

REVOLVING LOAN FUND ADMINISTRATIVE PLAN AMENDMENT

Table of Contents

Map of the City of Richmond, CA	1
INTRODUCTION	2
PART I. REVOLVING LOAN FUND STRATEGY	3
A. Economic Adjustment Program Overview	3
B. Current Financing Needs	5
C. RLF Service and Target Areas	5
D. Targeting Criteria for Businesses	6
E. Richmond’s Changing Economy	6
F. Overall Development Strategy	8
G. Loan Selection Criteria	10
H. Borrower’s Restrictions	12
I. Conditions of The RLF	13
J. Economic Impact Criteria	14
K. Financing Policies	15
II. OPERATING PROCEDURES	
A. Organizational Structure	21
B. Marketing	23
C. Loan Processing Procedures	24
D. Loan Closing and Disbursement	27
E. Loan Servicing	28
F. Administrative Procedures	31
G. Confidentiality	32
H. Environmental Considerations	32
I. Other Requirements	33
J. Conflict of Interest	35
III. ATTACHMENTS	

INTRODUCTION:

The following Revolving Loan Fund Administrative Plan update is designed to increase the employment opportunities in the Special Impact Area (SIA) and to fill an identified gap in the area's financial market. On May 9, 2007 the U.S. Department of Commerce, Economic Development Administration (EDA) approved a request to amend the City of Richmond Revolving Loan Fund Plan to expand lending (SIA) city wide (attachment A).

The Richmond RLF is governed by the Administrative Plan approved by the EDA on January 22, 1981 and Amended on July 12, 1983 under the grant award #070390243701 to the Greater Richmond Community Development Corporation (GRCDC), applicant and sole grantee. On December 1993 the EDA-RLF grant was amended by EDA for the City of Richmond and GRCDC to enter into a Co-grantee Agreement. In 1994 the EDA terminated the lending activities of GRCDC and recommended that the City of Richmond takes over management and operation of the RLF, under and subject to the provisions of the Co-grantee Agreement. The governing board of GRCDC determined that it is in the best interest of GRCDC to dissolve and transfer the EDA RLF Grant and the management and operation of the RLF to the City. The EDA-RLF Grant conditions and the Co-Grantee Agreement require that upon dissolution of GRCDC, the EDA-RLF Grant and management shall be transferred to the City of Richmond. The Richmond City Council under Resolution #161-98, dated October 20, 1998 accepted the transfer of the EDA-RLF Grant is in the public interest and of benefit to the public welfare of the citizens of the City of Richmond (attachment B).

The Revolving Loan Fund (RLF) is essential to the City of Richmond's efforts to diversify the SIA's economy by providing capital for the start-up and expansion of locally owned businesses.

The Richmond RLF will continue to insure the various economic development projects within the City of Richmond have a significant impact on local job retention, new employment and minority entrepreneurial opportunities.

I. THE REVOLVING LOAN FUND STRATEGY

The City of Richmond’s Revolving Loan Fund (RLF) Program is a community-based program with the goal of developing the Richmond economy and stimulating economic conditions, which can improve the quality of life for the community’s residents. The basic goal is to foster economic growth by developing and implementing a citywide economic development program, which is designed to retain and create employment opportunities for residents and complement community and individual development initiatives.

A. ECONOMIC ADJUSTMENT PROGRAM OVERVIEW

Expansion and start-up capital is severely limited in the City of Richmond, especially for minorities, women and disadvantaged business enterprises and it is extremely difficult for new ventures to begin operations. Banks have eligibility criteria, which present tremendous barriers for new businesses, in particular when applying for business loans. Technological and structural changes in the banking industry have resulted in the closure and merger of banks in Richmond and the consolidation and centralization of commercial lending operations of banks in offices remote to Richmond. There is only one community commercial bank in Richmond, The Mechanics Bank, and despite Community Reinvestment Act programs of statewide and regional banks, there is a dearth of commercial banking services in Richmond. The other commercial banks in Richmond including Wells Fargo, Bank of America, Citi Bank and Chase small business lending are performed in regional commercial banking centers outside of Richmond. The City of Richmond works with other secondary lending non-profit organizations such as the Oakland Business Development Corporation in Oakland. This has contributed significantly to difficulties Richmond small businesses encounter when attempting to obtain debt capital. Both long and short-term working capital financing for expansion of established small businesses is difficult to obtain through banks serving Richmond and for small business startups is largely unavailable. Many of the financing assistance programs operated by the federal and state government agencies such as the Small Business Administration (SBA), and the State of California’s Loan Guarantee Program – Northern California Small Business Development Corporation (“Nor-Cal FDC) are traditionally aimed at larger loans (in excess of \$100,000), take a longer time for approval and have an application procedure that is too complicated for the average small business person to comply with.

The unemployment rate in Richmond was 16% at October 31, 2011. During the same period of time the unemployment for Contra Costa County was 10%, 11.2% for California and 8.8% for the Nation. Regionally, layoffs and business closures have affected our regional population. The fact that the National Bureau of Economic Research (NBER) declared that the "Great Recession" officially ended in June of 2009 has come as little relief to Richmond and the East Bay Region, which is still struggling to emerge from the economic downturn. The unemployment rate for the State of California increased from 6.5% to 11.5% in September 2009, illustrating that it will be a long climb out of the cellar for State and the region's labor markets. Indeed, compared to other Bay Area metropolitan areas, the East Bay has yet to post any job growth in either total payrolls (including farm) or in the private sector.

This lack of job growth is in part due to the region's heavy involvement with the key drivers of the downturn, including consumer spending, financial issues, and the housing market. As a result, the East Bay felt more pain than its Bay Area neighbors. Specifically, with an 11.6% decline in total nonfarm employment, the East Bay saw relatively more job losses than San Francisco, the South and North Bay Areas, and the Bay Area and state overall. Because the region went into decline ahead of its neighbors and was hit hard, it is not surprising that the region has yet to experience the rebound seen in the South Bay and, to a lesser extent, in the remainder of the Bay Area.

The recession of 2009 has not only cost the jobs of thousands of residents in Richmond and the East Bay, it has created a credit crunch making it harder for businesses to access private capital for financing business expansion and improvements. Many business owners have seen a decline in their credit ratings and real estate equity in personal residences. As a result, traditional lending institutions have stopped making loans to these small business owners who are no longer considered bankable.

In December 2011, the State of California eliminated Redevelopment Agencies and more than 400 redevelopment agencies cease to exist as of February 1, 2012. Authorized by law since 1945, the agencies have been responsible for such projects in Richmond as the revitalization of the Richmond Marina Bay and the Historic Downtown Richmond. Both projects eliminated blight and created economic development through jobs creation and establishment of new businesses. Redevelopment Agencies, which used a portion of property tax money to partner with developers to encourage development in blighted areas, control about \$5 billion a year in tax revenue state wide and millions of dollars of tax revenue directly to the City of Richmond.

