

CITY OF JANESVILLE
ECONOMIC DEVELOPMENT
DOWNTOWN REVOLVING LOAN PROGRAM:
MANUAL OF POLICIES AND PROCEDURES

For more information contact:

Ryan D. Garcia

City of Janesville

Economic Development Coordinator – Redevelopment

18 N. Jackson St.

P.O. Box 5005

Janesville, Wisconsin 53547-5005

Phone: (608)755-3180

Fax: (608)755-3189

garcia@ci.janesville.wi.us

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SECTION 1 – GENERAL PROVISIONS

1.1 TITLE

These regulations shall hereafter be known, cited and referred to as the “City of Janesville Downtown Revolving Loan Program: Policies and Procedures Manual (2014)”, “RLF Manual” or “Manual”.

1.2 PURPOSE

This Manual sets forth the regulations that govern revolving loans that fund economic development activities in Downtown Janesville, Wisconsin.

1.3 OBJECTIVES

RLF Loans will only provide the funds necessary to bridge the “financial gap” that allows an applicant to move forward with a development project in Downtown Janesville. RLF Loans are intended to assist with economic development that meets one or more of the following objectives:

- (1) To encourage the leveraging of new private investment in the community.
- (2) To create financial incentives that foster rehabilitation and maintenance of commercial real estate in Downtown Janesville, in order to attract and retain new and existing business.
- (3) To encourage mixed-use, commercially owned facilities which provide expanded employment opportunity, retail sales, services, entertainment, and expanded housing opportunity.
- (4) To support revitalization of the downtown as a whole, and especially the primary historic commercial corridors of Main Street and Milwaukee Street.
- (5) To provide necessary financial assistance to existing and prospective business that is accessible and reasonably simple to apply.
- (6) To expand housing opportunities through conversion of the upper stories of downtown buildings into attractive, accessible, competitively priced housing units for a diverse cross-section of residents.
- (7) To increase the tax base of the City.

1.4 AMENDMENTS

This Manual was prepared by the staff of the City of Janesville in accordance with File Resolution 2014-1114, approved by the City Council on _____, 2014. The City may, from time to time, amend the Manual. To be effective, all such amendments shall be reviewed and prepared by the Revolving Loan Review Committee (RLRC).

SECTION 2 – ADMINISTRATION

2.1 OVERVIEW OF PROGRAM ROLES AND RESPONSIBILITIES

- (1) The Program Administrator shall:
 - a. Be a senior staff member or designee of the City of Janesville Economic Development Department;
 - b. Promote and explain the Program to prospective applicants and furnish the application and other written information regarding the Program to applicants;
 - c. Review and process all applications for RLF Loans for completeness and conformance to the policies and procedures of the Program;
 - d. Following review and approval from the RLRC, prepare RLF Loan Agreements;
 - e. Following award of a RLF Loan, monitor the RLF Loans and report regularly to the RLRC, and as appropriate, to the City Council regarding the status of the RLF Loans.

- (2) The Revolving Loan Review Committee (RLRC) shall be a seven-member committee consisting of the Program Administrator, the City of Janesville Finance Director or designee, and, at minimum, one representative as assigned by the Downtown Revitalization Committee (DRC), and one representative as assigned by the Downtown Development Alliance (DDA). The RLRC shall:
 - a. Review and recommend overall policies and procedures for implementing the Program;
 - b. Review all RLF Loan applications and recommendations of the Program Administrator regarding approval, conditional approval, and/or disapproval;
 - c. Retain the right to approve or deny any loan application based on the application record;
 - d. Resolve all complaints or disputes related to the Program following consideration of input from the applicant, members of the Committee, and City Attorney;
 - e. Consider all complaints and disputes related to the Program and make recommendations for resolutions to the City Council.

- (3) The City Council shall have final authority with respect to establishing the policies and procedures for implementation of the Program.

- (4) The City Attorney shall assist as necessary in the preparation of RLF Loan Agreements, review all legal documentation related to the RLF Loans, and advise the Program Administrator, RLRC and Council on related matters.

2.2 MEETINGS

Meetings on issues related to RLF Loans shall be held by the Revolving Loan Review Committee (RLRC) on an as-needed basis. Meetings shall be held in the Janesville Municipal Building, unless otherwise agreed and noticed, in accordance with Wisconsin's Open Meetings Laws. For the purpose of action, a majority of the members of the entity convening shall constitute a quorum. A majority of those present and constituting a quorum shall be required for official action to take place.

