

CITY OF JANESVILLE
ECONOMIC DEVELOPMENT
COVID-19 MICRO LOAN PROGRAM:
MANUAL OF POLICIES AND PROCEDURES

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SECTION 1 – GENERAL PROVISIONS

1.1 TITLE

These regulations shall hereafter be known, cited and referred to as the “Janesville COVID-19 Micro Loan Program: Policies and Procedures Manual”, “COVID-19 Micro Loan Manual” or “Manual”.

1.2 PURPOSE

This Manual sets forth the regulations that govern micro loans that to assist small businesses in Janesville that are experiencing financial difficulties that are directly related to the global COVID-19 pandemic. The maximum loan amount available to an eligible applicant will be capped at \$5,000; and the proceeds from that loan will be focused on small businesses to help stabilize, sustain and restart their operations.

1.3 OBJECTIVES

Micro loans will provide only the funds necessary to stabilize the business through utilization of the proceeds towards approved uses which include mortgage, rent, utilities and/or supplier or vendor obligations; purchase order fulfillment and serving as a bridge, or match to leverage other financial programs. Micro Loans are intended to assist with economic development that meets one or more of the following objectives:

- (1) Provide assistance to business owners to address near term obligations due to the Pandemic and Safer at Home Orders.
- (2) To create financial assistance that allows the business to remain operational (if permitted) and to move to full operation when the Safer at Home Orders are lifted.
- (3) To provide financial assistance to businesses that may not have been eligible or positioned to qualify for other assistance programs including Small Business Administration Paycheck Protection Program (PPP) or Economic Injury Disaster Assistance Loans (EIDL) or the Rock County Emergency Small Business Loan Fund (SBLF).
- (4) Help sustain business occupancy within the downtown and other areas that afford themselves to operation of small, locally owned establishments.
- (5) To help sustain the tax base of the City.

1.4 AMENDMENTS

This Manual was prepared by the Economic Development Office of the City of Janesville in accordance with the COVID-19 Economic Recovery Plan, approved by the City Council on May 26, 2020. The City may, from time to time, amend the Manual. To be effective, all such amendments shall be reviewed and prepared by the Revolving Loan Review Committee (RLRC). The program is intended to be a one-time administered program associated with the COVID-19 Pandemic and associated economic impacts.

SECTION 2 – ADMINISTRATION

2.1 OVERVIEW OF PROGRAM ROLES AND RESPONSIBILITIES

- (1) The Program Administrator shall:
 - a. Be a senior staff member or designee of the City of Janesville Economic Development Department;
 - b. Promote and explain the Program to prospective applicants and furnish the application and other written information regarding the Program to applicants;
 - c. Review and process all applications for Micro Loans for completeness and conformance to the policies and procedures of the Program;
 - d. Following review and approval from the RLRC, prepare Micro Loan Agreements;
 - e. Following award of a Micro Loan, monitor the Micro Loans and report regularly to the Administration, Janesville City Council and RLRC regarding the status of the Micro Loans and businesses who have utilized them.
 - f. Track the success of the business' ability to continue operations post COVID-19 pandemic.

The Revolving Loan Review Committee (RLRC) is an existing seven-member committee established in 2014 for reviewing loan requests for the Downtown Revolving Loan Fund. The COVID-19 Micro Loans shall be reviewed in accordance with rules previously established for that committee.

2.2 MEETINGS

Meetings on issues related to Micro Loans shall be held by the Revolving Loan Review Committee (RLRC) on an as-needed basis. Meetings shall be held in the Janesville Municipal Building or by electronic means such as Microsoft Teams, unless otherwise agreed and noticed, in accordance with Wisconsin's Open Meetings Laws. For the purpose of action, a majority of the members of the entity convening shall constitute a quorum. A majority of those present and constituting a quorum shall be required for official action to take place.

2.3 RECORDS

- (1) Public Records – General. Written records of Program activities, including minutes of public meetings that involve the Program, Micro Loan applications and related documents deemed public, shall be maintained in the Economic Development Office (EDO).
- (2) Records – Private. All documentation submitted by an applicant shall be considered confidential until such time as a loan is approved. Records not considered open to the

public include personal or business financial statements and application material identified as proprietary in nature.

