

# IURA ECONOMIC DEVELOPMENT FINANCING POLICY GUIDELINES AND OPERATING PLAN

## SECTION 1. GENERAL

**1.1 Policy Guidelines and Operating Plan.** The Ithaca Urban Renewal Agency (IURA), acting on behalf of the City of Ithaca, provides financial assistance for the purpose of effecting economic development activity within the City. The "*Policy Guidelines and Operating Plan*" (the "Plan") is adopted by the IURA and is intended to serve as the primary administrative document for the IURA's provision of direct financing for economic development activities, including, but not limited to the following financial assistance programs:

- (a) Community Development Revolving Loan Fund (CD-RLF) Program;
- (b) Economic Development Project Loan Program;
- (c) Cayuga Waterfront Trail Business Loan Program;
- (d) Ithaca Density District Priority Business Loan Program; and,
- (e) Micro-enterprise Revolving Loan Fund.

Any changes to the Plan must also be adopted by the IURA.

**1.2 Objectives.** The primary objectives of the IURA's provision of direct financing for economic development activities are to create employment opportunities, facilitate the expansion of business activity within the City of Ithaca, encourage micro-enterprise development, and expand the City's commercial and industrial tax base.

**1.3 Form of Assistance.** For for-profit businesses, the IURA will provide assistance only in the form of secured loans. For nonprofit businesses, the IURA may provide assistance in the form of secured loans or grants as appropriate. In all cases, the form of assistance provided must be consistent with the objectives, financial needs, public benefit, and other requirements, guidelines, and provisions of the Plan.

## SECTION 2. ELIGIBILITY REQUIREMENTS

### 2.1 Eligible Activities.

- (a) The principal business activity which will be primarily impacted by the IURA financing must be located within the City of Ithaca.

- (b) The activity to be undertaken with financing from the IURA may involve any business enterprise including, but not limited to manufacturing, warehousing, retail trade, wholesale trade, contracting, real estate development and services, and micro-enterprises.
- (c) The activity to be undertaken with financing from the IURA must have a direct impact on the growth or viability of the business to be assisted.
- (f) If Federal Community Development Block Grant (CDBG) funds will be utilized for any portion of the IURA financing, then the activity to be undertaken with such financing must be eligible for assistance under the Community Development Block Grant (CDBG) program and be consistent with all applicable Federal regulations governing the CDBG program.
- (g) If CDBG funds will be utilized for any portion of the IURA financing, then the business activity to be undertaken with financing from the IURA must directly result in the creation or retention of employment positions or prevent or eliminate slum or blight consistent with the Federal regulations governing the CDBG program.

**2.2 Eligible Borrowers.** Eligible borrowers include sole proprietorships, partnerships, and corporations. Loans may also be provided to individuals acting as principals of an eligible entity and who will rent or lease assets to an otherwise eligible borrower.

**2.3 Eligible Uses of IURA Funds.** IURA funds may be used for any justifiable business purpose including, but not limited to fixed assets, current assets including inventory and accounts receivable, permanent working capital, acquisition of land and/or buildings, and for costs related to micro-enterprise start-ups. The use of IURA funds must also be eligible pursuant to the Federal regulations governing the CDBG program if CDBG funds are to be utilized for any portion of the IURA financing.

**2.3 Eligible Uses of IURA Funds.** The use of IURA funds must be eligible pursuant to the Federal regulations governing the CDBG program if CDBG funds are to be utilized for any portion of the IURA financing. CDBG funds may be used for the following activities:

- (a) Private for-profit entities: IURA funds may be used for any justifiable business purpose including, but not limited to fixed assets, current assets including inventory and accounts receivable, permanent working capital, acquisition of land and/or buildings, and for costs related to micro-enterprise start-ups.

- (b) Not-for-profit entities: IURA funds may be used for commercial or industrial improvements, including acquisition, construction, rehabilitation, or installation of commercial or industrial buildings or structures and other related real property equipment and improvements, including railroad spurs or similar extensions.

