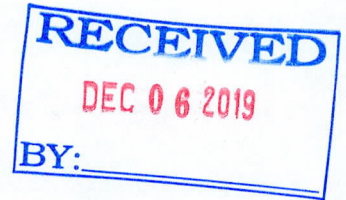


CITY OF YORK, NEBRASKA
ECONOMIC DEVELOPMENT PLAN

FOR USE OF
COMMUNITY DEVELOPMENT BLOCK GRANT
PROGRAM INCOME
(Revised Plan: Adopted December 5, 2019)



PURPOSE

The purpose of this plan is to establish policies, program application forms, application approval procedures and administrative support for the proper dispensations, in accordance with federal and state requirements, of program income (herein defined as the repayments of prior and subsequent economic development loans, including interest and income resulting from the investment of repayments or other recaptured amounts related from such grants or loans) from a previously funded **Community Development Block Grant, Economic Development Category**, as administered by the State of Nebraska, Department of Economic Development.

PROGRAM INTENT

The City of York, Nebraska, under the direction of the City Council (upon the approval of this plan or as it is amended from time to time) will consider applications for direct use of funds or loans that create or retain jobs which will benefit lower income persons (51% of the jobs created or retained must be held by, or be available to, LMI* persons), expand economic opportunities and contribute directly to the economic development of York. *Note: LMI is an acronym for low-to-moderate income and is defined as persons/families whose Gross Annual Income is less than 80% of the Median Household Income by family size and county of residence as determined by the Department of Housing and Urban Development (HUD).

SERVICE AREA

The City shall consider applications for direct use of funds to businesses for eligible activities which are located or will be located within the City of York including up to a 1-mile radius extraterritorial zoning jurisdiction (as they exist at the time of application).

GOALS AND OBJECTIVES

- Provide financing for start-up of new or expansion of existing business/industry that is unable to obtain conventional financing at like rates and terms.
- Creation and retention of jobs mainly for low and moderate income persons.
- Diversify the local economy by assisting new business and industry not already present.
- Assist in the redevelopment of vacant and/or blighted buildings and land.
- Provide public infrastructure improvements needed to retain existing and/or attract new business and industry.

- Help business and industry with job training costs.

1.0 APPLICANT ELIGIBILITY

1.1 ELIGIBLE BUSINESSES

- Manufacturing, assembling, fabricating or processing of tangible personal property
- Storing, warehousing, distributing, transporting, or selling of tangible personal property
- Conducting research, development, or testing for scientific, agricultural, animal husbandry, food product, or industrial purposes
- Performing data processing, telecommunications, insurance or financial services
- Transportation, retail, service and tourism that are for profit
- The administrative management of any activities, including headquarter facilities relating to such activities
- Commercial, retail, and service business

1.2 ELIGIBLE ACTIVITIES

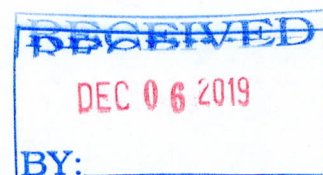
- Acquisition of land and buildings
- Construction or renovation of real estate either leased or owned.
- Acquisition of machinery, equipment, property or services
- Working Capital
- Equity Investment
- Public Infrastructure (streets, water, sewer, electrical) necessary to accommodate and benefit businesses
- Direct use funds for job training of new or existing employees
- Administration costs related to servicing the CDBG ED RLF Program.

Eligible activities, for which direct use of funds may be used, shall be limited to the cost of administration of the program, including funds management (compliance cost for approved projects). The City of York will contract with the Southeast Nebraska Development District (SEND) to administer the RLF. SEND does provide staff under a professional staffing agreement to service any loans under the program.

2.0 TYPES AND AMOUNTS OF ASSISTANCE

Standard Loans: Assistance shall only be provided when other sources of funds under like terms and conditions are not otherwise available. Funds will be provided in the least amount necessary when used with other sources and in accordance with the other restrictions contained in this plan to make the project feasible. At least one (1) FTE must be created or retained for each \$35,000 in individual loans.

