

CITY OF SAVANNAH, GEORGIA

REVOLVING LOAN FUND PLAN

Administrative Plan Update

April 2023

EDA RLF Project No. 04-39-04101

Adopted by City Council: November 9, 2023

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SECTION I: REVOLVING LOAN FUND STRATEGY

Name of the RLF Organization

City of Savannah
Post Office Box 1027
Savannah, Georgia 31402

Lending Area

City of Savannah, Georgia

Region’s Comprehensive Economic Development Strategies

The Coastal Regional Commission serves as the Economic Development District for 10 counties including Coastal Georgia and prepares the region’s Comprehensive Economic Development Strategy (CEDS) every five years. The CEDS analyzes regional economic conditions and serves to establish regional goals and objectives, develop and implement a regional plan of action, and identify investment priorities and funding sources. The CEDS is a regional plan and informs but does not replace local plan documents for the City of Savannah and Chatham County.

The Coastal Regional Commission’s 2023 CEDS plan builds off the work established in the region’s last comprehensive plan adopted in 2018 which identified general economic conditions of the region including:

1.	Commuting Pattern	22.3% Working in Coastal Georgia but Living Outside
2.	Gross Regional Product	Chatham takes the highest percentage, at 51.8 percent. Nearly thirty Fortune 500 companies are located in Chatham County according to Coastal Workforce Development Board (CWDB)
3.	Income and Wages	Median household income from 2000 to 2015: Chatham ranked number 34 in the state. Per Capita Personal Income in Coastal Georgia increased 12.6 percent from 2010 to 2015.
4.	Unemployment Rate	Chatham County is one of the top three counties very close to the nation’s level of 4.7 percent.
5.	Industry	Examining the 10 counties together from 2012 to 2016, the industries in terms of the absolute number of jobs created as well as the growth rate of employment were Leisure and Hospitality, which grew by 25.9 percent over 5 years. The Education and Health Services industry grew by 19.2 percent; followed by Unclassified, at 17.2 percent. Both Construction and Manufacturing have noticeably grown by 6 percent. The industry

		that suffered the greatest job losses included Natural Resources, Mining and Agriculture, which decreased by 18.8 percent.
6.	Economic Cluster	<p>The Coastal Region is home to over 150 registered foreign-owned companies. Over 90 of these companies directly relate to the clusters of the region with the most dominant influence being related to the Port of Savannah and the Logistics/Transportation cluster. The main clusters and their auxiliary industry (potential industries) in Coastal Region are identified and grouped as the following:</p> <ol style="list-style-type: none"> 1. Logistics/Transportation 2. Hospitality/Tourism Attractions Accommodations Services 3. Business Services 4. Aerospace Vehicles and Defense 5. Paper and Packaging <p>There are 67 percent traded cluster and 33 percent local clusters in Coastal Georgia.</p>

The Coastal Regional CEDS established seven broad goals for economic development in the region. These goals include 69 objectives and strategies for goal achievement. Of the seven established goals, goal six most directly relates to the assistance of business development through financing tools such as a revolving loan fund. The seven goals include:

1. SUSTAINABLE NATURAL AND CULTURAL RESOURCES.

Goal #1: Conserving the region’s sense of place and identity as a hub for visitors and residents to experience the unique character of Coastal Georgia.

- a. Identify and protect natural and cultural resources so they are sustained for the use and enjoyment of future generations.
- b. Promote regional approaches for growth management and planning to ensure new development supports environmental sustainability.

Goal #2: Building an environmentally resilient region, equipped to confront the threats of climate change.

- a. Educate regional communities about the need for and importance of confronting the challenges of climate change.
- b. Bolster infrastructure preparedness to address the climate change challenges.

2. HEALTHY LIVING COMMUNITIES.

Goal #3: Create livable communities that serve residents of all ages and abilities.

- a. Promote planning principles and policies to create livable communities that serve residents throughout all stages of life.
- b. Work with local partners to plan for and implement attainable housing policies so residents can live and work in their communities.

Goal #4: Prioritizing the wellbeing of the region’s residents to help achieve a high quality of life.

- a. Invest in partnerships and promote planning policies to address the lack of mental and physical health resources in the region.

b. Improve public health through the built environment.

3. PROSPEROUS ECONOMY.

Goal #5: Building an economically vibrant region that competes internationally for quality jobs and businesses.

- a. Foster a business-friendly environment by developing and implementing a robust CEDS and expanding access to capital and innovative technologies.

Goal #6: Developing an equitable economic where opportunities are accessible and economic mobility is attainable.

- a. Ensure equitable access to quality education, training, and employment opportunities.

4. ENHANCED INFRASTRUCTURE.

Goal #7: Building a comprehensive infrastructure strategy to meet the needs of a modern workforce and the residents of the region.

- a. Ensure long-term access to quality water, while protecting the coast's vulnerable environment.
- b. Promote an equitable, reliable, and environmentally conscious transportation network to serve the demands of the region and spur economic growth.
- c. Expand access to digital infrastructure and increase regional cybersecurity.

Strategies to stimulate entrepreneurship under goal six include:

- Promote economic diversification
- Protect and maintain the strong regional military presence to ensure economic stability and to provide a high-quality workforce
- Promote distribution of business and industry across the region consistent with the Regional Plan.
- Coordinate with the Georgia Ports Authority (GPA) to promote job opportunities, and minimize the impacts of port expansion on the environment and transportation network.
- Promote downtown revitalization efforts to enhance job creation and location of business and offices within downtown areas
- Incorporate current and future needs for housing, infrastructure, and natural resource protection into economic development initiatives
- Develop and promote incentives to enhance and grow regional cultural, eco and agri-tourism, particularly for inland areas
- Protect traditional Coastal Georgia industries, such as seafood, the paper industry and wood pellet production
- Promote Southern Passages (US 17) as a scenic route and encourage designation as a National Heritage Corridor
- Ensure equitable access to quality education and employment opportunities
- Attract businesses offering well-paying jobs and provide the training and education for the unemployed and underemployed to fill them
- Enhance workforce development by collaborating with business, industry, and planning of educational entities that provide necessary workforce skills

Local plans are also intended to inform the development of the CEDS as well as put forth strategies that will positively impact the economic development within the region at the county or municipal level. The City of Savannah's Housing and Community Development Plan includes further analysis of the local economic conditions and barriers to economic development.

Additional areas of economic need cited by residents and service providers are financial literacy and money management education, accessible job training, employment assistance programs, and better transportation or transportation assistance to available jobs and job centers. Long term economic trends are changing the types of jobs available and the skills necessary to compete.

