



## **MICROENTERPRISE LOAN PROGRAM GUIDELINES** **OGDEN CITY**

### **I. PRIMARY OBJECTIVES**

- To assist low-income owners of a microenterprise business who are creating, stabilizing, or expanding their business.
- To provide economic opportunities in Ogden, with special emphasis on the downtown area, by providing improved access to business loan financing and technical assistance.
- To stimulate the redevelopment of under-utilized and deteriorated commercial and industrial property in Ogden.

### **II. PROCEDURES**

- Applicant must obtain Program Guidelines and Application Packet from Ogden City Business Information Center (BIC). If needed, BIC staff may refer prospective applicants to local technical assistance providers for help in completing the application and business plan.
- Applicant should secure all necessary equity and private financing available for the project.
- If sources of funding fall short or other economic deficiencies exist in the project, the applicant may submit an application package along with a \$100 application fee to the Business Development Division. Please be advised that any other costs incurred by Ogden City for the purpose of processing and funding this loan will be deducted from the final loan proceeds, or at the applicant's request and payment, will be collected up front. Those costs include, but are not limited to: credit report, flood certificate, appraisal, inspection, recording fees, etc.
- Business Development Staff will analyze the loan application and advise the applicant of any deficiencies to be addressed. Depending on the specific nature of the business, further verifications may be required. The loan is then submitted to the Loan Committee. Approval should take about two weeks after the completed application package and additional verifications are received.
- Loan closing will occur after the loan is approved and documents are prepared. Depending on the complexity of the loan package, this should take one to three weeks after loan approval.
- Contracts for construction work funded by the Program may not be initiated until after loan approval. Ogden City Business Development staff must coordinate federal contracting provisions, including prevailing wages.

### **III. REQUIREMENTS**

- Business location must be in Ogden City.
- For activities funded through the Federal Community Development Block Grant Program, loans are subject to requirements outlined in 24 CFR Part 570. This includes the payment of prevailing wages for workers on construction projects.

- Activities funded through this program must be designed to benefit low and moderate income persons. The requirement is met by assisting a microenterprise (a business having five or fewer employees, one or more of whom owns the business) where the owner has low/moderate income (80% or less of the area median income).
- Business Development Staff will conduct financial underwriting, and will require documentation from the applicant, to assure that 1) project costs are reasonable; 2) new equity and private financing are maximized and fully committed to the project; 3) the project is financially feasible; and 4) that the owner will not receive more than a reasonable return on equity investment. Specifically, the applicant must provide sufficient evidence that the amount of funds requested from Ogden City is necessary for the project to succeed. This can be due to a gap in available financing to cover project costs, the rate of return to the investor(s) is too low, or because the project costs related to the site are not competitive with alternative sites.
- Ogden City Microenterprise Loan proceeds can be used for a variety of project costs, including real estate acquisition, new construction, rehabilitation, equipment purchases, refinancing of secured commercial property renovated with the loan, and working capital.
- The applicant must demonstrate the ability to repay the loan and provide adequate collateral for securing the loan.
- Startup applicants with 3 years or less experience owning and operating a business are required to attend Business Startup Training Program (BSTP) and submit a Certificate of Completion from a City-approved BSTP Provider, prior to loan closing.
  - BSTP tuition may be reimbursed upon course completion, provided the microenterprise is determined eligible for BSTP before the course commences, and submit a valid receipt from the BSTP within 30 days of BSTP course completion.
  - Upon course completion, BSTP graduates will have their loan application fairly evaluated according to the Program Guidelines set forth herein but will not be guaranteed a Microenterprise Loan.

#### **IV. LOAN TERMS**

The interest rate, term, and amortization for the loan will be structured to allow for a reasonable rate of return to the investor(s) and adequate cash flow to service project debt, with the following stipulations:

Minimum Loan Amount:	\$5,000
Maximum Loan Amount:	\$90,000
Interest Rate:	Up to 15% annual
Term of Payments:	maximum 10 years, however subject to length of lease and/or life of improvements secured
Loan to Value Ratio:	Up to 100%
Debt to Income Ratio:	Up to 50%
Owner's Return on Equity:	Varies, based on industry standards for the type of business.

**Loan Guarantee:** Borrower's new bank loan may be guaranteed according to the above guidelines, in place of a cash loan. The maximum guarantee of a bank loan will be 35% of total bank loan amount, but not to exceed \$250,000.

**For further information call or write:**

**Business Information Center**

**2036 Lincoln Avenue, Suite 105**

**Ogden, UT 84401**

**(801) 629-8613 or [bicinfo@ogdencity.com](mailto:bicinfo@ogdencity.com)**

**For ADA and accessibility help: (801)629-8701**

Microenterprise Loan Program Guidelines 11/2022