

**NEWPORT NEWS URBAN DEVELOPMENT
ACTION GRANT LOAN PROGRAM
GUIDELINES**

Newport News Department of Development
Newport News Redevelopment and Housing Authority

I. Purpose

The purpose of the Newport News Urban Development Action Grant (NNUDAG) loan program is to assist new and expanding businesses making taxable investments within the City of Newport News and to provide job opportunities for low and moderate income persons.

II. Eligible Activities

- A. Land and associated costs necessary to its acquisition and preparation.
- B. Building and associated costs necessary to acquire, construct and/or rehabilitate.
- C. Commercial rehabilitation addressing code violations and facade improvements to eliminate slums and blight.
- D. Machinery, equipment and associated costs necessary for its acquisition and installation.
- E. Other costs contributing to the value of a project's fixed assets, such as sales and use taxes and interest on interim construction financing.
- F. Adequate and appropriate contingency reserves.
- G. Working capital, including inventory. No more than 20% of the NNUDAG loan may be used for working capital, including inventory.
- H. Infrastructure costs.
- I. Reasonable relocation costs.

III. Loan Conditions and Requirements

- A. The proposed project must be located within the Newport News boundaries.
- B. Financial assistance may not be extended if total financing is otherwise available from private lenders or other agencies on terms, which will permit the accomplishment of the project. The amount of assistance to be provided shall be the minimum amount necessary to complete the project.

- C. The use of NNUDAG funds will be consistent with the economic development plan for the area, including any approved development or redevelopment plan.
- D. Projects involving rehabilitation, construction, or equipment installation must be in compliance with state and local codes and regulations.
- E. All projects are subject to federal regulations concerning the expenditure of CDBG funds, and in general, require conformance with Labor Compliance Provisions, Competitive Bid Requirements, Anti-Kick Back Requirements, Anti-Discrimination Requirements and Environmental Protection Requirements.
- F. Applicants for NNUDAG loans will be required to certify that 51% of the jobs to be created or retained will be made available to or held by low and moderate income persons. Furthermore, applicants must provide an affirmative action and recruitment plan for the business operation.
- G. The applicant shall be required to file an annual report on employment with the Newport News Redevelopment and Housing Authority. Other periodic reports, including financial reports, may also be required throughout the loan term.

IV. Financing Policies

- A. Barring exceptional circumstances, the minimum loan amount will be \$10,000.
- B. At least \$2.00 of private funds should be invested for each \$1.00 of NNUDAG assistance. For commercial rehabilitation projects at least \$1.00 of private funds should be invested for each \$2.00 of NNUDAG assistance. If the commercial rehabilitation project is located within one of the City's Enterprise Zones, then at least \$1 of private funds should be invested for each \$4 of NNUDAG assistance.
- C. The amount of funds provided through NNUDAG shall not exceed \$20,000 for each new job created and \$15,000 for each retained job. A \$10,000 allowance will be considered for certain existing jobs in connection with projects involving new ownership and growth. If NNUDAG projects are located in one of the City's Enterprise Zones, then \$25,000 of NNUDAG funds could be allowed for each new job created.

- D. Equipment loan terms shall generally be for five years, with a maximum term of seven years, depending upon the useful life of the assets financed. Real estate loan terms shall generally be for ten years, with a maximum term of fifteen years.
- E. Loans will be available at a minimum of four percent (4%) interest; however, those firms that have the capacity to support higher debt service payments may be charged up to seven (7%) percent interest.
- F. Security shall be required as determined by the Board, but will generally be in the form of liens against real estate, business or personal property, endorsements of co-signers, and the personal guarantees of applicants and spouses. It is understood that in order to attract private investment, the NNUDAG lien portion on real estate and equipment may have to be subordinate to liens securing the private matching funds.
- G. In order to better assist the applicant, the aforementioned policies may be modified by any combination of the following:
 - 1. Deferring interest and principal repayment for the first twelve months of the loan term;
 - 2. Scheduling repayments with longer term amortizations and balloon payments at the end of the loan term; or
 - 3. Subordination of the loan to other financing.
- H. All loans will be subject to being called in the event of noncompliance with the stated loan conditions. Call provisions may also be included for interest rate and/or loan term reviews or adjustments.

V. Application and Borrower Information

Application will be made to the Newport News Department of Development for eligibility screening and processing. The application should include:

- A. Completed application form, including Public Information Disclosure Statement and Credit Disclosure Authorization.
- B. Marketing and business plans.

- C. Detailed financial statements and tax returns for the last three years of the following:
 - 1. principals and owners
 - 2. business.
- D. Resumes of principals or top management team identifying management expertise and capabilities.
- E. Three-year projected pro-forma balance sheets, income and cash flow statements.
- F. Supporting information to substantiate the pro-forma projections, including, but not limited to:
 - estimates, quotations, receipts, contracts, orders, invoices, leases, schedules of implementation, construction renderings, and appraisals.

Upon receipt of the application by the Department of Development, it will be processed and forwarded to the Newport News Redevelopment and Housing Authority with a written recommendation. Applications will be formally considered by the Newport News Redevelopment and Housing Authority's Board of Commissioners. The Newport News Redevelopment and Housing Authority will act as loan servicing agent.

VI. Fee Structure

Application Fee - a non-refundable fee will be paid by each applicant at the time of submission of the application to the Department of Development, based upon the following:

- \$ 50 - NNUDAG Loan requests of up to \$ 50,000
- \$100 - NNUDAG Loan requests of up to \$125,000
- \$150 - NNUDAG Loan requests over \$125,000

Legal Fee - fees for review and processing of the documents by NNHRA counsel will be paid by the applicant.

Origination Fee - fee equal to 1% of the loan amount shall be charged at time of loan closing.

All architect's fees, engineer's fees, or any other fees associated with the project shall be the responsibility of the applicant (such expenses are eligible to be paid from NNUDAG proceeds).

Commercial Rehabilitation Property Tax Abatement:

If you are substantially renovating a building that is twenty-five years old or older, you may be eligible for a Commercial Rehabilitation Property Tax Abatement. Applications for the related Commercial Rehabilitation Property Tax Abatement must be submitted to and approved by the Director of Planning and Development. Application forms are available from the City of Newport News, Department of Development, or from the Department of Codes Compliance.