

155

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Redevelopment Agency

SUBMITTAL DATE:
July 29, 2010

SUBJECT: Establishment of Redevelopment Agency Assistance Program for Commercial, Industrial, Manufacturing Property

RECOMMENDED MOTION: That the Board of Directors:

1. Approve the attached guidelines for the Redevelopment Agency Assistance Program for Commercial, Industrial, Manufacturing Property; and
2. Authorize the Executive Director to initiate review of requests for assistance from AMA Plastics and SPMD Enterprises, Inc.

BACKGROUND: Riverside County is in the middle of one of the worst economic cycles in decades. One critical factor stalling recovery is the lack of access to capital.

(Continued)

Robert Field
Executive Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: No

SOURCE OF FUNDS: Tax Increment Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:
Serena Chow

County Executive Office Signature

MINUTES OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY

On motion of Supervisor Stone, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended, IT WAS FURTHER ORDERED that the department report back quarterly.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: August 10, 2010
xc: RDA

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

Prev. Agn. Ref.: N/A

District: A | ATTACHMENTS FILED WITH THE CLERK OF THE BOARD | Agenda Number:

4.8

FORM APPROVED COUNTY COUNSEL
BY:
DATE: 8/3/10
MICHELLE CLACK

Dept't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

BACKGROUND: (Continued)

This has hindered the ability of viable businesses to invest in the county, which has, in turn stifled job creation. The Redevelopment Agency (RDA) has received numerous requests for financial assistance from businesses that need funds for the development or rehabilitation of property or capital equipment used for commercial, industrial or manufacturing purposes within a redevelopment project area. In response to that need, RDA is proposing a program funded with redevelopment tax increment funds that will assist qualified businesses in obtaining financing for the uses mentioned.

This program is established pursuant to Health and Safety Code Sections 33444.5 and 33444.6, which provide, in pertinent part, that a redevelopment agency may establish a program under which it loans funds to owners or tenants for the purpose of rehabilitating commercial buildings or structures within the project area. Additionally, a redevelopment agency may provide financial assistance related to the development or rehabilitation of property, including capital equipment, that will be used for industrial or manufacturing purposes.

The program would be targeted to businesses located within redevelopment project areas within the County. Proposed eligible industry sectors would be general manufacturing, innovation and technology, and renewable energy manufacturing. The loan terms are proposed to be a maximum of \$2 million per loan (no applicant could receive more than \$2 million total). The maximum length of the loan would be ten years. Interest rates would be determined based on a published financial index and influenced by the economic impact of the project and the applicant's credit worthiness. The assistance program is proposed to include a principal reduction component that could allow reduction of the principal balance based on job creation, retention, and capital investment.

The request for assistance would be submitted to RDA and staff would conduct an initial review to determine if it meets the programs goals and eligibility requirements. Staff would issue a recommendation to the Executive Director who could then request that the Redevelopment Agency Board of Directors give conceptual approval of the assistance request. From that point, the application would undergo credit analysis and underwriting by a contracted Small Business Administration Certified Development Corporation to determine credit worthiness. If upon review of the credit analysis, the applicant is deemed an acceptable credit risk to the RDA, the request would come back to the Board of Directors for final approval and execution of documents.

RDA has already received requests for two projects in the Hunter Park industrial center in the city of Riverside, which is also in the Highgrove Sub-Area of the County's I-215 Redevelopment Project Area. The first request is from SPMD Enterprises, Inc., the owner of the building that houses Surado Solutions, Inc., a software development firm that has attracted and retained other high-tech firms in the area. SPMD's plan is to provide tenant improvements for several high-tech companies, including the establishment of the Riverside Bio Incubator, the first of its kind in the region. The second company requesting assistance is AMA Plastics, a high-tech injection molding company that has identified a building in Hunter Park and has requested assistance for development and rehabilitation costs. RDA has reviewed both initial requests for assistance and recommends that the review proceed to underwriting with a possible final recommendation to come before the Board.

Attachment:
Redevelopment Assistance Program Outline

Redevelopment Agency for the County of Riverside Redevelopment Commercial, Industrial and Manufacturing Assistance Program Guidelines August 2010

Purpose

The main purpose of the Redevelopment Agency's program is to remove blight, improve the redevelopment project areas and retain and generate employment in Riverside County. It will help accomplish that by providing qualified companies with financial assistance for the development and rehabilitation of commercial, industrial and manufacturing property, including capital equipment, within a redevelopment project area. Companies applying for the program must have already investigated traditional financing programs such as Industrial Development Bonds, Small Business Administration (SBA) loans, and commercial lending institutions.

Pursuant to Health and Safety Code Section 33444.5, the agency may provide loans for the rehabilitation of commercial buildings or structures within a redevelopment project area.

In accordance with Health and Safety Code Section 33444.6, the Redevelopment Agency may assist with the financing for the development or rehabilitation of property that will be used for industrial or manufacturing purposes within a redevelopment project area.

Geographic Service Area

Loans using redevelopment tax increment will be limited to redevelopment project areas.