The amount of assistance for any single application shall not exceed the amount of funds available or expected to be available to the City at the time of approval of the application; provided that the City shall only be obligated for funds actually available on the date of the approval. The City shall make available information as to the amount of funds that are or will be available for approved applications.



For direct loans, deferred loans, and performance based forgivable loans, applications may provide up to 100% of the cost of fixed assets to be purchased and/or working capital including interim financing (required by the project). The application shall state the proposed terms of this loan. However, the City reserves the right to negotiate the interest rate and term of the loan with the applicant.

All applicants of approved projects shall provide adequate assurances that the project will be started and completed. Security for loans will include but not be limited to a promissory note, mortgage or deed of trust, and personal and/or corporate guarantees, as appropriate.

3.0 ORGANIZATIONAL STRUCTURE

3.1 YORK REUSE COMMITTEE/LOAN REVIEW COMMITTEE

The York Reuse Committee/Loan Review Committee is the review committee for all business loans for the City of York. They will review and make a loan recommendation for approval or denial to the City Council. The York Reuse Committee/Loan Review Committee will also recommend changes in the policies and procedures of the RLF to the City of York.

All applications for funds shall be filed with SENDD staff, at City Hall or by mail. Applications will be considered in the order in which they are received. However, applications may be approved without consideration of the order in which they were received and funds shall be obligated as to the order and amount of their approval.

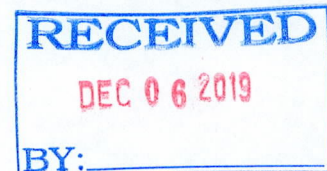
SENDD staff will present loan applications to the York Revolving Loan Application Review Committee, comprised of not less than one representative from York County Development Corporation and three (3) residents of the City who are appointed by the Mayor, for review. The Mayor may appoint additional members, or replace members of the Committee at any time.

The York Reuse Committee/Loan Review Committee meets on an "as needed" basis. All documents must be submitted to the SENDD Business Loan Officer prior to the York Reuse Committee/Loan Review Committee meeting. The committee may conduct its review during a face-to-face meeting, by mail, e-mail, or through the use of a telephone conference call. A simple majority of those attending the meeting or providing an e-mail/mail of their vote is needed to make a recommendation. The SENDD Business Loan Officer will present loan applications to the City of York.

SENDD staff will administer the RLF. SENDD and City staff will be responsible for marketing the RLF, meeting with potential applicants, processing loan applications, closing and disbursing loans, servicing loans and all administrative procedures required. SENDD and City staff will monitor the portfolio standards and performance and prepare reports as directed by the City of York and the Program Funders.

3.2 THE YORK REUSE COMMITTEE/LOAN REVIEW COMMITTEE WILL RECEIVE A LOAN SUMMARY PACKET THAT INCLUDES THE FOLLOWING:

- Summary
- Proforma – projection of cash flow for the business
- List of what the funds are going to be used for (estimates from vendors, construction estimates, price quotes, etc.)



- Personal tax returns on the applicant (20% or more ownership) for the past two years
- Three years of tax returns, profit/loss statements/balance sheet of the business (if existing)
- Business Plan
- Bank Letter

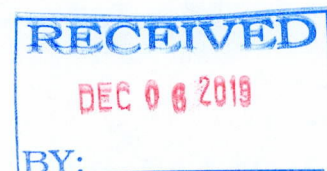
In the event there is more than one application requesting more funds than are currently available The York Reuse Committee/Loan Review Committee shall recommend the proposal or proposals that meet the national objective: benefiting low-to-moderate income persons. Such evaluation may be by the number of jobs created or retained or other criteria as are appropriate based on the activities proposed in the applications. The City Council shall make the final decision to approve or reject the application.

3.3 NON-PROFIT DEVELOPMENT ORGANIZATION PROCESS/ GUIDELINES: (NDO) PROCESS TO FOLLOW WHEN NEW FUNDS ARE BROUGHT INTO THIS ED-RLF.

