



## **Tioga County Industrial Development Agency COVID-19 Emergency Relief Loan Program Scope of Work**

### **1. Purposes/Objective and Need for the Funds**

The Tioga County Industrial Development Agency (TCIDA) COVID-19 Emergency Relief Loan Program administered on behalf of Tioga County will provide assistance for small businesses in Tioga County that have been impacted by the Coronavirus pandemic.

Implementation of the COVID-19 Emergency Relief Loan Program will allow Tioga County to assist businesses by addressing staff reductions, allowing business operations to continue (if possible), offsetting loss related to the Coronavirus COVID-19 and helping companies sponsor sick pay for workers.

An Emergency Relief Loan fund of \$475,000 has been allocated by Tioga County and will be managed by TCIDA. The funds will be available to small businesses (50 employees or less) until October of 2020, at which time the program will be reevaluated to determine if there is an ongoing need to continue the program.

### **2. Who Will Carry out the Emergency Relief Loan Program and How**

The TCIDA is a public authority of Tioga County organized for the purpose of assisting the County in its economic development efforts. The TCIDA seven member Board of Directors is comprised of civic leaders, bankers and business representatives. The TCIDA employs an Executive Administrator who is responsible for the day to day operations of the Agency.

The TCIDA Administrative Executive will perform an intake interview of potential applicants to insure the applicant and applicant's project is eligible. Once it is determined that a project meets the basic eligibility criteria, a full loan request will be provided for the applicant to complete and submit.

The TCIDA utilizes a Loan Committee made up of TCIDA Board Members as well as non- Board Members, including bankers and business leaders. Emergency Relief loan request applications are presented to the Loan Committee for review and recommendation. Any Loan Committee member having actual conflicts of interest or where the appearance of conflict is present must declare the conflict and abstain from any voting.

The Executive Administrator is responsible for intake, packaging, financial analysis, and presentation of all Emergency Relief Loan requests made to the

TCIDA, preparation of loan agreements, monitoring and servicing the loan portfolio.

The Tioga County Economic Development and Planning Legislative Committee has final approval. The Executive Administrator handles all marketing efforts.

**3. Process**

- Applicant shall provide basic information by way of a project intake form.
- If the Executive Administrator determines the project meets qualifying guidelines, the Applicant shall complete an Emergency Relief Loan application.
- Upon receipt of application and required supporting documentation, the Executive Administrator will summarize and present the request to the TCIDA Loan Committee.
- Loan Committee recommendations are presented to the Tioga County Economic Development and Planning Legislative Committee for final/official approval.
- Loan payments shall be revolved back to the designated account for the purpose of making additional Emergency Relief loans.



## **Tioga County Industrial Development Agency COVID-19 Emergency Relief Loan Program Loan Program Additional Information**

### **1. What Is the Need for the Program?**

The Tioga County Industrial Development Agency (TCIDA) is offering, on behalf of Tioga County, an Emergency Relief Loan Program for small businesses in Tioga County that have been impacted by the Coronavirus pandemic. The Emergency Relief Fund will offer up to \$25,000 loans to small business applicants in order to address the financial impact caused by the Coronavirus (COVID-19). The new loan program will provide business owners in need of a short-term immediate solution for working capital. Small businesses are experiencing immediate and extreme negative consequences due to the reduction in public access, foot traffic, and the limits on public gatherings and on-site work. The Emergency Relief Loan Program will be available to small businesses to cover ongoing expenses, help prevent staff reductions, offset losses, and help companies sponsor sick pay for workers as necessary. The hardships being experienced by small businesses and their employees are crippling and they will have both short and long-term impacts. The Emergency Relief Loan Program is a tool to help small businesses make it through this difficult time.

### **2. Who Will Operate the Emergency Relief Fund and What Experience Do They Have?**

The Tioga County Industrial Development Agency will be responsible for administering the Emergency Relief Loan Program on behalf of Tioga County. Over the years, TCIDA has evolved to assist area business finance development projects which directly impact economic development. TCIDA has independently, successfully administered revolving loan programs since 2003 utilizing funding from the Appalachian Regional Commission (ARC) and Economic Development Administration (EDA) and the United States Department of Agriculture (USDA).

