



**Downtown Kenosha, Inc.**  
Small Business Recovery Forgivable Loan –Bridging the Gap

## **PROGRAM GUIDELINES**

## 1.0 INTRODUCTION

In response to the economic hardships small businesses are experiencing resulting from the COVID-19 pandemic, Downtown Kenosha, Inc. is launching the Small Business Recovery Fund in an effort to retain jobs and stabilize local businesses.

The resulting funds will offset the immediate emergency status of imminent business closures with assisting funds while awaiting larger lending approvals.

Downtown Kenosha, Inc., hereafter referred to as “DKI”, has modified existing economic vitality programs to create a combined funding mechanism that will serve small businesses up to \$5,000.00 as a one-time disbursement loan to be forgiven after twelve-month review.

## 2.0 PROGRAM REQUIREMENTS

### 2.1 Eligibility and Terms

Eligible businesses may be awarded up to \$5,000 in forgivable loan funds through the Emergency Fund application process.

#### i. Eligibility

- For-profit business is located in Downtown Kenosha Business Improvement District Boundaries
- Applicant is 51% + majority owner of business; otherwise co-applicants apply
- Owner is 18 years or older
- Owner is a United States Citizen or Lawful Permanent Resident of United States
- Owner has or will have a valid SS #, EIN, Business Bank Account
- Business is or will be registered with IRS, WI DFI, WI DOR, and/or WI DWD
- Owner/Applicant is not currently in bankruptcy
- Owner/Applicant is current with property taxes and City fees, or has a payment plan in place with County and/or City
- Satisfied deliverables of other DKI-based funding requests (as applicable)
- Businesses must show proof of application for additional relief funding through listed sources: KIVA, WWBIC, SBA recovery loan, WEDC 20/20

#### ii. Terms

- Maximum request: \$5,000
- Minimum request: \$1,000
- Quarterly data submissions for first twelve months including financial summaries and payroll verification

#### iii. Fees

- a. Application Fee: None

## **2.2 PROGRAM SERVICE AREA**

Financing under this program is available to eligible for-profit businesses registered and located within the DKI Business Improvement District boundaries. The location of the business is considered by the place of business administration and registration address. Funds will not be provided to businesses registered or located outside of DKI Business Improvement District boundaries, however, businesses within the district providing goods or services outside of DKI Business Improvement District boundaries are eligible.

## **2.3 FUNDING SOURCE AND FUND DISTRIBUTION**

Grant applications will be processed in enrollment periods as outlined.

Notice will be made publically April 3rd and applications will be accepted until April 13<sup>th</sup>, 2020.

Funds will be disbursed by DKI to the grantee for documented eligible project expenses within 5-7 business days from acceptance.

## **2.4 ELIGIBLE APPLICANTS**

- Eligible applicants must have a registered business address in the DKI Business Improvement District boundaries.
- The business must be a sole proprietorship, partnership, limited liability company, or corporation
- The business employs up to 25 employees (Additional considerations will be made for small businesses with larger staffing)

## **2.5 INELIGIBLE APPLICANTS**

- An ineligible existing business applicant is one that has a physical business location or registration outside of the DKI Business Improvement District boundary.
- Nonprofit organizations are not eligible businesses, and will not be considered for funding.
- Other ineligible businesses include payday loan businesses, liquor and tobacco stores, pawn shops, firearm or other weapons dealers, adult entertainment, passive real estate investments, or home-based businesses operating without appropriate zoning and/or permits.

## **2.6 ELIGIBLE USE OF FUNDS**

DKI will review the proposed funding scope submitted in the application. Applicants will collect third party cost estimates for project costs at the application stage. Funds are restricted to certain eligible costs, especially those related to

- basic operating capital for leasing space,
- insurance and/or utilities,
- staff salaries, retention programing/training enhancements.

As secondary requests, DKI will also consider requests for:

- Purchasing inventory, supplies, accounting and inventory software, furniture, fixtures, and equipment
- Equipment purchase (with or without installation costs)
- Marketing materials and advertising including website development and servicing

## 2.7 INELIGIBLE USE OF FUNDS

Funds under this Program may not be used to:

- Reimburse expenses incurred prior to Applicant approval of loan or grant.
- Pay off non-business debt, such as personal credit cards for purchases not associated with the business.
- Purchase personal expenses such as buying a new family car or making repairs to a participant's home.
- Direct financing to political activities or paying off taxes and fines.
- Purchase personal items, or support other businesses in which the borrower may have an interest.

## 2.8 APPLICANT CAPACITY

DKI must confirm that the business and the applicant(s) possess the capacity to execute the proposal for use of funds to be successful. As such, loan applicants for the Recovery Fund are required to demonstrate management capacity and ability to successfully operate a business through their applications.

## 2.9 JOB RETENTION/CREATION

For the 2020 Recovery Fund, priority will be given to applicants that commit to creating and/or retaining employees or jobs for the duration of the loan term. Job retention is defined as total full-time equivalent positions retained at 40 hours per week, or any combination of part-time positions combining for 40 hours per week, including owners.

## 2.10 SECURITY REQUIREMENTS

Notwithstanding, anything to the contrary in the agreement, if the borrower defaults in the performance of any obligation of program follow ups or determined payment, the lender may declare principal amount owing and any interest due (if any determined) at the time to be immediately due and payable. Failure to comply with agreement will forfeit collateral property or be subject to small claims pursuance.

## 3.0 PROGRAM DETAILS

### 3.1 GENERAL CREDIT REQUIREMENTS

#### *A. Outstanding Taxes, Fines and Fees*

Outstanding debts from citations, child support, taxes owed to federal and state agencies, and delinquent property taxes do not disqualify applicants, **IF** proof of formal payment arrangements is provided.