In order to address these needs, the City of Savannah has developed the following goals and measurable objectives to be achieved in coordination with community partners over the next five years:

- Meet the needs of the community, assist families in becoming economically stable, and enhance the quality of life for all citizens by addressing individual or family needs and/or-increasing capacity to become economically stable through educational advancement, job training, employment, financial education, and asset-building.
- Foster a local business economy that is inclusive and provides opportunities for all enterprises by facilitating the creation or expansion of small businesses, inclusive of minority and women-owned businesses; and providing technical assistance, business development training assistance and referral services to existing and prospective entrepreneurs.
- Develop and sustain a skilled workforce linked to a diverse group of industries by developing job skills, work readiness and soft skills among low- and moderate-income residents; creating full-time jobs for low-and- moderate income persons through City-funded loan programs; and creating traditional and non-traditional learning opportunities for low-and-moderate income persons.

The revolving loan fund directly assists entrepreneurs facing barriers to accessing capital. The revolving loan fund program addresses the economic development needs identified through the Coastal Regional Comprehensive Economic Development Strategy.

Economic assistance strategies include:

- a. Creating jobs by assisting existing and potential businesses owners who reside within the city limits with priority given to businesses located north of Victory Drive.
- b. Educating and training business owners, through management and technical assistance, training, to develop sound business plans and to manage their small businesses effectively.
- c. Maximize business success rates by combining financing programs with business advisement and management assistance programs.
- d. Facilitate the exchange of information on small business opportunities for small businesses and entrepreneurs.

Business Development Objectives

The Martin Luther King Jr. Revolving Loan Fund was created to assist with the expansion of existing small businesses and encourage the formation of new small business enterprises. The "Target Area" is city-wide with a focus on the areas identified on the 2023 Low and Moderate Income (LMI) census tracts map. (map attached)

The overall goal of the Martin Luther King, Jr. Revolving Loan Fund is to improve economic opportunities within the target area and improve this community's ability to compete economically by stimulating private investment and increasing rates of employment and business ownership among residents of the target area that are equal to or greater than rates for the community as a whole. Along with jobs for low-and-moderate income persons, these new and expanded businesses will provide additional goods and services to business owners, residents and tourists within the target area and the community.

To accomplish these goals, the City of Savannah and its economic development partners will endeavor to achieve the following objectives:

1. Facilitate the creation and/or expansion of small businesses within the target area.
2. Fund and support loan programs with competitive incentives to assist small, emerging and established businesses including Minority and Women-Owned Business Enterprises (M/WBE's).
3. Support business creation and expansion that results in the creation and retention of full-time jobs for low to moderate income persons.
4. Develop and provide incentive packages for qualifying emerging and expanding small businesses in target neighborhoods to encourage the hiring of low and moderate income, underemployed and unemployed residents.
5. Prioritize assistance to underserved entrepreneurs to start, stabilize, and expand their businesses, which will contribute to a reduction in the persistent poverty afflicting Savannah.
6. Coordinate all business development and lending services with other local agencies providing business assistance and refer inquiries as appropriate. These agencies include the CITY's Savannah Entrepreneurial Center (SEC), the CITY M/WBE program, and other agencies as designated, to maximize RLF program benefits for eligible clientele.
7. Provide business development assistance, including lending initiatives in the CITY-designated Priority Corridors.

Analysis Of Local Capital Markets §307.9(b)(2)

There are several lenders in the Savannah market to distribute capital for businesses. These lenders, however, lack the capability of lending to the targeted businesses, due to their high-risk averse culture. Many lenders are being forced to cut back on lending due to the rise of interest rates set by the federal reserves. As the funding opportunities lower with other lenders, the City of Savannah's EDA RLF will become a more attractive source of capital. Partnered with the local Community Development Financial Institution (CDFI), Small Business Assistance Corporation (SBAC), there will be a greater influx of requests as the EDA RLF is more affordable, tolerant, and offered to small businesses. Our targeted businesses are still seeking capital to help start and expand their capacity. Finding affordable capital is where the EDA fund helps to meet this need greatly. Although the need to include other private capital with use of the EDA funds causes some setback, SBAC is able to assist and create the additional capital needed to complete a deal. SBAC's financing policies and portfolio standards are consistent with EDA's policies and requirements. Monitoring job creation, leveraging the EDA funds, and lending to small businesses within the City of Savannah's city limits are a few policies that are set in place. In addition, SBAC includes a scoring system with points added for targeted business.

RLF Financing Strategy

RLF Financing Needs

Existing and prospective entrepreneurs within the target area need financing for asset acquisition and working capital. However, these clients do not have access to conventional commercial lending programs due to the lack of private lender financial services geared to their needs. Many lenders are reluctant to provide small business loans due to the marginal nature of the business plan, inadequate business management skills, the inadequate profit margins on small loans and the excessive paperwork required on small loans. The absence of bank branches within the target area and conservative lending practices have also contributed to conditions in which public sector financial products are needed to augment the level of loans made available.

RLF Financing Niche

The Revolving Loan Fund will offer below-market rate loans to small businesses and entrepreneurs in the target area for working capital and fixed asset financing. The RLF will maximize assistance to viable small businesses and entrepreneurs in Savannah who cannot obtain conventional funding. These entrepreneurs may be employed in small businesses and desire to enter into business for themselves in the service or retail trades, but are not currently in business due to a lack of management skills, equity capital, financing or knowledge of business opportunities. To increase the probability of business success, additional services and technical assistance to these businesses will include business plan development, development of product or service information and knowledge, and comprehensive business management skills.

Prudent Management of the RLF Program

The RLF program will be operated in accordance with generally accepted accounting principles (GAAP) and the provisions of OMB Circular A-133, utilizing prudent underwriting and lending practices, to ensure compliance with local laws and filing requirements and to protect Federal and lender interests. This includes, but is not limited to loan processing, documentation, loan approval, collections, servicing, administrative procedures, collateral protection and recovery actions.

RLF Impact

The RLF program will result in expanded small business lending in the target area, strengthening the area and the community's economy, and creating or retaining semi-skilled employment opportunities in a community with a disproportionately high unemployment rate and economic inactivity. By investing in job creating business enterprises, net increases in disposable incomes to purchase goods, services, and housing will be realized. For every \$35,000 of loan proceeds, a job must be created or retained for a low to moderate income individual (based on household income); and provide substantial public or area benefits, thereby increasing the level of disposable income within the area.

