

**CITY OF HAMMOND
JOB CREATION AND
BUSINESS EXPANSION PROGRAM**

PROGRAM GUIDELINES
(Revised December 5, 2014)

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*These guidelines are subject to amendment without notice

PROGRAM SUMMARY

The Hammond Job Creation and Business Expansion Program was established with Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development (HUD). The purpose of the program is to provide financial assistance to local businesses in order to provide economic opportunities in the City of Hammond. The program is intended to serve businesses that are unable to obtain private financing. In exchange for financing, the assisted business must agree to create new job opportunities for low-moderate income persons.¹

The program offers the following benefits:

- 0% interest
- The loan is forgivable after 3 years if all reporting requirements are met.
- Up to \$30,000 available for each permanent, full-time equivalent position created.

1. ELIGIBILITY CRITERIA

Applicant Eligibility

The applicant must be a for-profit business located within the City of Hammond. The program is designed to assist new and growing businesses that are unable to obtain financing from private sources. Eligible applicants must be able to demonstrate:

- how the assistance will enable the business to expand operations and expand its workforce;
- the proposed use of the loan proceeds will not have any deleterious effects on adjacent properties or the neighborhood;
- that the applicant was not able to secure private financing at acceptable terms; (A bank rejection letter is necessary);
- 10% equity is preferred

All applications must include two copies of a current business plan.

If applicants need assistance in developing their business plans, they are encouraged to contact either the NWI Small Business Development Center or the Hammond Innovation Center for assistance.

¹ Low- and moderate income is defined as a household income less than 80% of the area median family income.

Eligible Use of Loan Proceeds

Loan proceeds may be used for the following purposes:

- Machinery and Equipment
- Working Capital
- Inventory Purchase
- Building and Land Acquisition
- Building Construction, Expansion and Renovation

Loan proceeds may not be used to refinance existing debts. Closing costs may be financed as part of the total project cost.

Federal Requirements

The funding for this program is made possible by the Community Development Block Grant (CDBG), a federal program whose primary purpose is to benefit low-moderate income persons. Applicants must be able to demonstrate that the proposed use of funds will further the objectives of the CDBG program to create economic opportunities and create a more suitable living environment.

Job Creation Requirements

- Within thirty days of receiving assistance, the applicant must create at least one permanent, full-time position or full-time equivalent (FTE) of part-time hours for each \$30,000 of assistance. However, more favorable consideration will be given to applicants who will create a higher number of jobs relative to the amount of assistance provided.
- Within thirty days of receiving the loan, the applicant must provide documentation to the Department of Planning & Development detailing the new employee's information. Required information includes: Name of employee; employee's address; proof that the new employee is a low-moderate income, Hammond resident; employee's complete job description; employee's wages; and hours that the employee will be working. The information provided in this letter will be used to verify future reports.
- The applicant must agree to make at least 51 percent of the newly created jobs available to low-moderate income persons living in Hammond.² The jobs must remain in place for the term of the assistance.

² If a majority of jobs created are not actually filled with Hammond low/moderate income individuals, the applicant must document to the satisfaction of the Economic Development department that a sufficient number of Hammond low/moderate income persons were given first consideration.

- The applicant must agree to provide training for jobs requiring special skills or education.
- The applicant must agree to satisfy the performance reporting requirements detailed below.
- In the event that the employee leaves the company before the three year period has expired, it is the responsibility of the applicant to notify the Economic Development Director in writing within five (5) business days of the employee leaving. The applicant will then have a period of thirty (30) days to replace the employee. If the position remains open for more than thirty (30) days, the loan shall become immediately due and payable.

Suitable Living Environment Requirements

Applicants must be able to demonstrate that the proposed use of funds will further the objectives of the CDBG program to create a suitable living environment. To do this, the applicant must describe how the proposed use of funds will have a positive impact on the immediate neighborhood. Any negative effects on adjacent properties or the neighborhood must be addressed and a plan to mitigate any negative effects must be provided. No loans will be made to drinking establishments or stores whose main business is the sale of alcoholic beverages.

2. UNDERWRITING GUIDELINES

The City will perform an underwriting review for each application to ensure that the proposed project is feasible and the requested amount of assistance is reasonable. The City will also review the business plan and financial statements of each applicant. Past credit history and personal assets will also be considered when determining credit-worthiness and financial need.

The City has adopted the underwriting guidelines outlined in the CDBG regulations. The objectives of the underwriting guidelines are to ensure:

- That project costs are reasonable;
- That all sources of project financing are committed;
- That to the extent practicable, CDBG funds are not substituted for non-Federal financial support;
- That the project is financially feasible; and
- That the return on the owner's equity investment will not be unreasonably high.

