



Fund for Economic Development Program Criteria

VINELAND's URBAN ENTERPRISE ZONE LOAN PROGRAMS

I. Introduction

The Vineland Urban Enterprise Zone ("UEZ") was created to assist in the revitalization of the City of Vineland ("City") through business retention and expansion programs financed by the New Jersey Zone Assistance Fund. The UEZ Loan Programs concentrates on creating real estate tax ratables for the tax rolls of the City of Vineland, creating and retaining jobs for its citizens, and generating sales tax revenue. Businesses in the UEZ benefit from reduced sales tax collected and paid to the State of New Jersey ("State") for sales within the UEZ. The State takes a portion of such sales tax revenue and makes it available in the form of grants to the City. This revenue is targeted by the City for economic development projects within the UEZ. They include business attraction, expansion and retention, infrastructure, and public safety projects. The City uses the business attraction, expansion and retention portion of this revenue to fund low interest loans ("UEZ Loans") to commercial and industrial property owners within the UEZ which meet the City's UEZ purposes and criteria established herein (the "Loan Program").

Available incentives include a five year tax abatement policy for new constructions, a reduced New Jersey sales tax and use tax exemption (permissible only in the Vineland UEZ), low interest rate UEZ Loans (permissible only in the Vineland UEZ), the Business Employment Incentive Program ("BEIP" is available through the State of New Jersey), grants and tax credits for on the job training (available through the State of New Jersey), fast-track permits program (through the local governing body), competitive permit fee schedule, reimbursement of relocation costs, favorable utility rates, and a fiber-optic communications infrastructure. These financial incentives are designed to provide a company, which is considering expansion or relocation, a lower cost of operation through its initial start-up phase.

The Director of Economic Development for the City of Vineland maintains a membership in the Greater Vineland Chamber of Commerce, the Vineland Downtown Improvement District, the Cumberland County Economic Development Corporation, South Jersey Economic Development District and the Southern New Jersey Development Council. Vineland's success in the revitalization and redevelopment of business and industry has been possible only through a wide range of partnerships between the City and many other economic development professionals. The UEZ partners with various county, state, and federal agencies such as the Cumberland Empowerment Zone, NJ Economic Development Authority, the NJ Redevelopment Authority, the NJ Department of Labor, the U.S. Small Business Administration, the U.S. Economic Development Administration and the County of Cumberland Department of Planning and Economic Development. In addition, many financial institutions such as Sun National Bank, Newfield National Bank, Susquehanna Patriot Bank, Hudson United, PNC Bank, Commerce Bank, Bank of America, Colonial Bank, Century Savings Bank, NJEDA and the NJRA have played roles in the success of Vineland's UEZ Loan Programs. The program leverages state assistance funds to make low interest loans to qualified businesses, property owners and developers with the participation of lenders and financial institutions.

II. Purpose & Mission

The purpose of the loan programs is to stimulate investment in commercial and industrial properties located within the UEZ. Such investment will improve the overall economic conditions, primarily, employment opportunities, stimulate business activity, and increase real estate tax ratables within the City. Through the implementation of this program, the City will achieve continued revitalization of the business sector through construction of new facilities and the refurbishment of existing facilities thus furthering the City's potential for growth and development, and improving the quality of life for the residents of the City.

III. Objective

The objective of the Loan Program is to provide favorable financial incentives which, when coupled with private financing, will stimulate business expansion in the UEZ. The benefits will help maintain, expand business activity, and attract new business investment which otherwise may not have occurred within the City. This will be done with sound and prudent credit decisions.

IV. Statement Concerning the Program

The Loan Program is available to businesses that currently exist and new businesses, which are moving into the designated UEZ areas of the City. Decisions on applications for a UEZ Loan are based on the criteria outlined in the proceeding sections and this document.

V. Equal Opportunity

Each loan application/request will be considered solely upon its merits, without regard to age (provided the applicant is of age prescribed by law), color, creed, marital status, national origin, political party affiliation, race or sex.

VI. Eligible Borrowers

To qualify for participation in the Loan Program, an applicant must be certified as a UEZ business. This qualification must be issued by the State of New Jersey and is processed through the office of the Enterprise Zone Development Corporation Vineland and Millville. To be certified, the project under consideration must be located within the geographic limits of the City section of the UEZ zone.

