

Order 146-16/17

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**CITY OF PORTLAND
IN THE CITY COUNCIL**

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**ORDER AMENDING THE GUIDELINES OF THE
REGIONAL ECONOMIC DEVELOPMENT REVOLVING LOAN PROGRAM**

ORDERED, that the guidelines of the Regional Economic Development Revolving Loan Program, a loan program administered by the Portland Development Corporation, are hereby amended in substantially the form attached.

**FAME Regional Economic Development Revolving
Loan Program (REDRLP) Guidelines**

Amended by Corporator at 11/17/08 Meeting adding an amendment for Requests for Amendment to Loan Terms.

Amended by Corporator at 10/17/11 Meeting.

Program Description

The Regional Economic Development Loan Program (REDLP) provides loans to Portland businesses for the purpose of creating or retaining jobs and stimulating economic growth and development in the City. The Program provides individual loans up to ~~\$250,000.~~ \$350,000.

Program Requirements

- A. Business to be assisted must be located in the City of Portland
- B. Maximum loan amounts, though City reserves the right to finance less relative to project cost: ~~is as follows:~~
 - ~~1) Loans of less than \$50,000 may be for the total amount of new funds being provided to a borrower;~~
 - ~~2) Loans of \$50,000 to \$100,000 may not exceed one half (1/2) of the net new funds being provided to a borrower;~~
 - ~~3) Loans over \$100,000 may not exceed one third (1/3) of the net new funds being provided to a borrower.~~
 - Up to 50% of total project cost, for projects from \$50,000 up to a maximum loan amount of \$350,000;
 - 100% of total project cost, for projects less than \$50,000;
 - 100% of total project cost for quality child care projects up to a maximum loan amount of \$350,000.
- C. The project applicant or owner cannot owe outstanding property taxes, judgments, or fees to the City of Portland, and must be free of all City liens and encumbrances.
- D. Borrower is unable to obtain funding for the project from other public and private sources including the personal resources of the owners of the business borrowing from the fund.

Eligible Businesses

Sole proprietorships, partnerships, limited liability companies, and corporations which own, lease, or rent commercial property within the City of Portland.

Business has ~~fifty (50)~~ one hundred (100) or fewer employees, or annual sales of ~~\$5,000,000- \$10,000,000~~ or less, **and** it consists of or involves at least one of the following categories:

- A. Advanced manufacturing technologies, such as value-added wood products and specialty fabricated metal and electronic products; precision manufacturing and use of composites or advanced materials;
- B. Technologies, such as Aadvanced information systems ~~technologies, such as advanced~~ telecommunications, energy and environmental products and services;
- C. Value-added ~~Advanced biological and~~ natural resources enterprises and biological and natural resource technologies, such as aquaculture, marine technology, agriculture, forestry products and biotechnology;
- D. Converting from defense dependencies;
- E. A business sSignificantly engaged in export of goods or services to locations outside ~~the state~~ Maine;
- F. A business that dDedicates significant resources to research and development activities;
- G. Other businesses with ~~ten (10)~~ fifteen (15) or fewer employees; ~~and,~~
- H. Quality child care project;
- I. A business significantly engaged in commercial and mixed-use real estate and community facilities; or
- H.J. A business significantly engaged in serving tourists, such as in the area of outdoor recreation, culture, heritage and hospitality.

Eligible Activities:

- A. Renovation, improvement, reconstruction, or restoration of commercial space;
- B. Leasehold improvements;

- C. Purchase of machinery and equipment, furniture and fixtures, and other fixed assets;
- D. Permanent working capital (e.g., inventory and receivables);
- E. Soft costs related to a larger project including architectural, engineering, legal, accounting, and other professional services;
- F. Purchase of existing business (which has a positive economic impact on jobs and/or tax base);

~~F.G.~~ Use of loan proceeds as partial downpayment on other loans;

~~G.H.~~ Refinance existing debt if the following criteria are met:

- ~~• Project must include a business expansion component that is at least 25% over the debt amount to be refinanced. (As an example, for a \$50,000 project, the expansion must be at least \$12,500 of the total project cost.);~~
- Should improve the financial condition of the business by measurably reducing its debt service;
- Borrower must be current on all payments of its debt for the last twelve months;
- Loan proceeds must be used for a legitimate business purpose;
- Same collateral and debt service coverage requirements need to be met as with any other loan request to the Portland Development Corporation (PDC), the City's lending board;
- Refinancing of existing secured loans will require that the previously held collateral be released to the PDC as security. (This does not preclude the PDC from requiring additional collateral if it is necessary to properly secure the new loan.);
- When refinancing credit card debt, it must be determined that the credit card debt was used for business and not personal purposes;
- As part of the due diligence process, the existing lender confirms that it is unwilling or unable to modify the terms of the existing debt.

~~H.I.~~ Acquisition of fishing vessels, marine-related machinery and equipment, licenses and permits;

~~H.J.~~ Acquisition of existing real estate (including land and buildings) or construction of new buildings with the following restrictions:

1. Financing for owner-occupied real estate only. This is defined as property which is 51% or more occupied by the owner's business(es). Financing of speculative real estate acquisitions or non-owner occupied properties is not eligible;
2. May not be utilized for the purchase of undeveloped land.

Financing Terms

The following terms will generally guide the actions of the Portland Development Corporation (PDC), the City's lending board:

- A. Loan amount will be limited to a maximum of ~~\$250,000~~ \$350,000;
- B. Up to a 20-year Maximum amortization loan term of 20 years with a maximum 10-year balloon;
- C. Interest rate will be determined by the PDC;
- D. Business asset collateral and/or personal guaranties will be required;
- E. Origination fee structure to be determined by the PDC but generally not to exceed one (1) percent of the loan amount.

Underwriting Criteria:

Project review will include, but not be limited to the following factors:

- A. Has a positive impact on creating or retaining jobs and businesses in the City;
- B. Private investment, relative to public loan funds, is maximized;
- C. Necessity of public funds to make the project economically feasible;
- D. Project has a high potential for economic success;
- E. Return on public investment in the form of projected property taxes, or, in the case of a tax exempt entity, fees in lieu of property taxes;
- F. Highest level of lease occupancy commitment.

The following information will be required for consideration of a loan request:

1. Loan application;
2. Statement of project scope, including relevant plans and specifications;
3. Brief history of business and owners/managers;
4. For existing businesses, historical financial information to consist of three years of financial statements and/or tax returns;
5. Personal financial statements and tax returns of personal guarantors;
6. Projected financial information;

7. Any available market data demonstrating the project's economic feasibility, including, if necessary, appraisals;
8. Option on land, title opinion letter, or lease agreement;
9. Letters of commitment for all financing, with terms and conditions;
10. If applicable, letters of intent from prime tenants to lease, with rates and terms;
11. Appraisals to determine the value of real estate assets when those assets are securing a loan.

Applications and Approval Process

Submit signed loan application with all requested materials to the City's Economic Development [Department](#), [Portland](#) City Hall, Room 308.

The PDC reviews and approves loan requests.

Requests for Amendment to Loan Terms:

A maximum one (1) percent fee may be applied for requests for amendments to loan terms for consulting, recording and legal fees associated with preparing any additional loan documents/modifications. The one (1) percent fee will be based on the current loan balance at the time of the request.

The Economic Development Director has the discretion to determine whether requested loan amendments should be brought to the PDC or addressed administratively, with follow up communication to the Board.