



City Hall Room 005A  
30 Church Street  
Rochester, New York  
14614-1290

## **PHILIP J. BANKS REDCO SMALL BUSINESS ASSISTANCE PROGRAM**

### **Program Guidelines**

#### **I. Description**

The purpose of the program is to assist small businesses that are investing in real estate, which will lead to job retention, increase in the tax base, revitalization of commercial corridors and neighborhoods. This program provides matching grants of up to \$15,000 and/or loans up to \$50,000 for the cost of interior/exterior building renovations, improvements and/or additions.

#### **II. Applicant/Property/Project Eligibility**

- Retail, commercial and industrial firms with revenues of \$10 M or less, subject to the rules and regulations of the Commissioner of Neighborhood and Business Development, for similar City financing programs.
- For profit entity only.
- Must have the ability to match REDCO funds.
- The applicant may be a for-profit corporation, limited liability company, partnership or proprietorship.
- May be a property owner or tenant of the property. If a tenant, the term of the lease agreement with the landlord must have at least three years remaining.
- Monroe County property and sales taxes and City property taxes are assessed and current.
- Must be a permitted or specially permitted use in the property's zoning district.

#### **III. Ineligible Properties/Entities**

- Publicly owned, property tax exempt, or tax exempt organizations are ineligible.
- Properties, uses or individuals which are in violation of Federal, State, County or City codes, ordinances or laws are ineligible for the program.
- Properties with delinquent City taxes are ineligible.

#### **IV. Ineligible Financing Activities**

- Furniture, fixtures, equipment, inventory, working capital, salaries, operation, or management expenses are ineligible expenses for this program.
- Consolidation, repayment or refinancing of debt is ineligible.
- REDCO funds may not be used to pay for building repairs required as a result of City issued code violations.

#### **V. Financial Eligibility**

- Evidence of financial ability to match REDCO funds.
- Evidence of financial ability to obtain financing for all project costs and to complete the project.
- Satisfactory review by the City of Rochester Bureau of Business & Housing Development (BHD) of historical and/or projected financial statements for the grant/loan recipient and personal credit of the owner.



## **VI. Available Assistance**

### **A. Grants**

- The typical grant will be up to \$10,000.
- 50-50 Matching Grant: The grantee must provide \$1.00 in matching funds per \$1.00 in grant proceeds received (i.e., to receive a grant of \$10,000, the company must provide at least \$10,000 in matching funds for a total project cost of \$20,000).
- For projects where the company is investing \$30,000 or more of their own funds, REDCO may consider a grant up to \$15,000.

### **B. Loans**

Generally, loan amounts up to \$50,000 for interior and/or exterior building improvements will be considered depending on qualifications and fund availability.

#### **1. Loan Terms**

- The term and amortization for loans will not exceed ten years.

#### **2. Interest Rates and Fees**

- For loans secured by a lien on assets:
  - ∩ The interest rate will be fixed at 3.0% for the term of the loan.
  - ∩ There will be a 1% closing fee, payable at the loan closing.
- For loans which are secured with a letter of credit issued by a bank acceptable to the REDCO:
  - ∩ The interest rate will be fixed at 1.0% for the term of the loan.
  - ∩ There will be a 1% closing fee, payable at the loan closing.
- For all loans, the borrower will be responsible for any out-of-pocket expenses incurred by REDCO at the loan closing (i.e., recording and filing fees).
- Interest rates and fees may be adjusted periodically by REDCO based on market conditions.

## **VII. Financial Ability**

Applicants will demonstrate adequate cash flow to service all existing and proposed new debt and, in the case of loan financing, will be required to provide sufficient collateral to secure the loan. Underwriting criteria which must be met to obtain program funding includes:

- Minimum of 10% cash equity injection based on the amount of the project.
- For existing businesses, historical results must show sufficient cash flow to repay all existing and proposed new debt.
- For new businesses (in operation for less than two years) and when applicable for existing businesses, three-year projections will be required and must show sufficient cash flow to repay all existing and proposed new debt.
- Management experience or appropriate education.
- Personal Credit History - Always paid on time or reasonable explanation of the variances.
- Collateral - (1) First lien position on all assets of the business or on the assets being financed with the loan proceeds, plus any other available collateral deemed necessary to strengthen the application; or (2) A letter of credit issued by a bank acceptable to the City.
- The City may consider a subordinate lien position to loans from financing institutions which are part of the project on a case-by-case basis. For assistance being secured by real estate, maximum loan-to-value of 90% of the lower of cost or appraised value (by a firm acceptable to the City).
- Personal Guarantees - Will be required of owners and/or management, unless the loan is fully secured by an acceptable bank letter of credit.
- Corporate Guarantees - May be required in certain cases (for example, a real estate project where the borrower is an LLC and the operating company is the tenant).