The approval and disbursement of Urban Enterprise Zone (“UEZ”) Assistance Funds (first or second-generation) is contingent upon the Company/Borrower remaining a UEZ certified business while meeting and maintaining all outstanding tax obligations to the State of New Jersey.

Furthermore, existing recipients/borrowers must remain a UEZ certified business while meeting and maintaining all outstanding tax obligations to the State of New Jersey to continue their existing UEZ loans. Failure to comply with this mandate, may result in default and repayment of their outstanding loan balance(s).

To verify your current certificate status or to certify your business under the UEZ program, please contact Denise Jackson, UEZ Administrator @ (856) 563-0440.

VII. Eligible Use of Funds

The Loan Program funds are restricted in use to investments in fixed assets. Examples of fixed assets include the following:

- 1.) The acquisition of real property,
- 2.) The construction of a new facility or expansion of existing facility*,
- 3.) The rehabilitation or improvements to existing real property (leasehold improvements may be eligible)*,
- 4.) Site development and improvement*, and
- 5.) The acquisition of fixed machinery and equipment with a minimum certifiable life of five years or useful life in accordance with Internal Revenue Code Standards. In no case will the maximum term of over five years be used for fixed machinery and equipment unless approved by the Loan Committee.

Working capital, inventory financing and accounts receivable loans are **ineligible** for inclusion in the traditional UEZ Loan Program and **will not** be considered. Motor vehicles, including trucks, vans and automobiles is **prohibited** and **will not** be considered. Equipment such as a forklift or other device designed to facilitate manufacturing or other activity within the confines of the structure or facility will be permitted. Office equipment such as tables, chairs, desks, typewriters, computers, and related equipment are **ineligible**. However, permanently constructed or installed workstations such as floor-to-ceiling partitions, though removable, may be considered an eligible expense upon inspection.

UEZ Loan applicants must also meet the credit standards and underwriting requirements of their chosen lending institution (through the lenders application and underwriting process) as well as the underwriting standards and requirements of the Loan Programs outlined in this document.

Use of First Generation UEZ funds is governed by N.J. Statute. Second Generation UEZ funds are subject to the same utilization criteria as First Generation Funds.

***If any Loan Program Funds are used for construction and/or renovation purposes, the borrower and contractor must adhere to the Davis-Bacon Act regarding prevailing wages. In addition, any construction or rehabilitation of properties must adhere to the local zoning and planning codes. This is the responsibility of the borrower.**

VIII. Loan Committee Structure

The Loan Program Committee consists of three appointed Vineland members and the Mayor. The Mayor appoints the members of the Vineland Loan Committee, whom are also members of the Enterprise Zone Development Corporation of Vineland and Millville, with the advice and consent of the governing body. One of those members must be a city councilperson, with the other two members being members of the business community.

IX. Loan Types

First Generation Loans

These loans ("First Generation Loans") are currently funded by a portion of sales tax receipts collected in the Vineland UEZ. The following are guidelines for the First Generation Loan Program:

- a.) Maximum loan amount is equal to or less than one-third (33.33%) of the hard costs or eligible costs of the project (subject to an equity contribution/position based on the primary lender's requirement or the 10.00% minimum for the Loan Program). Total loan-to-value ("LTV") must be 90.00% or less.
- b.) Maximum maturity of a First Generation Loan will be up to 20 years. Any term shall not exceed the term of the primary lender loan, if applicable and/or the depreciable life as determined by the Internal Revenue Service ("IRS") for machinery and/or equipment. Maximum term shall not exceed 5 years for machinery or equipment.

- c.) Minimum initial interest rate is 5.00%, fixed.
- d.) A junior lien position on collateral not to extend beyond 2nd position will be considered on real estate or equipment. A first lien position will be required for the UEZ loan when seller financing is involved (can be changed by Loan Committee approval only).
- e.) Residential development is not eligible.
- f.) Must meet criteria outlined herein.