At the direction of NDED staff, the City of York acknowledges that while the NDO process is technically optional at this point of adoption of this revised ED ReUse Plan on 12-5-2019, (as it relates to the funds existing in this Local CDBG ED Re-Use account), the injection of new money/new CDBG ED Grant awards to the City of York will trigger the institution of NDO Guidelines.

Program Income -- Utilizing the NDO process: A unit of general local government may seek to form a sub-grantee relationship with a local (or regional) nonprofit organization to carry out the CDBG activities on behalf of the local government. The local government funded by the State for an ED project, or a local government with an existing Local ED RLF, would grant the CDBG funds awarded to a Nonprofit Development Organization (NDO), such as a community development organization or a local/regional economic development corporation. The NDO must be recognized by the State (through an application and approval process) according to the requirements of 24 CFR 570.204 to carryout funded activities through a contract with the local government grantee for activities in which it retains a direct and controlling involvement and responsibilities for the provision of financial assistance to the community's ED project. The NDO process includes, but is not limited to, the following:

1. The local government, which is a recipient or grantee of State CDBG funds, wishes to make a loan to a for-profit business for economic development activities in accordance with the State's program requirements.
2. The local government executes an agreement with the NDO and sub-grants the funds to the NDO, which executes the loan agreement for the CDBG funds loaned to the for-profit business.
3. The repayment of the CDBG loan is made to the NDO, and not to the local government, and the NDO retains the payments for future use through a Revolving Loan Fund (RLF), which includes a NDO Reuse Plan approved by DED through the NDO designation (application/approval) process. The approved NDO Reuse Plan must ensure that activities funded by the RLF meet broad based economic development objectives. The funds repaid to the NDO to continue economic development activities would not be considered program income. The NDO, the local or regional nonprofit organization, would use the repayment of the funds from the for-profit business to make additional loans, such as for economic development activities.
4. The NDO reinvests in the community through its established RLF, which can fund additional loans in the service area of the NDO.



4.0 LOAN PACKAGING PROCEDURES

SENDD staff will assist the City of York in meeting HUD's National Objectives for CDBG Economic Development Revolving Loan Funds (CDBG ED RLF) activities and ensure compliance of all CDBG ED RLF federal rules and regulations including but not limited to public hearings, environmental reviews, and Davis-Bacon wage requirements.

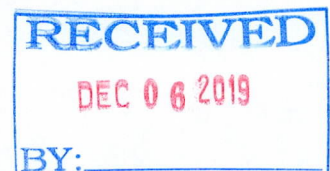
4.1 APPLICATION DOCUMENTS

A standard loan application form will be required. Upon preliminary consultation with the potential application and eligibility review by SENDD, the business must submit all items listed on the loan application checklist form if applicable. Items may include:

- Business plan
- 3-year historical balance sheet and operating statement
- Personal financial statement for each person owning 20% or more of the business
- Letter of participation or rejection from a bank except in the case of incentive loans
- Credit report from a Credit Reporting Agency
- Proforma financial information
- Sources and uses
- Contractor estimates
- Vendor price quotes
- Lease or Purchase agreement
- Job creation/retention form
- Tax Returns on the business and personal (each individual owning 20% or more of the business)
- Resume
- Business formation paperwork
- Aging of accounts payable and receivable
- Appraisal
- Environmental information as required by each funding source
- UCC Search
- Assistance Agreement
- Indemnification Agreement
- Exhibit "A" Memorandum
- Attestation Form
- Credit History Authorization

SENDD staff will review the information submitted to insure it is complete and will prepare a loan &/or performance-based grant write-up to submit to the York Revolving Loan Application Review Committee. Rate, terms, collateral and equity requirements will be finalized as negotiated between the applicant and SENDD/City staff as directed by the City of York Reuse Committee/Loan Review Committee. SENDD staff will keep minutes/record of all York Reuse Committee/Loan Review Committee recommendations. The loan recommendation will be forwarded to the City of York for final approval/denial. After approval or denial by the City of York, SENDD staff will immediately notify the applicant of the decision in writing.

