



CITY OF WEST COVINA BUSINESS ASSISTANCE LOAN PROGRAM

The City of West Covina provides federal Community Development Block Grant (CDBG) funds for eligible economic development projects. The Business Assistance Loan Program provides funds to eligible businesses with the ultimate objective of creating jobs for persons at 80% or less of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles Metropolitan area. The Program can assist businesses to either create or retain jobs. If qualified under retention, the business must provide specific evidence that the jobs would be lost without the CDBG assistance. The City can fund \$20,000 per full time equivalent job created or retained, with matching funds by the business owner.

Each job created or retained must be a full-time equivalent permanent job. The employer must obtain documentation from the job applicant at the time of hiring that the applicant's income is at or below 80% of AMI for their household size. At least fifty-one percent (51%) of the jobs created or retained must be made available to persons at this income level at the time they are hired.

A business must be able to demonstrate that the CDBG assistance is necessary for new job creation or retention. A qualifying business can use the funds for the purchase of land or property acquisition, equipment, fixtures, and/or working capital, among other uses. Use of Program funds for the payment of work related to construction, rehabilitation or installation will require the payment of either state or federal prevailing wages, whichever is higher. Please contact our office for further details.

If your business is interested in the City of West Covina's Business Assistance Loan Program, please complete the attached application. There is no cost to apply. Submit the completed forms to:

City of West Covina Community and Economic Development
1444 W. Garvey Avenue South
(626) 939-8417

Attn: Karen Ko, Economic Development Specialist
e-mail | karen.ko@westcovina.org

BUSINESS ASSISTANCE LOAN PROGRAM INFORMATION AND EVALUATION STANDARDS

Objectives

The Business Assistance Loan Program encourages:

- Private sector job creation/retention
- Capital formation
- Private sector projects that have a financial feasibility based on recognized underwriting criteria
- Gap financing
- Development of sales tax and property tax base
- Support of existing businesses
- Development of new business

Loan Criteria

- Jobs/Cost ratio: Maximum \$20,000 per qualified full time equivalent job created.
- Types of jobs created/retained: At least 51% of the jobs created will be held by, or made available to persons whose household income is at 80% of Area Median Income or less, adjusted for household size. See Attachment A for current year income information.
- Must meet general credit criteria as described in the Business Assistance Loan Program Policy.
- Must create at least 10 employment opportunities.
- Must provide matching funds.

Program funds are available to businesses located within the City of West Covina.

Eligible Activities

- Working capital for inventory and receivables.
- Machinery, equipment, furniture, fixtures and leasehold improvements.
- Acquisition and assembly of owner-occupied land and facilities.
- Construction and installation (please call first).

The project must create or retain jobs which are available to persons of low-to moderate income. See the Policy for further information.

Ineligible Project and Activities

- Projects outside the limits of the City of West Covina.
- Speculative activities since near-term job creation or retention are not evident.
- Job pirating. This is the use of federal funds to attract businesses and its jobs away from one labor market to another.
- Projects where underwriting analysis indicates poor credit risk.
- Use of funds to pay debt.
- Uses determined as ineligible by the federal government, and as described in the Policy.

This Program is intended to assist businesses whose financial statement precludes them from obtaining a loan from a private institution, but whose activities meet the National Objectives to the CDBG Program.

Public Benefit Determination

In determining the public benefit, the following factors will be considered:

- The number and type of jobs created and/or retained.
- Other development which is likely to be stimulated in the area by the project activity.
- Increases in the tax base including property, sales and income taxes in the area.
- Increases in needed services which result either from the project itself or from its surrounding activity.

Maximum Loan Amounts

The amount of the loan is determined by the following:

- Number of jobs created.
- Total project costs (Preferably at least 2/3 of the costs will be business contribution and bank participation, 1/3 Economic Development filling the remaining gap up to Program cap and available funds).
- Project Financing gap.
- Eligible costs.
- \$360,000 maximum loan amount.

Financial Guidelines

There are six objectives for economic development underwriting:

- That project costs are reasonable;
- That all sources of project financing are committed;
- To the extent practicable, CDBG funds are not substituted for non-Federal financial support;
- That the project is financially feasible;
- To the extent practicable, the return of the owner's equity investment will not be unreasonably high, and;
- To the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project.

Labor Standards

If the project includes construction, rehabilitation and/or machinery installation Federal Labor Standards may apply. This includes the Davis/Bacon Act which requires that workers doing rehabilitation and/or installation receive no less than the prevailing wage as determined by the Act's guidelines. Also, additional regulations may apply.

Agreements

You will be required to sign binding agreements pertaining to funding use and job creation/retention prior to funding.

Time Period

Application processing takes approximately two months from the time you submit all required documentation.

Procurement

Guidelines require that you follow specific procedures for purchasing equipment machinery, inventory or supplies, or doing construction work.

Monitoring

Monitoring of job creation/retention activities will be made within the compliance year. All records must be kept for five years past the end of the compliance period.

Insurance

Prior to the issuance of funds, proof of insurance as required under the agreement must be provided.