### **SECTION 3. PROGRAM STANDARDS**

**3.1 Employment/Cost Ratio.** Generally, the maximum amount of IURA financing may not exceed the ratio of \$35,000 for each employment opportunity to be created or retained. For the purposes of calculating employment opportunities, the following will apply:

- (a) Only permanent jobs will be counted; temporary and construction jobs will not be counted.
- (b) Jobs of 35 or more hours per week will be considered as one full-time job. Part-time permanent jobs of less than 35 hours per week will be converted to full-time equivalent jobs by dividing the number of part-time hours by 40.
- (c) Seasonal jobs will be considered to be permanent jobs if the duration of the working period is long enough to classify the job as the employee's principal occupation.
- (d) Projected employment must be reasonably expected to occur as a direct result of the expanded business activity, and such projection may in no instance extend beyond 36 months from the completion of the expansion.
- (e) The limit of \$35,000.00 of IURA financing per employment position may be exceeded up to level of \$50,000.00 per employment position in individual instances where the IURA determines that the expanded business activity will effect an extraordinary degree of other public benefit and the total portfolio of loans still results in an overall employment/cost ratio not exceeding \$35,000.00 per job.

**3.2 IURA Financing Amount.** Consistent with the Federal regulations governing the CDBG program, IURA financing must be no greater than the minimum amount necessary to effect the business activity. Applicants must therefore demonstrate that all other private and public sources of debt and equity have either been maximized or are inappropriate, unaffordable, or otherwise unavailable.

**3.3 Minimum Amount of IURA Financing.** Generally, IURA financing will not be considered where the loan requested is less than \$5,000.00, except in the cases involving micro-enterprises. On loans for less than \$10,000.00, the IURA may require that the applicant receive ongoing business counseling.

**3.4 Maximum Amount of IURA Financing.** The Plan does not establish a policy regarding the maximum amount of IURA financing. However, the IURA will, from time to time at its discretion, establish maximum amounts of financing based on the total amount of funds available for economic development activities and the demand for such funds.

## **SECTION 4. LENDING POLICIES**

**4.1 Term of Loans.** For fixed asset loans the IURA loan term will generally be consistent with the life of the assets being financed, with such periods being consistent with standard commercial lending policies and in no instance exceeding 15 years. For term working capital loans, the loan term may not exceed 10 years. For all loans, the term will be determined by the IURA based upon such factors as the structure of other related loans, the nature of the collateralized assets, and the borrower's projected ability to repay the loan.

**4.2 Interest Rate.** The IURA will evaluate individually each application for economic development loan assistance. The interest rate for each loan will be negotiated separately, based on the lending criteria described in this document, on the applicable HUD regulations, and on the ability of the project to support a given level of loan repayments.

**4.3 Repayment Terms.** The IURA will determine the schedule of loan repayments on a case-by-case basis based on the applicant's projected ability to repay the loan, the projected value of the collateral and other security, and the overall risk assumed by the IURA. Repayment terms may involve standard forms of loan amortization, periods of accruing interest or interest only payments, extended amortization schedules with balloon payments of principal, and/or such other terms as may be determined by the IURA to be appropriate.

**4.4 Security.** The IURA will determine the required security for each loan on a case-by-case basis based on such factors as the risk of default, the nature and value of the security, and the position of the IURA in relation to other lenders. In determining the appropriate security, the following will apply:

- (a) The IURA will generally require a security interest in all assets financed with IURA funds. Collateralization of additional assets of the borrower may be required at the IURA's option.

- (b) For loans to corporations, the IURA may require the personal guarantee of all owners and their spouses of at least 20% of the voting stock of the company.
- (c) For loans to closely-held corporations, the IURA may require collateralization of selected personal assets of one or more of the owners.
- (d) For loans to individuals, partnerships, or corporations which have affiliated interests and/or identities of ownership with other business entities, the IURA may require additional guarantees.
- (e) For loans to businesses which have a dependence upon specific individuals for their continuing viability, the IURA may require an assignment of insurance on the lives those persons.

