

SACO ECONOMIC DEVELOPMENT FUND (SEDF)

PROGRAM GUIDELINES

A. Background: The City of Saco has allocated funds for the establishment of an economic development fund, the Saco Economic Development Fund (SEDF) to provide financing and/or forgivable loan grants to assist property owners or developers and operating businesses seeking to locate and/or expand in the City of Saco. In addition to the SEDF eligibility, financing terms and conditions, lending limits, program administration, and amendments outlined in this document, this program may also include sub-programs with different terms, eligibility, and conditions outlined under separate Program Guidelines Amendments.

B. Eligibility:

1. Eligible Areas: Properties and/or businesses located or seeking to locate within the City of Saco are eligible.
2. Eligible Businesses: Any existing or proposed business and property owners located within the City of Saco as defined above, in Section B.1. and meeting other requirements as follows:
 - a. Applicant must provide proof of ownership or leasehold interest;
 - b. Applicant must not be in arrears on any personal property or real estate taxes owed to the City of Saco;
 - c. Applicant must demonstrate the availability of any matching funds required to complete the “project” as approved;

- d. Applicant must meet the underwriting requirements of the SEDF Program and otherwise comply with program procedures and requirements as established by the Program Administrator, Southern Maine Finance Agency (SMFA) and the Saco Economic Development Commission; and,
 - e. Applicant must secure all required permits and approvals as required by local, state, federal jurisdictions.
3. Eligible Uses: The following are eligible use of loan proceeds pursuant to the SEDF:
- a. Physical improvements and renovations including leasehold improvements and rehabilitation activities both interior and/or exterior treatments including business signage, awnings, etc.
 - b. Fixtures, furniture, and equipment related to the business.
 - c. Working capital including relocation expenses.
 - d. Machinery and equipment; and,
 - e. Related professional services including architectural, engineering, marketing, and other fees and costs.
4. Ineligible Uses: The following are ineligible uses of loan proceeds under the SEDF:
- a. Real Estate acquisition;
 - b. Refinancing of existing debt;
 - c. Sweat equity – payment for the applicant’s own labor; and,
 - d. Reimbursement of any project costs incurred prior to the approval of the SDRF loan.

C. Financial Terms and Conditions: The SEDF shall provide loan financing subject to the following terms and conditions:

1. Maximum loan amount shall be \$10,000. All loans shall bear an interest rate of 5% per annum, or adjusted for current prime plus 2%;
2. Applicant must match SEDF loan amount at minimum of \$1 to \$1;
3. All SEDF loans shall carry a provision which may defer the amortization of the loan for a period of one year from the date of closing;
4. The applicant shall comply with all other terms and conditions as may be established by the SMFA and the Saco Economic Development Commission;
5. The loan agreement shall contain a provision which stipulates that the SEDF loan is immediately due and payable in full should the business relocate outside the City of Saco prior to the full amortization of the loan.
6. Loans approved under the Main Street Challenge Program will have the following terms and conditions:
 - a. Loans will have a term of seven (7) year term or eighty-four (84) months;
 - b. For a period of twelve (12) months from the date of closing all payments shall be deferred;
 - c. For a period of twelve (12) months after the initial deferment period payments of Interest Only shall be required;
 - d. At the end of twenty-four (24) months from the date of closing, the loan will be forgiven contingent upon the following conditions:
 - Creation of one net new job, which may include the owner; and,
 - Being open and in business during the initial twenty-four (24) month period.
 - e. If the loan is not forgiven after the initial twenty-four (24) months, payments of Principal and Interest shall be required to amortize the loan balance over the remaining term of five (5) years.
7. Borrowers shall pay a Commitment Fee of \$100.

8. Borrower must submit annual financial statements & tax returns over the term of the loan.
9. The applicant shall comply with all other terms and conditions as may be established by the SMFA and the Saco Economic Development Commission.

D. Lending Limit: Credit Concentration in any one borrower or related borrowers will be limited to 30% of SEDF loan assets. The Board of Directors may approve any exceptions to this limit upon the recommendation of the Loan Committee and staff.

E. Program Administration: The SDRF shall be administered by the SMFA in accordance with the guidelines approved by the Saco Economic Development Commission and in accordance with the Corporation's loan underwriting procedures. SMFA shall perform functions such as loan origination, servicing, management, and program reporting including quarterly program reports to the City of Saco's Planning and Economic Development Director who shall serve as the City's liaison. As compensation for the foregoing, SMFA shall retain a loan application fee of \$100.00 charged to each applicant. The SMFA shall also retain one-half of all interest income earned annually; or retain a determined interest income amount earned annually as identified in programs established during a state of declared emergency

F. Amendments: The SEDF may be amended by a majority vote of the City of Saco Economic Development Commission consistent with the central purpose of the SEDF pursuant to Paragraph A herein as approved by the City Council.