B. CURRENT FINANCING NEEDS

The majority of City of Richmond clients seek capital in the amount of \$5,000 to \$100,000. Most have already been rejected in some form or another by their local lending institutions. Funds are needed for both new companies and for existing companies for both equipment and working capital purposes. Loans are being sought mainly for start-up capital and expansion of existing businesses, equipment purchases, or as a source of working capital. The strategy of the Richmond RLF will be to provide funds in the amount of \$5,000-\$100,000 to existing and start-up businesses in order to stimulate the local economy. Smaller loans represent the greatest area of financing need not currently met by other financing sources.

The current economic conditions have resulted in major loan losses and capital erosion for commercial banks, particularly due to business down sizing and relocations and losses in commercial real and residential real estate property values. Commercial banks are the primary source of capital for small business expansions and start-ups in Richmond. The State of California has seen a significant number of banks closed by the federal or state regulatory agencies and the merger of banks. One of the key consequences of these changes has been greater regulatory scrutiny and increased lending conservatism.

While the availability of financing for California small business has been improving over the last several years, there has not been a significant improvement in its availability in lower income neighborhoods in Richmond. Moreover, for reasons mentioned above there has been a continuing exodus of commercial banking services from Richmond. In addition, many of the government-sponsored lending programs (SBA, State etc.) are not a viable alternative for target Richmond businesses. Many Richmond RLF applicants would not qualify due to the lending targets, standards and terms required by these agencies.

C. RLF SERVICE AND TARGET AREAS

Existing Target Areas:

The service area for the Richmond RLF is city wide. Based on the 2010 census and census update through the American Community Survey the national unemployment rate was 10.80% and the City wide unemployment for the City of Richmond was 16.20% thus meets the Special Impact Area guidelines. In addition, 800 employees were laid off from three companies in the Bay Area since September 2006. Two of the companies are located in Richmond and the other company is located in the neighboring City of San Pablo. Richmond continues to experience an unemployment rate which is consistently higher than those of the county, state and national average. Therefore, the City of Richmond Community Redevelopment Agency and the RLF Approval Board requested an amendment to the RLF Administrative Plan as Approved by the

EDA on January 22, 1981 and amended on July 12, 1983 (attached). On May 9, 2007 the U.S. Department of Commerce, Economic Development Administration (EDA) approved a request to amend the City of Richmond Revolving Loan Fund Plan to expand lending (SIA) city wide.

D. TARGETING CRITERIA FOR BUSINESSES

The growth in employment in Richmond, as it is across the nation, relies heavily upon the growth of small and medium businesses. Therefore, the focus of the RLF program is to assist businesses, which lack access to capital that would enable them to expand. The RLF will provide needed capital to existing businesses and new companies that demonstrate the need for loans from \$5,000 to \$100,000.

Specific RLF targets are:

- Businesses located within the City of Richmond or committed to locating in the City.
- Businesses that will hire residents from residents from the City of Richmond.
- Businesses providing needed services within the City of Richmond.
- Richmond businesses that support or complement the economic development and/or business development strategies of the City of Richmond.
- RLF business sector targets/goals are: 25 percent commercial and industrial; 25 percent construction; 25 percent service and retail; and 25 percent green and environmental.

E. RICHMOND’S CHANGING ECONOMY

Until recently Richmond has been viewed as a City of heavy industry and a distribution center, largely because of the visible presence of a major oil refinery (Chevron USA Richmond Refinery) and several other major petrochemical companies and bulk liquid shipping terminals.

The recent national economic recession triggered a major employment decline. Recent data and research indicates that the nation is facing a slower recovery than expected over the next few years, which will in turn impact the recovery of the Bay area. Beyond this short term recovery, the rates of employment growth for the Bay Area and California have become closer to or lower than the national rates since the 1980s.

During the 1980's service and retail trade were the two fastest growth sectors in the Richmond economy. By 2010, the largest employment sectors in Richmond were Service, Green and Environmental, Retail, Health Care, Manufacturing, and Public Administration. Over the last decades professional and business services and information jobs have become the major leading sectors in the regional economy. Future job growth estimates made in 2011 by ABAG (Association of Bay Area Governments) called for 33,000 new jobs per year in East Bay Region's economy in the thirty-year period from 2010 to the year 2030. "ABAG's projections represent the expected or most likely growth scenario for the Bay Area; they should not be interpreted as a high-end forecast. Among the various sectors, the services sector is expected to be the fastest growing with 41% of all the new jobs, followed by construction (20%), retail (16.2%), manufacturing/wholesale (13.5%)" and green/environmental (9.3%).

Deterioration of the Commercial Base

With the shift in population and development of regional shopping centers, Richmond central business district, once a thriving commercial hub for the greater Richmond area, went into extreme decline. *The following summarizes issues, which are contributing to the need for economic growth within the target area:*

- Historically, the city's economy has been based on manufacturing and primary processing.
- Employment in the target area is severely impacted by business and industry flight to other regions of the state and to other states and nations, and external supply and demand.
- The availability of state revenues for local government programs has been greatly reduced due to the state's budget crisis and increasing reliance on the local tax base and elimination of Redevelopment Agencies.
- There is a lack of knowledge regarding general business practices and the availability of assistance.

- There is a lack of debt and equity capital resources.
- Since World War II the heavy industrial base for the City of Richmond has been in decline, and more recently has stabilized with information and technical industries moving into strategic areas within the City.

The extent of poverty and economic deterioration, which exists within the City of Richmond, demonstrates the need for a comprehensive approach to improving the business community within the City of Richmond and fostering new jobs and economic activities. This comprehensive approach will require the use of a variety of financing mechanisms. Traditional financing mechanisms are limited and do not meet the financing needs of the City. Capital and financing for a variety of business needs are not available. Those that do exist are not adequate and are too restrictive to enable small businesses to qualify.

Capital Disinvestment

As mentioned above, the lack of adequate capital (debt and equity capital), as with many older American cities, has created a pattern of disinvestments. In response to this the City of Richmond has accelerated its attempts to forge alliance with banks and other financial intermediaries to address their problems.

Further adding to the City's economic challenges is the closure of seven military facilities in the Bay Area. The City is literally surrounded by closed military bases. These facilities include: Hunters Point Naval annex, the San Francisco Presidio, Treasure Island Naval Air Station, Alameda Naval Air Station, Alameda Naval Aviation Depot, Alameda Naval Hospital and Mare Island Naval Shipyard. Over 50,000 direct military and civilian jobs have been lost as a result of these closures. It is not unrealistic to expect that the City of Richmond businesses and residents have been profoundly affected by these closures. Impacts have included loss of jobs to those residents employed at a closed facility or a job loss as a result of cutbacks by civilian businesses dependent on military contracts for locally produced goods and services. These closed bases are in various stages of revitalization and have not reached their optimum potential.

