



Dane County

Microenterprise Business Loan Program

Policies and Procedures Manual

Dane County's Microenterprise Business Loan (MBL) Program provides loans of \$1,500 to \$8,000 to eligible small businesses (businesses with 5 or fewer employees) located in Dane County outside the City of Madison for the purpose of establishing a new business or creating jobs for low- and moderate-income (LMI) County residents. This program is administered by the Dane County Office of Economic & Workforce Development (OED); overseen by the Dane County CDBG Commission; and funded with federal Community Development Block Grant (CDBG) funds from the Department of Housing and Urban Development (HUD).

Applicant Eligibility

1. The applicant must be the business owner or entrepreneur.
2. The business may be for-profit or non-profit.
3. The business must be physically located within Dane County's Urban County Consortium.
4. The business must have five or fewer employees, including the owner.
5. The business must have been established within the last five years or be ready to start within six months.
6. The applicant must demonstrate a significant effort toward attaining the knowledge, skills, and abilities necessary to successfully implement a new business or expand an existing business. Prior to applying for MBL funding applicant must complete a business development training program from one of the following organizations, or an equivalent professional-level small business development program from an organization not listed below:
 - a. City of Madison "Market Ready" program;
 - b. Wisconsin Women's Business Initiative Corporation (WWBIC) coursework;
 - c. UW-Madison Small Business Development Center (SBDC) coursework or training;
 - d. Other- applicant must submit course syllabus or training agenda along with evidence of successful completion with the application and that must be approved by the CDBG Commission.
7. The applicant must schedule, participate in, and complete a pre-application advising session with OED staff prior to submitting the application to evaluate the business plan, eligibility, and application requirements and will be on the subsequent CDBG Commission meeting agenda.

Ineligible Businesses. The following types of businesses are not eligible for this loan program: adult entertainment; gambling, liquor or tobacco stores; marijuana dispensaries; passive real estate investments; and pyramid business structures.

Eligible Use of Loan Funds

The following expenses are eligible for the loan:

- Start-up expenses such as operating overhead, certifications, licenses, advertising, and incorporation
- Rent, utilities, insurance
- Equipment purchases
- Employee training

Funds cannot be used for the following:

- Pay operating deficits or to refinance existing debt
- Personal income
- Emergency situations

- Pre-start up research and development
- Speculative property purchases (real estate, stock, collectibles)
- Payment of tax arrearages, governmental fines or penalties or general government expenses
- Political or religious activities and all other activities prohibited in the CDBG regulations in 24 CFR 570

Loan Terms and Conditions

Loan terms are designed to be somewhat flexible and the CDBG Commission will balance the need to maintain financial viability of the business against ensuring a reasonable return on the County's investment

Matching Funds Requirement:

Projects must leverage at least \$1 of non-federal funds for every \$1 of MBL funds. However, based on the risk involved, leverage rates required by the CDBG Commission may be higher on working capital and improvements to real property.

Non-federal funds include: personal funds advanced by the Borrower; loan funds contributed by a bank, credit union, or savings and loan; private foundation funds; angel investor funds; and other non-federal sources.

Federal funds are defined as those originating from a federal source, such as the U.S. Department of Agriculture - Rural Development, U.S. Small Business Administration, or a state program such as the Wisconsin Housing and Development Authority (WHEDA).

Loan Size:

\$1,500 - \$8,000.

Loan Term:

Maximum 7 year term.

Interest Rate:

The interest rate will not exceed the Prime Rate, as published in the Wall Street Journal on the business day most closely following the verified receipt of a completed application by the County, plus one point. The interest rate will be determined by the CDBG Commission.

Repayment:

No payment is due for 6 months. Interest will accrue during this period. Interest-only payments are due from 6-18 months. Monthly installments of Principal and Interest are due thereafter for remainder of loan.

Loan Fees:

Dane County, through action by the CDBG Commission, may establish loan origination fees, closing fees, servicing fees and other fees to cover reasonable charges directly related to either processing an application, or servicing a loan. All fees collected are retained by the MBL fund.

Loan Forgiveness:

There are two ways a business may qualify for loan forgiveness.

1. Business operates in Food and Agricultural sector.

Agriculture is an important component of the Dane County economy. To support this sector and attract new entrants, Dane County is offering loan forgiveness to qualifying businesses working in the food and agricultural sector. Applicant must indicate and explain in application how it qualifies as a food and agricultural business.

