



PALM COAST BUSINESS ASSISTANCE CENTER GUARANTEE ASSISTANCE PROGRAM GUIDELINES

Background

Access to a variety of financing sources is critical to small business operators. According to the Small Business Administration, the nation's 23 million small businesses create 75% of the nation's net new jobs and employ half of all private-sector workers. Each year, more than 500,000 small businesses with employees are created. However, small businesses suffer a 50% failure rate within the first five years of start-up. The primary reason: lack of sufficient capital. Locally there is a need for ways to bridge the financing gap for small businesses, especially in light of the tight credit markets nationwide.

Program Purpose

Using distributed funds from the dissolution of Enterprise Flagler, the Business Assistance Center Guarantee Assistance Program (GAP) will provide another tool in the toolbox to assist clients of the Business Assistance Center in obtaining access to capital. Through the stimulation of private investment, the City aims to encourage creation of permanent, private sector jobs and increase the local tax base.

Applicant Requirements

- The applicant seeking a guarantee must own at least 50% of the business and actively involved in the management of the business.
- The business must be located, or will be located within Flagler County.
- The business must be a for-profit entity.
- The business must be in operation for at least one-year.
- The applicant must become a client of the BAC. If a guarantee is awarded, the applicant must continue to be a client of the BAC throughout the term of the guarantee.

Application Cycle/Deadlines

Applications shall be accepted on an on-going basis as long as funding is available. Applications shall be reviewed on a monthly basis according to a schedule that shall be posted on the Business Assistance Center website. If there are more applications than

funding available, priority shall be determined by the number of jobs retained and/or created.

Eligible Projects and/or Activities

The loan guarantee can be used for business expansion needs, working capital, and/or establishing a line of credit. The loan guarantee cannot be used for start-up businesses.

Loan Guarantee Terms

- Maximum Guarantee Amount: \$10,000
- Minimum Guarantee Amount: \$5,000
- Maximum Guarantee Percentage: 50%
- Guarantee Maximum Term: 2 Years with Possible Hardship Extension
- Guarantee Interest Rate: 0%
- Guarantee Fee: \$100
- Maximum Primary Loan Interest Rate: Review by Loan Review Committee to Ensure Rate is consistent with Current Market Rates
- Subrogation Agreement with Primary Lender: In default, lender must attempt to recover collateral to cover full loan and return maximum amount of guarantee.

Loan Underwriting and Review

This program will depend on the primary lender to conduct the underwriting review. In addition, the loan review committee will review the primary lender's loan package to ensure that minimal underwriting standards (i.e. SBA) are being followed. The loan review committee will meet to determine the loan guarantee terms within the guidelines above.

The loan review committee will consist of the City Finance Director, Senior Economic Development Planner/CDBG Administrator, and a SCORE Volunteer (with experience in Business Finance). The SBDC Area Manager will serve as the applicant's advisor. The loan review committee members shall declare any conflict of interest in writing to the City Manager for any applicant and the City Manager shall select a substitute for that member for that particular application. Once a loan guarantee is approved by the loan review committee, the loan guarantee package shall go to the City Manager for final approval.

Annual Reporting

City staff shall provide an annual report of the GAP Program to City Council within 60 days of the end of the fiscal year detailing the loan guarantee applications, awards, status of primary loan repayment, and other relevant financial information.