F. OVERALL DEVELOPMENT STRATEGY

The City of Richmond encourages the development of new businesses and the expansion of existing businesses specifically, *the overall goals are: 1.) job creation and retention; 2.) expansion and diversification of the City's tax base, 3.) enhancement of the business climate. Listed below are some of the City's economic development goals and policies:*

- Maintain and increase the number of permanent private sector jobs available to city residents; encourage new jobs with increased pay scales; alleviate unemployment and underemployment of residents.
- Enforce contract compliance on City of Richmond of Richmond purchase contracts. The Contract Compliance Team reviews and monitors compliance to ensure city-wide and contractor adherence to the City of Richmond’s Local Employment Programs, Business Opportunity Ordinance, First Source Agreement-Construction, First Source Agreement-Non Construction, and Living Wage Ordinance.
- Increase and accelerate new commercial development in Richmond.
- Retain a diverse mix of growth-oriented businesses in Richmond.
- Integrate the older core areas of the City with new opportunities in the emerging “new green tech industry” encircling the city.
- Use city economic development resources equally to (a) retain existing enterprises and assist them to expand and (b) attract to the area new enterprises in the service, retail, finance/insurance/real estate, and high tech and green tech industries sectors focusing on small to medium establishments (5-50 employees).
- Select target zones for property upgrading to attract commercial activity and enhance marketability.
- Provide employers with easy access to a skilled, educated and well-trained, resident work force. Work with the City of Richmond National renowned job training programs:
 1. **RichmondWORKS** is an Employment and Training Program designed to assist Richmond businesses and residents with employment and training services. Business service includes out-placement services and on-the-job training. Resident services include a one-stop career center.
 2. **Richmond Build** was established in 2007 as a pre-apprenticeship construction skills and green jobs training academy to create employment and career opportunities for Richmond residents and also to implement a strategy for reducing violence in the Richmond community.
 3. **Richmond YouthBuild** is a youth and community development program of RichmondWORKS that addresses core community issues of

education, employment and career development. In YouthBuild programs, low-income young people between the ages of 18-24 work towards GEDs or high school diplomas, learn job skills and serve their communities by building affordable housing.

In addition to the above, the City has embarked on a program to attract new debt and equity capital for the small business sectors. Furthermore, the City of Richmond, in collaboration with the local education and corporate community, launched the West Contra Costa Business Development center, which provides business management training and technical assistance to increase the likelihood of small business success. In addition, the City of Richmond Employment and Training Department has designed and operates the Solar Richmond/Richmond Build training program teaching the skills of solar panel installation and design.

G. LOAN SELECTION CRITERIA

In order to qualify for a loan, an applicant must meet the following criteria:

- **Location:** The business must be located in a primary business location and operate in the City of Richmond. If the business that has a loan moves out of the City, the City of Richmond has the right of payment in full. (A RLF loan borrower that moves out of the City of Richmond shall trigger a loan default defined as a material adverse change of the borrower and require immediate repayment of the loan.)
- **Private financing to RLF loan leverage:** Revolving Loan Fund (RLF) loans must leverage private financing in the form of bank loans, cash equity injection (**cash equity injection for existing businesses is measured by the business assets and/or the retained earnings**), or both. The total RLF loan portfolio shall leverage a minimum amount of \$2 in private financing for every \$1 in RLF financing. (**The requirement is not for each loan granted but the entire loan portfolio**).
- **Collateral:** The applicant must have adequate collateral to secure the loan and adequate cash flow to make periodic payments. Loan amounts will not exceed 90% loan to value of collateral. Staff will secure RLF loans by recording deeds of trust on real property and filing UCC1's to secure business assets.
- **Repayment Ability:** The ability to repay the loan from the cash and income generated by the business from the use of the loan proceeds, and leave enough income to support the personal and family needs of the owner. This may be demonstrated by historical figures

if an existing business, by projected cash flow, industry information and/or commitments from customers if a start-up. **A start-up is defined as a business that has been in operation at least one year and provides evidence of its existence via a Federal Income Tax Return.** The loan applicant must understand and be able to show how the use of the loan proceeds will generate business volume, net cash flow, and income. Targeted debt service coverage will be a minimum of 1.1 to 1.

- **Credit History:** The Applicant must be credit worthy and current on all taxes. A credit report will be run on each loan applicant with 20% or more ownership. This report will be considered to determine the pattern of loan repayment history demonstrated by the applicant. The overall pattern will be considered along with the other lending criteria. Written explanations of all derogatory items will need to be provided by the client.

- **Valuing Collateral:** Staff shall evaluate the collateral and make a recommendation to the loan committee based on type, age, quality, and recovery. The committee shall rely on the staff's evaluation of the collateral and may request further information from staff. Traditionally, the City of Richmond secures the business assets by filing a Uniform Commercial Code (UCC) on equipment, furniture, fixtures, and accounts receivables. In addition, all business owners with 20% ownership in the business are required to sign a personal guarantee and secure the guarantee with a deed of trust on their personal residence.

- **Loan Documentation:** All documents will be developed by the City of Richmond legal counsel to meet the specific needs of the transaction. Documents will be maintained by the RLF staff.

- **Financial Information:** The applicant must be credit worthy and current on all taxes. The applicant must provide both personal and business financial statements and tax returns for the three (3) prior tax years, financial statements, including balance sheet, and income and expense, as well as a current personal and business financial statement of no older than 90 days from the date of the application.

- **Management Experience:** Experience in either the management of ownership of the proposed business (or related one) or demonstrated ability to operate the business is required.

- **Eligible Business Structure:** Applicant must be a private for-profit sole proprietorship, partnership, corporation, or an eligible non-profit business enterprise. Applicable documentation is required.
- **Eligible Business Preference:** Businesses which provide an essential neighborhood service and have a high employment potential are desired and may be given preferential consideration.
- **Special Criteria:** Business that meets the following criteria will receive priority and may present a case for deviation from the criteria outlined above:
 1. Ventures that have high employment potential for Richmond residents, especially low and moderate income residents.
 2. Businesses which have a multiplier effect on the present needs of the community – (Grocery Store, Green/Environmental, etc.)

H. BORROWER’S RESTRICTIONS

Eligible Lending Area

An RLF Borrower must be located and must remain in the City of Richmond for the duration of the loan.

Relocation

RLF financing may not be used by a borrower for any activity that serves to establish primary business operations outside Richmond without Loan Approval Board approval.

Credit Otherwise Available

A borrower is not eligible for RLF financing if credit is otherwise available on terms and conditions which would permit the successful operation or accomplishment of the project activities to be financed. Supplemental evidence, as appropriate, may be required to support the need for RLF financing. This may include (a) a commitment letter from a participating bank stating the loan terms, the maximum amount to be extended by the bank, and the need for the RLF’s participation; and / or (b) bank rejection letter(s), if obtainable. Exception to Credit Test: RLF financing may also be used to assist a new business or a business expansion into Richmond without RLF financing as the incentive. The need for RLF assistance must be documented and be

accompanied by certification from the company, stating why it would not locate the proposed project at the intended location without RLF assistance.

Public and Quasi-Public Applicants

A public or quasi-public organization is not eligible to receive RLF financial assistance.