4.2 LOAN CLOSING DOCUMENTS/PERFORMANCE BASED GRANT DOCUMENTS



General closing requirements will include documentation that equity requirements have been met and that private lender financing has been secured. Prior to loan closing the borrower/recipient of the performance-based grant must provide SENDD/City staff/City Attorney if applicable:

- Proof of hazard insurance
- Proof of flood insurance
- Schedule of collateral
- Equipment, inventory and contractor invoices
- Life Insurance or any other insurance required by the City of York
- Promotional Use Authorization

Standard closing documents will include

- Acceptance/Rejection Letter
- Promissory Note
- Authorization and Loan Agreement
- Security Agreement
- Deed of Trust
- Financing Statement
- Personal Guaranty(s)
- Automated Clearing House (ACH) Form
- Title/Lien Search

4.3 LOAN PROCEEDS/GRANT PROCEEDS

- Loan proceeds/grant proceeds will be provided to the client on a reimbursement basis after loan closing once all closing documents (including security documents) have been signed.

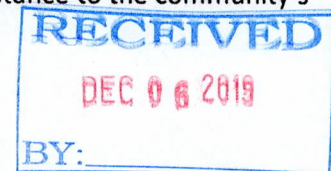
4.4 Funds Retain CDBG Restrictions:

The City of York acknowledges that the funds in this City of York CDBG ED Reuse Fund retain CDBG Restrictions. For example: (listed here to provide the reader insight and understanding but not meant to be an all-inclusive list): - Environmental Review Records (ERRs) are required as part of the loan application, review and award process.

- Write offs are allowed if CDBG National Objectives are met.

Loan Applicants and Loan Packagers are encouraged to consult with NDED &/or SENDD staff for the full/current list of CDBG Restrictions that the CDBG ED ReUse Funds retain.

Program Income -- Utilizing the NDO process: A unit of general local government may seek to form a sub-grantee relationship with a local (or regional) nonprofit organization to carry out the CDBG activities on behalf of the local government. The local government funded by the State for an ED project, or a local government with an existing Local ED RLF, would grant the CDBG funds awarded to a Nonprofit Development Organization (NDO), such as a community development organization or a local/regional economic development corporation. The NDO must be recognized by the State (through an application and approval process) according to the requirements of 24 CFR 570.204 to carryout funded activities through a contract with the local government grantee for activities in which it retains a direct and controlling involvement and responsibilities for the provision of financial assistance to the community's



ED project. The NDO process includes, but is not limited to, the following: * The local government, which is a recipient or grantee of State CDBG funds, wishes to make a loan to a for-profit business for economic development activities in accordance with the State's program requirements. * The local government executes an agreement with the NDO and sub-grants the funds to the NDO, which executes the loan agreement for the CDBG funds loaned to the for-profit business. * The repayment of the CDBG loan is made to the NDO, and not to the local government, and the NDO retains the payments for future use through a Revolving Loan Fund (RLF), which includes a NDO Reuse Plan approved by DED through the NDO designation (application/approval) process. The approved NDO Reuse Plan must ensure that activities funded by the RLF meet broad based economic development objectives. The funds repaid to the NDO to continue economic development activities would not be considered program income. The NDO, the local or regional nonprofit organization, would use the repayment of the funds from the for-profit business to make additional loans, such as for economic development activities. * The NDO reinvests in the community through its established RLF, which can fund additional loans in the service area of the NDO.

5.0 LOAN SERVICING PROCEDURES

5.1 LOAN PAYMENTS

SEND D staff and/or the City Attorney, with assistance from City staff, will monitor each loan by requiring annual financial statements, annual insurance renewals, conducting regular site visits to the borrowers, continuing UCC's, job creation/retention reports and other reports that are specific to each loan. If evidence of requested documents, such as, but not limited to Loss Payee, Life Insurance assignment and annual financial statements, are not received within 60 days as requested by written communication, a monthly assessment of no less than \$25.00 may be assessed to borrower and will be automatically withdrawn from the client's bank account electronically each month until received.