2. Business creates at least one (1) additional job.

Non-food and agricultural businesses that create at least two (2) total full-time equivalent (FTE) jobs may qualify for loan forgiveness.

LMI business owner + 1 LMI employee

IF the business is eligible for the MBL program because, as a new business owner, he/she is creating a job for self and qualifies as an LMI resident of the Dane County Consortium, **THEN** one additional FTE job created and filled by a person of LMI is required for loan forgiveness.

Non-LMI business owner + 2 LMI employees

IF the business is eligible for the MBL program because business owner is not LMI but is creating a new job that will be filled by an LMI resident (or is receiving MBL funding but for other reasons the business does not qualify as a microenterprise business), **THEN** a second FTE job created and filled by a person of LMI is required for loan forgiveness.

Applicants must indicate their intent to seek loan forgiveness in the MBL application. To qualify, the business must create the agreed upon positions and retain those positions for at least one year. The earliest a business may receive forgiveness is 24 months from the date of the executed loan agreement. The loan must be in good standing with all reporting and programmatic requirements to be considered for loan forgiveness. A final determination of loan forgiveness eligibility will be made by the CDBG Commission prior to loan closing.

Collateral/Security:

As determined by the CDBG Commission, the loan may be secured through one or more of the following means:

- Promissory note;
- A mortgage on the real property being acquired/rehabilitated;
- A General Business Security Agreement secured by a UCC filing with the Wisconsin Department of Financial Institutions covering assets of the business including equipment, inventory, and supplies;
- Personal guarantees of 1) each proprietor, and/or 2) each limited partner who owns 20% or more interest and each general partner, and/or 3) each stockholder owning 20% or more voting stock, and/or 4) any partner or entity providing a guaranty on the loan;
- Collateral assignment of life insurance in an amount at least equal to the amount of the loan for each of the borrowers/guarantors;
- Collateral assignment of key-person insurance in an amount at least equal to the declining loan balance for each of the owners/guarantors;
- Other security documents that the County may require in its sole discretion to evidence the loan and otherwise protect its security interest and liens.

Insurance:

At all times during the term of the loan, the Borrower must maintain property/casualty insurance on all business assets and collateral in an amount at least equal to the Borrower's outstanding loans, and name the County as a lender loss payee/additionally insured for any and all items purchased with the loan. Evidence of such insurance must be provided at the loan closing and immediately upon subsequent MBL staff request.

Application Content and Process

1. Applicant will attend a pre-application business advising session with OED staff.
2. Applicant submits application with business plan and required attachments to the Dane County Office of Economic and Workforce Development.
3. County staff will review the application for completeness.
4. Application material is sent to Loan Review Team members and included on subsequent CDBG Commission agenda. The CDBG Commission meets once per month. Please visit dane.legistar.com for a list of upcoming meetings.
5. Applicant meets with Loan Review Team to give short presentation followed by interview questions from the Loan Review Team. The Loan Review Team meetings are scheduled to precede meetings of the full CDBG Commission.
6. Following the applicant interview, the recommendations of the Loan Review Team are presented to the full CDBG Commission.
7. If the loan is approved by the full CDBG Commission, County staff will prepare contracts for signature.
8. Applicant will submit necessary reports and performance measure verification and requests for reimbursement as specified in the contract.

Application Evaluation Criteria

The following criteria will be used to evaluate loan applications:

1. Business plan – there is a demonstrated market need for the products or services.
2. Financial Feasibility/ State of Funding – at least one year financial projections or start-up cash flow projections for the first year were provided; and, amount and sources of matching and leveraged funds committed, financial pro forma, etc. are identified.
3. Business plan is feasible and loan-funded expenses are reasonable.
4. Supporting documentation is provided – resumes, financial projections, proof of business/ownership structure, required licenses; income verification as necessary.
5. The applicant will meet the CDBG National Objective to create or retain one or more jobs for low- and moderate-income residents.
6. Additional consideration will be given to businesses that: create more than one LMI job, are located in the Town of Madison, and/or that create opportunities for minorities, single- parents, felons, or to residents recovering from substance abuse.