Private Developers

Private developers are not normally eligible for RLF assistance unless the activity financed is non-speculative, consistent with the strategic and lending objectives of the RLF, and directly benefits or will directly benefit identifiable business concerns.

I. CONDITIONS OF THE RLF

Cost/Job Ratio

The portfolio average RLF cost: job ratio for RLF loans will generally be \$35,000 in RLF funds per job created or retained.

Types of Jobs to be Created and Saved

The long-term unemployed, and, particularly, persons from low and moderate income households, will be encouraged for all new employment opportunities created as a result of RLF participation. The City of Richmond will work closely with the Richmond Employment and Training Department and other job development and training agencies to match new jobs with local unemployed and underemployed residents. Site visits, job reports, and an annual employee audit are conducted by Richmond Employment and Training Department to verify employment of target income groups from the Target Enterprise Areas (TEA). Majority of City of Richmond is located in the State of California Enterprise Zone (EZ). The EZ provides a five-year declining scale California state income tax credit based on wages paid to eligible employees living in disadvantaged and low-income communities.

Ratio of Private Sector Funds to RLF Funds

- The RLF will leverage a minimum of two private dollars for each RLF dollar \$2: \$1 invested in a project to be financed. Private sector dollars may include debt financing from banks and other lenders, as well as the borrower's equity investment. This leveraging requirement applies to the RLF loan portfolio as a whole rather than to individual loans and is effective for the duration of the RLF's operation (as stated in the

Chapter III: Economic Development Administration, Department of Commerce, Part 307, 2d). **The requirement is not for each loan granted but the entire RLF loan portfolio.**

Standard Loan Amount

The standard maximum loan amount is generally \$100,000. The maximum loan amount may be waived by the LAB. The standard minimum loan size is generally \$5,000.

Standard Owner Equity

Owner's equity in cash or cash equivalent (e.g., accounts receivable, inventory, or equipment of like value) will normally be required on all loans at a minimum level of 15% to 20% of the total project cost. While equity in the form of a cash injection is preferable, for working capital loans, the Loan Approval Board (LAB) may allow a borrower's net working capital to count for the equity requirement (net working capital is defined as current assets minus current liabilities based upon current financial statements); for fixed asset loans, the LAB may allow lien-free assets that have been valued by an independent appraisal to be counted as a portion of the equity requirement provided the RLF obtains a first security position in those assets.

Percentage of RLF for Working Capital and Fixed Asset Loans

It is a goal of the RLF that working capital loans will comprise no more than 50% of the total RLF portfolio. Fixed Asset loans may exceed 50% of the RLF portfolio.

J. ECONOMIC IMPACT CRITERIA

The goals of the RLF are as follows:

1. To provide a financing mechanism through which public investment will stimulate private investment in the commercial revitalization of City of Richmond that would otherwise not have occurred.
2. To provide programmatic framework for the effective rehabilitation and conservation of the City of Richmond's commercial facilities.
3. To provide incentives for the retention, expansion and location of small businesses in the City of Richmond.

4. To promote increased employment opportunities for residents, a stronger nonresidential tax base, and more opportunity for business ownership among Richmond residents.
5. The RLF will have a priority interest in achieving the following economic objectives and benefits:
 - a. Increasing business enterprise among minority, women and other disadvantaged residents and the City’s First Source Employment program.
 - b. Linking RLF borrowers with employment and training programs for Richmond residents and the City’s First Source Employment program.
 - c. Increasing the growth potential of borrower companies.
 - d. Establishing linkages with the area’s conventional financial institutions to ensure that RLF funds are not used as a substitute for private investment.
 - e. Assisting firms in meeting environmental standards.
 - f. Encouraging the development of vacant land and the rehabilitation of dilapidated or vacant buildings in the RLF Target Areas.

K. FINANCING POLICIES

Standard Lending Terms

Standard Interest Rate: Generally, loans will be made at a rate of interest determined by the LAB to be most appropriate in achieving the goals of the RLF. The rate will be set at the time of commitment (good for 30 days). In no event shall the interest rate be less than the lower of four (4) percent or 75 percent of the prime interest rate listed in the Wall Street Journal. However, should the prime interest rate exceed fourteen (14) percent, the maximum RLF interest rate is not required to be raised above ten (10) percent in order not to compromise the RLF’s lending strategy.

Loan Fees: There will normally be a \$150 application fee, non-refundable but creditable against a loan origination fee which will be a minimum two percent (2%) charged to successful applicants at closing. Loan fee income will be used to help offset administrative cost, or recycled into the capital fund as the program circumstances dictate. Additionally, borrowers direct costs incurred in loan processing and closing, such as recording fees, attorney fees, escrow fees, title insurance, and appraisals will be netted against the loan origination fee.

Planned Use of Interest and Fees Earned:

Interest earned on outstanding loan principal and RLF accounts holding RLF funds, all fees and charges received by the RLF, and other income generated from RLF operations will be used only to capitalize the RLF for financing activities and to cover eligible and reasonable costs necessary to administer the RLF, unless otherwise provided for in the Grant agreement or approved in writing by EDA. RLF Income excludes repayments of principal and any interest remitted to the U.S. Treasury.

Cash Investment Requirements: The borrower is normally required to demonstrate adequate cash flow and collateral to support the proposed debt. A 15 percent investment of capital by the borrower will be a standard requirement. However, this requirement can be waived by the LAB, especially where 100% working capital loans are granted. A portion of an existing business' net working capital position can be counted as equity, recognizing that working capital is not cash that can not be taken out of the business.

Debt to Equity Requirements: An applicant's pro-forma balance sheets, including the proposed project and financing, will generally not exceed a 3:1 debt to equity ratio for a start up business and a 5:1 for an existing business. For purposes of the paragraph, debt means total liabilities of a business.

Terms and Types of Loans

Overall loan policy restricts funding per borrower to generally a minimum of \$5,000 and generally a maximum of \$100,000. LAB may waive the minimum and maximum loan amounts.

In general, RLF loans will be amortized over the life of the loan with level monthly payments of principal and interest. The LAB may consider approval of loans with a deferred principal payments for a period not to exceed six (6) months and periodic payments from 15 days to quarterly and annual payments.

Types of Loans

Working Capital – Repayment Term: Generally a maximum of 10 years.

These loans will pay for the costs of business operations such as salaries, overhead, marketing, receivables and inventory, and related operating expenses. Working capital loans will generally not exceed 50% of the RLF total fund balance.

Machinery / Equipment Loans – Repayment Term: Normally 3-10 years. The loan term will depend on the useful life of the machinery and equipment.

These loans will finance the acquisition of machinery and equipment for operation of the business.

Fixed Asset Loans – (Leasehold and Other Capital Improvements / Fixtures)
Repayment Term: Generally a maximum of 10 years.

These loans will be used for improvements (renovation and expansion) to the physical structure (exterior and interior) of the businesses and for purchase of fixed assets.