#### **4.5 Subordination.**

- (a) The IURA will generally allow a subordination of IURA debt and collateral to private institutional lenders where necessary to facilitate the maximum financial participation by the private lenders.
- (b) The standing of the IURA's financing relative to other public or quasi-public lenders will be negotiated on a case-by-case basis.
- (c) The IURA will generally require a subordination to IURA financing of notes payable to any officer, owner, or similarly affiliated party to the borrower where such subordination is appropriate and feasible.
- (d) The IURA will generally require the execution of intercreditor agreements in instances where multiple lenders exist. The use and form of such agreements shall be the responsibility of the IURA Attorney.

## **SECTION 5. MICRO-ENTERPRISES**

**5.1 Definition of Micro-enterprises.** The IURA defines a micro-enterprise as any business employing five or fewer people, including the owner(s), measured by full time equivalents. For lending purposes, the definition applies at the time of the submission of a complete application for funding, and is not meant to discourage a micro-enterprise from expanding employment during the term of the loan.

**5.2 Regulations for Micro-enterprise Lending.** The IURA recognizes the importance of micro-enterprises as a source of new employment in the local economy. U.S. Department of Housing and Urban Development regulations treat micro-enterprises in a less restrictive manner than other economic development activities. The IURA's policy will be to use the relevant HUD regulations for micro-enterprise development.

### **5.3 Micro-enterprise Revolving Loan Fund.**

(a). The IURA will administer a separate "Micro-enterprise Revolving Loan Fund" for micro-enterprise lending. Funds used to capitalize the Micro-enterprise Revolving Loan Fund will be accounted for separately from other IURA revolving loan funds.

(b). The IURA's designated review committee will be responsible for overseeing the Micro-enterprise Revolving Loan Fund, including making recommendations to the IURA regarding policies governing implementation of the fund.

(c). Each Micro-enterprise Revolving Loan Fund application will be evaluated based on the information detailed in Section 6.3. The IURA understands that many micro-enterprises will have limited financial and other data available. The IURA's designated review committee may, at its discretion, waive the requirement for certain application information.

(d). The IURA's designated review committee, in reviewing Micro-enterprise Revolving Loan Fund applications, may grant waivers or establish conditions in specific underwriting criteria on a loan-by-loan basis. The purpose of the waivers and conditions is to provide flexibility in meeting the needs of micro-enterprise entrepreneurs. Underwriting criteria, however, must be within accordance with HUD regulations and the Agency must be clearly informed of the waivers granted or conditions established.

### **5.4 Job Creation**

Micro-enterprises assisted through the Micro-enterprise Revolving Loan Fund must meet the job creation requirements outlined in Section 3.1 of this Plan. Under HUD regulations, 51% of jobs created must employ individuals from households meeting HUD's income guidelines for low and moderate incomes. However, if the owner(s) of the micro-enterprise meets HUD's guidelines for low and moderate incomes, the low and moderate job creation requirement will be deemed to have been met. For micro-enterprises meeting the criteria of 51% low and moderate job creation, the loan agreement will specify this requirement as a condition of the loan.

## **SECTION 6. APPLICATION PROCESSING**

**6.1 Loan Applications.** Applications for IURA financing must include all of the information required by the IURA Application Form (attached hereto as Exhibit A), and any additional information as may be reasonably requested by the IURA.

**6.2 Application Fee.** There is a \$50.00 non-refundable application fee which must be submitted with the application. The intent of the fee is to partially defray processing costs. For micro-enterprises, the IURA may reduce or waive the amount of the fee at the discretion of the IURA's Review Committee. The applicant will be responsible for all costs associated with third party expenses such as credit bureau reports and other related expenses.

For approved loan applications, a commitment fee, based on a fee schedule adopted by the IURA, must be submitted with the return of the applicant's signature on the IURA commitment letter.