## **VIII. Procedures**

- The applicant discusses the project with staff of the Bureau of Business & Housing Development (BHD).
- The applicant submits items which are deemed necessary to perform an appropriate credit underwriting. BHD staff will then perform a complete underwriting/credit analysis.
- Financing will be approved by the Commissioner of NBD, and will be reported at the next scheduled REDCO Board meeting.
- A commitment letter and/or grant agreement is issued by REDCO.
- Following acceptance of the commitment letter/grant agreement and satisfaction of all Conditions Precedent, the REDCO attorney prepares the appropriate closing documents.
- The grant funds will be disbursed when the project is completed and inspected by the City, a final Certificate of Occupancy, if applicable, has been issued, and all required documentation listed in the Agreement has been received and accepted by REDCO.
- A closing is scheduled and disbursement of the program funding follows the schedule outlined in the commitment letter/grant agreement.

## **IX. Other Requirements**

- All necessary City permits and approvals for the project must be obtained before the applicant is reimbursed for project costs.
- When applicable, evidence of Site Plan Review and Planning Commission approval is required.
- The recipient of the grant/loan will be required to complete an annual employment report for the first five years after the funds are disbursed.
- Program funds are disbursed **upon project completion** and issuance of a final Certificate of Occupancy by the City. **The program does not provide construction financing.**

## **X. Repayment of Grant/Loan**

The grant/loan will become due and payable in full upon the occurrence of any of the following:

- Relocation of all or substantially all of the grantee/borrower's operations to a location outside of the City of Rochester within five years from the date the grant/loan is received.
- If the property is sold within five years from the date the grant/loan is received.
- Upon the dissolution, bankruptcy or insolvency of the grantee/borrower.
- If the projected job creation and/or retention is not achieved within three years from the date the grant/loan is received.
- If payment is in default.

**NOTE:** The Commissioner of Neighborhood and Business Development reserves the right to modify the preceding Program guidelines on a case-by-case basis for high public benefit projects.

**Note: To further determine eligibility, the City of Rochester's Neighborhood and Business Development Department will require the applicant owner(s) to submit a signed credit check consent form. Neighborhood and Business Development Department staff reserves the right to decline approval for financial assistance upon review of the application, personal credit history, tax payment status, or issues with property code violations and/or nuisance points. Staff also reserves the right to request further information and/or clarification as part of the review process.**

## **PHILIP J. BANKS REDCO SMALL BUSINESS ASSISTANCE PROGRAM**

### **Submission Checklist**

Applicants must submit all of the following items to initiate the review process. The program is subject to change without prior notice. Applicable terms and conditions of the grant will be those in effect upon receipt of the completed application and required submissions. Incomplete applications will not be accepted.

- \_\_\_ Detailed project summary including the economic development benefit of the project (i.e., job creation and/or retention and amount of investment).
- \_\_\_ Detailed sources and uses of funds for the project, including the terms and conditions of all other project financing.
- \_\_\_ Detailed description of the business and its products, markets and operations.
- \_\_\_ Historical accountant-prepared financial statements for the past three fiscal years, including balance sheets, income statements and cash flow statements for each year. (If accountant prepared financial statement are not available, Federal income tax returns for the past three fiscal years are sufficient.)
- \_\_\_ Interim financial statements, including a balance sheet and income statement, dated within 120 days of the application date.
- \_\_\_ Accounts receivable and payable aging reports as of the date of interim financial statements provided. (For loans only).
- \_\_\_ If applicant is a new business or if applicant's historical performance does not show sufficient cash flow to repay all existing/proposed new debt, three-year projections (including balance sheets, income statements and cash flow statements for each year) are required.
- \_\_\_ Signed credit check consent form for all partners with a 20% or greater ownership in the company.
- \_\_\_ Personal financial statements for each owner with a 20% or greater ownership in the company. Must be completed on SBA Form 413 and be dated within 90 days of the application date.
- \_\_\_ Copy of organizational paperwork (d/b/a, Partnership Agreement, Member or Corporate Resolution)
- \_\_\_ Current number of employees and number of employees who are City residents.
- \_\_\_ Projected employment increases over the next two years and the estimated amount of jobs to be filled by City residents.
- \_\_\_ If the applicant is a building tenant, a copy of the lease agreement with at least three years remaining and a written statement from the landlord that (s)he: (1) is aware that the application is being filed; and (2) gives permission to make the improvements.