Façade Improvements – Loan Maximum: \$5,000 per storefront (not to exceed \$10,000 per building owner) Repayment Terms: Normally 3 years

EDA Construction and Prevailing Wage Regulations apply on all procurement methods on loans for Machinery/Equipment, Fixed Assets, and Façade Improvement, the Recipient must comply with the procurement standards set forth in 15 CFR parts 14 or 24, as applicable.

These loans are used to improve the exterior appearance of the business site. Improving the exterior façade of the business increases its marketing appeal, which would in most cases increase sales and in turn create a need for additional jobs. Improvements to the exterior façade include: awning & canopies, windows & doors, exterior lighting, signs & banners, painting, and landscaping. Security grilles and metal enclosures are not eligible.

Size of Loans

Minimum: \$5,000

Maximum: \$100,000

The categories of Working Capital, Machinery/Equipment and Fixed Asset loans may be combined into one loan request. However, under no circumstances will the total loan amount to an individual borrower exceed \$100,000.

Restructuring RLF Loans

Revisions to the terms and conditions of existing RLF loans may be approved by the LAB, from time-to-time as deemed appropriate. The conditions under which revisions would normally be allowed will be when the borrower demonstrates that without this action the business would otherwise suspend operations. The RLF-LAB may approve additional loan fees to cover the administrative cost of a loan restructuring.

Principal Deferrals

Deferrals of principal payments, for new or existing loans, may be considered for a very short period (usually 90 days) and under unique circumstances on projects which substantially contribute to the RLF goals and objectives and are an economic necessity to the continuance of the business. Deferrals will not be extended for more than 12 months.

Lien Position

The lien position of the RLF may be subordinated to a lien securing other loans made in connection with the project, provided the RLF loan amount is less than the participating lender or lenders. It will be the RLF policy to accept a subordinate lien position to encourage private lender participation.

Eligible Projects and Activities

RLF financing will be available to support the start-up or expansion of businesses that: (a) support the economic expansion of the target area; and (b) demonstrate the ability to save or create significant long-term permanent employment in the target area. Broad types of activities that may be undertaken include, but are not limited to, the following:

- Fixed assets and equipment loans to new or expanding businesses;
- Working capital; and
- Remodeling of an existing vacant building for owner occupancy;

Use of RLF Capital

RLF Capital shall be used for the purpose of making RLF loans that are consistent with an RLF Plan or such other purposes approved by EDA. To ensure that RLF funds are used as intended, each loan agreement must clearly state the purpose of each loan.

RLF financing may not be used by a borrower for any activity that serves to relocate jobs from one labor market to another

Security / Collateral

The applicant must hold adequate assets (real or personal), which will be used as security for the RLF loan. It is standard policy that loans are secured to the maximum degree possible. Independent appraisals or evaluations of both real and personal assets provided as collateral may be required as a condition of closing. Collateralized security may include, but not be limited to, interest in machinery and equipment, furniture and fixtures, building, property, inventory, and receivables. Security in the personal assets of all principals who own 20% or more interest in the borrower's firm may be considered as additional collateral. Such security can include property outside the business, including, but not limited to real estate of principals. Personal guarantees may also be required of principals with 20% or more interest in the borrower's business. The city will secure loans by recording Deeds of Trust on real property (in subordinate positions as necessary and prudent) and UCC-1 filings to secure equipment, fixtures, furniture, receivables, and inventory. Also, a UCC-3 will be filed to identify prior security interest. Hazard and Key Man life insurance will also be required when deemed necessary to protect the interest and continuity of the business.

Variance

A variance to standard Terms & General Underwriting Conditions may be approved within a reasonable range provided that:

1. RLF loans are sufficiently collateralized
2. Reasonable assurance of repayment is preserved
3. Total RLF Portfolio leverage ratio minimum of \$2:\$1 private to public investment is not compromised and the portfolio cost/job ratio maximum of \$35,000:1 are maintained
4. No greater than 50% of the portfolio is to be used for working capital loans
5. Loans terms do no conflict with EDA guidelines

Non-Profit Applicants

It is expected that most of the loans made under this program will go to privately controlled entities (i.e. private business/property owners) in the RLF Target Area who intend to utilize the borrowed funds for business rehabilitation/expansion purposes. Non-profit organizations running a for-profit business can obtain funding only for the for-profit enterprise. RLF proceeds can no be used for funding of activities other than those specifically approved in the loan agreement, for the non-profit business enterprise.

Start-up Applicants

Due to higher risk factors, loans to start-up businesses will not be given priority consideration. If start-ups are considered, the experience of the principal(s), employment impact of the business, and minimum of 20% equity investment and other considerations will be taken into account. No more than 40% of the portfolio will be used for start-up business (businesses with at least 12 months operating experience and proof of earnings). A minimum of 60% of loans will be made for the expansion or retention of existing businesses.

Pre and Post-Loan Technical Assistance Requirements

All start-up business may be required to participate in LAB approved business management assistance program. Some start-up businesses may be required to have completed a LAB approved business-training class as a requirement of the loan approval. Existing businesses may be required to participate in a LAB approved business assistance program as a condition of the loan where one or more aspects of the borrower's business management skills or experience are judged to be deficient.

Financial Consideration

In no case will a loan be approved where the financial risk of default outweighs the anticipated benefits to the area provided by the project. All appropriate financial data must be complete, current and reflective of the true business position of the applicant. Good business practice will be applied to a loan application evaluation by the LAB. These practices in principle will be consistent with those normally applied to commercial lending.

Performance Assessment Process

The following reports, as applicable, will be generated to monitor the progress of the RLF program:

- Status report of individual RLF loan recipient as requested;
- Semiannual Financial and Performance reports, due as outlined in RLF Standard Terms and Conditions;
- Annual, financial statements and tax returns as outlined in RLF Standard Terms and Conditions; and
- All other reports which may be required by EDA or requested by the City Staff or the LAB.

A close relationship will be maintained with clients during all approval phases of the RLF application procedures and the post-loan phase. City staff will also require regular financial statements in order to establish a loan client's financial condition when the economic climate may indicate a negative financial position. RLF staff will be aware of borrower's status in order to mitigate problems before they become critical problems.

To accomplish this, the City of Richmond will maintain close relationships with other lenders providing financing to RLF borrowers and agencies and organizations, which provide technical support to RLF borrowers.

II. OPERATING PROCEDURES

A. ORGANIZATIONAL STRUCTURE

The Revolving Loan Fund will operate under administrative policies and directions of the U.S. Department of Commerce Economic Development Administration and the City of Richmond. Day-to-Day management and operation of the RLF will be administered by City staff augmented by services of outside independent contractors, as needed, and the Revolving Loan Fund Approval Board (LAB).

Loan Approval Board

The Loan Approval Board shall be comprised of a maximum of nine members appointed by the mayor and confirmed by City Council of Richmond. The composition of the LAB shall be as follows:

- Up to four Commercial Bankers or Commercial Lending representatives.
- The City Manager or his/her designee.
- One Attorney with business experience or practice.
- One Accountant or C.P.A
- A maximum of two representatives from the local business community, who may be also be either the attorney or accountant representative.