**6.3 Application Processing.** The processing of loan applications will be the responsibility of the IURA's Director of Community Development and will generally consist of the following:

- (a) Review of applications for completeness and procurement of appropriate additional information.
- (b) Review for IURA program eligibility criteria and, if applicable, eligibility pursuant to Federal CDBG regulations.
- (c) Determine economic feasibility, perform credit analysis, and assess risk.
- (d) Review of specific employment opportunities projected to be created or retained, including information on whether employer-paid or subsidized, health care benefits will be provided, and whether "living wages," as defined by the City of Ithaca (see Exhibit E), will be paid to full-time employment positions to be created.
- (e) Determine amount and terms of IURA financing, including appropriate security.
- (f) If applicable, perform appropriateness review in conformance with HUD guidelines.
- (g) Prepare written report to the IURA Loan Committee summarizing the review process and providing recommendations as appropriate.

**6.4 Economic Development Committee.** The IURA has established an Economic Development Committee to review loan applications and to make recommendations. No loan application may be presented to the IURA for action without a review and recommendation(s) by the Economic Development Committee. The Loan Review Committee will also be responsible for reviewing and making recommendations to the IURA as appropriate regarding loan portfolio management issues (see Section 8). Members of the Economic Development Committee shall be appointed by the Mayor and shall serve at the pleasure of the Mayor.

**6.5 Loan Review.** Each loan application will be evaluated based upon the information detailed in Section 6.3. In addition, the Economic Development Committee, or any IURA designated review committee, and the IURA will consider the following criteria:

- (a) Number of jobs created;
- (b) Quality of the jobs created (including full/part-time status of jobs created and opportunities for promotion);
- (c) CDBG funds per job created;
- (d) Funding commitments from other sources;
- (e) Public benefit;
- (f) Impact on tax base;
- (g) Neighborhood impact;
- (h) Whether the compensation package (including wages and benefits) offered to new full-time employment positions is competitive within the regional labor market for the peer industry sector; and addresses the City's "living wage" policy (attached hereto as Exhibit E);
- (i) Owner equity contribution;
- (j) Amount of private funds leveraged;
- (k) Level of commitment to hire local youth, minorities and other groups with elevated unemployment rates; and,
- (l) Consistency with City of Ithaca and IURA plans and policies.

**6.6 Loan Approval.** The IURA shall have sole authority to approve IURA loans, except in instances where the IURA has delegated such authority or where local law, rules, regulations, policies, or similar authorities require additional approval by the City of Ithaca. The IURA's authority shall include the commitment to lend IURA funds, the interest rate(s) to be charged, the repayment terms, and the requisite security for the loan. The application of other appropriate conditions of lending and covenants of the borrower shall be the responsibility of the IURA Attorney with input from IURA staff and the Economic Development Committee.

**6.7 Loan Disapproval.**



- (a) Loan applications may be disapproved by the IURA's Director of Community Development based on a lack of application completeness or a failure to meet the eligibility criteria pursuant to Sections 6.3(a) and 6.3(b) of this Plan respectively. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.
- (b) Loan applications may be disapproved at the direction of the Economic Development Committee if the Committee determines that IURA financing is clearly inappropriate based on the reviews conducted in accordance with Sections 6.3(c), 6.3(d) and 6.3(f) of this Plan. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.
- (c) Loan applications may be disapproved by the IURA for any reason or reasons which represent a reasonable determination that the approval of the IURA application would not meet the objectives of the IURA program and/or would not represent an appropriate or prudent use of IURA funds. In such instances, the applicant will be notified in writing of the reason(s) for disapproval.

## **SECTION 7. POST-APPROVAL PROCESS**

**7.1 Commitment Letter.** Within ten calendar days from the date of the IURA's approval of an IURA loan (or from the City's approval if applicable), a commitment letter shall be sent to the applicant which includes, at a minimum, the information listed below (see sample at Exhibit B). The applicant will have 10 calendar days within receipt of the commitment letter to sign and return the letter to the IURA.