RLF Financing Policies

Eligibility for RLF Loans

To encourage business growth and economic opportunity, the RLF program will offer below-market working capital and fixed asset financing to independently-owned and operated for-profit small businesses and entrepreneurs located in the target area. Eligible uses include:

- Land and building acquisition

- Construction and/or renovation of facilities (facilities must be utilized by the business applying for the loan)*
- Acquisition of machinery and equipment
- Purchase of inventory
- Working capital
- Furniture and Fixtures
- Business Acquisition (in certain circumstances) §307.17(c)

***Construction Loans.** All workers employed by Contractors or subcontractors on construction work costing over \$2,000 and financed in whole or in part with federal funds shall be paid wages at rates not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with the **Davis-Bacon Act**, as amended (40 U.S.C. 276a-276a.5 repealed and reenacted as sections 3141-3144, 3146 and 3147), and **The Contract Work Hours and Safety Standards Act**, as amended (40 U.S.C. Subtitle II, Part A, Ch. 37).

Loans will be considered for any applicant not qualified to receive conventional commercial loan funds. All loan requests will be evaluated to determine whether the borrower can obtain financing from other, private-sector lenders or existing SBA/HUD guarantee programs. Loan documents must include a signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. Alternatively, in lieu of a turn-down letter, there must be evidence demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed.

In addition, each loan will be evaluated in terms of its resulting economic impact on the target area and the community. These economic impact criteria include the business activity and level of new business income generated by the new or expanded business; the number of jobs created for low/moderate income residents of the target area; and the degree to which the loan will result in a positive economic impact on the community.

Loan Size

The minimum loan amount for an RLF working capital or fixed asset loan will be determined by the business needs of the particular borrower and the need for public-sector assisted financing. The maximum loan amount for an RLF loan will be established at \$150,000. In instances where loans would contribute to the substantial growth and welfare of target area residents and entrepreneurs, to the creation or retention of a large number of employment opportunities for low/moderate income individuals or to enable an extraordinary economic impact on the community, the maximum loan limits will be reconsidered. All RLF loans are subject to fund availability.

Loan Fees

The borrower is responsible for all closing cost associated with the loan

Interest Rates

The standard RLF interest rate is set at Prime rate, as stated in the Wall Street Journal, minus four percent (4%) for businesses in the target area with a floor of four percent (4%). Interest rates for businesses in non-target areas in Savannah will be set at two percent (2%) over the rate of the target area at the time of the loan. The minimum rate that will be charged will be the lesser of 4% points below prime or

maximum prescribed by state law and in no event shall that rate be less than the lower of 4% or 75% of prime.

Borrower Equity & Leverage Requirements

The type and amount of borrower equity and collateral required will vary depending upon the overall strength of the business to be financed, and the skills, experience and financial position of the borrower. In addition, the borrower's ability to repay the loan, and the specific uses of the RLF funds will be considered when establishing borrower equity requirements. RLF loans must be used to leverage private investment of at least two dollars for every dollar of such RLF loans.

Loan Collateral

A Schedule of Collateral will be obtained from all RLF loan applicants whose projects are selected to be packaged and submitted to the RLF Loan Review Committee. Loan collateral requirements will be determined on a case by case basis as each loan is reviewed and approved. A quantitative analysis of owner equity and collateral available will be conducted, with collateral defined as personal and business assets, including marketable securities, savings accounts, personal residences, equipment, accounts receivables and commercial real estate.

Loans will be secured by collateral to the maximum extent possible to ensure an adequate secondary source of repayment.

RLF Repayment Terms

Repayment terms for the RLF loans can be up to 20 years based on each business's financing needs. Repayment arrangements will include equal monthly payments on the outstanding principal and interest balances, deferred interest where warranted, end-of-term balloon payments where financially appropriate given cyclical or seasonal business conditions, and late payment penalties applied to all late payments.

In general, loan terms will not exceed the average useful life of the assets being financed. Loan terms will be as follows:

- Up to three (3) years for working capital and inventory
- Up to seven (7) years for fixed asset purchases
- Up to twenty (20) years for real estate acquisition or facilities improvement

Environmental Impact Reviews

Environmental impacts must be considered by Federal decision makers in their decisions whether or not to approve: (1) a proposal for Federal assistance; (2) the proposal with mitigation; or (3) a different proposal having less adverse environmental impacts. Federal environmental laws require that the funding agency initiate an early planning process that considers potential impacts that projects funded with Federal assistance may have on the environment. Each non-Federal entity must comply with all environmental standards, to include those prescribed under the following statutes and Executive Orders and must identify to the awarding agency any impact the award may have on the environment. In some cases, award funds can be withheld by the Grants Officer under a specific award condition requiring the non-Federal entity to submit additional environmental compliance information sufficient to enable to make an assessment on any impacts that a project may have on the environment.

The City of Savannah has an environmental review process in accordance with the intent of the

National Environmental Policy Act of 1969 and other Federal environmental mandates, as per the Assurances (SF 424D as revised) executed with the Economic Development Administration. No activity shall be financed which would result in a significant adverse environmental impact unless the impact is to be mitigated to the point of insignificance. The City's Human Services Department Grants Analyst conducts the Environmental Review and provides the environmental review results to SBAC to maintain with the loan file. The borrower is required to comply with applicable laws and statutes, including, but not limited to the following:

a. The National Environmental Policy Act (42 U.S.C. §§ 4321 *et seq.*)

The National Environmental Policy Act (NEPA) and the Council on Environmental Quality (CEQ) implementing regulations (40 C.F.R. Parts 1500 through 1508) require that an environmental analysis be completed for all major Federal actions to determine whether they have significant impacts on the environment. NEPA applies to the actions of Federal agencies and may include a Federal agency's decision to fund non-Federal projects under grants and cooperative agreements when the award activities remain subject to Federal authority and control. Non-Federal entities are required to identify to the awarding agency any direct, indirect or cumulative impact an award will have on the quality of the human environment and assist the agency in complying with NEPA. Non-Federal entities may also be requested to assist in drafting an environmental assessment or environmental impact statement if determined such documentation is required, but the Department of Commerce remains responsible for the sufficiency and approval of the final documentation. Until the appropriate NEPA documentation is complete and in the event that any additional information is required during the period of performance to assess project environmental impacts, funds can be withheld by the Grants Officer under a specific award condition requiring the non-Federal entity to submit the appropriate environmental information and NEPA documentation sufficient to enable to make an assessment on any impacts that a project may have on the environment.

b. The National Historic Preservation Act (16 U.S.C. §§ 470 *et seq.*)

Section 106 of the National Historic Preservation Act (NHPA) (16 U.S.C. § 470f) and the Advisory Council on Historic Preservation (ACHP) implementing regulations (36 C.F.R. Part 800) require that Federal agencies take into account the effects of their undertakings on historic properties and, when appropriate, provide the ACHP with a reasonable opportunity to comment. Historic properties include but are not necessarily limited to districts, buildings, structures, sites and objects. In this connection, archeological resources and sites that may be of traditional religious and cultural importance to Federally-recognized Indian Tribes, Alaskan Native Villages and Native Hawaiian Organizations may be considered historic properties. Non-Federal entities are required to identify to the awarding agency any effects the award may have on properties included on or eligible for inclusion on the National Register of Historic Places. Non-Federal entities may also be requested to assist in consulting with State or Tribal Historic Preservation Officers, ACHPs or other applicable interested parties necessary to identify, assess, and resolve adverse effects to historic properties. Until such time as the appropriate NHPA consultations and documentation are complete and in the event that any additional information is required during the period of performance in order to assess project impacts on historic properties, funds can be withheld by the Grants Officer under a specific award condition requiring the non-Federal entity to submit any information sufficient to enable to make the requisite assessment under the NHPA.

