

Empowerment Zone Business Expansion Loan Program (BELP)
Community Development Department – City of Knoxville
June 17, 2009

Summary: This is an Empowerment Zone (EZ) revolving loan program implemented by the City of Knoxville Community Development Department for business expansion and commercial building improvements for businesses located within the EZ and area businesses willing to relocate into or expand in the EZ. Loans will be made for the purpose of providing gap financing to make projects feasible.

Available Funding: The initial allocation to establish a business improvement loan fund will be \$314,412. More funds may be made available by the board of the Partnership for Neighborhood Improvement (PNI). As funds are repaid, they will be available for future loans under this program or as PNI may direct.

Application Deadline: The City of Knoxville is now taking applications for BELP as long as funding is available.

Program Areas: Loans will be available to all Empowerment Zone businesses, with priority given to EZ façade districts: Magnolia Avenue, Vestal, Broadway & Central, Mechanicsville and Downtown North.

Eligibility: Established businesses that have operated in the EZ and established businesses willing to relocate or expand into the EZ are eligible to apply. Funds are available for property improvements and additions as well as business expansion. A recipient may utilize program funding in conjunction with other public financial resources.

Requests for expansion of facilities or buildings where the borrower will not be utilizing the additional space for their primary business, but whose intent would be to lease it to a third party, must have a bona fide lease in place sufficient to cover the required debt service. Eligible buildings are commercial and mixed-use commercial/residential buildings in eligible areas.

Use of Funds: Building improvements must be directly related to business expansion and sustainability, including both renovations and new construction. Examples of eligible activities:

- Site acquisition and development
- Utility connections
- Relocation expenses for businesses relocating into the EZ
- Soft costs including financing part of the owner's portion of a Façade Improvement Project
- Furniture, Fixtures and Equipment (FF& E)
- Permanent site improvements, including:
 - Repair/replace/preserve historically significant architectural details
 - Storefront reconstruction
 - Building code items
 - Roof repairs in conjunction with structural improvements
 - Parking lot improvements
 - Energy efficiency upgrades
 - Landscaping

Operating equipment and business inventory may be eligible if appropriate collateral is provided to secure the EZ loan. Examples include:

- Computers
- Vehicles

- Inventory expansion
- Business equipment

Application Review Process: Applicants will be required to complete the program application and provide a project timeline and architectural drawings and specifications of the proposed improvements. Proposals will be required to pass a threshold review for eligibility, and will then be reviewed for quality and impact of the proposed improvements. Approved applications will be rank-ordered based on strength of proposals and readiness to begin work, and will be funded until the program budget is exhausted.

Other factors to be considered include:

1. Location and visibility of project
2. Ratio of jobs created or retained to amount of EZ funds requested
3. Amount of leverage funding or owner equity in the project
4. Total debt on the project
5. Security available for EZ funds
6. Experience of business owners / operators or property owners
7. Time line for implementation
8. Sustainability

Financing Policies:

1. The loan approval and term will be determined by the PNI Loan Review Committee. The interest on loans has been established by the PNI Board at 5%. All payments will be made on a reimbursement basis or by a two-party check written to recipient and vendor providing eligible services. Projects must be completed within six months of the start of construction, or before December 31, 2009, whichever occurs first. The City may approve a longer timeline with HUD's approval.
2. The maximum EZ loan amount will be determined by the Loan Review Committee based on applicant's credit history, loan security, and availability of funds.
3. The program funding will be provided in the form of a loan with a maximum term of 10 years. Loans will be due to be paid in full if the property is sold or if the owner fails to maintain the property, property insurance, or property taxes.
4. Security – The loan will be secured by a deed of trust on the real estate or appropriately secured by those assets that are being acquired by loan proceeds. Additional collateral may be required at the discretion of the Loan Review Committee. Such security will be for the requisite term and will amortize according to the terms of the loan, providing the property continues to be maintained in accordance with the program requirements, such as retention of ownership, maintenance of the building and lot, and payment of all property taxes due.
5. Default - A recipient shall be considered in default, and the balance of the loan and all unpaid accrued interest will be immediately due and payable upon failure of the borrower: to maintain all mortgages; to retain ownership of the property for the duration of the loan; to properly maintain the property after improvements are completed; to stay current with property taxes; to maintain insurance on the improvements; or to operate in compliance with all applicable local, state, and federal codes, laws, and regulations.
6. Remedies of Default - In the event of default, the City may exercise any combination of the remedies available to it with respect to the security agreement(s). The City may take whatever action at law, or in equity, as may appear necessary or desirable to collect any outstanding

7. Ineligible Activities - Applications which will not be considered for financial assistance are those which:
- Do not follow the approved architectural plans and designs for the property improvements.
 - Cannot demonstrate the ability to bear the entire cost of relocation and related expenses of residential or nonresidential tenants displaced as a result of project activities.
 - Include activities or occupancies specifically prohibited by the program's funding source such as liquor stores, pawnshops and check cashing establishments.

General Requirements:

1. All work must be done in accordance with all applicable local, state and federal codes, and rules and regulations for the Empowerment Zone. Any renovation work undertaken prior to the City's final written authorization to begin construction or before confirmation of environmental review approval is not eligible for assistance under the program. All construction management shall be the responsibility of the applicant. Each recipient will be responsible for all acquisition and relocation costs when displacement of residential or nonresidential tenants occurs as a result of the project, in accordance with the Uniform Relocation Act. If temporary tenant relocation will be required for this project, contact the City for further guidance prior to submitting this application.
2. All applicants shall be required to demonstrate compliance with nondiscriminatory employment practices and Affirmative Action Programs under Title VI and Section 112 of the Civil Rights Act of 1969 and Public Law 92-65. Applicants are encouraged to utilize minority and women-owned business enterprises under this program.
3. The City, the U.S. Department of Housing and Urban Development (HUD), the Comptroller General of the United States, or any duly authorized representatives, shall have access to any books, documents, papers and records that are directly related to the program assistance for the purposes of monitoring, making audits, examination, excerpts, and transcripts. All records supporting the costs and components of program-assisted improvements shall be maintained for a period not less than five (5) years following completion of the program agreement period, agreement termination, or default, whichever shall first occur.
4. No person who is an employee, agent, consultant, officer, appointed official, or elected official of the City of Knoxville who exercise or has exercised any functions or responsibilities with respect to EZ activities, or is in a position to participate in a decision-making process, or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit, or have an interest in any program assistance, either for themselves or those with whom they have family or business ties, during their tenure or for one (1) year thereafter.