

CITY OF SARGENT
CDBG PROGRAM INCOME
REUSE PLAN FOR ECONOMIC DEVELOPMENT
City of Sargent CDBG 91-ED 027
Approved 03-12-2001

TYPE OF PLAN

The program income will be used for local projects. Eligible business must be located within 9 miles of Sargent's corporate limits and be located in Custer County.

GOALS

The goals of this plan are to:

1. Stabilize the population base of the Sargent Community
2. Realize local growth by the end of this decade
3. Diversify the local economy while supporting the existing economic base

OBJECTIVES

The primary objective of the plan is to develop the City of Sargent by providing economic opportunities for present and future citizens of the City, principally lower to moderate income citizens. This is achieved by funding projects through eligible businesses, in which 51% of jobs created or retained are for low to middle income citizens (LMI). Loans made to qualifying business within the Sargent area will come from program income from CDBG and will be administered by The City of Sargent.

Other objectives are to provide financing for start-up and existing businesses that cannot obtain conventional financing or to attract new businesses to the community; to diversify the local economy by assisting businesses that are not presently in the community; to encourage the redevelopment of vacant or blighted buildings and land; to promote entrepreneurship and new business development; to stop "leakage" of dollars from the community; to provide necessary public infrastructure to business and to assist businesses with job training costs for new employees or to upgrade skills of existing employees.

ELIGIBLE BUSINESSES

Priority will be given to any for-profit business engaged in the following activities: manufacturing, food processing, agricultural processing, service, telecommunication, transportation, retail, or tourism.

INELIGIBLE BUSINESSES

Any non-profit businesses or any businesses that derive revenues from gaming or solicitation of gaming activities or more that 25% of revenue from the sale of alcohol and/or tobacco.

ELIGIBLE ACTIVITIES

1. Assistance to eligible for-profit businesses when the assistance is appropriate to carry out an economic development project
2. Activities involving eligible businesses for the acquisition of real estate, land and buildings, fixed assets, machinery and equipment, renovations, remodeling, site preparation, infrastructure development, working capital and job training.
3. Payment of reasonable administrative costs and carrying charges related to the planning and execution of eligible activities.

TYPES OF ASSISTANCE

The City of Sargent will generally offer two types of loan assistance to qualified applicants:

1. Direct Loans for acquisition of real estate, land and buildings, fixed assets, machinery and equipment, renovations, remodeling, site preparation, infrastructure development, working capital and job training.
2. Deferred Loans for all eligible start-up businesses or existing businesses experiencing increased or rapid growth in meeting equity capital investment of private lenders and public lenders. Start-up businesses are defined as businesses operational for less than five years, or the buy-out of an existing business in which the restructuring of ownership is essential for the creation or retention of LMI jobs. Increased and rapid growth is defined as increased or anticipated growth in sales related to markets accompanied by a shortage of working capital.

GUIDELINES FOR ASSISTANCE

1. The City of Sargent requires a minimum loan amount of \$2,500 and will maintain flexibility in establishing the maximum loan amount.
2. CDBG funds shall not constitute more than 50% of the total project cost. For business buy-outs any amount attributed to "blue-sky" shall be deducted from the purchase price before calculating the minimum equity investment according to this provision
3. The Sargent City Council shall determine financial, market, management and technical feasibility based on the project's ability to leverage other private or public sources of debt and equity financing. Owner equity requirements will be determined on a case by case basis, normally ranging from 20 – 30%
4. The CDBG loan shall generally carry an interest rate of not less than 50% of the New York "Prime" interest rate. Interest will be determined by Sargent City Council and will not be less than 5%.
5. Loan terms will generally be:
 - a. Working Capital Loans 1 to 3 years
 - b. Machinery & Equipment 3 to 7 years
 - c. Land, Buildings and Other Fixed Assets Up to 15 years

6. Repayment terms of the CDBG funds will be negotiated on a case by case basis. For direct loans, payments shall generally be made concurrent with other debt financing and for deferred loans, payments shall generally commence at the maturity or end of the initial primary loan.
7. The business shall be required to execute a promissory note, and loan agreement that shall contain a due on sale provision that requires a payback if the business is sold.
8. The CDBG Loan shall be secured by mortgage, deed of trust, and/or other security as is appropriate. Collateral value will be established by an appraisal (real estate and equipment) or cost verification must be adequate to secure the loan.
9. Personal and / or corporate guarantees will be required
10. Start-up business shall demonstrate the market, financial, and technical feasibility of a proposed project and show evidence of sufficient working capital.
11. City of Sargent shall take an assignment of security
12. Deferred Loan Funds cannot be used when a business is receiving a CDBG direct loan.
13. Administrative cost will be paid by the applicant and are considered an eligible activity in determining project cost.
14. The City of Sargent shall reserve the right to call a loan at anytime if the applicant fails to meet repayment requirements or fails to maintain sufficient collateral to secure the note.

ADMINISTRATION OF THE PLAN

Applications can be obtained at the City Office located at 106 N 2nd, Sargent NE or by calling the City Office at (308) 527-4200. When submitted the application shall include:

1. Completed application form
2. Current business plan
3. Historical data for the business
4. Historical financial information for past 2 to 3 years
5. Financial projections indicating source and use of all project funds
6. Copies of all bids and quotes

Completed applications can be returned to:

Application Review Committee
City Office
PO Box 40
Sargent NE 68874

The Sargent City Council will appoint an application review committee. The application review committee shall be comprised of 3 members. Committee members will be chosen for their backgrounds in financial management, business ownership or community development.

The application review committee shall be given the application for individual review. The committee shall then meet collective once via personal meeting or conference call to discuss the application. Such meeting shall be conducted as soon as reasonable possible after committee members have received applications. A written recommendation shall then be provided to the Sargent City Council.

Prior to final approval, a public hearing notice will be publicized throughout the Sargent area with the date and time of the public hearing. At the public hearing the Sargent City Council will hear comments in opposition to or support of such loan. Sargent City Council will have the ultimate decision-making authority

Concerning loan closings, an attorney will be consulted to review and / or prepare the loan closing documents at the applicant's expense.

CDBG funds generally constitute a portion of the term financing and funds are typically not disbursed until project completion. Interim financing is typically required.

The City of Sargent will be responsible for loan servicing and monitoring eligibility requirements. The City of Sargent will submit semi-annual program income reports to DED by July 15 and January 15 of each year.

The City of Sargent may amend this Reuse Plan at any time. Prior to approving any amendments, the City of Sargent will hold a public hearing for the purpose of receiving comments concerning such amendments. All amendments will be subject to approval of the Nebraska Department of Economic Development