Additionally, non-Federal entities are required to assist in assuring compliance with the Archeological and Historic Preservation Act of 1974 (54 U.S.C. § 312502 *et seq.*, formerly 16 U.S.C. § 469a-1 *et seq.*); Executive Order 11593 (Protection and Enhancement of the Cultural Environment, May 13, 1971);

Executive Order 13006 (Locating Federal Facilities on Historic Properties in Our Nation’s Central Cities, May 21, 1996); and Executive Order 13007 (Indian Sacred Sites, May 24, 1996).

c. Executive Order 11988 (Floodplain Management) and Executive Order 11990 (Protection of Wetlands) Non-Federal entities must identify proposed actions in Federally defined floodplains and wetlands to enable to decide whether there is an alternative to minimize any potential harm.

d. Clean Air Act (42 U.S.C. §§ 7401 *et seq.*), Federal Water Pollution Control Act (33 U.S.C. §§ 1251 *et seq.*) (Clean Water Act), and Executive Order 11738 (“Providing for administration of the Clean Air Act and the Federal Water Pollution Control Act with respect to Federal contracts, grants or loans”)

Non-Federal entities must comply with the provisions of the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*), Clean Water Act (33 U.S.C. §§ 1251 *et seq.*), and E.O. 11738 (38 FR 25161), and must not use a facility on the Excluded Parties List (EPL) (located on the System for Award Management (SAM) website, SAM.gov) in performing any award that is nonexempt under 2 C.F.R. § 1532, and must notify the Program Officer in writing if it intends to use a facility that is on the EPL or knows that the facility has been recommended to be placed on the EPL.

e. The Flood Disaster Protection Act (42 U.S.C. §§ 4002 *et seq.*)

Flood insurance, when available, is required for Federally assisted construction or acquisition in flood-prone areas. Per 2 C.F.R. § 200.447(a), the cost of required flood insurance is an allowable expense, if it is reflected in the approved project budget.

f. The Endangered Species Act (16 U.S.C. §§ 1531 *et seq.*)

Non-Federal entities must identify any impact or activities that may involve a threatened or endangered species. Federal agencies have the responsibility to ensure that no adverse effects to a protected species or habitat occur from actions under Federal assistance awards and conduct the reviews required under the Endangered Species Act, as applicable.

g. The Coastal Zone Management Act (16 U.S.C. §§ 1451 *et seq.*)

Funded projects must be consistent with a coastal State’s approved management program for the coastal zone.

h. The Coastal Barriers Resources Act (16 U.S.C. §§ 3501 *et seq.*)

Only in certain circumstances can Federal funding be provided for actions within a Coastal Barrier System.

i. The Wild and Scenic Rivers Act (16 U.S.C. §§ 1271 *et seq.*)

This Act applies to awards that may affect existing or proposed components of the National Wild and Scenic Rivers system.

j. The Safe Drinking Water Act of 1974, as amended, (42 U.S.C. §§ 300f *et seq.*)

This Act precludes Federal assistance for any project that the EPA determines may contaminate a sole source aquifer so as to threaten public health.

k. The Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 *et seq.*)

This Act regulates the generation, transportation, treatment, and disposal of hazardous wastes, and provides that non-Federal entities give preference in their procurement programs to the purchase of recycled products pursuant to EPA guidelines.

l. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, commonly known as Superfund) (42 U.S.C. §§ 9601 *et seq.*) and the Community Environmental Response Facilitation Act (42 U.S.C. § 9601 *note et seq.*)

These requirements address responsibilities related to hazardous substance releases, threatened releases and environmental cleanup. There are also reporting and community involvement requirements designed to ensure disclosure of the release or disposal of regulated substances and cleanup of hazards to state and local emergency responders.

m. Executive Order 12898 (“Federal Actions to Address Environmental Justice in Minority Populations and Low Income Populations”)

Federal agencies are required to identify and address the disproportionately high and adverse human health or environmental effects of Federal programs, policies, and activities on low income and minority populations.

n. The Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. § 1801 *et seq.*)

Non-Federal entities must identify to Department of Commerce any effects the award may have on essential fish habitat (EFH). Federal agencies which fund, permit, or carry out activities that may adversely impact EFH are required to consult with the National Marine Fisheries Service (NMFS) regarding the potential effects of their actions, and respond in writing to NMFS recommendations. These recommendations may include measures to avoid, minimize, mitigate, or otherwise offset adverse effects on EFH. In addition, NMFS is required to comment on any state agency activities that would impact EFH. Provided the specifications outlined in the regulations are met, EFH consultations will be incorporated into interagency procedures previously established under NEPA, the ESA, Clean Water Act, Fish and Wildlife Coordination Act, or other applicable statutes.

o. Clean Water Act (CWA) Section 404 (33 U.S.C. § 1344)

CWA Section 404 regulates the discharge of dredged or fill material into waters of the United States, including wetlands. Activities in waters of the United States regulated under this program include fill for development, water resource projects (such as levees and some coastal restoration activities), and infrastructure development (such as highways and airports). CWA Section 404 requires a permit from the U.S. Army Corps of Engineers before dredged or fill material may be discharged into waters of the United States, unless the activity is exempt from Section 404 regulation (e.g., certain farming and forestry activities).

p. Rivers and Harbors Act (33 U.S.C. § 407)

A permit may be required from the U.S. Army Corps of Engineers if the proposed activity involves any work in, over or under navigable waters of the United States. Recipients must identify any work (including structures) that will occur in, over or under navigable waters of the United States and obtain the appropriate permit, if applicable.

q. The Migratory Bird Treaty Act (16 U.S.C. §§ 703-712), Bald and Golden Eagle Protection Act (16 U.S.C. § 668 *et seq.*), and Executive Order 13186 (Responsibilities of Federal Agencies to Protect Migratory Birds, January 10, 2001)