Federal Regulations

As this is a federally-funded program, the Economic Development Department will include the following in its funding decisions:

- The City will ensure assistance will be made available on a non-discriminatory basis. No applicant will be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex.
- Projects located within the 100-year flood plain will be reviewed carefully by the Economic Development Department staff to insure all aspects of the project are allowable within the flood plain. The purchase of flood insurance shall be required for properties located within the 100-year plain.
- If applicable, the Economic Development Department shall consult with the State Historic Preservation Officer to identify properties listed in or eligible for inclusion in the National Register of Historic Places and shall require the applicant to comply with all requirements established by HUD to avoid or mitigate adverse effects upon such properties.

- For businesses that are relocating more than 25 jobs, the City will review the proposed project to ensure it is within compliance of the CDBG job piracy regulations. Federal funds may not be used to relocate business from one labor area to another. (A labor area is generally defined as all areas within a radius of 35 miles). Therefore, program funds may not be used to move a business to Hammond from another labor area. The business must be located in an area zoned for either commercial or industrial use.

3. TERMS AND CONDITIONS

To receive financial assistance, all applicants must enter into a written agreement with the City. All terms and conditions of the financial assistance are subject to change based on the results of the underwriting review. In addition, the City reserves the right to adjust the terms for projects that demonstrate the ability to satisfy the community development objectives of the City.

Term

The term of the assistance agreement is three years.

Interest Rate

0%.

Payment

- If the applicant remains in compliance with the job creation requirements for 3 years, the amount of the assistance will be forgiven. However, in the event that applicant does not comply with all of the Program requirements for 3 years, the entire amount of the assistance shall become immediately due and payable.

Collateral Requirements

Collateral is required to secure the loan. A personal guarantee by the owner will be required for all loans to corporations.

Relocation

If the business relocates out of Hammond during the term of the loan, the loan will be immediately due and payable in full.

Loan Cancellation Provision

The Economic Development Department reserves the right to cancel an approved loan if the borrower fails to commence the project within the period of time specified in the job creation/retention agreement or if the borrower fails to submit the paperwork required for the loan closing within the time period specified in the agreement.

Transfer of Assets Financed

Ownership or leasehold interest of assets purchased or improved through this program may be transferred only with the prior written approval of the Economic Development Department.

Performance Reporting and Evaluation

The applicant is required to provide an annual report to the Department of Economic Development detailing compliance with the job creation requirements of the written agreement. Annual reports will include: tax returns, payroll records, and the results of hiring. Failure to provide regular reports of compliance may result in the loan becoming immediately due and payable.

Economic Development Department staff reserves the right to conduct periodic on-site visits to the business to observe how loan funds have been spent, how many people are employed, and to obtain financial information. All duly-authorized representatives of the City of Hammond, the Department of Housing and Urban Development, and the Comptroller General of the United States shall, at all reasonable times, have access to any books, documents, papers, and records of the contracts that are directly pertinent to the project for a period of time of three (3) years after the assistance is provided and all matters closed.

Federal Labor Standards Provision

When CDBG funds are used to fund a project involving construction or building renovation, the contractors performing the work must comply with Federal Labor Standards. These regulations mandate that all laborers are paid at the current prevailing wage specified by the U.S. Department of Labor. All contractors hired to perform work on the project shall be required to obtain a current wage determination from the City of Hammond's Compliance Officer before submitting a bid. The contractor will also be required to attend a meeting with the City Compliance Officer before any construction begins. The Compliance Officer will explain the regulations and distribute the reporting forms to the contractors. Contractors will be required to submit periodic payroll reports throughout the project.

4. Application Process

Fees

A one-time, non-refundable application fee of \$100.00 will be charged to the borrower at the time of application. Any incidental costs incurred by the applicant while participating in this program are the responsibility of the applicant. Such costs may include but are not limited to recording fees, legal fees, and closing costs. Approved applications will be assessed an additional \$100.00 processing fee.

Review Schedule

Review will commence upon receipt of the application and requested supporting documentation. Applicants are advised that the application review process may take up to three weeks. Completed applications which are given a favorable recommendation from the Loan Review Committee will be submitted to the Hammond Redevelopment Commission for approval. Applications submitted without all requested documentation will be considered incomplete, and will not be submitted to the Loan Review Committee until all requested documentation has been received.

Approval and Disbursement

If the application is approved by the Redevelopment Commission a claim for disbursement in the amount of assistance will be submitted to the City Council for their approval. Upon approval by the City Council and receipt of supporting documentation, a check for the amount of assistance will be prepared and disbursed to the loan applicants and/or vendor(s). Applicants should note that the time between initial loan application and actual funds disbursement may take two months or more.