- (a) The amount of the loan approved, the applicable interest rate, the term of the loan, the terms of repayment, and the expiration date of the commitment.
- (b) The required use of the loan funds.
- (c) The IURA's requirements for collateral and additional security - including guarantees, pledges of assets, assignment of life insurance, etc.
- (d) Summary information regarding employment requirements.
- (e) Any other conditions of lending.
- (f) A listing and explanation of any fees to be charged and other closing costs which will be the responsibility of the borrower.

- (g) A listing of those conditions and requirements of the borrower which must be fulfilled precedent to a loan closing.
- (h) Any other information which could reasonably be expected to influence the borrower's decision to accept the terms of the loan commitment.

**7.2 Loan Closings.** The IURA Attorney shall have the responsibility to prepare and/or require the preparation of all appropriate closing documents. IURA staff will prepare the draft legal documents. The borrower shall be required to pay all closing costs incurred by the IURA. The IURA Attorney shall determine the appropriate closing documents to be executed based upon the terms and conditions of the loan approval and standard commercial lending policies. Such documents shall generally include the following:

- (a) A loan agreement which includes a description of the loan terms and security, appropriate representations and warranties, the conditions of lending, affirmative and negative covenants - including compliance with applicable federal laws and regulations, requirements regarding employment creation and reporting, default provisions, and any other provisions which may be appropriate.
- (b) A note or notes to evidence the indebtedness and the terms of repayment.
- (c) The appropriate documents to evidence and record mortgages, liens, guarantees, and such other security as may be required by the terms of the loan.
- (d) Other appropriate documents as determined by the IURA Attorney.

**7.3 Security.** The IURA Attorney will be responsible for perfecting all of the IURA's security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filing of mortgage documents, the execution of guarantees, and any other appropriate actions to adequately protect the IURA's security interests. Inter-creditor agreements should be executed where appropriate to further protect the IURA's interests and to facilitate the processing of defaults and foreclosures.

**7.4 Loan Disbursements.** The disbursement of loan proceeds shall be the responsibility of the Director of Community Development. For such disbursement, the following guidelines shall generally apply:

- (a) Subject to the borrower's compliance with the terms and conditions of the loan agreement, all documents evidencing and securing the loan, and other guidelines for disbursement as described in this Section 7.4, the IURA may disburse loan proceeds upon the borrower's presentation of vouchers and other such evidence satisfactory to the IURA which represent paid or accrued expenses of the borrower and which are eligible costs as determined by the IURA.
- (b) Where other debt or equity financing is to be used in conjunction with the IURA financing, such debt or equity must, in the opinion of the Director of Community Development, be firmly committed for such use. Evidence of the commitment(s) must be submitted by the borrower.
- (c) Where other debt or equity financing is to be used in conjunction with the IURA financing, the IURA will, at its discretion, determine an appropriate draw schedule for IURA funding. The manner and terms of the disbursement of the IURA financing should normally be included in the approval of the financing by the IURA. However, in instances where the IURA has not prescribed a draw schedule, the Loan Review Committee may approve a draw schedule.

## **SECTION 8. LOAN MANAGEMENT**

**8.1 Loan Service.** A loan servicing agency will provide administration and servicing of loans. Duties executed by the agency will include all collection, remittance, accounting, loan debtor's failure to perform, delinquencies, collection and foreclosures.

**8.2 Delinquencies.** The loan servicing agency for the IURA will contact the borrower within 14 days of any delinquency of payment to inform the borrower of the delinquency and to determine if there is a need to procure additional information or to provide technical assistance. Delinquencies which continue for 90 days will be referred to the IURA Attorney for further action.

**8.3 Annual Financial Review.** The Director of Community Development will conduct an annual financial review for all borrowers based primarily on the annual financial statements submitted by the borrower. The Director of Community Development also may request quarterly financial statements or any other information as appropriate. The reviews will be presented to the Loan Review Committee for further action or recommendations as appropriate.