Many prohibitions and limitations apply to projects that adversely impact migratory birds and bald and golden eagles. Executive Order 13186 directs Federal agencies to enter a Memorandum of Understanding with the U.S. Fish and Wildlife Service to promote conservation of migratory bird populations when a Federal action will have a measurable negative impact on migratory birds.

r. Executive Order 13112 (Invasive Species, February 3, 1999)

Federal agencies must identify actions that may affect the status of invasive species and use relevant programs and authorities to: (i) prevent the introduction of invasive species; (ii) detect and respond rapidly to and control populations of such species in a cost-effective and environmentally sound manner; (iii) monitor invasive species populations accurately and reliably; (iv) provide for restoration of native species and habitat conditions in ecosystems that have been invaded; (v) conduct research on invasive species and develop technologies to prevent introduction and provide for environmentally sound control of invasive species; and (vi) promote public education on invasive species and the means to address them. In addition, an agency may not authorize, fund, or carry out actions that it believes are likely to cause or promote the introduction or spread of invasive species in the United States or elsewhere.

s. Fish and Wildlife Coordination Act (16 U.S.C. § 661 *et seq.*)

During the planning of water resource development projects, agencies are required to give fish and wildlife resources equal consideration with other values. Additionally, the U.S. Fish and Wildlife Service and fish and wildlife agencies of states must be consulted whenever waters of any stream or other body of water are “proposed or authorized, permitted or licensed to be impounded, diverted... or otherwise controlled or modified” by any agency under a Federal permit or license.

All state and local environmental review requirements with all applicable federal, state and local standards. The RLF will ensure that potential borrowers’ environmental submittal is reviewed.

- A site inspection of the property by a qualified inspector will be conducted, as well as an environmental audit, as appropriate.
- Loans that will lead to alteration of the physical environment (i.e. construction) will require compliance with the Georgia Environmental Policy Act
- A determination will be made whether a Phase I or Phase II environmental assessment is warranted for hazardous waste, given the size of the loan versus whether an unsecured position in a contaminated property is an acceptable risk for the RLF, A mechanism to mitigate adverse impacts.

EDA regulations require the preparation of a project Environmental Review Record (ERR) and Environmental Clearance before funds are expended or costs incurred. The overall governing legislation is the National Environmental Policy Act (NEPA). The City of Savannah is the responsible entity for conducting environmental reviews. The City must also determine whether the project meets other applicable statutory and regulatory requirements such as those of the Advisory Council on Historic Preservation, FEMA and the Environmental Protection Agency.

Environmental Review - General Responsibilities

Federal regulations require that the City of Savannah determine if project activities will cause adverse impacts to the human environment. The human environment is defined as the natural and physical environment and the relationship of people with that environment. In essence, the environmental review process must consider the ultimate effect of a proposed project, including the potential effects of the related project activities.

The environmental review must identify and address the physical, social, and economic impacts of each proposed activity prior to the City or its sub-recipients taking *action* on that activity. Any contractual obligation involving the proposed activity must leave “a way out” prior to completion of the environmental review. Practically, this means no contract may be let or work done on the site, whether publicly or privately funded, until the environmental review has been completed by City of Savannah program staff, and an environmental clearance has been issued.

Grant funds for choice-limiting activity costs may not be committed until the environmental review process has been completed. Environmental requirements vary according to the nature of the grantee’s project. Selecting activities that do not adversely affect the environment simplifies the environmental review process.

Program Requirements

A. Environmental Review Record (ERR)

City of Savannah staff will complete the Environmental Review Record for all federally assisted projects upon receipt of the request for environmental review from the subrecipient. If necessary, the City may engage consultants to perform the Environmental Review. The time required for completion of the ERR can vary from three weeks to three months. If the initial Environmental Assessment determines that an Environmental Impact Statement (EIS) or a Biological Assessment (BA) is necessary, the subrecipient will be required to make appropriate budget modifications to assure the costs of the EIS or BA are paid for from project funds.

After completing the Environmental Review Record, the City HSD staff may publish a notice of a Finding of No Significant Environmental Impact (FONSI) in a local newspaper declaring the intent to request release of project funds. The City HSD staff will send the subrecipient a contract with an Environmental Clearance Form to begin the project. Sub-recipients shall not implement any project activities or incur any project costs until the receipt of the Environmental Clearance from HSD.

Level of Environmental Review

Once the scope of the project is known you can determine the appropriate level of environmental review. There are five levels of review:

1. **Exempt:** Subject to §58.6 (applies to Part 58 only)
 - Includes planning, services, and administrative costs
2. **CENST:** Categorically Excluded, Not Subject to §58.5 (still subject to §58.6)
 - Includes CoC Program tenant-based rental assistance, operating costs, maintenance
3. **CEST:** Categorically Excluded, Subject To §58.5 (also subject to §58.6)
 - Includes: Economic development activities, including but not limited to, equipment purchase, inventory financing, interest subsidy, operating expenses and similar costs not associated with construction or expansion of existing operations.
4. **EA:** Environmental Assessment
 - Includes new construction, demolition, and major rehabilitation
5. **EIS:** Environmental Impact Statement
 - Applies to projects affecting 2,500 or more units or where a Finding of Significant Impact was made

Categorically excluded from NEPA, not subject to the related laws and authorities at 58.5 or 50.4 (CENST) – still subject to §58.6 applies to activities listed at [24 CFR 58.35\(b\)](#) (Part 58) which includes economic develop activities.

The loan will be reviewed to determine the impact of prospective loan proposals on the physical environment and to ensure compliance with applicable environmental laws and regulations prior to funding. Loan agreements shall also contain language to ensure borrowers, consultants, and/or contractors are aware of and have responsibility for complying with applicable environmental laws and regulations.

Ineligible Loans

RLF Capital shall not be used to:

- a. Acquire an equity position in a private business;
- b. Subsidize interest payments on an existing loan;
- c. Provide a loan to a borrower for the purpose of meeting the requirements of equity contributions under another Federal Agencies' loan program;
- d. Enable borrowers to acquire an interest in a business, either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;
- e. Provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit or any investments unrelated to the RLF;
- f. Refinance existing debt, unless:
 - (i) The Recipient sufficiently documents a “sound economic justification” for the refinancing and the RLF loan is not replacing private capital solely for the purpose of reducing the risk of loss to an existing lender(s) or to lowering the cost of financing; or
 - (ii) RLF Capital will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan. RLF Capital may be used for this purpose only if there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within a reasonable time frame approved by EDA (§307.17).
- g. Serve as collateral to obtain credit or any other type of financing without EDA's prior written approval (e.g., loan guarantees).
- h. Support operations or administration of the RLF Recipient.
- i. Undertake any activity that would violate EDA Property regulations found at 13 CFR part 314.
- j. Finance gambling activity, performances or products of a prurient sexual nature, or any illegal activity, including the cultivation, distribution, or sale of marijuana that is illegal under Federal law.
- k. Non-relocation. Recipient must not use RLF Award funds to induce the relocation of existing jobs within the U.S. that are located outside of Recipient's jurisdiction to within its jurisdiction in competition with other U.S. jurisdictions for those same jobs. In the event that EDA determines that RLF Award funds were used for such purposes, EDA may pursue appropriate enforcement action, including suspension of disbursements and termination of the RLF Award, which may include the establishment of a debt requiring the Recipient to reimburse EDA.

