City of Los Angeles Microloan Program

SIDEWALK and PARK VENDING (Term Sheet)

The Sidewalk Vending Microloan is designed to fill in the space created by new regulations for sidewalk vendors and where private lenders are unable to provide credit to going-concern micro/small businesses with viable startup/expansion and equipment financing needs.

The Microloan Program is funded using the City of Los Angeles Community Development Block Grant (CDBG) funds from the United States Department of Housing and Urban Development (HUD); and therefore, loans provided under the Microloan Program are regulated by the Code of Federal Regulations (CFR) that is applicable to the CDBG.

**Microloans:** The Sidewalk Vending Loans offered under the Microloan Program are term loans secured by equipment and guarantees.

The loans may be disbursed in one or multiple draws, in frequency of not more often than once per thirty (30) days.

**Borrowers:** The business applicants under the Microloan Program must operate within the boundaries of the City of Los Angeles.

The annual gross revenue of applicants for the Microloan Program shall not exceed $1 million.

**Loan Amount:** The loans for each business applicant may range from $5,000 to $50,000.

**Purpose:** The purpose of loan shall meet Eligible Activity (24 CFR 570.703).

**Loan Fee:** Up to one percent (1%), flat, payable on closing.

**Admin Fee:** $250, payable on closing.

**Interest Rate:** Interest rate for each loan draw under the Microloan Program will be fixed at 7% to 9% per annum, payable monthly in arrears, depending on the repayment period, term periods of 12 to 60 months, and other risk factors. As an added incentive to repay on time, EWDD may consider adjusting interest rates 1% lower upon a clear demonstration that the borrower has made 12 consecutive, on-time payments. Furthermore, borrowers that satisfactorily pay off their loans will be reported to the credit bureaus to help build their credit record.
Amortization: Upon full draw of each loan, the outstanding principal amount of the loan shall amortize monthly based on an agreed to two (2) to five (5) year schedule, to be determined on a case by case basis.

Collateral: Collateral for each loan will be the financed equipment:

Production Equipment – 100% contribution to Collateral Value:

New or Used equipment – up to 100% of the purchase price

Maximum Ratio of Loan to Total Collateral Value is 65%

Quarterly monitoring of collateral, financial statements and cash flow analysis is a requirement of Microloan program.

Going Concern: The borrower shall be a new or a going concern business, evidenced by profitable operation and/or sound projections, progress towards business expansion, and cash flow sufficient to meet the service of City Loan by ratio of 1.10:1.00.

Guaranty: Loans will have either full recourse to the principal(s) of the borrowing entity, or by the way of an independent guaranty, to be determined on a case by case basis, will have recourse to credit worthy guarantors.

Job Creation: Borrower(s) are NOT required to create a job(s) but are encouraged to commit to the creation of one new permanent full-time equivalent (FTE) job per $35,000 of loan amount received, as necessary. At least 51% of the new jobs should be filled by low to moderate income persons.

During term of the loan, all job openings in the borrowing entities should be listed in the EWDD administered WorkSource Centers.

Environmental: If loans were secured by real assets, including commercial real estate, transactions will be subject to:

a) A satisfactory Phase I / II environmental assessment report, indicating without qualification that the property is clear and clean of hazardous material;

b) Compliance with the California Environmental Quality Act (CEQA); and

c) Compliance with National Environmental Policy Act (NEPA).
Origination: Los Angeles BusinessSource Centers; and

Pre-authorized qualified loan originating firms with capacity and ability to originate small business loans citywide.

Screening: Upon receipt of initial application(s), staff at the Economic and Workforce Development Department (EWDD) will conduct initial screening.

Viable applications will be requested to submit: 1) full application, 2) financial statements (if available) and projections, 3) tax returns (if available), and 4) other commercially reasonable documents that may be required for underwriting the requested loans.

Committee: Underwriting and loan recommendation package will be submitted for review and recommendation by a loan committee, consisting of minimum three and maximum five qualified professionals, selected by EWDD, that are familiar with both the financing and regulatory requirements of the Microloan program.

Additional Microloan Program Information:

1. Legal Residency/Citizenship – **Required at this time but pending confirmation**
2. Business Entity – **Not required**
3. Commercial Location/Commercial Lease – **Not required**
4. Insurance (Commercial Liability/Property Insurance) – **Will be required**
5. Collateral – Cart (equipment only loan – loan up to 65% of purchase price)
6. Proof of Licenses required:
   a) Sellers Permit
   b) County Health Permit (obtained by borrower after the cart is purchased/delivered)
   c) City Vending Permit
   d) BTRC

Other Requirements:

- Loan Application
- Business Entity’s Legal Documents (Corp, LLC, Partnership or DBA) – If applicable
- Business Financials – If available
- Financial Projections (3-5 years)
- Personal Tax Returns (2-3 years) – If available
- Personal Financial Statement
- Resume – **Not required**
- Business Plan
- Bank Statement(s)
- Personal Guaranty
- Corporate Guaranty – Only if a corporation exists, otherwise, not required
- Sources and Uses (Budget)
- Job Creation (Unless 5 or less employees and owner is low-mod) – Not required