



# ECONOMIC DEVELOPMENT REVOLVING LOAN PROGRAM

## Guidelines & Eligibility Requirements

Administered by the Office of Community Development  
CONTACT: Lindsey Connors, Community Development Planner  
[lindsey.connors@saratoga-springs.org](mailto:lindsey.connors@saratoga-springs.org)

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*The City of Saratoga Springs does not discriminate on the basis of age, race, color, gender, religion, handicap, sexual orientation, familial status or national origin in employment or the provision of services.*

## Program Objectives

The Economic Development Revolving Loan Program (hereinafter, the Loan Program), administered locally by the City’s Office of Community Development (OCD), was originally funded by a U.S. Department of Housing and Urban Development (HUD) grant. All applicants must agree to federal program requirements. Loan applications are accepted on a rolling basis, and are evaluated for approval as funding becomes available through repayment of prior loans.

The Loan Program serves two purposes:

1. **To stimulate the creation of job opportunities for persons of low-moderate income.** The Loan Program subsidizes these job opportunities by offering low interest loans and/or loan guarantees to businesses physically locating within the City of Saratoga Springs. At least one such job must be created for every \$25,000 loaned.
2. **To preserve jobs available to or held by persons of low-moderate income, that would otherwise be lost during times of economic crisis, through relief to small business.** The loan program provides \$5,000 - \$10,000 of working capital to businesses with ten employees or less that can demonstrate extreme financial hardship due to unavoidable and unforeseen emergency circumstances outside of the business owners’ control. Such circumstances may include, but are not limited to, a pandemic, natural disaster, terrorism, mass-rioting, etc.

### CURRENT HUD INCOME GUIDELINES

“LOW INCOME”		“MODERATE INCOME”	
HOUSEHOLD SIZE	MAXIMUM ANNUAL INCOME	HOUSEHOLD SIZE	MAXIMUM ANNUAL INCOME
1 PERSON	\$ 33,950	1 PERSON	\$ 54,350
2 PERSONS	38,800	2 PERSONS	62,100
3 PERSONS	43,650	3 PERSONS	69,850
4 PERSONS	48,500	4 PERSONS	77,600
5 PERSONS	52,400	5 PERSONS	83,850
6 PERSONS	56,300	6 PERSONS	90,050
7 PERSONS	60,150	7 PERSONS	96,250
8 OR MORE PERSONS	64,050	8 OR MORE PERSONS	102,450

\* AS OF APRIL 2020. INCOME LIMITS ARE UPDATED BY HUD YEARLY.

## Loan Application Review and Decision Process

1. The City staff loan review team (comprised of the Community Development Planner, Planning Department Administrator, Director of Finance, City Attorney, and other staff as may be deemed pertinent) will evaluate loan applications based on predetermined criteria for either job creation or preservation as applicable. *Criteria for each type of application is described further below.*
2. OCD will prepare a summary of this evaluation to City Council recommending one of the following actions:
  - o Approve the loan application as submitted
  - o Approve with special modifications or loan covenants
  - o Deny the loan application
3. The Saratoga Springs City Council may consider the OCD recommendation at a regular meetings or any special meeting. Although the case file is confidential, the proposed terms for each loan are considered public information and will be voted on in open, public session.

The City Council will review each completed application and OCD report, and by majority vote will determine if the applicant's loan is to be approved or denied. All decisions by the City Council are final.

The application development and review process will normally be completed in approximately 60 days.

*OCD is responsible for developing application forms that are responsive to Loan Program guidelines and eligibility requirements. OCD is authorized to make changes and updates to said applications from time to time as needed.*

## Loan Administration Procedures

After a loan has been approved by the City Council, OCD will finalize all necessary City paperwork.

1. The applicant will be required to sign a legal loan agreement with the City of Saratoga Springs. This agreement will state the total principal amount of the loan, the interest rate, the repayment schedule, and identify all conditions of the procedures for events of default by the borrower.
2. Unless expressly stated otherwise, the loan will require monthly payments of interest and principal, made by the borrower to a designated City account, maintained at the Adirondack Trust Company at its 473 Broadway, Saratoga Springs office. Loan recipients may facilitate these payments via automatic debit deposits.
3. Loan repayment will be structured as follows:
  - o **One year deferral of payment and interest accrual for job retention loans are automatic.** Any deferrals for job creation loans will need to be requested by applicant and negotiated with the City. Such deferrals will only be considered under *extenuating circumstances*.
  - o Fixed asset loan repayment will carry a term not to exceed the useful economic life of the specific circumstances related to a project.
  - o Repayment schedules for working capital loans will be negotiated on a case by case basis, with amortization generally not to exceed 3-5 years.
  - o No business may have more than one active City loan at any given time.
4. Interest rates are determined as follows:
  - o Job creation loans: Interest rates will be negotiated on a case by case basis but will carry a minimum charge of the Prime Rate minus 1%, not to go below 0%.
  - o Job retention loans: .25% interest rate with accrual deferred for one year following loan disbursement.
5. Any closing costs or costs of other services in connection with loan procedures incurred by the borrower will be the sole responsibility of the borrower.

A closing will be scheduled for each project, at which time all documents will be executed including any security agreements required to protect the City of Saratoga Springs.

Funds will be advanced at the closing (if appropriate) or following this date subject to the submission by the borrower of all required documentation for stipulated or phased advances (e.g., construction loans).

## Monitoring Activities

The City of Saratoga Springs will maintain current documentation of the performance for each loan, regarding all terms and conditions imposed by the Program, as stated in the loan agreement.