Loan Requirements

Loan recipients must satisfy the following requirements:

1. HUD National Objective Performance Outcomes: The business must create **at least one full-time job** to be held or made available to* a low- to moderate-income County residents or formerly unemployed residents and may include the business owner's job if the business qualifies as a micro-enterprise (5 or fewer employees). HUD defines low- and moderate-income (LMI) residents as those earning less than 80% of the area median income by household size. If more than one job is created or retained, then at least 51 percent of the jobs must be held by or made available to* LMI residents. Each new employee will be required to complete the **Job Creation Employee Self- Certification Form**. Income documentation by household size will be required.

*Jobs are considered to be **made available to** LMI persons when:

- The job does not require special skills that can only be acquired with substantial (i.e. one year or more) training or work experience or education beyond a high school education.
- Dane County and the assisted business take actions to ensure that LMI residents receive first consideration for filling such jobs.

- a. Created or retained jobs are only considered to be held by LMI persons when the job is actually held by an LMI person.
- b. In determining whether a job is made available to or held by an LMI person, grantees may presume that a person is LMI if:
 - He/she resides in a Census tract that meets certain requirements (see below); or
 - He/she resides in a Census tract with at least 70 percent LMI persons; or
 - The assisted business is located in an *eligible** Census tract **and** the job will be located within that same Census tract. **Please consult with County staff to find out if your business is in an eligible Census Tract.**

*An *eligible* Census tract is one that is located within a Federally-designated Empowerment Zone or Enterprise Community **or** a Census tract that:

- i. Has a poverty rate of at least 20 percent;
- ii. Does not include part of a central business district (unless the Census tract has a poverty rate of at least 30 percent); and
- iii. Evidences pervasive poverty and general distress by meeting at least one of the following criteria:
 - All block groups in the Census tract have 20 percent or greater poverty rates;
 - The activity is undertaken in a block group with a 20 percent or greater poverty rate; or
 - HUD determines that the tract shows other signs of distress (e.g., crime, homelessness, deteriorated housing, etc.)

2. Living Wage Requirement: If the loan value is \$5,000 or more, all jobs created from this project are covered by the Dane County Living Wage Ordinance (Section 25.015). **The minimum living wage rate for 2017 is \$12.50.** For future years it will be: \$13.00 for 2018, \$13.50 for 2019, \$14.00 for 2020, \$14.50 for 2021, and \$15.00 for 2022. Details and more information is available on the Dane County Purchasing Division website at http://www.danepurchasing.com/living_wage.
3. Equal Opportunity: Projects are subject to provisions of the Americans with Disabilities Act. Loan recipients must give equal consideration to all qualified job applicants without regard to race, color, religion, sex, national origin, or any other legally protected status.
4. Procurement: The State of Wisconsin's procurement limit for small purchase is \$50,000. Businesses using MBL funds to purchase equipment or contract services totaling \$50,000 or less **must document** the receipt of at least three price or rate quotations from qualified vendors. Documentation should:
 - Identify in writing the item(s) to be procured;
 - Solicit in writing, written quotes from at least three qualified bidders. Verbal quotes, documented by the business in writing, are acceptable for purchases of less than \$500;
 - Identify the lowest responsible bidder;
 - Notify each bidder in writing as to whether or not they are the apparent low bidder; and
 - Execute a contract to the lowest responsible bidder.

Applicants are encouraged to use **local businesses** and **contract with small, minority, and/or women-owned businesses** to the maximum extent feasible.

The Federal requirements for general contracting are found in 24 CFR 85.36 for governmental sub-recipients and in 24 CFR 84.40-48 for sub-recipients that are non-profit organizations.

5. Reporting: **Due to CDBG and HUD requirements, the County must collect and report on economic indicators and demographics of persons served by having employees complete certification forms and completing a final report that collects this data.** The County will also require quarterly and annual reports for at least

one year or until the performance measure is achieved, whichever is later. (24 CFR 570.502 and 570.601, 24 CFR 84.21).

6. Environmental Review: All projects are subject to federally required environmental reviews by Dane County. These vary in scope, depending on the project. (24 CFR 570.603).
7. Applicants must comply with all state and local laws and regulations pertaining to licensing, permits, building and zoning code requirements.

FOR MORE INFORMATION about Dane County's Microenterprise Business Loan Program, please contact:

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