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CITY OF WOODBURN

BUSINESS LOAN PROGRAM GUIDELINES

Program Goals

- 1) *To help Woodburn businesses create or retain jobs.*
- 2) *To help Woodburn businesses improve their appearance and address code violations.*

Minimum Eligibility Criteria for Borrowers

- 1) The business must be located in Woodburn and the project being financed must be located in Woodburn.
- 2) A borrower may be either an established business or a start-up venture.

Eligible Projects and Activities

- 1) Acquisition of real property for business purposes.
- 2) Acquisition of equipment, machinery, furniture, fixtures, remodeling and leasehold improvements.
- 3) Employee training or other start-up costs required by a business expansion or start-up.
- 4) Working capital - as long as it is within the context of a larger project and does not exceed 25% of a project.

Ineligible Projects and Activities

- 1) Activities not permitted under Oregon or city laws.
- 2) Refinancing of existing debt.

Financing Policies and Loan Standards

- 1) All loan applicants must be able to demonstrate repayment ability and provide a minimum of 100% collateral coverage for security. Repayment ability and adequacy of security will be evaluated using customary commercial lending standards and practices.
- 2) Interest rates may vary from a minimum of 3% to a maximum rate of 2% over the rate for a 10 year US Treasury bond.
- 3) Interest rates will normally be fixed for the entire term of the loan.
- 4) Loan terms will not exceed 3 years for working capital; up to seven years for equipment but not to exceed the useful life of the equipment; the length of the lease term for leasehold improvements; and 15 years for real estate.

- 5) Security for Woodburn loans may be subordinate to the collateral security interests of participating private lenders.
- 6) A City loan may not exceed 50% of the total cost of a project proposed for financing. An amount at least equal to the City loan must come from private sources such as borrower cash or a bank loan.
- 7) There will be no pre-payment penalties for early repayment of City loans.
- 8) The maximum loan size will normally be \$50,000. The City Administrator may authorize a larger loan only when such a loan is judged to have significant city-wide economic impact.
- 9) Projects proposed for financing that will result in the creation of new jobs with wages that exceed the Marion County average will receive a higher priority than proposals that do not achieve such employment.
- 10) Projects that utilize a City loan to leverage greater than the minimum required levels of financial participation from other sources will receive a higher priority.

Program Management Policies

- 1) Lending staff from the Mid-Willamette Valley Council of Governments (COG) will serve as loan officers and evaluate applications for loans. Upon the completion of an application, COG staff will prepare a loan credit memo to the Woodburn City Administrator that summarizes the findings and recommendations for action.
- 2) Upon review of a loan application and COG staff memo and recommendations, the City Administrator shall provide written notice of his decision on the application to COG who, if approved, will then prepare closing documents and execute the closing of the loan.
- 3) The COG shall maintain a segregated account for Woodburn loan funds as they are repaid and provide a full financial status report to the City Administrator whenever requested but at least once annually.
- 4) Borrowers will be assessed a loan fee of 1.5% of the loan amount upon closing of a loan. Borrowers will also be assessed an advance fee of \$150 after an initial consultation with a loan officer but before a complete loan application is evaluated. The advance fee is non-refundable but it will be credited towards the 1.5% loan closing fee if the loan is approved. The advance fee and closing fee are intended to compensate COG for loan application review and research costs and for such third party expenses as credit reports and lien searches. In the event that an appraisal or title insurance is required for a loan, those costs shall be borne by the borrower.

- 5) The COG shall receive and account for all loan repayments and provide such servicing assistance as monitoring loan conditions or requirements, assisting borrowers with changes to loan agreements or loan collateral, and monitoring timely repayment. Any legal actions that may be required to collect a loan will be referred to the City Attorney.
- 6) The COG shall be entitled to assess an annual servicing fee of 1% of the total outstanding balance of the loan fund after each twelve month period up to a maximum of \$1,200 per year.
- 7) COG lending staff will also refer applicants to other small business resources such as those offered by Chemeketa Community College, the Oregon Economic and Community Development Department and other federal and state lending programs.