#### *B. Traditional Credit*

Applicants may elect to submit personal credit information if they feel it would strengthen their application.

### 3.2 OTHER REQUIREMENTS

Loan Applicants must:

- Not be listed on the Federal Debarred list (SAM Search)
- Supply 2019 Year End Business Financials OR 2019 BTR or 2020 YTD through February if both available -- Most recent financials requested
- 2019 Payroll Tax receipts
- Supply within application detail of debt – payment, amount remaining, terms

### 3.3 PROGRAM ADMINISTRATION

DKI will:

- Originate Recovery Fund
- Market the Recovery Fund program and promote enrollment dates
- Accept and process applications
- Complete eligibility qualification and document number of employees
- Review and underwrite application requests
- Ensure a timely closing and disbursement of funds
- Maintain grant files and fiscal records
- Administer donations, grants, and program income used to fund this program
- Ensure compliance with program guidelines
- Provide WEDC and relevant committees program evaluation updates
- At end of twelve-month deferment perform annual review evaluation
- Issue loan forgiveness certificate upon program completion

### 3.4 LOAN SERVICING

DKI will act as the collection agent for its development reports. The duties of the DKI staff will include the following:

- Process general accounting and loan processing in databases
- Obtain first-year annual financial statements to monitor loan requirements (as applicable)
- Negotiate changes in terms

The 2020 Emergency Assistance Fund is designed to provide 12 month forgivable loans to small businesses up to \$5,000. A minimum of \$1,000 must be requested.

Additional verification may be requested through tax documentation of the owner and/or business, payroll records, or other documents that are found to sufficiently document the number of FTE employees on staff and total FTE jobs retained throughout the deferment period.

Optional repayment options are available at 0% interest in 12 and 24 month installments for continued program implementation after first 12-month deferment

As with other economic development program activities, if DKI determines that the applicant income information is not accurate, is using funds for ineligible activities, or is disqualified from receiving federal assistance, then all program services will cease immediately and any allocated funds will be due and payable immediately.

Notwithstanding, anything to the contrary in the agreement, if the borrower defaults in the performance of any obligation of loan designation, the lender may declare principal amount owing and any interest due (if any determined) at the time to be immediately due and payable. Failure to comply with agreement will be subject to small claims pursuance.

DKI must collect certain income and demographic data from applicants. DKI will collect this information and keep it in the program participant file. Reviews of data will be requested for up to twelve months.

**3.5 The business will sign a forgivable loan agreement that holds both the technical assistance provider and the granting authority from any future legal recourse. PROGRAM ADMINISTRATION**

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- Ensure a timely closing and disbursement of funds
- Maintain grant files and fiscal records
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- Ensure compliance with program guidelines
- Provide WEDC and relevant committees annual program updates

## **4.0 PROGRAM OPERATIONS AND LOAN PROCESSING**

### **4.1 PROGRAM MARKETING AND OUTREACH**

Program marketing will be conducted by DKI and will affirmatively target women and minority-owned enterprises. Examples of marketing include media coverage with ads in local papers and distribution of marketing brochures to local chamber of commerce, and business networking organizations. Presentations may be scheduled for these groups as well as real estate groups, local commercial banks and other organizations.

The local Small Business Development Center (SBDC) or other similar entity may be used as a referral agency.

### **4.2 EQUAL OPPORTUNITY COMPLIANCE**

The Recovery Fund will be implemented in ways consistent with DKI's commitment to State and Federal equal opportunity laws. No person or business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

### **4.3 APPLICANT CONFIDENTIALITY**

All personal and business financial information will be kept confidential to the extent permitted by law. Emergency Fund participant files with personal and business confidential information will be kept in locked, secured storage units.

### **4.4 DISPUTE RESOLUTION/APEALS PROCEDURE**

Applicants whose applications are not selected or not deemed eligible have the right to appeal the decision of DKI, limited to procedural errors in the selection process. In the event that no such procedural errors are found to have occurred, the decision of DKI shall be final. An aggrieved applicant may, within seven (7) business days after the selection of prospective eligible projects, appeal in writing to the Executive Director of Downtown Kenosha, Inc. or their designee. The appeal must state all facts and arguments upon which the appeal is based. The Director, or the appointed Designee, will review the content of DKI solicitation document (NOFA), the applicant's application, and the facts which form the basis for the appeal. The Director, or the appointed Designee, will render a written decision within thirty (30) business days of the receipt of the appeal.

### **4.5 EXCEPTIONS / SPECIAL CIRCUMSTANCES**

DKI will not make exceptions to policies and procedures outlined in the program guidelines derived from HUD requirements. DKI, however, reserves the right, at its sole discretion, to deviate from DKI-imposed policies and procedures in extenuating circumstances. A request for exception to program guidelines shall be submitted to staff in writing by applicant. Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines. Federal regulations shall overrule this document in any case where conflict between DKI and Federal regulations is apparent.

#### 4.6 LOAN CLOSING PROCESS

Upon successful completion of application process, DKI staff will arrange for the loan closing by preparing the loan closing documents as appropriate. All agreements and documents will be reviewed by DKI's legal counsel as necessary. Project summaries will be provided to the Advisory Board annually.

#### 4.7 APPLICATION REVIEW

Applications to the Recovery Fund program are presented by business owners/agents to DKI staff. DKI staff shall have the option of creating an advisory committee to assist in review, underwriting, and determining funding recommendations. If active, DKI staff will schedule advisory committee meetings and coordinate review of each loan application prior to forwarding funding recommendations to the Executive Director of Downtown Kenosha, Inc.

Contracts for approved loan applications will be drafted by DKI staff and circulated for signatures to:

- Applicant
- Downtown Kenosha
  - DKI Executive Director
  - Recovery Fund Committee Chair