

## PROPOSED

### COVID-19 Portland Rapid Response Micro Loan Program

#### Description

The City of Portland Rapid Response Micro Loan Program (RRMP) is targeted to small businesses that had two (2) to eight (8) employees on January 31, 2020. The RRMP provides loans up to \$10,000 to Portland businesses most impacted by COVID-19 that are in danger of closing, have laid off workers, or have had to close temporarily. This program is not intended to substitute for available COVID-19 federal and/or state commercial financing if a business is able to access one or both. Funding through this Program cannot be combined with any other PDC COVID-19 Program.

#### Funding Source

\$400,000 from unrestricted City loan funds, capped at \$250,000 for the first round of the program.

#### Program Financing Terms

- Loans up to \$10,000 per business with \$5,000 forgivable if meet requirement (see Employee Retention or Rehiring Section below);
- No application fee;
- Commitment fee of 0.5% of loan amount (e.g., \$50 on a \$10,000 loan);
- 0% interest rate with a 2 year term for repayment;
- Loan payments begin 6 months after loan closing.

#### Program Eligibility

- Business is located in Portland;
- Business had two (2) to eight (8) full time equivalent (FTE)\* employees on its payroll on January 31, 2020. The required number of hours for a full and part-time job\*\* is noted below under Definitions.
- Sales < \$1,000,000;
- Business was in existence on January 31, 2020
- Demonstrates that other available federal and state emergency loan programs are not available to assist the company.

#### Allowable Use of Funds

Rent, utilities, inventory, payroll and any other expenses needed to maintain business operations or restart business. If business is closed, funds cannot be used to pay owner.

**Employee Retention or Rehiring:** \$5,000 of loan is forgivable if at least 50% of full-time equivalent (FTE)\* employees or jobs that were on the payroll on January 31, 2020 are back on the payroll or remain on the payroll by the following timeframe:

- Within nine (9) months of signing a loan agreement or six (6) months after the applicable Stay at Home or other COVID-19 emergency orders have been lifted

with respect to the borrower's type of business, whichever comes first. The six month timeframe can be adjusted based on how the COVID-19 restrictions are lifted.

### **Review Criteria**

The following criteria will be weighed, but the Portland Development Corporation (PDC), the City's lending board, has the discretion to base its approval on other considerations as well:

- Completeness of application package (all required submittals);
- Business has been substantially impacted by COVID- 19;
- If closed, timing when business will reopen;
- How quickly jobs will be re-created or employees rehired if all employees as of January 31, 2020 have not been retained;
- Quality of employee compensation and benefits package (for example, wages, health, vacation, sick leave);
- Personal credit score of at least 600;
- Health of business prior to COVID-19 crisis;
- Social benefit of business' service(s) and/or product(s) or its level of giving back to the community.

### **Required Submittals**

- City of Portland Rapid Response Micro Loan Program Application;
- Personal financial statement from all owners of the business with 20% ownership or greater;
- 2018 and 2019 (if available) business tax returns;
- Balance Sheet for 2019;
- Profit and Loss for 2019;
- Business plan for those businesses that were established in 2019;
- Payroll from January 31, 2020 showing number of full and part-time employees;
- Demonstrated efforts to access Federal and State resources that were unsuccessful (e.g., SBA Economic Impact Disaster Loan Program, Paycheck Protection Program and FAME COVID-19 Relief Business Direct Loan Program) or an email acceptable to staff explaining the reasons for not utilizing any of these programs.

### **Security for Approved Loan**

- Unlimited personal guarantees from all with ownership of 20% or greater;
- UCC-1 on all business assets (ABA) regardless of lien position relative to other lien holders, if any.

### **Application Schedule and Process:**

The Portland Development Corporation (PDC) has the authority to establish application deadlines. Expedited loan closings will be provided after completed loan application packages are received by staff and reviewed for eligibility, analyzed by an underwriter and presented to the PDC for review and approval.

**Program Sunset**

This program has a termination date of December 31, 2020.

**Definitions**

\* Full Time Equivalent (FTE): One full-time job equals two part time jobs.

\*\*Per the Maine Department of Economic and Community Development, the definition of a full-time job is at least 1,750 hours/year (34 hours/week) and for a part-time job at least 875 hours per year (17 hours/week) but less than 1,750 per year.