The TCIDA Intermediary Relending Program has previously been awarded the amounts of \$200,000, \$250,000 and \$300,000 in Intermediary Revolving Loan funds and also RBEG Small Business Loan programs in the amounts of \$95,000, \$18,000 and \$82,000. The TCIDA has experience in the public lending field, especially as it relates to the RBEG. TCIDA's experience is especially beneficial since they are familiar with all aspects and regulations including, but not limited to, packaging of loans for RD approval, environmental review procedures, acceptable security and loan documents, insurance requirements, etc.

### **3. How Will Operating Expenses Be Supported?**

The TCIDA Emergency Relief Loan Program will be self-supporting. There is a \$50 fee to apply. If a request is approved, there will be a one-time flat fee to pay for legal expenses. Loans will be provided at 0% interest and will be payable until maturity of the loan up to 180 days (6 months) upon disbursement. Loans that are unable to be paid at the end of the 180 day period can be restructured and converted into low interest loans with a competitive rate, not to exceed 4%.

### **4. How Will Marketing/Outreach Be Accomplished?**

Outreach will be accomplished in the following ways: utilization of existing network; which includes, local lending institutions, the Small Business Development Center, Chambers of Commerce and TCIDA Board and committee members. Press releases will be issued to inform the public of the availability of the program.

### **5. What are the Application Process Eligibility Requirements?**

The TCIDA will utilize the following standards for the proposed Emergency Relief Loan Program. The TCIDA recognizes that while individual loans will generally conform to or exceed these standards, individual loan criteria may vary depending on the economic benefits of the projects.

#### *Eligibility Requirements*

Private Leverage Ratio- TCIDA will allow 100% of cost for proposed emergency relief to support operations and employment.

Allowed Loan Amount- \$2,500 to \$25,000

#### Eligible Borrowers

- ✓ Commercial, for-profit entities that own or manage a business
- ✓ Site of investment must be located in Tioga County
- ✓ Business employs 50 people or less
- ✓ Business can provide evidence of a loss in sale, income, and/or cash flow within the last 60 days

#### Ineligible Activities

- ✓ Loans which would create a potential conflict of interest or the appearance of one
- ✓ The transfer of ownership, unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area, or provide expanded job opportunities
- ✓ Any legitimate business activity when more than ten percent of the annual gross revenue is derived from legalized gambling activity
- ✓ Any illegal activity
- ✓ Any otherwise eligible activity that is in violation of either a Federal, State or local environmental protection law or regulation or any enforceable land use restriction unless the financial assistance will result in curing or removing the violation

- ✓ Any project in which the sale of alcohol is the primary source of revenue

### *Loan Application Process*

TCIDA will utilize an Emergency Relief Loan intake form to screen potential applicants and ensure their project meets the basic eligibility criteria. Once it is determined that a project meets the basic eligibility criteria, a full Emergency Relief Loan application will be provided for the applicant to complete and submit. The following is a list of attachments which must be included with the Emergency Relief Loan application, with the understanding that the items may not always be applicable or necessary, and in some instances, additional information may be required.

- Personal history statement of each owner, partner, officer, director and/or major stockholder
- Personal financial statement of any person with 20% or more ownership
- Balance Sheet
- Most recent filed year of corporate federal tax returns or personal tax returns if sole proprietor
- 2019 Profit & Loss if 2019 tax return is not available
- Description of use of funds

Once a full application and requested supporting documentation has been received, TCIDA will perform an analysis of each Emergency Relief Loan application. The analysis consists of the following: an analysis of the financial statements to determine if the project is financially sound, and an analysis of the business and its history, to determine if the application meets the TCIDA Emergency Relief Loan Program guidelines. The analysis performed consists of the following:

#### Financial Analysis:

Review of balance sheets and income statements to determine if potential problems exist relating to the company's long term profitability and ability to take on new debt; to detect unusual increases or decreases in revenues and expenses based on comparison of past and present financial statements; a comparison of the company's past and current liquidity, activity, debt/equity and profitability ratios to industry standards.

#### Cash Flow Analysis:

To determine if the projected condition of the business will enable the company to afford the new debt service and if market and economic trends support the projections.

#### Employment Analysis:

Includes a listing of current employment and projected job retention and/or creation.