A majority of the appointed LAB members shall constitute a quorum.

The LAB is governed by the following Special rules for Revolving Loan Fund ("RLF") Grants.

(1) An Interested Party of a Recipient of an RLF Grant shall not receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans;

(2) A Recipient of an RLF Grant shall also not lend RLF funds to an Interested Party; and

(3) Former board members of a Recipient of an RLF Grant and members of his or her Immediate Family shall not receive a loan from such RLF for a period of two (2) years from the date that the board member last served on the RLF's board of directors.

Interested Party means any officer, employee or member of the board of directors or other governing board of the Recipient, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of the Recipient, such as agents, advisors, consultants, attorneys, accountants or shareholders. An Interested Party also includes the Interested Party's Immediate Family and other persons directly connected to the Interested Party by law or through a business arrangement.

LAB responsibilities

1. To hold regular monthly meetings – Date's and time to be established by the LAB.
2. To review and approve RLF loan application packages reviewed and submitted by City staff.
3. To recommend changes and/or modifications to the RLF Administrative Plan.
4. To advise and recommend legal remedies for loans in default.
5. To review overall loan portfolio performances which will include:
 - a. Review of monthly loan status reports
 - b. Review of required Economic Development Administration reports
 - c. Review of miscellaneous reports that may be periodically requested by City Council.
6. To make recommendations to City staff regarding RLF program operation, policies and procedures.

7. To undertake assignments related to community development finance for small business as requested by the City Council.

City Staff and Outside Service Contractors

Under the supervision of the City Manager or his/her designee the day-to-day operation of the RLF will be managed by City of Richmond staff with Office of the City Attorney and Finance Department support. Outside contractor professional services will also be used on an as needed basis. The City will comply with Federal procurement regulations when soliciting outside services and is responsible for outside contractor's compliance to Federal Regulations.

Responsibilities of staff and service contractors will be as follows:

1. To perform overall EDA- RLF grant management.
2. To conduct marketing activities for the RLF including identifying and negotiation with private lenders to provide leverage financing when possible.
3. Received completed loan application package and submit to Loan Approval Board.
4. To perform credit analysis and underwriting of new loans and workout modifications for existing loans.
5. To prepare, execute, record/file loan documents and maintain loan files and other records for the RLF.
6. To perform loan portfolio management including, loan servicing, monitoring, collections, and accounting functions to the RLF.
7. To prepare RLF reports to the LAB, City Council, and EDA.
8. Attend Board meetings and take minutes.
9. To provide staff support to the LAB and make recommendations to the LAB and the City Council regarding changes to this RLF Administrative Plan and other RLF related policies.

B. MARKETING

City Staff will disseminate information about the RLF program via some of the following methods.

Fact Sheet: Staff will create a RLF Fact Sheet to be distributed to loan applicants, banks, technical assistance providers, business associations, community based organizations and other organizations or agencies (see attachment C) with connections or links to prospective or existing RLF borrowers. In addition, the RLF applications and brochures will be available on the City of Richmond website.

Public appearances: Staff will give presentations at various small business forums, seminars and workshops that could possibly provide access to potential loan clients.

Media: Staff will provide periodic news releases about the RLF to local cable television and radio stations, and newspapers.

Direct Contact: Staff will make regular visits to businesses where potential borrowers have been identified by referring agencies and organizations.

C. LOAN PROCESSING PROCEDURES

Applicant Screening

1. Preliminary applicant screening conducted by staff and/or outside contractor to determine if client is eligible to apply for an RLF loan. A **Preliminary Application (attachment D)** will be completed by potential loan clients, which will include authorization for a credit check. The preliminary application will be used to make the initial eligibility determination.
2. Staff will determine eligibility of applicant and invite successfully screened applicants to submit full loan package.
3. Declined applicants will be informed of reasons for decline via letter. The following actions may also apply to declined applicants:
 - a. If another lending program is better suited for applicant, staff will refer the prospective Borrower to that program.
 - b. If applicant feels unjustly declined for a loan, he/she may submit a written appeal within 14 days of decline to the LAB.

- c. If the applicant appeals the declination, they will be invited to present their appeal before the LAB.
 - d. Upon review of applicants appeal, the LAB will present a written reply to the applicant stating the reasons for the decline.
4. Successful pre-applicants will be required to submit a complete loan package in order to begin the actual loan credit analysis/underwriting and approval process.
5. As part of the applicant’s process, staff will meet with applicant to review loan application packet. The meeting will cover in detail review of the **RLF Application Checklist (see attachment E)**, all subsidiary forms, financial schedules, permits, approvals and technical assistance and business management training requirements for a complete loan package. If necessary, staff will provide referral to outside technical assistance providers to help applicant complete loan application package.

The Loan Package

Information provided by the applicants will include the following for complete loan application package:

- ◆ Items from the Loan Application Checklist
- ◆ Completed and signed **City of Richmond Loan Application (attachment F)**
- ◆ Credit reports for the business and all owners(s) with more than 20% interest in the business.
- ◆ Description and supporting documentation for use of funds (e.g. purchase orders, invoices, Contractor bids, etc)

Start-Up Businesses

Pro Forma Cash Flow Statement and Balance Sheet, and Personal Tax Returns (minimum 3 years), Personal Financial Statement of all owners with 20% or more interest in the business.

Existing Businesses

Balance Sheets / Income Statements (minimum 2 years), Corporate or Business Tax Returns (2 years), personal Financial Statement of all owners with 20% or more interest in the business.

Resume(s) and statement of qualification(s) from all owners with 20% or more interest in the business. This information may be included in the business plan.

- ◆ Authorization to verify Financial Information
- ◆ Signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. The LAB may accept alternate documentation that supports the applicant's inability to secure bank financing.
- ◆ Appraisal (as directed by the LAB when real estate is used as collateral)
- ◆ Listing of equipment that may be used as collateral, as directed by the LAB.
- ◆ Environment Questionnaire, if applicable

Credit Write-Up

City staff or contractor will produce a credit write-up for each loan package which will include the following:

1. Will loan request enable Borrower to produce the minimum amount of jobs required in relationship to the loan amount being requested (i.e. job/costs ratio; will Borrower create 1 job for each \$35,000 borrowed)?
2. Does potential loan amount maintain the total loan portfolio target leverage ratio of 2 to 1 established for the RLF Administrative Plan?
3. Is there collateral? If equipment, has UCC search provided that collateral presented is not already encumbered? If real property, has title search provided that RLF lien position will not be higher than second or third and there is adequate value to support required collateral?

4. Is there a reasonable assurance of repayment of the loan based on financial review and analysis of ability to repay?
5. Are new employees expected to come from local work forces?
6. Documentation showing loan is not substituting for private financing available under similar terms?
7. Will project be an asset to the community and a compliment to other local businesses?
8. Does the project fit the goals and objectives of the RLF Administrative Plan as established by the LAB?
9. Is the applicant current in the payment of all taxes?