**8.4 Adjustment of Terms and Conditions.** Requests by the borrower for adjustment of any of the terms and conditions of the loan will be reviewed by the

Director of Community Development to determine whether the adjustment is in the best interests of the IURA. Requests will be processed in accordance with the following:

- (a) Requests to adjust the interest rate, term of the loan, or security for the loan will be reviewed by the Director of Community Development, presented to the Loan Review Committee for review and recommendations, and presented to the IURA for action. Any such adjustments will require approval of the IURA.
- (b) Requests to accrue interest or to pay interest only may be approved by the Director of Community Development for a period not to exceed 60 days. The Loan Review Committee will have the authority to extend such a period to 180 days. Extensions for any longer period will require the approval of the IURA.
- (c) Requests for changes respecting any covenants or conditions of a financial nature must be approved by the Loan Review Committee as to content and the IURA Attorney as to form.
- (d) Requests for any other changes to the covenants or conditions of the loan including, but not limited to such areas as reporting requirements, cost documentation, and maintenance of records may be approved by the Director of Community Development or referred to the Loan Review Committee at the Director's discretion.

## **SECTION 9. SPECIFIC PROGRAM ELIGIBILITY REQUIREMENTS, STANDARDS AND LENDING POLICIES FOR INDIVIDUAL PROGRAMS**

### **9.1 Community Development Revolving Loan Fund (CD-RLF).**

- (a) **Maximum Amount of Financing.** \$100,000.00 for a retail business; \$150,000.00 for non-retail business for expansion, startup or job retention resulting in the creation of multiple jobs, particularly jobs which will provide for higher wages, benefits and training, and which will lead to the diversification of Ithaca's economic base. The above listed maximum amount of financing may be exceeded in instances where the IURA determines that the expanded business activity will likely result in an extraordinary degree of public benefit.
- (b) **Ineligible Activities.** Financial assistance shall not be undertaken to an "adult entertainment establishment," as defined by City of Ithaca municipal code, or any business that derives more than 35% of

revenues from the sale of alcoholic beverage to consumers. Furthermore, financial assistance to restaurants, nightclubs, bars and similar businesses are not eligible activities to be undertaken with financing unless such activity scores at least 100 points on the “CD-RLF Worksheet for Determining Eligibility for Restaurants” as determined by the IURA (see Exhibit D – CD-RLF – Loan Eligibility Policy for Restaurants and Similar Businesses).

- (c) CDBG National Objective. Assisted activities must meet at least one of the following national objectives of the CDBG program:
- (1) Benefit low- and moderate-income persons, or
  - (2) Prevent or eliminate slums or blight. Assisted activities benefiting low- and moderate-income persons include, but are not limited to, the creation or retention of at least one employment opportunity meeting the requirements outlined in Section 3.1 of the Plan. Assisted activities preventing or eliminating slums or blight must document that the assisted activity will result in the elimination or prevention of slums or blight and, if addressing slum/blight on a spot basis, that the assisted activity was limited to addressing specific condition(s) that posed a public health and safety threat to the public in general, including but not limited to remediating brownfield conditions.
- (d) High-tech businesses. The start-up and growth of high-tech businesses leveraging Cornell University research and other innovative technologies will diversify and strengthen the local economy and create skilled production employment positions with the potential for significant additional job growth, but traditional loan underwriting does not satisfactorily analyze risk and reward of early stage high-tech businesses. Due to the unique characteristics and opportunities of pre-revenue high-tech businesses, the following special guidelines shall apply to early stage high-tech business loan applications:
- (1) Term: not to exceed 5 years
  - (2) Interest Rate: transaction specific depending on risk, may range up to 10%, plus warrants
  - (3) Match Funding: a minimum 3:1 match of equity investments from other qualified, professional investors in the business
  - (4) Security/Collateral: Transaction specific, no minimum loan-to-value standard is required. Personal guarantees may be sought when appropriate.
  - (5) Living Wage: Required for all full-time jobs created as result of the loan
  - (6) Portfolio Risk: Loan balances to early-stage high-tech businesses shall not exceed 25% of the IURA’s CDBG loan portfolio

- (7) Other Underwriting Considerations:
- Applicant's past record of obtaining early stage financing, including competitive federal and state funding.
  - Linkage to Cornell University research and resources.
  - Strategy for retaining economic benefits in the City of Ithaca in the event the company is relocated by private investors.
  - Stage of development for commercializing technology is appropriate for debt financing: prototyping, product development, pilot production, full volume production.