*** The UEZ Loan Committee may change interest rates or terms with the approval from City Council.**

Second Generation Loans

These loans (“Second Generations Loans”) are currently funded by repayments of First Generation Loans as well as repayments from the existing Second Generation Loans. The following are guidelines for the Second Generation Loan Program:

- a.) Maximum loan amount is equal to or less than one-third (33.33%) of the hard costs or eligible costs of the project (subject to an equity contribution/position based on the primary lender’s requirement or the 10.00% minimum for the Loan Program). Total loan-to-value (“LTV”) must be 90.00% or less.
- b.) Maximum maturity of a Second Generation Loan will be up to 20 years. Any term shall not exceed the term of the primary lender loan, if applicable and/or the depreciable life as determined by the Internal Revenue Service (“IRS”) for machinery and/or equipment. Maximum term shall not exceed 5 years for machinery or equipment.
- c.) A junior lien position on collateral not to extend beyond 2nd position will be considered on real estate and/or eligible equipment. A first lien position will be required for the UEZ loan when seller financing is involved (can be changed by Loan Committee approval only).
- d.) Residential development is not eligible.
- e.) Must meet criteria outlined herein.

*** The UEZ Loan Committee may change interest rates or terms with the approval from City Council.**

Cumberland Empowerment Zone Corp. (“CEZ”)

Certain areas of the Vineland UEZ Zone, **Census Tracts 401 and 402**, as well as the Vineland Industrial Parks properties are eligible for Cumberland Empowerment Zone funding. Currently, the CEZ may provide funding for 50% of an eligible project with the UEZ providing a 50% portion of the loan commitment. The CEZ current interest rate is project specific and shall be quoted by the Cumberland Empowerment Zone only. The UEZ loan interest rate and term will be quoted by the UEZ.

Vineland Redevelopment Area Loan (“VRAL”)*

This program was created to encourage private investors to develop and improve real estate property located within the boundaries of the Vineland Redevelopment Area (“VRA”). The redevelopment area was deemed an “area in need of redevelopment” by resolution as delineated on the Center City Redevelopment Area Map. The City benefits from the program by increasing real estate rates, upgrading the VRA, new jobs, and increased sales tax receipts.

- a.) Maximum loan amount is equal to or less than fifty percent (50.00%) of the hard costs or eligible costs of the project (subject to an equity contribution/position based on the primary lender’s requirement or the 10.00% minimum for the Loan Program). Total loan-to-value (“LTV”) must be 90.00% or less.
- b.) Interest rate and terms for the program are based on the Second Generation loan program guidelines and criteria mentioned above.
- c.) A junior lien position on collateral not to extend beyond 2nd position will be considered on real estate. A first lien position will be required for the UEZ loan when seller financing is involved (can be changed by Loan Committee approval only).
- d.) Residential development is not eligible.

The UEZ Loan Committee may change interest rates or terms with the approval from City Council.

Save Vineland Jobs and Businesses Loan

Problem: Economic slowdown or unforeseen business slowdown. This situation has caused some of the City’s businesses, who produce products and services considerable financial stress. Obviously, a business owner’s first reaction, when faced with a loss of sales, is to reduce labor costs by way of temporary layoffs. If the economic slowdown is long enough, the business owners lose the ability to service fixed costs. Vineland cannot afford to lose any jobs. It is very difficult and expensive to replace jobs, and that does not include the costs of benefits paid to the unemployed.

Solution: The Administration, using its years of lending experience operating the Revolving Loan Program, can offer to all of these financially challenged businesses, a special loan program designed to assist them through this difficult time.

The Scope of the Program:

- Maximum Loan \$100,000
- Maximum Term 10 years

- Interest Rate Wall Street Journal Prime plus 3%
- No Pre-Payment Penalty

Use of Funds: Working Capital, Inventory Financing, Accounts Receivable Financing or similar type financing scenarios, that is not presently available from traditional lenders.

Criteria:

- Job Retention
- Impact on Local Economy
- Must be a certified business in the zone

Required Documentation:

- A completed and signed application
- A complete description of use of funds
- A business plan for repayment of the loan
- Three years of appropriate financial statements and federal tax returns
- A personal financial statement of each guarantor
- Collateral information if appropriate
- Schedule of debts and aging of accounts receivable and accounts payable
- A waiver of any default conditions from existing lenders, if applicable

Funding Requirements:

- **Borrower's Equity:** Applicant must demonstrate a positive net worth
- **Collateral:** A lien position via a mortgage filing or a UCC and Security Agreement will be required. Other forms of collateral and documentation that will properly secure and document the loan will be requested when appropriate.
- **Repayment Guarantees:** Personal guarantees of principals are required.
- **Costs:** The borrower will be responsible for all fees including appraisal, environmental assessments, and legal fees incurred to close loan.