Loan Package Review

1. Loan packages are reviewed by staff and contractor for completeness and compliance with RLF guidelines regulatory and technical assistance requirements.
2. Additional information or documentation from applicant may be requested as necessary to evaluate loan application or as a condition of the loan.
3. Detailed review of loan package by staff, written analysis and recommendations will be submitted to the LAB for review and approval. No loan will be recommended for approval without the determination that there is a reasonable assurance of payment. Staff recommendation will include what terms and conditions should be for loan approval.
4. Staff will make a formal presentation of the loan packet to Lab for its consideration.
5. If loan Package is approved applicant will be mailed a loan commitment letter. If applicant is declined by LAB, a letter will be mailed stating reasons for decline. Applicants required by LAB to fulfill additional conditions to receive loan will be notified in writing as to what new conditions/terms are necessary for loan approval.

D. LOAN CLOSING AND DISBURSEMENT

Loan Closing Procedures

Upon loan package approval by the LAB, City staff and/or contractor will prepare and process as applicable a minimum of the following closing documents:

- ◆ Loan Application
- ◆ RLF Board meeting minutes approving the loan.
- ◆ UCC forms and filings
- ◆ Signed Decline letter from bank(s) or alternative documentation approved by the RLF Board.
- ◆ Evidence of insurance
- ◆ Organizational documents (Articles of Incorporation and by-laws, partnership agreement, etc.)
- ◆ Loan Agreement
- ◆ Security Agreement
- ◆ Promissory Note
- ◆ Guaranty Agreement (as applicable)
- ◆ Deed of Trust (as applicable)
- ◆ Agreement of prior lien holder (as applicable)
- ◆ Any other documents deemed applicable by Staff and/or LAB

The applicant may be required to provide original earnest money agreements, invoices, Contractor's bid, purchase Agreement, or other documentation to verify the use of the loan proceeds is consistent with uses indicated in the application and loan Agreement.

Loan Disbursement

Please refer to the Loan Disbursement Procedures Guide

E. LOAN SERVICING

City staff and outside loan servicing company will closely monitor loan performance which will include a minimum of the following:

- ◆ Loan serving company to set-up loan, mail payment coupons, collect loan payments, and monitor client payment history and renewal of insurance, forward monthly payment status and aging reports to the City of Richmond.
- ◆ Periodic review of loan client's financial data.
- ◆ Semi-annual site visits as required
- ◆ Referral to management counseling as appropriate.

Loan Payment & Collection Procedures

- ◆ Loan payment agreement will be based upon the terms and conditions which best fit the requirement for individual projects and are consistent with RLF policies discussed in this plan.
- ◆ The principal and interest of repayments from active RLF loans will be placed into the RLF capital base and made available for new loans. The interest portion of repayment as earned and collected, may be used for RLF program administration. At the end of each fiscal year, RLF interest income not used for administration will be added to the RLF capital base.
- ◆ Payments will be remitted to the City of Richmond’s outside loan servicing company.
- ◆ The outside loan servicing company forwards payments and loan status reports to Staff monthly.

Recapitalization Strategy

RLF Income will be placed into the RLF Capital base for the purpose of making loans or paying for eligible and reasonable administrative costs associated with the RLF's operations. RLF Income may fund administrative costs, provided:

- (1) Such RLF Income and the administrative costs are incurred in the same six-month (6) Reporting Period;
- (2) RLF Income that is not used for administrative costs during the six-month (6) Reporting Period is made available for lending activities;
- (3) RLF Income shall not be withdrawn from the RLF Capital base in a subsequent Reporting Period for any purpose other than lending without the prior written consent of EDA.

Loan Monitoring Procedures

- ◆ Loan payments will be monitored by Staff. Monthly status reports will be issued to the LAB on a monthly basis. In addition, regular monitoring of insurance, UCC renewals,

financial statements, and compliance with loan terms will be undertaken by City staff and outside loan servicing company with oversight by the LAB.

- ◆ Loan performance monitoring and diligent collection of loan payments will be the responsibility of Staff and outside loan servicing company.
- ◆ Staff will monitor loans until they are paid in full. Monitoring will be primarily administered via telephone and site visits.
- ◆ Loan terms may be restructured, modified or extended, in special circumstances as approved by the LAB. Loan restructuring would only be recommended by staff in cases where it would increase the Borrower's repayment ability and not jeopardize the eventual repayment of the loan.

Loan Payment Procedures

While considering the legitimate special needs of the Borrower, the RLF will operate in a manner that protects its assets. If a loan should become delinquent, staff and current outside loan servicing company will take the following steps:

1. Contact the Borrower by telephone to ascertain reasons for payment delinquency. If necessary, staff will meet with Borrower to work out a modified loan repayment schedule in an attempt to cure payment deficiencies.
2. ***A delinquency noticing schedule shall apply as follows:***
 - a. The first notice will be sent when the loan becomes 10 days past due; the notice shall include late charges which are 10% of the payment or \$10.00, whichever is greater.
 - b. The second notice will be sent when the loan becomes 30 days past due.
 - c. The third notice will be sent when the loan becomes 60 days past due. At this point the account will be sent to a collection agency for "soft collection".
3. During the first 60 days of delinquency, written and oral communications as well as site visits may be utilized in an effort to resolve the delinquency.

4. For any delinquency that is un-remedied for 90 or more days, the loan is in default and loan modification and/or legal remedies will be pursued, as appropriate, to protect the interest of the RLF. Generally, the RLF Board will approve a restructuring /modification to the loan to cure the default when requested by loan client and presented to the Board by Staff.

5. Loan write-off Policy and Procedures
Loans with an outstanding balance that have been placed in default and remain outstanding after 180 days will generally be written off. However, collection efforts will continue until determined not to be cost effective or prospects for recovery no longer exist. A reasonable loss through defaults will be considered without establishing reserve. All write-offs must be directed to the City’s Finance Department for approval by the City Council.

F. ADMINISTRATIVE PROCEDURES

Loan Files

Each RLF loan file shall include: A completed and signed loan application, loan/credit write-up, completed loan package, other financing commitment/decline letters, loan agreement, employment agreement, promissory note, UCC-1 filings, Deed of Trust (if applicable), credit report, and any other documentation pertinent to the loan.

Closed Loans files – Records and Retention

The RLF Recipient shall maintain Closed Loan files and all related documents, books of account, computer data files and other records over the term of the Closed Loan and for a three-year (3) period from the date of final disposition of such Closed Loan. The date of final disposition of a Closed Loan is the date:

- (1) Principal, interest, fees, penalties and all other costs associated with the Closed Loan have been paid in full; or

- (2) Final settlement or discharge and cessation of collection efforts of any unpaid amounts associated with the Closed Loan have occurred.

