

GUIDELINES for the **NEDL PROGRAM**

The Toledo Neighborhood Economic Development Loan Pool

A micro-enterprise financing program offered by Fifth Third Bank, Huntington National Bank, Key Bank, Sky Bank, National City Bank and the City of Toledo.

Micro-enterprises are small community-based businesses, which are either: in business now or are about to startup; produce a product or sell goods and services in their host communities; operate from neighborhood commercial/industrial locations or from the owner's home and provide employment to the business owner and possibly several employees. The common characteristic shared by these enterprises is their difficulty in securing expansion capital.

The primary objective of NEDL is to promote the growth and profitability of these enterprises, by providing access to conventional credit sources for businesses and individuals, who do not normally qualify for commercial credit. The NEDL program is a loan pool of the five banks, identified above, and the City of Toledo, Economic Development Office who are cooperating under common lending criteria to provide that source.

The NEDL program is part of a business development process to develop feasible micro-enterprise proposals through linkages of prospective business applicants with a network of community resources. The network is developing the capacity to provide technical assistance in the early formulation of the business plan and later assistance with solving operating problems. An essential resource in this network will be a "peer organization" of NEDL recipient businesses, who can provide technical assistance through shared experience with other group members.

Community-based businesses have been targeted by NEDL for several reasons. Many emerging enterprises are community businesses, whether they primarily sell goods or services to their neighborhoods or produce items for a metropolitan market. All enterprises have an impact on the viability of their communities. In addition to providing

new opportunities to purchase a wider array of goods and services, the anticipated neighborhood benefits from growing, profitable enterprises are increased income and job creation.

Due to this neighborhood basis for micro-enterprise development, locally-based community development corporations will play a critical role in success of NEDL participants.

As the third member of the NEDL partnership, with the banks and the City, the CDC's role is to provide the business firm with a link to market opportunities, technical assistance and the micro-enterprise program. With the support of a participating CDC, a prospective firm gains a realistic evaluation of their plan's market potential and the assurance that neighborhood revitalization activities are underway to support their venture.

Call the City of Toledo's Office of Economic Development at 245-1470, to find out how you can get involved in the NEDL process.

NEDL GUIDELINES

ELIGIBLE APPLICATIONS: Individual applicants, whether now in business or anticipating starting a business, shall present a business plan to the NEDL advisory committee that demonstrates:

The market potential for the product or service and the qualifications of the applicant to exploit the market opportunity.

The financial feasibility of the business strategy, including a cashflow analysis of the potential for debt repayment and evidence of the need for NEDL participation in the proposed financing package.

The community benefit of the business operation, on the basis of either job creation for low and moderate income individuals or providing goods and services in a low and moderate income community.

USE OF FUNDS: Loans shall be in the range of \$3,000 to \$20,000. Permitted use of NEDL funds shall be for the acquisition of current or fixed assets for the proposed business, as outlined in the business plan. Examples of such assets include:

Inventory, which can consist of a finished good, offered for resale, or materials and commodities that will be utilized in the production of goods for distribution and sale.

Machinery and equipment, to be utilized in the proposed business operations.

Furniture and fixtures, including office and retail equipment utilized in the proposed business.

Leasehold improvements on space with a lease equal to the useful value of the improvements. Such improvements shall be limited to interior maintenance and repair of architectural building features, with the exception of building signage that shall generally conform to the building's existing outdoor signs.

Improvements exceeding the scope of maintenance and repair must be allow time for an individual HUD historic/environmental review of the project.

TERMS: The maximum loan term shall be five years, depending on the useful value of assets acquired under the NEDL program.

The NEDL interest rate shall be a blended rate of the two sources of NEDL funds and fixed at the time of application. No interest shall be charged on the 33 percent of the loan that is provided by the City of Toledo. The originating lender shall charge interest on the balance of the loan, or on the remaining 66 percent of the total amount, at the lender's Prime rate plus two percent.

Collateral will be limited to a security position on the assets acquired by the NEDL loan, plus personal guaranties by the owners, officers and any other appropriate guarantors.

A five-percent equity contribution to the project by the NEDL applicant shall be included in the proposed financing.

PROCESS: The application process begins with the formulation of a business plan that realistically presents the feasibility of the market opportunity and justifies the proposed financing of the venture. Technical assistance for NEDL applicants, provided through a network of business development organizations, can help the applicant refine their proposal. However, the plan must be reflect the entrepreneur's concept and operating projections.

Each application shall be individually considered on its merits through the NEDL Advisory Committee, which is composed of the participating lenders, the CDC's and the City. This is a nine member committee, composed of four (4) CDC representatives, four (4) bank representatives and a City representative, whose members annually, alphabetically rotate among the participating lenders and community organizations.

Applications are initiated by a participating neighborhood community development corporation. With the proposed business plan, applications shall then be referred to the:

1. Sponsoring organization, which is one of the participating neighborhood community development organizations, who will comment on the proposal's public benefits, its contribution to achieving their objectives, and the proposal's market feasibility, if the business will offer goods or services to the neighborhood.
2. City's Office of Economic Development, who will verify the application's conformity with

the NEDL guidelines and prepare the it for the NEDL Advisory Committee, or:

Contact the applicant and sponsor with suggestions for completing the application and referral to a source for assistance.

3. NEDL Advisory Committee for review of the application's financial feasibility, who will then approve the loan.

The Office of Economic Development will then notify the next originating bank and the borrower of the loan terms. The other participating banks will also be notified of the guaranty requirements of the particular loan.

In the event that the committee turns down the application, the Economic Development Office shall notify the borrower of the reasons for denial and, if possible, suggest alternative ways to strengthen the proposal.

4. Originating bank, who is the next lender in rotation, shall invoice the City for 33 percent of the loan amount, prepare the loan documents, and disburse the funds to the borrower, in accordance with the loan commitment.

The originating bank shall service the loan, collect repayment of the loan and deposit the City's portion of the payment in a non-interest bearing NEDL account for lending on future NEDL loans.

In the event of loan default, the bank shall notify the sponsoring organization, so that efforts can be made to resolve the business' problems.

In the event that the collateral must be liquidated, to satisfy the debt, the bank will collect on the collateral and remit to the City its proportional share of the proceeds, at the bank's expense and without charge.

5. Borrower shall join and participate in the NEDL "peer group" and must attend appropriate entrepreneurial and business management training.

The NEDL process begins with a business plan. For information and referrals for assistance, call. . .

The City of Toledo's Office of Economic Development at 245-1470.