

NEWPORT NEWS

CAPITAL FUND

Guidelines for Loan Applicants

Newport News Capital Fund is a loan program sponsored by the City of Newport News and administered by the Industrial Development Authority. Loan funds come from the City and the US Department of Commerce, Economic Development Administration.

The Fund's primary goal is to create and retain jobs by financing new business development or business expansion. More specifically, loans will be targeted to those businesses that create jobs which help mitigate the effects of defense cutbacks in Newport News.

*For information, call a loan coordinator at
Newport News Department of Development
(757) 926-8428*

How an Application is Processed

You can get an application by calling a loan coordinator at Newport News Department of Development, (757) 926-8428. Once you have submitted an application and supporting documents (see below), the coordinator will order credit reports, verify the information you have submitted and thoroughly evaluate your proposal.

If your proposal appears to be feasible your application is submitted to the Board of Directors of the Industrial Development Authority. If it is approved, closing documents will be drawn up for you to sign. After closing, your loan proceeds will be paid out on a schedule based on your business plan. In general, the underwriting standards of the Fund are comparable to those of private lenders.

What You Will Need to Apply

In addition to an application form you will need the following:

- For a business expansion, financial statements for the three most recent fiscal years of the business.
- A current personal financial statement for each principal.
- Three-year pro forma projected income and cash flow statements, broken down monthly for the first year and quarterly thereafter.
- Supporting documents for your proposed use of loan proceeds, including construction quotes or contracts, equipment quotes or contracts, leases, sales agreements, etc.
- Legal requirements such as a completed Assurance of Compliance with Civil Rights and Other Legal Requirements, Certificate of Non-Relocation, and Environmental Checklist.
- Evidence of private financing.

Loan Fees and Charges

A non-refundable application fee of \$100 is charged when you submit your application. An origination fee of 1% of the loan amount is charged at closing, and a fee to cover the legal expenses for preparing and reviewing loan documents is charged at closing.

Loan Amounts

The minimum loan amount to any one borrower is generally \$5,000 and the maximum is \$250,000.

Interest Rate

The Fund makes fixed-rate loans at 4 percentage points below the prime rate, although loans are never made at an interest rate less than 4%.

Leveraging

The Fund will not provide full funding for a business venture. Generally, at least one dollar of private funds (equity or loans from private lenders) will be required for each dollar of a Newport News Capital Fund loan.

Use of Loan Funds

Money borrowed through the Fund may only be used for starting or expanding a business in the City of Newport News. Within that framework, loan funds may be used for the following purposes:

- To buy real estate (land and buildings).
- To prepare raw land and install infrastructure.
- To construct, enlarge or rehabilitate buildings.
- To buy and install machinery and equipment.
- For costs normally associated with these, such as brokerage fees, sales taxes, engineering fees, legal fees etc.
- To set aside reasonable business contingency reserves.
- For working capital, including inventory.
- For reasonable business relocation costs.

Job Growth

In keeping with the goal of the Fund, loans are expected to result in job growth or job retention. This can include self-employment or upgrading and retraining of existing workers.

Restrictions and Requirements

The Fund was set up to make loans to business ventures that are not able to start up or expand because sufficient money is not available from private sources. If an applicant is able to get adequate financing from private sources the Fund will not consider a loan.

The amount of a loan will be the minimum necessary to make the business undertaking feasible.

The proposed business must be in keeping with any economic development or redevelopment plan for the area in which it is located.

Any business undertaking that involves construction, rehabilitation or equipment installation must comply with all state and local codes and regulations governing such activities.

No more than 25% of a loan can be used for working capital.

Loans must be secured. Security will usually take the form of liens against real estate, machinery and equipment, accounts receivable and inventory. Personal guarantees and proof of adequate insurance will also be required. Salary restrictions and dividend limitations may be included as loan conditions.

The maximum loan term is 20 years. The actual term allowed will be related to the useful life of assets funded by the loan.

Loan proceeds may not be used to invest in interest-bearing accounts or other investments, or used for speculative activities such as land-banking.

Loans will not be made if the business activity would result in relocating jobs from another labor area (outside the Norfolk-Virginia Beach-Newport News MSA).

Loans may not be used to refinance other loans, except in those situations where a business can demonstrate that it would otherwise be forced to close or significantly reduce its work force in the absence of such refinancing.

During the life of the loan, loan recipients must report periodically on the financial condition of the business, the number and types of jobs created or retained, and the results of upgrading and cross-training of employees.

All loan recipients must agree to comply with a variety of Federal regulations including civil rights laws, environmental controls, handicapped access rules, the Davis-Bacon Act (which regulates construction wages), Anti-Kickback Acts, and the Contract Work Hours and Safety Standards Act, and other laws and regulations as applicable.

Commercial Rehabilitation Property Tax Abatement:

If you are substantially renovating a building that is twenty-five years old or older, you may be eligible for a Commercial Rehabilitation Property Tax Abatement. Applications for the related Commercial Rehabilitation Property Tax Abatement must be submitted to and approved by the Director of Development. Application forms are available from the City of Newport News, Department of Development, or from the Department of Codes Compliance.