as applicable, to include: a) mortgage and/or security agreement; b) guarantee agreement; c) title insurance commitment and policy; d) assignment of life insurance; e) property-casualty insurance binder; f) personal guarantee; g) other documentation as may be appropriate.
- 3) Amortization schedule. An amortization schedule shall be prepared by staff and reviewed with the loan recipient prior to executing loan documents.
- 4) Other Documentation. Documentation shall be provided by the applicant to evidence that all required permits, licenses, and registrations have been obtained prior to the release of BAP-CV funds. As appropriate or necessary, the borrower may also be asked to provide



the following documentation: a) articles of incorporation and by-laws; b) a resolution or agreement to borrow funds; c) current financial statements; d) evidence of having secured other funds.

After release of funds

- 1) Evidence of Program Expenditures. Documentation of the use of funds is required within 60 days of receipt of funds. Documentation includes invoices or receipts for materials and supplies, final bills of sale, letters from lenders, and/or canceled checks. All documentation shall be reviewed and approved by staff. Staff shall also verify the installation of all fixed equipment.
- 2) Evidence of National Objective. Documentation that the jobs that are retained/created by the BAP-CV assisted business retention/creation project were filled by or made available to persons of low-and moderate-income.

LENDING CRITERIA

The following guidelines have been adopted to clarify the program basis for making loan commitment decisions.

Loan Terms:

Interest Rate:

Interest rate is set at 2% or current Local Agency Investment Fund (LAIF), whichever is greater, at time of loan.

Term:

The term of the loan will be ten (10) years, with the availability of the loan to be forgiven if the loan recipient meets the condition of retaining/creating the position(s) as outlined in the loan agreement continuously for two (2) years by providing necessary documentation.

Payment Deferment:

Payments may be deferred for 24 months.

Loan Fee:

None

Prepayment Penalty:

None

Collateral Requirements:

All loans shall be fully secured with personal, corporate guarantee, or real property. No unsecured loans shall be made unless approved by Council.

Updated July 21, 2020