SECTION 3 – ELIGIBILITY

3.1 ELIGIBLE BUSINESSES

- (1) Applications for Micro Loans may be submitted by owners of existing for-profit businesses; with 20 or fewer employees; with revenues less than \$500,000 annually and located within the City of Janesville. The business must also be considered in good standing and are independently owned.
- (2) Funding priority will be provided towards service producing business sectors, especially those who have been unable to operate during the Safer at Home Order or operate with a significantly decreased revenue stream (decrease of at least 25%).

3.2 INELIGIBLE BUSINESSES

- (1) Businesses that are categorized as, or engaged in, any of the following activities are not eligible for the Micro Loan Funds: hobby; part-time and/or home-based business; franchises; membership-based or foreign-owned establishments; non-profits; government; religious institutions and educational providers; registered tobacco businesses and firearms dealer or sales; lobbying, management of companies; media; real estate and others that are generally considered to be detrimental to the health, safety and welfare.
- (2) An applicant is ineligible if the award of a Micro Loan to that applicant would present a conflict of interest under Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- (3) An applicant is ineligible if, as of the date of any Micro Loan award to be made, he or she is delinquent in the payment of any outstanding debt due to the City or City utilities.
- (4) An applicant is ineligible if the owner has applied and received other sources of assistance from Small Business Administration or the Rock County Emergency Small Business Loan Fund. This does not include an applicant who secured Unemployment Benefits which were expanded through the Coronavirus Aid, Relief and Economic Security (CARES) Act.

3.3 ELIGIBLE ACTIVITIES (GENERAL)

Micro Loans may be made available to eligible applicants for the any or all the following activities:

- (1) Payment of mortgage or rent for the business
- (2) Payment of utilities and/or supplier or vendor obligations

- (3) Acquisition of materials or supplies
- (4) Purchase order fulfillment
- (5) Equipment
- (6) Marketing
- (7) Other activity as approved by the RLRC

3.4 INELIGIBLE ACTIVITIES

- (1) Micro Loan Program Loans shall not be made available for any of the following activities:
 - a. Acquisition or construction of improvements, etc.
 - b. Fees, including but not limited to building permit fees, financing fees, legal fees, and filing fees
 - c. Refinancing existing debt
 - d. Reallocation of funds to another business
 - e. Payment for owner's or other's salaries and wages or investor dividends
 - f. Payment for other uses deemed inconsistent with the purpose of the COVID -19 Micro Loan Fund program.

SECTION 4 – LOAN AMOUNTS AND TERMS

The Micro Loan Program will make available loans, to cover eligible costs up to \$5,000.

4.1 JANESVILLE MICRO LOAN FUND (up to \$5,000)

The Janesville COVID-19 Micro Loan Fund is one of the City's resources for assisting businesses during this unprecedented event where many businesses have not been permitted to operate or operations are required to be significantly scaled down.

- (1) Interest Rate: 2%
- (2) Loan Term: Up to four years or 48 months amortized
- (3) Minimum Loan: \$500
- (4) Maximum Loan: \$5,000
- (5) Three-month deferral for principal and interest payments
- (6) The maximum term shall not exceed four years or 48-months.

- (7) No prepayment penalties shall exist.

SECTION 5 – APPLICATION PROCEDURES

5.1 PRE-APPLICATION CONSULTATION

Before submitting an application, the applicant must discuss the Program and the applicant's business status with the Program Administrator. The Program Administrator shall provide the applicant with the appropriate application forms and may provide information that may assist the applicant in completing the application. Any and all pre-application discussions shall not be considered a part of the public record. The Program Administrator shall provide the RLRC with updates on pre-application activity at the committee's regularly scheduled meetings.

5.2 APPLICATION SUBMITTAL

The City recommends that applicants review the criteria for the award of Micro Loans carefully, and provide sufficient information to allow the City to determine whether the request meets the criteria. At a minimum, applicants shall submit a package that contains all of the following information:

- (1) A completed standard City of Micro Loan Program Application;
- (2) Projected financials for at least the next one (1) year;
- (3) Business financial statements (personal tax returns for sole proprietors) for the past three (3) years, unless the business has been in operation less than three (3) years, then as much information as possible shall be provided, as applicable.
- (4) Personal financial statements for all principal business owners/investors for the past three (3) years, as applicable.
- (5) All applicants are required to demonstrate the intended use of funds and provide adequate documentation that the use of the funds after disbursement is consistent with the application.; and
- (6) Verification showing none of the following conditions exists against the business or principals: outstanding judgments, state or federal tax lien, past due real estate taxes, past due property assessments, outstanding Janesville Municipal Utility Bills.