SEND D/City staff may report payment history to a credit reporting agency.

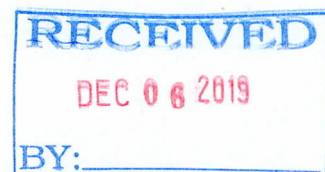
5.2 LATE PAYMENTS

In the event of a late payment or loans over 90 days in arrears, SEND D/City staff and/or City Attorney will attempt to establish a workout arrangement with the borrower. Every effort will be made to assist the borrower but protect the RLF as well. All action taken on any given loan will be documented in the regular reports to the City of York.

In the event Payee or its Agent or assignee accepts a late payment after the tenth day of the month in which such payment is due, the Undersigned agrees to pay a late payment charge equal to ten percent of the late amount or \$100.00, whichever is greater, as compensation for additional collection efforts.

Unpaid late fees shall bear an interest rate of ten (10) percent per annum on any unpaid balance and such interest shall be calculated commencing the 5th day after the 10th day of the month.

If the first two payments are not made and the 3rd payment is not made, the information is turned over to the attorney and a Default Notice is sent and filed. Bank is contacted and usually at this point the bank will have already started their Default process.



In most instances, with a bank as primary lender, SENDD/City staff and/or City Attorney will follow the actions of the bank as not to incur the cost of a Trustee's sale. If there is no bank involved SENDD staff will proceed with a Trustee's Sale if applicable.

5.3 RESCHEDULING AGREEMENT

Special circumstances regarding business loans may require a different repayment plan and will be structured accordingly. Some projects require special financing techniques to meet a borrower's needs. Recognizing that, a subordinate position to other lenders of record at time of the project may be taken. If a subordinate position is required, additional considerations will be taken so as to not jeopardize the loan portfolio. Other special financing techniques may include quarterly or semiannual payments, interest only payments during the first year, or some other method agreed upon by SENDD/City Staff, York Revolving Loan Fund Application Review Committee and the applicant.

Loan payments will start no more than 60 days after loan closing. During the loan payment period, SENDD/City staff at their discretion may authorize a one-time, 3-month payment deferral or 3-month interest only payment with a maximum 12-month payment delay. Any other payment arrangements must be approved by the City or the NDO.

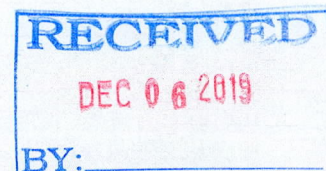
5.4 COLLATERAL CHANGE REQUESTS

From time to time collateral change requests may be necessary. Loan subordination requests for refinancing of existing debt with no "cash out" will be approved by SENDD staff in the event it does not diminish the lien position. Any other requests must be approved by the City or the NDO. All fees associated with any collateral change requests, will be the clients responsibility.

5.5 LOAN WRITE-OFF & COLLECTIONS

The City may pursue bad debt any way possible to collect loans that have been written off. This may include, but is not limited to, wage garnishment and repossession of collateral. The City has the option to contractually shift this obligation to another entity by a separate agreement between the City and the NDO if they so agree.

Highlighted here at the direction of NDED staff, the City of York acknowledges that collection efforts cannot be delegated away, the City of York remains liable for due diligent collection efforts no matter who takes on the effort to collect.



6.0 LOAN TERMS AND INTEREST RATES

Loan terms vary according to what is being purchased. Working capital: up to five (5) years; furniture, fixtures and equipment: up to ten (10) years; and real estate financing will not exceed fifteen (15) years. Interest rates have a base rate determined by the City Council for loans which will be fixed for the term of the loan. The City reserves the right to negotiate the interest rate with the applicant. Generally, interest rates shall not be less than ½ prime rate in the Wall Street Journal.