Note: The Directors of the Loan Program reserve the right to waive any of the above requirements if they are considered a significant factor in causing the loss of any jobs in Vineland.

Micro Enterprise Loan

Individuals and small businesses in need of a business loan of up to \$35,000.00. The Micro Enterprise Loan Program of Vineland ("M.E.L.P.") will be administered similar to

the other Vineland Urban Enterprise Zone Loan Programs. The primary goal of the Program is to assist and create small businesses which will lead to the creation and enhancement of employment opportunities for Vineland citizens. The Program is designed to address a variety of conditions with priority given to the revitalization of downtown Vineland's small business district.

The micro loan program will provide direct "micro-loans" to small businesses – including start-ups, newly established or growing small businesses – which are unable to access capital through conventional lenders. This program will fill a unique and unmet credit need faced by many small and "emerging" businesses.

Eligible Use:

The loan proceeds can be used to for real estate acquisition, real estate improvements, in some instances leasehold improvements, acquisition of machinery and equipment, and in some instances for working capital and inventory. Land purchase or real estate purchase for speculation is not eligible nor is residential development (see "Loan Decisions and Loan Process" section for requirements).

Loan Amount:

Up to \$35,000.00.

Interest Rate:

The interest rate will be fixed at the time of the loan settlement with the rate based on the then Wall Street Journal Prime plus 3.00%, fixed (rate to be fixed at time of application). The interest rate policy is designed to encourage borrowers to refinance with traditional lenders once the business has been established to the point where it is bankable allowing program funds to revolve and serve additional borrowers.

Loan Term:

The term of the loan cannot exceed five (5) years.

Loan Collateral:

All appropriate business assets, personal guaranties and personal assets as necessary to collateralize the loan.

Eligible Businesses:

1. The borrower must qualify as a micro-enterprise (a business with no more than 10 employees including the owner).
2. Eligible businesses must be a Certified Urban Enterprise Zone ("UEZ") Business.
3. The types of eligible borrowers may include sole proprietors, partnerships, corporations and limited liability companies that will conduct commercial or industrial activities to be located in the Vineland Urban Enterprise Zone. Businesses from such sectors as manufacturing, service, retail and wholesale will qualify for the program. Some types of business such as passive investment firms, gambling establishments, banking institutions, owner-operator truckers, non profit organization, multi-level marketing and businesses not approved by the

City of Vineland due to zoning ordinances or codes will be ineligible. Eligible borrowers must be project occupants. No third party loans will be made.

4. All principals or borrowers must demonstrate financial responsibility to undertake the project.
5. Potential borrowers must demonstrate that adequate financing could not be secured through normal lending sources on reasonable terms and be unable to finance the project from their own resources.
6. In addition to providing individuals and businesses who have been historically underserved the financial opportunity to create and grow a small and/or micro-business, an education component through the New Jersey Small Business Development Center will be offered and will be a required component of the Program. Items such as business training, business plan development, skill development and a consultation must be explored by the borrower or applicant prior to submission of an application, if applicable. Applicants will be referred to the aforementioned or any other similar type organization available to assist applicants with the process. Working with a counselor before they submit their loan request will help determine what needs to be done to get a business started and will enable people to make better choices for themselves. Existing small businesses that display an historical existence and the necessary management capacity may not need to undergo the consultation or education component.

Geographic Coverage Area:

The program provides loans to small or start-up business located in the Vineland Urban Enterprise Zone ("VUEZ") only. Businesses located outside of the VUEZ will be referred to other programs providing similar type of assistance.

Loan Decisions and Loan Process:

M.E.L.P.'s Loan Committee will meet once a month to approve loan applications. Normally it takes 30 to 45 days to obtain all necessary approvals. The committee will base its decision for loan approval on whether a small business has demonstrated a need for the loan, the ability of the borrower to create jobs and/or provide a community service, the character and management ability of the principals, whether the cash flow generated or available is sufficient to repay the loan, and whether appropriate collateral has been pledged.