Fund Availability

Applications will be considered when funds are available in each fiscal year.

West Covina Business License

A West Covina business license is required, or must have a pending application.

After funds are awarded and all requirements are met

The Loan Program is intended to provide forgivable loans to qualified applicants. Loans offered by the Program will be forgiven only if an applicant maintains compliance with the Program and all applicable rules, regulations and laws for the duration of the 5 year loan term as determined by the City.

After repayment or forgiveness, liens or other collateral may remain on the property until after HUD completes its audit of the CDBG Program for the fiscal year, which may be one to two years after Program compliance ends.

Application Review Scoring

Criteria	Strength 1 Low, 5 High	Weight (% of Total)	Weighted Score
Business Plan		15	
Job Creation		20	
Potential economic impact A. Business on community B. CDBG funding on business		15	
Financial Soundness		20	
Owner/Operator Experience		10	
Owner/3 rd party funding		10	
Quality of life impact		10	
Total		100%	

Tabulating Scores

Each criterion is scored on a scale of 1 (low) to 5 (high). The scores of each Financial Committee member is added together and multiplied by the weighted percentage of each criterion. The resulting number is the Total Weighted Score for the Applicant. The higher the Total Weighted Score the more likely the applicant will receive CDBG Economic Development funds.

Criteria Definitions

The following definitions will be used to evaluate applications for the CDBG Economic Development Program:

Business Plan

(15%)

The business plan should precisely define its business, identifies its goals, and serves as the firm’s resume. The business plan should include at minimum:

- Venture/Project Description
- Management and Organization Plan
- Market Plan
- Financial Plan

Job Creation (20%)

New jobs being provided by the business.

Potential Economic Impact

A. Business on Community (15%)

The economic impact of this business on the community in which it is located.

B. CDBG funding on business

The economic impact of CDBG funding on the business.

Financial Soundness (20%)

In addition to the business plan, existing businesses must provide fiscal year end business financial statements for the prior three years, including:

- Cash flow
- Actual profit/loss statements
- Year End balance sheet

For start-up and New Businesses (less than one year in operation), in addition to the plan, the following projected information must be provided:

- Startup costs
- Operating expenses
- Capital budget
- One year cash flow
- One year income/expense statement
- One year balance sheet

Owner/Operator Experience (10%)

The management team's business experience that directly or indirectly relates to their business.

Owners/3rd party funding (10%)

The "Project Financing and Use of Loan Proceeds" form must indicate all anticipated or secured funding sources. These may include:

- Owner investment
- Traditional Commercial Loan
- Other Private Investment
- Credit Card Financing
- Other

Quality of Life Impact (10%)

The business' impact on the quality of life of the community in which the business is located.

Please add any additional information which in the judgment of the applicant would be appropriate to full support the application. Applications will be reviewed by the Loan Committee. If the applicant is determined to be qualified, the application will be forwarded to the City Council for approval.

ATTACHMENT A

State CDBG's and HOME's Table of 2016 Maximum Income Limits

Family Size	Annual Income
1	\$54,450
2	\$62,200
3	\$70,000
4	\$77,750
5	\$83,950
6	\$90,200
7	\$96,400
8	\$102,650

(Based on current effective median income of Los Angeles County. Revised annually as set forth in 25 Cal. Code Regs. Section 6932) As of May 24, 2016.

ATTACHMENT B

Excerpt from “City of West Covina Business Assistance Loan Program Policy”

IX TYPE OF PROJECT

Funding priority will be recommended for projects that meet the Program criteria, create jobs for low- to moderate-income persons, expand economic opportunities and generate sales tax. The following are some of the project types that will be considered for economic development project funding:

- A. New Retail/Commercial
 - 1) Appliance
 - 2) Vehicle
 - 3) Furniture
 - 4) Clothing and shoes
 - 5) Electronic/computer
 - 6) Kitchen equipment
 - 7) Gift stores
 - 8) Health and Sporting Goods stores
 - 9) Book and Entertainment stores
 - 10) Musical Instruments and sound equipment stores
 - 11) Upscale grocery and import stores
 - 12) Boutique Day Spa
- B. Quality food establishments
 - 1) Dinner houses/restaurants
 - 2) Upscale fast food
- C. Art gallery and supplies
- D. Entertainment-related activities
 - 1) Movie theaters
 - 2) Concert venues
 - 3) Theatre
- E. High-tech industrial uses
 - 1) Aerospace-related
 - 2) Computer
 - 3) Bio-Tech
- F. Medical and Dental uses
 - 1) Professional offices
 - a. Physicians
 - b. Dentists
 - 2) Full Service Medical Hospitals
 - 3) Medical clinics
 - 4) Veterinarian hospitals
 - 5) State licensed physical therapist rehabilitation centers
- G. Manufacturing
Manufacturing is defined as follows: To be engaged in the production of something different and distinct from the original article. Substantial transformation is required, resulting in a change to its superficial appearance and altering its substantial character. Manufactured goods are goods made by machinery in large quantities, from primary goods such as steel and textiles, and baked goods.