EDA Reporting and Control Requirements

The City will comply with all reporting requirements set forth by EDA regarding the administration of the RLF. A five year review and update of this Administrative Plan and performance of the RLF will be evaluated by the LAB, with changes being made with the approval of the EDA. The CEDS and RLF Administrative Plan will be updated concurrently.

Interest-bearing Account

All grant funds disbursed by EDA for loan obligations incurred but not yet disbursed to an eligible RLF borrower will be deposited and held in an interest-bearing account (an “EDA funds account”) until an RLF loan is made to a borrower. Accounting records will include all sources documentation to substantiate the amount of all RLF funds received and loaned.

Sequestration of excess Funds

If the RLF Recipient fails to satisfy the capital utilization standard for two (2) consecutive Reporting Periods, EDA may require the RLF Recipient to deposit excess funds in an interest-bearing account. The portion of interest earned on the account holding excess funds attributable to the Federal Share of the RLF Grant shall be remitted to the U.S. Treasury. The RLF Recipient must obtain EDA's written authorization to withdraw any sequestered funds.

A financial audit will be conducted on the RLF program annually. The chosen external auditing firm will audit the program in compliance with guidelines published in the federal office of Management and Budget (OMB) Circular A133 in accordance with generally accepted auditing standards, and the standards for financial and compliance audits contained in the U.S. General Accounting Office “Standards for Audit of Governmental Organizations, Programs, Activities, and Functions”.

LAB members shall receive copies of the written audit and any other reviews that may be performed.

G. CONFIDENTIALITY

Confidentiality regarding the financial situation and activities of private individuals and firms is of the essence for the protection of the privacy of applicants/borrowers and the credibility of the RLF program.

H. ENVIRONMENTAL CONSIDERATIONS

RLF loans will not be made to borrowers whose projects do not meet all applicable federal, state, and local environmental requirements. Such clearances are required as part of the application process. The environmental assessment and certification, required as part of the application, will identify areas of environmental sensitivity. Actions will be taken, as appropriate, based on information provided and assessment of any potential risks.

Applicants will be required to assess the anticipated impacts on air quality, water quality, solid waste management, land use, transportation, natural environment, human populations, construction, and any actions or activities that will harm the environment. This must be included as part of the environment requirements. This must be included as part of the loan application package when applicable.

If the loan involves a project that will require the preparation of an environmental impact assessment, as determined by the City, it is the applicant's responsibility to pay the costs for any impact assessments.

The RLF will ensure that prospective borrowers, consultants, or contractors are aware of and comply with the Federal statutory and regulatory requirements that apply to activities carried out with RLF loans. RLF loan agreements shall include applicable Federal requirements to ensure compliance and RLF Recipients must adopt procedures to diligently correct instances of non-compliance, including loan call stipulations.

All RLF loan documents and procedures must protect and hold the Federal government harmless from and against all liabilities that the Federal government may incur as a result of providing an RLF Grant to assist directly or indirectly in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site. These protections apply to the extent that the Federal government may become potentially liable as a result of ground water, surface, soil or other natural or man-made conditions on the property caused by operations of the RLF Recipient or any of its borrowers, predecessors or successors.

The LAB may decline any loan with projects located within wetlands, significant historic or archeological properties, drinking water resources, or non-renewable natural resources subject to further review. In administering the RLF, the City shall adopt procedures to comply with applicable laws and statutes related to these environmentally sensitive areas.

I. OTHER REQUIREMENTS

In general, the RLF will obtain assurance of regulatory compliance before the RLF loan is disbursed, monitor for compliance during the payback period and, in a case of confirmed and irremediable non compliance, will call the loan.

Civil Rights

Compliance with the Civil Rights Act and Amendments will be monitored in both the pre-loan and post-loan phases of each project. Written assurances of compliance (to be included in the loan agreement) in addition to the on-site visits are planned. The LAB will assure that loans will

be made on a nondiscriminatory basis and that no applicant will be denied a loan on the basis of race, color, national origin, religion, disability, sex or sexual preference.

NOTE: All borrowers must comply with the Architectural Barriers Removal Act, Public Law 90-480 and all other State and local legislation that protect persons with disabilities.

Relocation

Projects will not be funded if not located within the City of Richmond. Loans will be called if project activity is removed from the target area. Loans will not be made to companies relocating from another labor market area into the target area resulting in net loss of jobs in the previous location.

Flood Hazard Insurance

RLF loans will not be made for project activity located in a flood plan unless proof of flood hazard insurance is provided.

Access for the Disabled

All RLF finance construction projects to which the public will have access for which will provide access to the handicapped must comply with the Architectural Barriers Removal Act, Public Law 90-480 or the loan will not be approved.

Earthquake Requirements

All RLF financed construction projects shall comply with the Earthquake hazards Reduction Act of 1977 and Executive Order 12699, “seismic Safety of Federal and Federally-Assisted or Regulated New Building Construction” for the design of new construction buildings.

Contract Work Hours & Safety Standards Act

RLF borrowers will comply, where applicable, with the Contract Work Hours and Safety Standards Act, as amended, and with the Anti-Kickback Acts, as amended. City staff will require documentation demonstrating compliance with this section (as appropriate).

Davis Bacon Requirements

RLF borrowers will comply with Davis Bacon requirement to pay prevailing wage. All laborers and mechanics employed by contractors or subcontractors on construction projects receiving EDA grant assistance under Public Works and Economic Adjustment Assistance grants shall be paid at rates not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code (42 USC 3212; 13 CFR section 302.13; Section 1606 of ARRA).

Amendments

This RLF Administrative Plan may be amended at any time by the City of Richmond with prior approval by the Federal Economic Development Administration.

J. CONFLICT OF INTEREST

The City of Richmond LAB shall not make RLF funds available to a business or entity if the owner of such entity or any owner of an interest in such entity is related by blood, marriage, law or business arrangement to the LAB or an employee of the City of Richmond or any member of the LAB, or a member of any other Board (hereinafter referred to as “other Board”) which advises, approves recommends or otherwise participates in decisions concerning loans or the use of grant funds.

No officer, employee, or member of the LAB, or other Board, or person related to the officer, employee, or member of the Board by blood, marriage, law or business arrangement shall receive any benefits resulting from the use of loan or grant funds, unless the officer, employee or Board member affected first discloses to the LAB on the public record the proposed or potential benefit and receives the LAB’s written determination that the benefit involved is not so substantial as to affect the integrity of the LAB’s decision process and of the services of the employee or board member.

An officer, employee or board member of the LAB shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment or any other thing of monetary value, for himself or another person, from any person or organization seeking to obtain a loan or any portion of the grant funds.

Former LAB and/or officers are ineligible to apply for or receive loan or grant funds for a period of one year from the date of termination of his/her services.

A City of Richmond officer, employee or LAB member of the RLF shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment or any other thing of monetary value, for himself or for other person, from any person or organization seeking to obtain a loan or any portion of the grant funds. Former board members and/or officers are ineligible to apply for or receive loan or grant funds for a period of one year from the date of termination of his/her services.