7.0 PROPOSED FEES AND CHARGES:

Highlighted here at the direction of NDED staff, the City of York acknowledges that these guidelines limit taking Program Income to 5% of program income received in a time period, provided there is documented evidence of the expenses. (See below where the current York standard is 1%.)

7.1 LOAN PROCESSING FEES

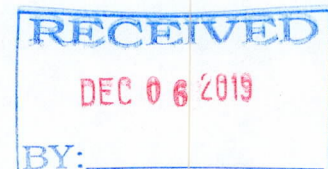
The City of York may charge modest loan processing fees. The client may agree to pay a loan processing fee if the loan will be presented to the York Reuse Committee/ Loan Review Committee for their review. The fee is 1% of the loan request, with a maximum of \$1,000.00 and a minimum of \$200.00. This fee will be used to reimburse the City of York for all (documented) out-of-pocket expenses incurred in researching, preparing and submitting the loan package for a loan. This fee may be waived by the City. If SENDD through initial application review feels that the City of York is not able to provide financial assistance, the processing fee will not be collected. Once the York Revolving Loan Application Review Council has reviewed a loan and the loan is denied, the City of York reserves the right to refund a portion of the fee if it exceeds the costs of actual incurred costs of the loan packaging.

7.2 SERVICING FEE

In addition to the above and foregoing fee, the client further agrees to pay an annual servicing fee of one percent (1%) to the NDO on the original loan balance at the rate of 1% per annum, subject to a maximum administrative expense of 5% of Program Income received, which shall be paid to SENDD on an annual basis for the term of the loan to be issued by the City of York pursuant to the terms and provisions of the loan.

7.3 CLOSING FEES

In addition to the above and foregoing fees, the client agrees to a set closing fee. This fee covers all costs of closing the loan, and all related transactions, including, but not limited to, all costs of title insurance, abstracting, recording fees, survey costs, inspections, environmental assessment, and legal fees. It is estimated that the average loan closing fees will be \$2000.00, but individual loans may vary, depending upon the complexity of the transactions, and the circumstances that develop in connection with the application of the loan.



7.4 PREPAYMENT PENALTY

Payment of the entire outstanding balance of the Indebtedness may be made prior to the maturity date hereof, timing to be arranged with Payee or its assignee but no partial prepayments in amounts less than Five Thousand dollars (\$5,000) may be made. The amount required to prepay this Note shall be the aggregate of the outstanding principal balance, interest to the payment date (including accrued servicing fees), expenses (including those related to the care and preservation of Collateral), late charges, and any prepayment premium if required by the schedule to be attached to this Note and incorporated by this reference. For purposes of prepayment, the prepayment date shall be as agreed between Payee and borrower. The Undersigned must make a written request for prepayment to the Payee or its assignee at least thirty (30) days before the prepayment date.

7.5 AUTOMATIC PAYMENTS

Loan recipients, who are to make payments, may be required to use the Automated Clearing House (ACH) method for monthly loan installments. Recipients are required to fill out and submit an ACH form thus authorizing this payment method. Payments will start on the 1st of the month, as indicated in the loan closing documents. The annual service fee will be automatically withdrawn from the client's bank account electronically on the anniversary date of the loan. Arrangements can be made to make payments by check as long as they are mailed or delivered to the City office on or before the payment due date.

8.0 ADMINSTRATIVE PROCEDURES

A separate file will be maintained for each loan applicant and borrower. Each file will contain all documents and correspondence and are kept in a fireproof filing cabinet. The file will include all application documents, loan documents, insurance forms, general correspondence, financial statements, site visit reports and job creation/retention reports.

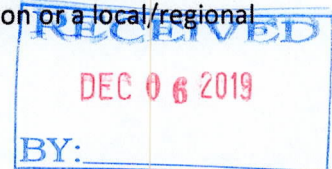
SENDD/City staff shall maintain and keep all applications as well as all other required documents, records and other evidence in conformance with the close out requirements.

SENDD/City staff will track the RLF reporting requirements. Each loan will be assigned a number for record keeping. If the loan is in good standing, then the borrower may be eligible for repeat lending.