## **9.2 Economic Development Project Loan (EDPL) Program**

- (a) Objective. The fund seeks to create a flexible and responsive financing tool, working in conjunction with other City planning and economic development initiatives, to provide secured loans to facilitate the expansion of business activity within the inner city core business areas of the City of Ithaca resulting in the creation of at least 12 employment opportunities and leveraging at least \$550,000.00 of new private investment. The target area includes the Downtown Central Business District, the West State Street corridor, the West End, and Inlet Island.
- (b) Eligibility. The loan applicant must own or lease property located within the Economic Development Project Loan Fund (EDPL) Target Area (see Exhibit F) where the business activity to be financed will occur. The EDPL target area boundary is co-terminus with the City of Ithaca adopted Density Abatement Zone, which was established to identify to the Tompkins County Industrial Development Agency (IDA) the appropriate areas of the City to grant real property tax abatements for new investments.
- (c) Eligible Uses of EDPL funds. Uses of funds shall comply with policies established in Section 2 of the Plan.
- (d) Job Creation. Assisted activities must result in the creation or retention of employment opportunities meeting the requirements outlined in Section 3 of the Plan. At least 51% of the jobs created as a result of CDBG financial assistance must be held by, or made available to, low- and moderate-income persons.
- (e) Minimum Amount of Loan Financing: \$40,000.00.
- (f) Maximum Amount of Loan Financing: none.

- (g) Interest Rate: Generally, approximately 75% of the prime rate published in the Wall Street Journal, except where the IURA determines risk or extraordinary degree of public benefit of the financed activity warrants a different interest rate.
- (h) Program Income. Loan repayments received shall be deposited in the Community Development Revolving Loan Fund to provide loan financing to assist small businesses throughout the City.

### **9.3 Cayuga Waterfront Trail Business Loan Program**

- (a) Objective. Induce businesses and property owners along the Cayuga Waterfront Trail corridor to undertake economic development projects that create jobs and address deteriorated, unsightly, or underutilized areas controlled by multiple property owners to result in an enhanced experience by trail users and better realize the business potential from proximity to the trail.
- (b) Eligible Borrowers. The loan applicant must own or lease property in the target area where the business activity to be financed will occur.
- (c) Eligible Projects. All projects must include a significant site improvement component, which is environmentally friendly, and demonstrate collaboration with adjoining businesses and/or property owners to jointly address a common problem.
- (d) Eligible Uses of Loan Funds. Funds may be used for any justifiable business purpose, including, but not limited to fixed assets, site improvements, current assets including inventory and accounts receivable, permanent working capital, acquisition of land and/or buildings, and costs related to business start-up. Project must include a significant site improvement component.
- (e) Target Area. Areas adjacent to or in close proximity to the Cayuga Waterfront Trail within the City of Ithaca. Parcels located within 100 feet of the Cayuga Waterfront Trail shall be considered to be located within the target area.
- (f) Job Creation. At least one FTE job for every \$35,000 of loan assistance.
- (g) CDBG national objective test. Low/mod jobs benefit - 51% of all jobs created must be held by, or made available to, LMI persons.

- (h) Maximum Amount of Financing. \$50,000, not to exceed 50% of project cost.
- (i) Term. 5 years.
- (j) Interest Rate. 0%
- (k) Repayment. Repayment due after 5 years, however no repayment required subject to project completion and satisfaction of job creation objective. The principal balance shall decrease by 20% on the anniversary of disbursement of loan funds and shall be fully forgiven after 5 years.
- (l) Security/Collateral. For an operating business, a lien on business assets, or other satisfactory collateral. For a landlord, a subordinate mortgage lien on the project property, or other satisfactory collateral, and be it further.