RLF Portfolio Standards

EDA/CDBG Fund Ratio

All transactions and accountings, including all RLF revenue and receipts and disbursements, will maintain the required 3:1 ratio of EDA\$75%:CDBG\$25%, which represents the original capitalization of this loan fund with 75% in EDA Funds (\$750,000.00) and 25% in CDBG local match funds (\$250,000.00), for the duration of the Revolving Loan Fund.

Private Leveraging Ratio

RLF loans must be used to leverage private investment of at least two dollars for every dollar of such RLF loans. This leveraging requirement applies to the RLF portfolio as a whole rather than to individual loans and is effective for the duration of the RLF's operation. To be classified as leveraged, private investment must be made within twelve (12) months prior to approval of an RLF loan, as part of the same business development project, and may include:

- i. Capital invested by the borrower or others;
- ii. Financing from private entities; or
- iii. The non-guaranteed portions and 90 percent of the guaranteed portions of any Federal loan. §307.15(c)(1)

Private investments will not include accrued equity beyond the current twelve-month period in a borrower's assets. §307.15(c)(2)

Anticipated RLF Investments in New Businesses, Business Expansions or Business Retentions

An estimated 50% of the loan funds will be loaned to target area small business owners and entrepreneurs to create new business enterprises employing currently unemployed and underemployed residents of the target area. An estimated 50% of the loan funds will be loaned to existing businesses that can expand markets and create additional employment opportunities or retain existing jobs. Loan policy regarding the percentage of loans made by business type will be determined considering the accumulated concentration of loans by business type. The RLF loan fund will be evaluated regularly to prevent undue concentrations of loans by business type, and adjustments made as needed.

Percentage of RLF Portfolio in Working Capital and Fixed Asset Loans

Approximately 25% of the EDA funds contributing to the RLF will be loaned for working capital financing and 75% loaned for fixed asset financing.

Overall Portfolio Cost Per Job Standard

The overall portfolio cost-per-job target for the RLF is one job created or retained for a low to moderate-income individual for every \$35,000 loaned. The RLF will concentrate on creating family-wage employment, primarily for low- and moderate-income families. Skilled and semi-skilled jobs in light manufacturing will be viewed as those more desirable for long-term employment. Applicants for loans utilizing CDBG funds must agree that 51% of their positions will be made available to low- and moderate-income persons.

SECTION TWO: OPERATIONAL PROCEDURES

Organizational Structure

Overview

The City of Savannah is the responsible entity for the Martin Luther King, Jr. Revolving Loan Fund Program. The City contracts with the Small Business Assistance Corporation (SBAC) to manage the RLF Program on the City's behalf, with overall monitoring oversight provided by the City of Savannah's Human Services Department.

The SBAC is a non-profit Community Development Financial Institution (CDFI), certified by the U.S. Department of Treasury, licensed by the U. S. Small Business Administration (SBA) and supported by the City of Savannah and the U.S. Department of Housing and Urban Development (HUD) to promote economic growth. The Small Business Assistance Corporation is governed by a volunteer Board of Directors that reflects the makeup and business development interest of the local market area. Contracted services performed by the SBAC include: identifying and/or developing financing opportunities; providing business assistance and advisory services; loan processing, credit analysis, loan write-up, loan closing, loan servicing, collections, and addressing/processing loan defaults and/or foreclosures. The staff of the City's Human Services Department is assigned to manage the RLF contract with SBAC, monitor RLF program performance and regulatory compliance, and coordinate reporting activities related to the RLF program.

SBAC Loan Committee Review and Board of Directors Ratification

The SBAC Loan Committee reviews and approves all loan applications for ratification by the SBAC Board of Directors. These are two distinct entities in which no voting member of the SBAC Board of Directors is represented on the SBAC Loan Committee and no voting member of the SBAC Loan Committee is represented on the Board of Directors.

Conflict of Interest §302.17

The RLF Program will be maintained at the highest standard to prevent conflicts of interest in connection with the use of RLF funds in lending or procurement of goods and services by the City of Savannah or its agents involved in the administration of the RLF program. To this end, Interested Parties shall not receive any direct or indirect financial interest or personal benefits in connection with the award of RLF funds or use of RLF funds for payment or reimbursement of costs. A financial interest may include employment, stock ownership, a creditor or debtor relationship, or prospective employment with the organization selected or to be selected for a sub-award. Interested Parties are prohibited from directly or indirectly soliciting or receiving any gift, gratuity, favor, entertainment or other benefit having monetary value for him/herself, or any other person or entity, from any person or organization obtaining or seeking to obtain assistance through the RLF program. Additionally, Special Rules for Revolving Loan Funds as prescribed in the Economic Development Administration regulation 13 CFR 302.17(c) Conflicts of Interest shall apply, **which prohibits:**

1. An Interested Party of a Recipient of an RLF Award receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans;
2. Any Recipient of an RLF grant from lending RLF funds to an interested Party; and

3. Any former board members of a Recipient of an RLF Grant and members of his or her Immediate Family from receiving a loan from such RLF for a period of two (2) years from the date that the board member last served on the RLF's board of directors.

Definitions

An "Interested Party" is defined in 13 CFR. 300.3 as "any officer, employee or member of the board of directors or other governing board of the Recipient, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of the Recipient, such as agents, advisors, consultants, attorneys, accountants or shareholders." An Interested Party also includes the Interested Party's "Immediate Family" and other persons directly connected to the Interested Party by law or through a business arrangement.

An "Immediate Family" means a person's spouse (or domestic partner or significant other), parents, grandparents, siblings, children and grandchildren, but does not include distant relatives, such as cousins, unless the distant relative lives in the same household as the person.

The purpose of the Conflict of Interest policy is to establish conflicts of interest guidelines that meet or exceed the requirements under state law and local policy when procuring goods (apparatus, supplies, materials, and equipment), services, and construction or repair projects paid for in part or whole by federal funds and required under 2 CFR §200.318(c)(1). This policy also applies to any subrecipient of the funds.

The employee responsible for managing the federal financial assistance award shall review the notice of award to identify any additional conflicts of interest prohibitions or requirements associated with the award, and shall notify all employees, officers, and agents, including subrecipients, of the requirements of this policy and any additional prohibitions or requirements.