The following items will be required to process and review a loan application:

1. An application form must be completed and submitted by the borrower.
2. In the case of a start-up, submission of a business plan will be required.
3. Applicant must demonstrate that they have met with New Jersey Small Business Development Center or other similar type organization available to assist applicants with a business plan or the process, if applicable.
4. Statement on the use of funds along with supporting materials such as invoices and appraisals.
5. Existing businesses must submit up to 3 years of historical financial statements and Internal Revenue Service – Business Federal Tax returns.
6. Interim financial statements for existing or newly started businesses (can be in house prepared).

7. Projections will be required for a start-up business.
8. Personal financial statements and Internal Revenue Service – Individual Federal Tax Returns for principals for the past 3 years.

A non-refundable application fee of \$100.00 will be charged and collected with the application and will be utilized toward expenses if the loan is approved. This application fee is non-refundable should the loan be declined. All closing costs are to be paid by the borrower.

X. Loan Servicing Agent

Sun National Bank has been awarded a contract to service all loans. Any and all servicing costs associated with the loan shall be paid by the borrower.

XI. Required Documentation

- 1.) A completed and signed application, the form of which has been approved by the City and is available in the City of Vineland Office of Economic Development.
- 2.) A complete description of how the loan funds will be used outlining all sources of funds.
- 3.) Three years of annual financial statements and federal tax returns. If a corporation, forms 1120 or 1120-S; If a partnership or L.L.C., form 1065; and individual tax return, forms 1040. The tax returns must be signed. (Include K-1s).
- 4.) Interim financial statements will be required in the event of a short-life company or if the timing between the request and the most recent annual data is beyond six months. This information must be prepared by a Certified Public Accountant.
- 5.) Proforma or projections of income, expenses and cash flow for a start-up business.
- 6.) A personal financial statement for each principal or personal guarantor. This form must be signed and dated. A resume for each principal should be included.
- 7.) A copy of the Contract of Sale (Agreement of Sale) for real estate and/or purchase invoices for equipment acquisitions.
- 8.) Collateral information and description such as a copy of a deed & survey for real estate and serial numbers for equipment. Documentation such as an itemized list of equipment to be used as collateral should be included.
- 9.) Any and all leases (tenant profiles) for income producing properties must be included. A copy of a lease if the borrowing entity will be leasing a facility shall be included.
- 10.) Schedule of long and short-term debts payable showing the monthly payment obligation.
- 11.) Aging of accounts receivable and accounts payable.

- 12.) A copy of the Certificate of Incorporation, Articles of Incorporation, Partnership Agreement, L.L.C. Formation and Operating Agreements, any stockholder minutes or Consent in Lieu of Meeting showing names and titles of officers.
- 13.) Appraisals on real estate and/or machinery and equipment. (Any appraisals submitted as part of the application, must have been completed by an approved real estate or equipment appraiser. The contents of the appraisal must state the basis for the appraisal, including all computations, descriptions and qualifying statements regarding the property being appraised as well as a resume or list of qualifications of the appraiser). The need for an appraisal will be evaluated for each application.
- 14.) Environmental assessments (i.e. Phase 1 or Phase 2 and/or respective letters of non-applicability).
- 15.) Cost estimates for construction and/or renovation must be completed and submitted as part of the application package. Formal construction cost estimates by a general contractor should be submitted on Form AIA Document A101. Any construction draws will be based on Form AIA Document A102 (renovations will require invoices provided by the appropriate service provider or contractor). Any documentation pertaining to construction such as, but not limited to, posting of bond or letters of credit, permits, approvals in accordance with local codes and a certificate of occupancy upon completion.
- 16.) A Business Plan (for a start-up business).
- 17.) A \$250.00 application fee (\$100.00 application fee for the M.E.L.P. program) made payable to: Vineland Revolving Loan Fund. This fee will be used toward costs to process the application of all loan types.
- 18.) In addition to the application fee, the borrower will be responsible for payment of a 1.00% servicing fee for all loan types, closing costs, any legal costs incurred by the City to close the UEZ Loan and any fees associated with the underwriting of the UEZ Loan.