#### **9.4 Ithaca Density District Priority Business Loan Program**

- (a) Objective. Induce the creation and start-up and expansion of specific priority business enterprises that have been defined by the community as highly desirable and/or enterprises that substantially increase foot traffic thereby strengthening the real estate market in the Density District to support businesses that provide daily goods and services to local residents. The program intends to meet this objective through direct financing to businesses with the understanding that attracting such business enterprises is likely to require stronger incentives than are available from other private or public sources and are likely to involve higher than normal risk and flexible lending policies to accomplish its objective.
- (b) Eligible Borrowers. Both for-profit and nonprofit entities legally established to conduct business in New York State.
- (c) Eligible Projects. The IURA has identified the following list of priority businesses desired in the density district:
  - pharmacy;
  - family shoe store;
  - family apparel retail;
  - groceries;



- unrepresented restaurants;
- under-represented medical practitioners, such as family medicine, general internal medicine, pediatrics and/or adolescent medicine offices, obstetrician/gynecologist; geriatrician and alternative medical practitioners;
- business owned and operated by underrepresented groups, including a minority-owned business;
- tourist attractions (Wine Center, Museum Store);
- brewpub;
- live entertainment venues (jazz, comedy, performing arts);
- businesses that primarily provide essential goods and services, such as evening drop-in childcare, that will be readily available in the greater downtown neighborhood; and
- any other business that directly supports a Common Council-endorsed strategic plan that is targeted for, or includes, the density district, and enhances the urban core, as determined by the IURA.

Only projects that qualify under the above list are eligible for this loan program.

- (c) Eligible Uses of Loan Funds. Funds may be used for any justifiable business purpose including, but not limited to, fixed assets, current assets including inventory and accounts receivable, permanent working capital, acquisition of land and/or buildings, and for costs related to micro-enterprise start-ups.
- (d) Use of funds by nonprofit borrowers is limited to commercial or industrial improvements, including acquisition, construction, rehabilitation, reconstruction, or installation of commercial or industrial buildings or structures and other related real property equipment and improvements (Note: working capital and inventory uses are not eligible).
- (e) Target Area. Projects must be located within the “Density District” within the City of Ithaca (see Exhibit G), or any successor area within the City of Ithaca eligible for temporary tax abatement assistance through the Tompkins County Industrial Development Agency.
- (f) Job Creation. At least one FTE job for every \$35,000.00 of loan assistance.

- (g) CDBG National Objective Test. Either low/mod jobs benefit - 51% of all jobs created must be held by, or made available to, LMI persons, or a neighborhood business serving a predominantly LMI neighborhood.
- (h) Maximum Amount of Financing. \$250,000.00, not to exceed 60% of project cost, nor more than the minimum amount necessary to effect the business activity after maximizing other private and public sources of debt and equity or finding that such other sources are inappropriate, unaffordable, or otherwise unavailable.
- (i) Term. Not to exceed 10 years, unless secured with real property.
- (j) Interest Rate. Transaction specific depending on need and risk, may range from 0% to the 10-year US Treasury rate.
- (k) Repayment. Repayment terms shall be transaction specific. Projects shall be underwritten to fully repay the IURA loan.
- (l) Security/Collateral. Collateral to secure the loan shall be transaction specific; no minimum loan-to-value standard is required and security may be limited to a first or second lien position on inventory and furnishings, fixtures and equipment or other satisfactory collateral.

END

## **List of Exhibits**

Exhibit A – IURA Application Form (referenced in Section 6.1)

Exhibit B – Sample Loan Commitment Letter (referenced in Section 7.1)

Exhibit C – Business Improvement District Map (referenced in Section 9.2)

Exhibit D – CD-RLF, Loan Eligibility Policy for Restaurants and Similar Businesses  
(referenced in Section 9.1)

Exhibit E – City of Ithaca Living Wage Policy (referenced in Sections 6.3 and 6.5)

Exhibit F – Economic Development Project Loan Fund Target Area Map (referenced  
in Section 9.2)

Exhibit G - Ithaca Density District Priority Business Loan Fund Target Area Map  
(referenced in Section 9.4)