The City and all subrecipients maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the City and all subrecipients may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity. If applicable, if subrecipient has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian tribe, the subrecipient must also maintain written standards of conduct covering organizational conflicts of interest.

Confidentiality

Confidentiality regarding financial information will be guarded at all times. No SBAC Board, Loan committee or staff member will use his official position or office to obtain financial gain for himself other than salary and/or reimbursement of expenses, or for any member of his household or for any business with which he or a member of his household is associated. Further, no SBAC Board, Loan Committee or

staff member will further his personal interests through the use of confidential information gained in the course of, or by reason of, his official position or activities in any way.

Risk Analysis System scoring §307.16

EDA shall evaluate and manage RLF recipients using a Risk Analysis System that will focus on such risk factors as: capital, assets, management, earnings, liquidity, strategic results, and financial controls. Risk analysis ratings of each RLF Recipient's RLF program shall be conducted at least annually and will be based on the most recently submitted Form ED-209 RLF report.

An RLF Recipient generally will be allowed a reasonable period of time to achieve compliance with risk factors as defined by EDA. However, persistent noncompliance with these factors and their limits as identified through EDA's Risk Analysis System over multiple Reporting Periods may result in EDA taking appropriate remedies for noncompliance as detailed in §307.21.

Allowable Cash Percentage §307.17

Allowable Cash Percentage means the average percentage of the RLF Capital Base maintained as RLF Cash Available for Lending by RLF Recipients in each EDA regional office's portfolio of RLF Grants over the previous year.

EDA shall notify each RLF recipient by January 1 of each year of the Allowable Cash Percentage that is applicable to lending during the Recipient's ensuing fiscal year. During the Revolving Phase, RLF Recipients must manage their repayment and lending schedules so that at all times they do not exceed the Allowable Cash Percentage.

RLF Income/Expenses §307.8

RLF Income is defined as interest earned on outstanding loan principal and RLF accounts holding RLF funds, all fees and charges received by the RLF, and other income generated from RLF operations. RLF Income excludes repayments of principal and any interest remitted to the U.S. Treasury pursuant to generally accepted accounting principles (GAAP) and §307.20(h).

RLF Income will be used only to capitalize the RLF for financing activities and to cover qualified and reasonable administrative expenses unless otherwise provided for in the grant agreement or approved in writing by the EDA.

During the revolving phase, RLF Income must be placed into the RLF Capital base for the purpose of making loans or paying for eligible and reasonable administrative costs associated with the RLF's operations. RLF Income may fund reasonable administrative costs, provided the following conditions are met:

- a. RLF Income is earned and the administrative costs are accrued in the same twelve-month (12) reporting period;
- b. RLF Income earned, but not used for administrative costs during the twelve-month (12) reporting period is made available for lending activities;
- c. RLF Income shall not be withdrawn from the RLF Capital base in a subsequent fiscal year (reporting period) for any purpose other than lending without the prior written consent of EDA;

- d. RLF Recipient shall not use funds in excess of RLF Income for administrative costs unless directed otherwise in writing by EDA. In accordance with EDA's RLF Risk Analysis System, RLF Recipients are expected to keep administrative costs to a minimum in order to maintain the RLF Capital Base.
- e. The Recipient completes a *Revolving Loan Fund Report (ED-209)* as required under 13 CFR §307.14.

When charging costs against RLF Income, the City of Savannah and the Small Business Assistance Corporation shall ensure compliance with all applicable federal cost principles and audit requirements as found in 2 CFR part 200 ("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Appendix XI, and OMB Circular, as applicable:

- a. 2 CFR part 225 (OMB Circular A-87 for State, local and Indian tribal governments)
- b. 2 CFR part 230 (OMB Circular A-122 for non-profit organizations other than institutions of higher education, hospitals or organizations named in OMB Circular A-122 as not subject to such Circular)
- c. 2 CFR part 220 (OMB Circular A-21 for educational institutions); and
- d. OMB Circular A-133 (and the related *Compliance Supplement*) for Single Audit Act requirements for States, local governments, and non-profit organizations.

Prudent Lending Standards & Accounting Principles

The City of Savannah as the Recipient and the Small Business Assistance Corporation as the sub-recipient lending agency will manage, service, and market the EDA/CDBG RLF in accordance with the CITY's Agreement with EDA and in accordance with the EDA and CDBG regulations. In addition, the current EDA RLF Administrative and program guidelines provided by EDA to the CITY and by the CITY to the SUBRECIPIENT, and all other applicable Federal regulations, will apply.

The City of Savannah as the Recipient and the Small Business Assistance Corporation as the lending agency shall utilize generally accepted underwriting and lending practices for public loan programs, in compliance with local laws and filing requirements and based on sound judgment to protect Federal and lender interests. This includes, but is not limited to loan processing, documentation, loan approval, collections, servicing, administrative procedures, collateral protection and recovery actions. Additionally, in accordance with GAAP, a loan loss reserve may be reflected in the RLF financial statements to show the fair value of an RLF's loan portfolio, provided it is an unfunded loan loss reserve.

Loan Write-Up (Underwriting)

A loan write-up will be prepared for each RLF loan application submitted to the RLF Loan Review Committee. The write up will document the following information:

1. Borrower eligibility for RLF loan;
2. An analysis of the operating and financial history of the business;
3. Personal financial analysis of the business' principal's and guarantor(s), including three (3) years of tax returns; credit reports; schedule of outstanding debt; and details of the owner's equity investment in the business.

4. A profile of the applicant, other business owners and their percentage of business, and existing or proposed management personnel;
5. Purpose of Loan: Fixed asset financing, working capital, etc.; the product or service line for which RLF funds will be used; and a profile of the market targeted for the product or service;
6. Proposed RLF financing, including documentation on how loan rate was determined, any additional available financing, and a break-even analysis;
7. A Schedule of Collateral and the ability of the applicant to repay the RLF loan;
8. Consistency of the application and proposed use of funds with RLF policies;
9. Public Benefit of loan in terms of jobs created and/or retained, business creation or expansion in the target area; and overall community benefit to be realized;
10. Job/Cost Ratio: Number of jobs created or retained in relation to the total loan amount;
11. Results of environmental reviews; and
12. Staff recommendations, including any contingencies.

Closing and Disbursement Procedures

All disbursements are to be made, tracked and documented in accordance with the commitment letter or authorization (if applicable) and prudent lending practices. Documentation requirements for customary uses are outlined in the escrow chart found in Appendix A-9. In general, documentation (in the form of copies of checks, paid receipts, invoices, wire transfers, settlement statements, escrow letter, etc.) must contain detail sufficient to determine the following:

- Ultimate recipient
- Date and amount of each disbursement
- Purpose of the disbursement – to coincide with the commitment letter or authorization’s use of proceeds.

