

SPECIAL TENANT IMPROVEMENT LOAN PROGRAM

PROGRAM GUIDELINES

This loan program provides property owners and business tenants with funding to rehabilitate existing vacant or underutilized industrial, office, and R&D buildings within the Redevelopment Project Area. Approved projects are also eligible for an expedited permitting process to make the space ready for quick occupancy.

To discuss this program with the City of Morgan Hill's Economic Development Staff, please call (408) 930-9135.

Redevelopment Objectives

- Increase the economic vitality of the Redevelopment Project Area
- Encourage business attraction or expansion of existing businesses
- Fill vacant buildings
- Encourage rehabilitation of vacant buildings
- Eliminate blight
- Stimulate job creation
- Provide services and amenities to the community
- Attract target industries

Program Eligibility

- ✓ The program is available to property owners or business tenants of existing buildings within the Redevelopment Project Area. Companies in lease negotiations may apply contingent upon evidence of a signed lease.
- ✓ Applicants must provide evidence of acceptable credit standing.
- ✓ Companies leasing a facility must demonstrate a "Business Track Record" showing evidence of: 1) continuous operation for a minimum of five (5) years in Morgan Hill or another community; or 2) a history of commercial success and a viable Business Plan if less than five (5) years of operation.

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- ✓ Applicants must have obtained a written conditional commitment for partial financing for the proposed project from a lending institution or demonstrated significant equity in the project. The level of required equity will be determined on a case-by-case basis.
- ✓ Property owners may utilize the program to improve existing facilities prior to identifying a tenant.
- ✓ Applicants must demonstrate that private financing for the project could not be obtained.
- ✓ Applicants must demonstrate that the Redevelopment Agency's financial assistance is necessary to make the project economically feasible.

Loan Terms and Requirements

- ➤ *Maximum loan amount*: \$500,000; loans up to \$100,000 may be approved by Redevelopment Agency (Agency) staff; loans in excess of \$100,000 will require Agency Board approval at a public hearing.
- > *Term*: up to ten (10) years.
- ➤ Amortization of principal and interest: may be up to a 20 year period with a balloon payment due at the end of ten (10) years.
- ➤ Interest rate: Local Area Investment Fund (LAIF) rate plus ½ percent but no less than one percent; the Agency may consider zero percent loans for catalyst projects or those resulting in significant job creation.
- **Loan repayment**: will be accelerated within 180 days of business closure.
- ➤ **Loan payments**: may be deferred up to five (5) years from initial advance or until the building is occupied.
- > Security: the loan must be adequately secured with real or personal property, personal guarantees, etc.
- > *Prevailing wages*: Agency financial assistance requires that prevailing wages apply to the work performed under this loan.
- ➤ Use of loan proceeds: are restricted to general tenant improvements, rehabilitation, expansion, or modernization of facilities, soft costs such as engineering and architectural services related to the construction of the eligible items, repair of code violations, ADA improvements, facade improvements, required off-site improvements, and on-site improvements including parking, lighting, and landscaping.
- **Reimbursement for building permit fees:** program participants are eligible to receive

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reimbursement of up to \$10,000 for City building permit fees (including charges for expedited permitting), architectural and engineering fees as part of the loan.

➤ Green building requirement: a minimum LEED Certification of 21-26 points is required as per the City's Registered Project Checklist.

Loan Application Process

- 1. Complete and submit an application together with required supporting financial and loan security documentation
- 2. Staff will review application for completeness.
- 3. The application will be submitted to the Loan Committee.
- 4. The Loan Committee will make a recommendation to the Agency Executive Director or Agency Board.
- 5. An approval or rejection letter will be sent to the applicant.
- 6. Staff will prepare Agency Board staff report to be considered at a public hearing, if required (allow three weeks).
- 7. Staff will prepare the loan agreement and related documents (Loan Documents).
- 8. The program participant will sign the Loan Documents.
- 9. The Loan Documents will be routed for signature by Agency representatives
- 10. Loan draws may begin.

Note: These guidelines are subject to change.