5.3 FEES

No application fee is required. In the event of default or delay of loan payment by the applicant, the City reserves the right to assess monitoring fees, at its discretion.

5.4 REVIEW PROCESS

Applications for the Micro Loan Program shall be reviewed as follows:

- (1) Administrative Review - The Program Administrator shall review the application for completeness and verify that the proposed project meets the minimum requirements of the Program. If the application is not complete, the Program Administrator will advise the applicant of the deficiencies. As part of the review, the Program Administrator shall also evaluate the applicant's business trend and ability to successfully operate and repay the loan. Once the application and administrative review is complete, the application will be referred to the RLRC along with a report prepared by the Program Administrator.
- (2) Revolving Loan Review Committee Review - Following consideration of the recommendations from the Program Administrator, the RLRC will meet to formally review the application(s). The RLRC shall determine whether the application is acceptable for a Micro Loan and, if acceptable, recommend terms and conditions for the Micro Loan.
- (3) Notice of Recommendation for Approval or Conditional Approval of Micro Loan Program Loan - Once the review is complete and the application is approved, the Program Administrator will work with the applicant to complete a Loan Agreement. If approved, notice of approval will be provided, documents executed and the Loan awarded.
- (4) Notice of Disapproval – If the application is not approved, the Program Administrator shall notify the applicant in writing of the decisions, citing reasons for denial of the application.

SECTION 6 – DISBURSEMENT OF MICRO LOAN

6.1 LOAN FUND RELEASE PROCEDURES

Prior to releasing funds from the COVID-19 Micro Loan Fund, the following must first be met:

- (1) The RLRC must have reviewed and approved a complete application for an eligible project submitted by an eligible applicant.
- (2) The Program Administrator shall prepare a Loan Agreement which shall be executed by the Applicant and authorized City official.
- (3) Documentation must be provided by the applicant to identify the intended uses of funds prior to the approval of the loan and the release of Program funds. After release of the funds the applicant shall provide documentation demonstrating the use of the funds including invoices, purchase orders, approved requests for payment, final bills for sale or canceled checks, or whatever additional documentation deemed necessary by the Program Administrator. All documentation shall be reviewed and approved by the Program Administrator.

- (4) A repayment schedule shall be prepared by the Program Administrator. The repayment schedule shall be dated and initialed by both the Program Administrator and Applicant (per Agreement).
- (5) A promissory note and adequate security shall be provided for all Micro Loan Program Loans awarded and must be in a form and amount approved by the City Attorney.

6.2 ONGOING MONITORING

The Program Administrator or other City designee shall monitor each loan to ensure compliance with loan terms and conditions and to monitor the financial health of the business to ensure continued and timely repayment of the loan. The monitoring shall also ensure that all recordkeeping requirements are met particularly with regards to the success rate of sustaining these businesses during and post COVID-19 Pandemic. Ongoing monitoring activities shall include the following:

- (1) Annual submittal and RLRC review of annual tax return documents for the principal borrower.
- (2) Committee review of personal financial statements for the principal borrower, as well as all individual guarantors, as may be requested by the Program Administrator and/or RLRC.
- (3) Other reasonable and related monitoring activities, such as credit reports, that will support the stability of the City's COVID-19 Micro Loan program.
- (4) Regular reporting to the City Council as to the success of the program.

6.3 DEFAULT

Except where otherwise provided, failure of the applicant to meet the Agreement shall be considered a default on the Micro Loan Program Loan. In the event of a default, the City shall consider all relevant factors and exercise its reasonable discretion with respect to the remedy to be imposed. The City, at its option, may deem as much as all sums provided under the Micro Loan immediately due and payable to the City.

6.4 AMENDMENT OF MICRO LOAN DOCUMENTS

To be effective, any amendments of Micro Loan Program Loan Documents shall be in writing and must be approved by the RLRC.