Loan funds for working capital and non-collateral assets or services should be disbursed at closing unless the borrower has requested the funds be held in escrow.

Loan funds disbursed for the reimbursement of costs paid by the borrower are allowed. The costs must be documented in the same manner as if the loan proceeds had been paid directly.

Quotes and Bills of Sales should be no older than six (6) months. Funds cannot be disbursed for purchase agreements that are past their deadlines unless they have an extension.

Escrow

If, during the loan’s underwriting process, it is determined that the project will need an escrow period after closing for completion, that time frame (escrow period) will be defined in the commitment letter or authorization (if applicable). When an escrow period is warranted and has not been defined in the commitment letter or authorization (if applicable), the default time frame will be 60 days from closing. A 30 day extension of the escrow period may be approved by the Business Closing/Servicing Officer on a case by case basis, with a written request by the borrower. Further extensions must be authorized by the President of SBAC. The length of any escrow period should not exceed one (1) year from closing.

To manage the information necessary to perform required servicing functions, the SBAC uses a Loan Management System (LMS) that is developed to monitor sales efforts, pipelines of potential clients,

packaging process, closing process and ongoing servicing activity. In general, the purposes of the database are: to serve as a “tickler” file to identify loans for specific servicing tasks, to provide easy access to primary information about borrowers in an organized format, and to provide a source of data for reporting portfolio information to the funding sources and the SBAC board. This software is also used in loan packaging and loan closing document preparation. It is designed to increase efficiency and quality of information used at the SBAC. As with any database management system, the system is only as good as the data input into it.

Loan Documentation

Prior to disbursing loan funds, the SBAC shall assure that standard RLF loan documents reasonably necessary for lending are in place. The standard loan documents will include, at a minimum, the following:

1. Loan application;
2. Loan agreement;
3. Loan Committee or Authorized Approver’s documentation, per SBAC Financing Policy, approving/ratifying the loan;
4. Loan commitment letter;
5. Promissory note;
6. Security agreement(s);
7. Deed of trust or mortgage (as applicable);
8. Agreement of prior lienholder (as applicable);
9. Evidence that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the project.
10. Documentation of Environmental Review

SBAC confirms that procedures and documentation are in place to protect and hold the Federal government harmless from and against all liabilities that can incur as a result of providing a RLF loan to assist directly or indirectly in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site. See 13 CFR 307.10(c).

Staff shall review and go over all loan provisions during the closing and funding of a loan to ensure that prospective borrowers, consultants, or contractors are aware of and comply with the Federal statutory and regulatory requirements that apply to activities carried out with the RLF funds. All loans must include loan call stipulations for instances of non-compliance. See 13 CFR 307.10(b).

Priority of Payment on Defaulted Loans

For proceeds received on a defaulted or written off RLF loan that is not subject to liquidation pursuant to §307.21, such proceeds will be applied in the following payment order of priority:

1. First, towards any costs of collection;
2. Second, towards outstanding penalties and fees;
3. Third, towards any accrued interest to the extent due and payable; and
4. Fourth, towards any outstanding principal balance.

Loan Write Off Policy

All loans will be monitored on a monthly basis to ensure payments are received in a timely manner. Throughout the entire late payment follow-up process, direct and written communication will be maintained with the client.

- a. Fifteen (15) days after billing statements come due, a delinquent payment letter will be mailed and follow-up contact with the client will be made by phone and/or in person to discuss the nature of any loan payment difficulties and determine a resolution.
- b. Forty-five (45) days after billing statements come due a Demand Letter will be sent to the borrower communicating: the total amount due plus fees; a deadline for resolution or incursion of default status with impending legal actions; and the negative impact on credit & tax consequences.
- c. In the event restructuring is necessary to avoid continued delinquency, SBAC staff will develop a restructured the loan plan with the borrower.
- d. If it is deemed impossible to restructure the debt into a workable plan, collection efforts and/or asset liquidation will be implemented. Liquidation is defined as the collection of all machinery, equipment, inventory and other assets the borrower has pledged to secure or collateralize the loan. SBAC staff will prepare a Liquidation Report for review and presentation to the SBAC Loan Committee, which will include a review of collateral and securities and current collateral valuations.
- e. Once all collection options have been exhausted and the loan is 90 days delinquent, the loan will be reclassified as "Charged Off," and the balance will be written off and form 1099C will be reported to the IRS and borrower.

Frequency of reports

In compliance with EDA regulations 13 CFR 307.14(a), the City of Savannah in conjunction with the SBAC will complete and submit a semi-annual report in electronic format.

RLF Plan Certification

The City of Savannah will certify as part of the semi-annual report submission to EDA, through the RLF Portal, that the RLF is operating in accordance with the applicable RLF Plan. 13 CFR 307.14(b). The City of Savannah in conjunction with the SBAC also will describe (and propose pursuant to §307.9(c)) any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

As part of the semi-annual or annual report, the City will submit to EDA the information identified as the "Core Performance Measures" in the special award conditions of the Award. EDA will advise the Recipient within a reasonable time of any required modifications to the information submitted.

Records and Retention §307.13

Closed Loan Files and Related Documents.

Closed Loan files and all related documents, books of account, computer data files and other records will be maintained over the term of the Closed Loan and for a three (3) year period from the date of final disposition of the Closed Loan. The date of final disposition of a Closed Loan is the date:

- a. Principal, interest, fees, penalties, and all other costs associated with the Closed Loan have been paid in full; or
- b. Final settlement or discharge and cessation of collection efforts of any unpaid amounts associated with the Closed Loan have occurred.

Administrative Records

The City of Savannah and the SBAC will at all times:

- a. Maintain adequate accounting records and source documentation to substantiate the amount and percent of RLF Income expended for eligible RLF administrative costs.
- b. Retain records of administrative costs incurred for activities and equipment relating to the operation of the RLF for three (3) years from the actual submission date of the last semi-annual or annual report that covers the period that such costs were claimed, or for five (5) years from the date the costs were claimed, whichever is more.
- c. Maintain records that demonstrate the following:
 - i. adequacy of the RLF's accounting system to identify, safeguard, and account for the entire RLF Capital Base, outstanding RLF loans, and other RLF operations
 - ii. standard RLF loan documents reasonably necessary or advisable for lending are in place; and
 - iii. evidence of fidelity bond coverage for persons authorized to handle funds under the Grant award in an amount sufficient to protect the interests of EDA and the RLF.
- d. Make available for inspection any retained records, including those retained for longer than the required period.