Any contracts and/or invoices will implicitly state the intention to comply with terms of the Federal Labor Standards, including the payment of prevailing wages, when applicable.

XII. Criteria

The Loan Programs are designed as an incentive program. The following will be analyzed as part of the decision making process. Applicants which meet the following criterion, in order of priority, will enhance the availability of funding their loan.

- 1.) Real estate tax ratable: Applications/projects which create or provide an increase in the local real estate tax ratable will be considered.

- 2.) Job Creation: Applications/projects which create the greatest number of jobs for the residents of the City will be given consideration.

A minimum of one (1) full-time job or two (2) part-time jobs must be created by each project. For projects which require more than \$25,000.00 of funding, a ratio of one (1) full-time or two (2) part-time jobs must be created or retained for every \$25,000.00 (\$12,500.00 for each part-time job) of funding provided by the Loan Program. A job can be full-time or part-time, however, a part-time job must require a minimum of 20 hours per week or one-seven day period. Any jobs retained must be preserved throughout the term of the loan provided by the Loan Program.
- 3.) Revitalization of existing facilities: Applications/projects which plan on revitalizing existing facilities deemed strategic for the economic development of the City will be considered.
- 4.) Product/service provides an impact on local economy: Applications/projects which provide a service or product which impacts the local economy will be considered.
- 5.) Future growth of a private or public for profit enterprise business: Applications/projects which provide for future growth of a business which could lead to increased employment will be considered.
- 6.) Positive effects: Applications/projects which have one or multiple positive economic effects for the City will be considered (i.e. the use of local service providers or merchants for the purchase of materials, goods and services which will impact the local economy will also be considered).

XIII. Funding Requirements

- 1.) Borrower's Equity: Applicants must have available a contribution equal to at least 10 percent of the total project funding (all financing sources). This equity must be in the form of actual cash investment. Collateral equity, or a combination of both would have to be approved by the Loan Committee. Borrower's equity may not be required for M.E.L.P. or Save Vineland Jobs loan programs.
- 2.) Collateral: Only hard assets such as real estate and equipment will serve as collateral to secure the UEZ Loans. The Enterprise Zone Development Corporation of Vineland and Millville will obtain a lien position via a mortgage filing or UCC and Security Agreement to insure that the loan is properly secured and the credit risk is minimized. Total loan-to-value ("LTV") must be 90.00% or less.
- 3.) Debt Service Ratio: A minimum debt service ratio of 1.20x must be evident.
- 4.) Repayment Guarantees: Personal guaranties as well as corporate guaranties will be obtained when applicable.
- 5.) Disposition, transfer, prepayments and sale of secured property: Upon any refinancing, sale, transfer in title or other disposition of the secured property

during the term of the loan, any outstanding loan balance shall become immediately due and payable to the Vineland Revolving Loan Fund. In case of prepayment of the primary lender loan, the UEZ loan will become due and require payment of any outstanding loan balances.

- 6.) Other: Other forms of collateral and documentation that will properly secure and document the loan will be obtained when necessary.
- 7.) Costs: In addition to a \$250.00 application fee (\$100.00 for M.E.L.P. Loan Program), the borrower will be responsible for any and all fees including but not limited to appraisal, environmental assessments and legal fees incurred to close the loan. A 1.00% servicing fee will also be assessed.
- 8.) Other Costs: Costs which the municipality will incur to provide support and services for each applicant will be the responsibility of the borrower.
- 9.) Loan settlement / closing: Loan to close simultaneously with primary lender loan when applicable.

Non-Profit Corporations

Non-profit corporations will be subject to the same guidelines and criteria mentioned in this document as for profit enterprise. In addition, non-profit corporations will be required to enter into a Payment-In-Lieu-Of-Taxes ("P.I.L.O.T.") agreement with the City of Vineland for municipal taxes.

Note:

The creditworthiness of the applicant as determined by the primary lender and the Loan Program Underwriting, Loan Committee, and the previously mentioned criteria, will determine approval or denial of a UEZ Loan.

The Loan Committee of the Loan Program reserves the right to waive any of the above requirements should any of the above requirements become or be considered a deterrent to economic development or the worthiness of a project.

Any information contained in this document is subject to change without notice.

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