2.3 RECORDS

- (1) Public Records – General. Written records of Program activities, including minutes of public meetings that involve the Program, RLF Loan applications and related documents deemed public, shall be maintained in the office of City Economic Development.
- (2) Records – Private. All documentation submitted by an applicant shall be considered confidential until such time as a loan is approved. Records not considered open to the public include personal or business financial statements and application material identified as proprietary in nature.

SECTION 3 – ELIGIBILITY

3.1 ELIGIBLE APPLICANTS

- (1) Applications for RLF Loans may be submitted by any persons with eligible projects except those identified as “ineligible applicants” in this Section 3.
- (2) The Program is available to all property owners and tenants within the following central city zoning districts, as defined on the Official Zoning Map of the City of Janesville, Wisconsin and depicted in the Map attached to this Manual:
 - a. B5 – Central Business District
 - b. B6 – Central Service District
 - c. O2 – Central Office/Residence District
- (3) Tenants must have written approval to apply for the Program from the owner of property for which an application is proposed to be submitted.
- (4) A member of the City Council or any City committee, or any other official employee or agent of the City who would otherwise exercise policy, decision-making functions or responsibilities in connection with the implementation of the Program may apply for a

RLF Program Loan, but only under the following circumstances: He or she has abstained from all RLF Loan application review, RLF Loan decision-making, and development of RLF Loan policy during both of the following years: (a) the year in which he or she applies for a RLF Loan; and, (b) the year in which his or her RLF Loan application is approved.

3.2 INELIGIBLE APPLICANTS

- (1) An applicant is ineligible if he or she – or any individual with an ownership interest in the property proposed for the improvement, or any individual with a leasing interest in the property proposed for improvement – is a member of the City Council or a City committee, or any other official, employee or agent of the City who is authorized to, and in fact did, exercise policy, decision-making functions or responsibilities in connection with the implementation of this Program during both of the following years: (a) the year in which he or she applies for a RLF Loan; and, (b) the year in which his or her RLF Loan application is approved.
- (2) An applicant is ineligible if the award of a RLF Program Loan to that applicant would present a conflict of interest under Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- (3) An applicant is ineligible if, as of the date of any RLF Program Loan award to be made, he or she is delinquent in the payment of any outstanding debt due to the City or City utilities.
- (4) If an applicant is ineligible, his or her spouse, if any, is also ineligible.

3.3 ELIGIBLE ACTIVITIES (GENERAL)

RLF Program Loans may be made available to eligible applicants for the any or all of the following activities:

- (1) Interior and exterior remodeling
- (2) Code compliance
- (3) Housing on upper levels of commercial or office structures
- (4) Mixed-use development
- (5) Façade renovation
- (6) Leasehold Improvements
- (7) Repair or replacement of roof
- (8) Structural repair to upgrade street level and/or upper floors to useable condition, and repairing or replacing mechanical systems

- (9) New Construction to develop appropriate infill construction, but only on vacant land
- (10) Professional design or architectural services in conjunction with an approved completed project
- (11) Other economic development activity as approved by the RLRC

3.4 INELIGIBLE ACTIVITIES

- (1) RLF Program Loans shall not be made available for any of the following activities:
 - a. Acquisition of land, buildings, improvements
 - b. Fees, including but not limited to building permit fees, financing fees, legal fees, and filing fees
 - c. Refinancing existing debt
 - d. Non-fixed improvements
 - e. Inventory
 - f. Equipment such as computer, office furniture, telephone equipment
 - g. Payment's for applicant's own labor and performance of renovation work (i.e., "sweat equity")
 - h. Improvements made prior to loan approval
 - i. General periodic maintenance
 - j. Other business operating expenses
- (2) RLF Program Loans shall not be made available if it is determined by the Program Administrator, City Council, or RLRC that one or more of the following exists:
 - a. The proposed activity fails to bring the subject property into compliance with minimum standards contained in the City's Building Code or related Codes and Ordinances of the City of Janesville and/or State of Wisconsin.
 - b. The proposed activity will improve a structure which is currently or is planned to be owned, operated, occupied, and/or managed by the City of Janesville.

SECTION 4 – LOAN AMOUNTS AND TERMS

The Downtown Revolving Loan Program will make available three types of loans, representing the total investment required of proposed activities.