9.0 AMENDMENT

In an ongoing effort to improve the quality of the RLF Program, the City of York will accept suggestions from the public, program participants or program staff with regard to program guideline amendments. All suggestions received will be taken under consideration by the City of York. Upon approval and adoption by the City of York, the amendment will be included in the program guidelines.

Program Income -- Utilizing the NDO process: A unit of general local government may seek to form a sub-grantee relationship with a local (or regional) nonprofit organization to carry out the CDBG activities on behalf of the local government. The local government funded by the State for an ED project, or a local government with an existing Local ED RLF, would grant the CDBG funds awarded to a Nonprofit Development Organization (NDO), such as a community development organization or a local/regional



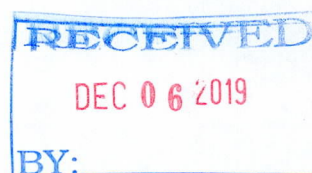
economic development corporation. The NDO must be recognized by the State (through an application and approval process) according to the requirements of 24 CFR 570.204 to carryout funded activities through a contract with the local government grantee for activities in which it retains a direct and controlling involvement and responsibilities for the provision of financial assistance to the community's ED project. The NDO process includes, but is not limited to, the following: * The local government, which is a recipient or grantee of State CDBG funds, wishes to make a loan to a for-profit business for economic development activities in accordance with the State's program requirements. * The local government executes an agreement with the NDO and sub-grants the funds to the NDO, which executes the loan agreement for the CDBG funds loaned to the for-profit business. * The repayment of the CDBG loan is made to the NDO, and not to the local government, and the NDO retains the payments for future use through a Revolving Loan Fund (RLF), which includes a NDO Reuse Plan approved by DED through the NDO designation (application/approval) process. The approved NDO Reuse Plan must ensure that activities funded by the RLF meet broad based economic development objectives. The funds repaid to the NDO to continue economic development activities would not be considered program income. The NDO, the local or regional nonprofit organization, would use the repayment of the funds from the for-profit business to make additional loans, such as for economic development activities. * The NDO reinvests in the community through its established RLF, which can fund additional loans in the service area of the NDO.

10.0 GRIEVANCES PROCEDURES

In the event that any applicant feels he or she has been unfairly treated or discriminated against during the loan application process or within any other segment of the Revolving Loan Fund, he or she may appeal the decision of the staff to City of York for their consideration. The appeal must be submitted in writing to the Mayor of the City of York and postmarked within 14 calendar days of the decision. The City Council of the City of York will act to support or overturn the action within 45 days of the receipt of the appeal. The City Council of the City of York will have final authority in the decision.

11.0 CONFLICT OF INTEREST

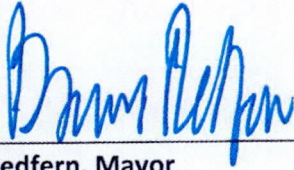
No officer, employee or agent of the City of York who will participate in the selection, the award, or the administration of these funds may obtain a personal or financial interest or benefit from the activity or have an interest in any loan with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties, during their tenure or for two years thereafter. Upon written request, exception may be obtained from DED, when it is determined that such an exception will serve to further the purposes of the City of York's RLF Plan and the effective and efficient administration of the City of York's RLF program.



12.0 OFFICIAL CONTACT


The place of contact for this program shall be the office of the City of York, 100 E 4th Street, York, Nebraska, 68467. Any grievances, suggestions, requests for applications and information should be directed to this office. This in no way shall be construed to limit other interested parties from distributing information about the program or receiving suggestions for amendments to the program. All grievances shall be directed to the City of York in writing.

These guidelines are hereby approved by action of the City of York this 5 day of December, 2019.



Barry Redfern, Mayor
City of York

These guidelines are hereby approved & ratified by the Nebraska Department of Economic Development (NDeD) this 6th day of DECEMBER, 2019.



Nebraska Department of Economic Development (NDED)

Tom Stephens
FINANCIAL PACKAGER, NDED