These may include, but are not limited to, the following conditions:

- Project development costs
- Other loan or grant financing
- Job creation
- Information concerning household size and income of low and moderate income employees
- Notice of available jobs and required hiring procedures
- Job training

In addition to receiving payments of principal and interest on all outstanding loans, the City will collect periodic reports and other documentation as required for each project as follows:

- Financial Statements
- Employment documentation
- Records of inventory
- Aging of accounts receivable and accounts payable
- Any other relevant documentation OCD deems appropriate

Failure to provide required documentation in a timely manner may be considered a breach of the loan agreement.

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## ***Job Creation Loans***

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### Application Eligibility Requirements

1. A non-refundable application fee as identified on the application form and City Fee Schedule must accompany the submitted application.
2. Applicant must agree to a personal and/or business credit history check.
3. Business is physically located within Saratoga Springs city limits. Site control must be demonstrated.
4. Business must prove financial stability and/or demonstrate a feasible business model with practical financial projections.
5. Real estate taxes and special assessments on all identified real property in the loan application, residential and commercial, must be current prior to the submission of any loan application.
6. Eating and drinking license for business must be current, if applicable.
7. Applicant business must have no current zoning or public safety violations.
8. For every \$25,000 requested, a minimum of one new Full-time equivalent (FTE) must be created for persons of low- and moderate-income. These positions shall require no more than a high school education or previously acquired specialized skills or training (unless required training is provided to employees at no cost).

9. Preferred businesses include manufacturing, warehousing and wholesaling enterprises. Potential applicants from retail and service-oriented businesses will be evaluated on a case by case basis.
10. Maximum loan is capped at \$75,000. Exceptions to this guideline are subject to City Council approval, and such applications **must demonstrate an extremely high level of public benefit**.
11. Direct loans for working capital may be approved to cover documented working capital requirements of any business eligible for assistance.
12. Adequate security is a fundamental requirement. Fixed assets and/or working capital loan facilities will be secured with the most senior lien position available on land, buildings, capital equipment, inventory, accounts receivable, and other business assets.

Personal guarantees from the principals of the project company is a mandatory requirement for all loan applications. These may include, but are not limited to, personal real property liens and assignment of life insurance benefits.

## Evaluation Criteria

Applications will be accepted on a rolling basis while funds are available. Staff will assess loan applications based on the following criteria:

- o Credit worthiness
- o Project/business model feasibility
- o Demonstrated ability to adhere to federal employment and program requirements
- o Job creation potential
- o Eligible use of loan funds
- o Adequate loan security
- o Proof of financial commitment

The following will weigh favorably on application evaluation:

- o Business has attained or is pursuing WMBE status

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## ***Job Retention Loans***

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## Application Eligibility Requirements

1. A non-refundable application fee as identified on the application form and City Fee Schedule must accompany the submitted application.
2. Applicant must agree to a personal and/or business credit history check.
3. Business must be located within the Saratoga Springs city limits, and operate a permanent physical commercial storefront (open to the public) location. The business location must either be owned by the applicant, or have at least 6 months left on the current lease with an option to renew.

4. Business must be a microenterprise (employs less than ten people), and employ 51% or more low-moderate income persons. Employment levels at the time of application must be maintained for at least one year following loan disbursement. These positions shall require no more than a high school education or previously acquired specialized skills or training (unless required training is provided to employees at no cost).
5. Applicant businesses must generate less than \$5 million in annual gross receipts.
6. A significant financial burden directly tied to a qualifying emergency event must be demonstrated. Such financial burden may be demonstrated by a minimum of 40% reduction in gross receipts, or comparable fiscal challenges.
7. Loan amounts range from a minimum of \$5,000 to a maximum of \$10,000. Businesses may receive no more than one job retention loan within a five-year period.
8. Loan funds shall be used for working capital (rent, payroll, utilities, inventory, etc.). Loan funds are ineligible for use on projects which may have any type of environmental impact (major rehabilitation or construction).
9. Neither the business nor owner may be the subject of current bankruptcy filings or proceedings.
10. Applicant must agree to a personal and/or business credit history check. Must be in good standing prior to emergency circumstance which caused economic distress.
11. Applicant must prove the business's financial stability prior to the emergency circumstance which caused economic distress.
12. Real estate taxes and special assessments on all identified real property in the loan application, residential and commercial, paid in full prior to the submission of any loan application.
13. Eating and drinking license for business is current, if applicable.
14. Applicant business must have no current zoning or public safety violations.
15. Applicant must demonstrate that the loan funds requested will not result in the duplication of any government-issued benefits. These may include, but are not limited to U.S. Small Business Administration loan and debt relief programs (such as the Paycheck Protection Program, Economic Injury Disaster Loan, etc.) and the New York Forward Loan Fund.

## Evaluation Criteria

Applications will be accepted on a rolling basis while funds are available. Staff will assess loan applications based on the following criteria:

- Credit history
- Financial stability (prior to emergency event)
- Job retention feasibility
- Eligible use of loan funds
- Absence of benefit duplication
- Demonstrated ability to adhere to federal employment and program requirements

The following will weigh favorably on application evaluation:

- Business has attained or is pursuing WMBE status
- Business is designated non-essential
- Business has been forced to lay off employees due to emergency event
- Loan will enable business to rehire laid off workers

In a tie-breaker situation, priority will be given based on the length of time a business has operated in the City.

Should loan funding be exhausted, remaining applicants will remain on the waitlist. If more funding becomes available, the City may utilize the waitlist.