4.1 ROCK RENAISSANCE LOAN (\$10,000 - \$50,000)

The Rock Renaissance Loan is the signature program in the city's downtown development assistance toolbox. This program is to be used for a relatively wide range of moderate to substantial building improvements (interior and exterior) and provide very attractive terms. An applicant seeking funding under the Rock Renaissance Loan is not eligible to concurrently apply for other programs outlined in this manual.

- (1) Interest Rate: Current WSJ Prime Rate minus 1% (WSJ Prime Rate in June 2014 is 3.25%) fixed at closing, but no lower than 1%
- (2) Loan Term: Up to 10 years amortized
- (3) Minimum Loan: \$10,000
- (4) Maximum Loan: \$50,000 or 25% of total project cost, whichever is less.
- (5) Equity Required: 10% of project cost
- (6) Credit enhancement: Renaissance Loan would be subordinated to any bank loan
- (7) Eligible Applicant: Building owner, Developer or building tenant (with building owner's written agreement)
- (8) Typical Eligible Activities: Façade Renovation (front and back), brick tuck-pointing, replacement windows, roof repair/replacement, site landscaping, leasehold improvements, furniture & fixtures
- (9) Ineligible Activities: Property acquisition; general maintenance; refinancing; inventory; working capital; non-fixed improvements

4.2 UPPER FLOOR LIVABILITY LOAN (\$2,500 - \$25,000)

The Upper Floor Livability Loan is a tool to facilitate the creation of new and/or improved living units in the upper floors of downtown buildings. This loan may be used in conjunction with other City of Janesville housing programs as applicable.

- (1) Interest Rate: WSJ Prime minus .5% fixed at closing, but no lower than 1%
- (2) Loan Term: Up to 10 years amortized
- (3) Minimum Loan: \$2,500
- (4) Maximum Loan: \$25,000 or 50% of total project cost, whichever is less.
- (5) Equity Required: 10% of project cost
- (6) Credit enhancement: Livability Loan subordinated to bank loan

- (7) Eligible Applicant: Building owner or developer
- (8) Typical Eligible Activities: Upper Story interior renovations to restore or create residential units
- (9) Ineligible Activities: Property acquisition; general maintenance; refinancing; inventory; working capital; non-fixed improvements

4.3 FAÇADE IMPROVEMENT LOAN PROGRAM (\$500 - \$5,000)

The Façade Improvement Loan Program is a resource for building owners and/or businesses that wish to improve the exterior appearance of their building. Applicants are limited to one application per eligible building façade.

- (1) Interest Rate: 0% Interest
- (2) Loan Term: Up to 7 years to pay back loan
- (3) Minimum Loan: \$500
- (4) Maximum Loan: \$5,000 or 90% of total project cost, whichever is less.
- (5) Equity Required: 10% of project cost
- (6) Credit enhancement: City Loan subordinated to bank loan.
- (7) Eligible Applicant: Building owner or tenant (with building owner's written agreement)
- (8) Typical Eligible Activities: Painting, cleaning, entry and access improvements, exterior façade improvements (front, back, or other street-facing side), brick tuck-pointing, replacement windows
- (9) Ineligible Activities: Property acquisition; interior improvements; general maintenance; refinancing; inventory; working capital; non-fixed improvements

SECTION 5 – APPLICATION PROCEDURES

5.1 PRE-APPLICATION CONSULTATION

Before submitting an application, the applicant is strongly encouraged to discuss the Program and the applicant's proposed project with the Program Administrator. The Program Administrator shall provide the applicant with the appropriate application forms and may provide information that may assist the applicant in completing the application. Any and all pre-application discussions shall not be considered a part of the public record. The Program Administrator shall provide the RLRC with updates on pre-application activity at the committee's regularly scheduled meetings.

5.2 APPLICATION SUBMITTAL

The City recommends that applicants review the criteria for the award of RLF Loans carefully, and provide sufficient information to allow the City to determine whether the project meets the criteria. At a minimum, applicants shall submit a package that contains all of the following information:

- (1) A completed standard City of Janesville Downtown Revolving Loan Program Application;
- (2) A business plan, as applicable, and projected financials for at least three (3) years;
- (3) Business financial statements for the past three (3) years, as applicable;
- (4) Résumé(s) and personal financial statements for all principal business owners/investors for the past three (3) years, as applicable;
- (5) Copies of leases, purchase options or agreements, or other financial agreements related to the subject property. **ALL** applicants requesting more than \$5,000 in financing through Janesville's Downtown Revolving Loan Fund are **REQUIRED** to provide verification that the applicant has sought conventional financing for the proposed project.; and
- (6) Verification showing none of the following conditions exists against the business or principals: outstanding judgments, state or federal tax lien, past due real estate taxes, past due property assessments.