#### Credit Analysis:

Review of history of the business; principals and management personnel; credit check through a credit agency; review of banking and trade references.

Economic Impact:

Includes an overall review of the economic impact of the project.

## **6. Loan Review Committee Process**

TCIDA Executive Administrator will review requests on a weekly basis as they are received. Decisions will be made within seven (7) days of submission and agreements must be executed with the applicant prior to disbursement of an approved loan. The Executive Administrator will provide a digital summary to the Loan Committee; recommendation for approval will be based on favorable results on the following:

- ✓ the project meets the goals and objectives of the TCIDA Emergency Relief Loan program
- ✓ the loan applicant demonstrates a viable need for the financing
- ✓ the business is credit worthy
- ✓ the principals are credit worthy

The complete Emergency Relief Loan application with supporting documentation and funding summary will be provided to the Loan Review Committee digitally as soon as the information is deemed to be complete. The Tioga County Economic Development and Planning Legislative Committee will be provided with the digital loan summary immediately upon review and recommendation by the Loan Committee at which time an email vote will be called. ALL members of the Legislative Committee must respond to the email vote for action to be taken. The final approval of all Emergency Relief Loan applications will be affirmed at the next regular meeting of the full Legislative Committee. Any Loan Committee or Legislative Committee Member having actual conflicts of interest or where the appearance of conflict is present must declare the conflict and abstain from any voting. Upon review and discussion, a motion to approve, reject or table for additional information is made and seconded. A majority vote is required for action.

Emergency Relief Loan decisions are recorded in the minutes of every Loan Committee and Legislative Committee meeting, which are reviewed and approved at the next meeting. Once an Emergency Relief Loan has been approved by both the Loan Committee and Legislative Committee, and the conditions outlined, the TCIDA Executive Administrator will prepare a Promissory Note. The client is provided two (2) originals of the Note, one to sign and return to TCIDA and one to keep. Standard practice is to notify applicants by telephone the day of the meeting of the decision of the Loan Committee and Legislative Committee. The telephone call is then followed up with written confirmations, either in the form of a Promissory Note or letter stating the reason(s) for the denial.

## **7. Loan Fund Operation and Parameters**

### *Application Fees:*

The TCIDA fee structure is outlined as follows:

1. There is a \$50 fee to apply to the Emergency Relief Loan program.
2. If a request is approved, there will be no fee to pay for legal expenses.
3. A late fee equal to 3% of the balloon payment shall be due if payment is not paid within ten (10) days of the date due.
4. There will be no penalty for prepayment.

### *Minimum/Maximum Loan Amounts*

- ✓ \$25,000 maximum
- ✓ \$2,500 minimum

### *Rates*

- ✓ The interest rate will be fixed at 0.0% for the length of the loan.

### *Terms*

- ✓ All loans will be payable until maturity of the loan up to one hundred eighty (180) days (6 months) upon disbursement. Loans that are unable to be paid at the end of the one hundred eighty (180) day period can be restructured and converted into low interest loans with a competitive rate, not to exceed 4%. An additional fee may be assessed at that time.

### *Security*

All applicants owning 20% or more of the business entity will be required to execute a personal guarantee.

### *Default*

TCIDA will make every attempt to work with the borrower to find a workable solution should a loan become in default.

TCIDA recognizes that since there is an element of risk in the types of loans it makes, there will also be defaults. TCIDA will require personal guarantees of principals with 20% or more ownership. Should a loan become in default, TCIDA will not hesitate to initiate legal action against personal assets if the situation warrants it.

### *Servicing*

Borrowers are notified in writing when a payment is 10 days past due, indicating the amount due including the late fees (which are also stated in the Promissory Note). In the event a borrower does not respond after two written notices, a personal telephone call is made, and if deemed necessary a site visit is made. Generally, TCIDA also makes a telephone call between the first and second written notice. Every effort is made to work with delinquent accounts so that an equitable solution can be worked out to realize full payment.

### *Reporting*

TCIDA maintains a computerized database to keep track of funds flow. Monthly reports are generated for the Tioga County Economic Development and Planning Legislative Committee, which include a statement of income and expenses, status of each loan outstanding, cash available for loans, etc. TCIDA also requests written updates from loan recipients on employment, increased income, etc. at the end of the calendar year; and also updates the information during annual site visits.