5.3 APPLICATION FEE

The applicant shall pay an application review fee of \$75.00 per application, which may be deducted upon final payment of loan in full.

5.4 MONITORING FEES

In the event of default or delay of loan payment by the applicant, the City reserves the right to assess monitoring fees, at its discretion.

5.5 REVIEW PROCESS

Applications for the Downtown Revolving Loan Program shall be reviewed as follows:

- (1) Administrative Review - The Program Administrator shall review the application for completeness and verify that the proposed project meets the minimum requirements of the Program. If the application is not complete, the Program Administrator will advise the applicant of the deficiencies. As part of the review, the Program Administrator shall also evaluate the applicant's financial strength and ability to complete the proposed project. Once the application and administrative review is complete, the application will be referred to the RLRC along with a report prepared by the Program Administrator.

- (2) Revolving Loan Review Committee Review - Following consideration of the recommendations from the Program Administrator, the RLRC will meet to formally review the application(s). The RLRC may request that the applicant be present for the review and to answer questions or provide additional information. The RLRC shall determine whether the application is acceptable for a RLF Loan and, if acceptable, recommend terms and conditions for the RLF Loan.
- (3) Notice of Recommendation for Approval or Conditional Approval of RLF Program Loan - Once the review is complete and the application is approved, the Program Administrator will work with the applicant to complete a Loan Agreement. If approved, notice of approval will be provided, documents executed and the Loan awarded.
- (4) Notice of Disapproval – If the application is not approved, the Program Administrator shall notify the applicant in writing of the decisions, citing reasons for denial of the application.

SECTION 6 – DISBURSEMENT OF RLF PROGRAM LOAN

6.1 LOAN FUND RELEASE PROCEDURES

Prior to releasing funds from the Downtown Revolving Loan Program Fund, the following must first be met:

- (1) The RLRC must have reviewed and approved a complete application for an eligible project submitted by an eligible applicant.
- (2) The Program Administrator shall prepare a Loan Agreement which shall be executed by the Applicant and authorized City official.
- (3) Documentation must be provided by the applicant to track expenditures prior to the release of Program funds. Documentation shall include invoices, receipts for materials, approved requests for payment, final bills for sale or canceled checks, and/or lien waivers. All documentation shall be reviewed and approved by the Program Administrator.
- (4) A repayment schedule shall be prepared by the Program Administrator. The repayment schedule shall be dated and initialed by both the Program Administrator and Applicant (per Agreement).
- (5) A promissory note and adequate security (such as a letter of credit or escrow) shall be provided for all RLF Program Loans awarded, and must be in a form and amount approved by the City Attorney.

6.2 ONGOING MONITORING

The Program Administrator or other City designee shall monitor each loan to ensure compliance with loan terms and conditions and to monitor the financial health of the business to ensure continued and timely repayment of the loan. The monitoring shall also ensure that all recordkeeping requirements are met particularly with regard to issues such as job creation and the expenditure of matching funds. Ongoing monitoring activities shall include the following:

- (1) Annual submittal and RLRC review of annual tax return documents for the principal borrower, as well as all individual guarantors.
- (2) Committee review of personal financial statements for the principal borrower, as well as all individual guarantors, as may be requested by the Program Administrator and/or RLRC.
- (3) Other reasonable and related monitoring activities, such as credit reports, that will support the stability of the City's Revolving Loan Fund program.

6.3 DEFAULT

Except where otherwise provided, failure of the applicant to meet the Agreement shall be considered a default on the RLF Program Loan. In the event of a default, the City shall consider all relevant factors and exercise its reasonable discretion with respect to the remedy to be imposed. The City, at its option, may deem as much as all sums provided under the RLF Loan immediately due and payable to the City. To exercise its options following default, the City shall prepare a written notice to the applicant. The notice shall specify the following:

- (1) The default.
- (2) The action required to cure the default.
- (3) A date, not less than 30 days from the date of the notice, by which the default must be cured to avoid action based on the default.

6.4 AMENDMENT OF RLF PROGRAM LOAN DOCUMENTS

To be effective, any amendments of RLF Program Loan Documents shall be in writing and must be approved by the RLRC.

6.5 MAP OF ELIGIBLE PROPERTIES