Qualified Industry Sectors*

- Manufacturing
- Innovation/technology
- Renewable energy

*All companies must have a three-year operating history or be affiliated with a company that will guarantee the loan.

Eligible Uses of Funds

- Rehabilitating commercial buildings or structures
- Development of facilities or capital equipment used for industrial or manufacturing purposes
- Rehabilitation of facilities or capital equipment used for industrial or manufacturing purposes

Ineligible Industry Sectors/Types

- Retail
- Logistics
- Photovoltaic arrays (aka "Solar Farms")
- Residential projects

- *Start-up companies
- Non-profit companies
- Casinos/gambling establishments
- Wind energy projects

*defined as a company with no historical track record or an affiliation with a company that would guarantee the loan

Loan Terms

Loans originated in redevelopment project areas are subject to an annual cap based on tax increment available in the project area. The Executive Director reserves the right to suspend the program pursuant to financial constraints.

Maximum Loan Amounts*

- Rehabilitating commercial buildings or structures - \$2 million
- Development of facilities or capital equipment used for industrial or manufacturing purposes - \$2 million
- Rehabilitation of facilities or capital equipment used for industrial or manufacturing purposes - \$2 million

*The maximum amount any one applicant can receive is \$2 million

Term of Loan (maximum time)

- Rehabilitating commercial buildings or structures – 10 years
- Development of facilities or capital equipment used for industrial or manufacturing purposes – 10 years
- Rehabilitation of facilities or capital equipment used for industrial or manufacturing purposes – 10 years

Interest Rate

- The Redevelopment agency will determine the interest rate by using a published financial index such as the Prime rate, Libor, or five-year treasury rates with a -1 to +4 interest rate spread. Economic impact and credit worthiness of the applicant will be taken into account in determining the rate.

Owner Equity

- The applicant must have ten percent (10%) equity in the transaction

Job Creation/Retention Requirements

The proposed business must create or retain at least one Full-Time Equivalent (FTE) position for every \$35,000 of assistance provided.

Principal Reduction Provisions

In cases where the Board of Directors deems appropriate, portions of the loan principal may be reduced based on economic impact variables such as job retention, creation, and capital investment. The maximum principal amount available to be reduced will be fifty percent (50%) of the loan with a total cap of \$1 million reduced per loan.

Amount to be reduced:

- \$20,000 for every FTE job retained
- \$35,000 for every new FTE job created

Principal reduction will begin after the first twelve months of the loan and the total amount reduced completed after five years.

Loan Securitization

The loans will be secured by the assets of the applicant both business and personal. The preferred collateral will be the business real property but personal real property will be considered in cases where the Agency's lien on the property will affect the ability to secure additional financing products.

Application Process

1. Preliminary Application

Interested applicants will first submit an application to the Redevelopment Agency and staff will conduct an initial review of the application to ensure it meets the parameters of the program including the following:

- a. Business is an eligible industry sector and is requesting funding for an eligible use
- b. Location within a Redevelopment project area
- c. Business has been in operation at least three years
- d. Applicant meets 10% equity requirement

2. Redevelopment Agency Committee Review

Once an application has undergone initial review, Redevelopment Agency staff will convene a loan committee to determine whether the loan application be considered based on the economic impacts and funding constraints of Redevelopment funds.

Members of the committee will include but not be limited to representatives from the following:

- a. Redevelopment Administration (RDA)
- b. Fiscal
- c. Contracted Underwriter (optional)

Upon Committee review, the Executive Director will be briefed on committee recommendation. At his direction the applicant will either be notified of application denial or scheduling of request before the Board of Directors for conceptual approval in which case staff will prepare Board document for consideration at the earliest Board meeting possible.

3. Board of Directors Conceptual Approval of Assistance

Prior to expenditures of funds on credit analysis and underwriting, the request for assistance will be brought to the Board of Directors to obtain conceptual approval to assist the project. If approved, application will be forwarded to the contracted underwriting partner for detailed review of credit and fiscal stability of applicant.

4. Loan Underwriting

The Redevelopment Agency's contracted underwriting partner will be selected via a Request for Proposal process. The selected underwriter will perform basic credit analysis and underwriting for each loan on a fee-for-service basis. They will issue an opinion on the risk of each loan application to the Redevelopment Agency, which will be utilized in the opinion in making its final staff level recommendation whether or not to forward the assistance request to the Board of Directors for final approval. Redevelopment Agency staff will notify the applicant of staff's final recommendation within seven working days.

5. Board of Directors Final Consideration

Upon completion of preliminary and loan committee review, underwriting, and Executive Management review, Redevelopment Agency staff will draft the Form 11 and Loan Agreement and route through the Redevelopment Agency and County Counsel.

The Form 11 and Loan Agreement will then be scheduled for the next available Board of Directors meeting. If redevelopment funds are being used for the financial assistance pursuant to Health and Safety Code Section 33444.6, a public hearing will be held and the Board of Directors shall find that the assistance is necessary for the economic feasibility of the development and that the assistance cannot be obtained on economically feasible terms in the private market.

If approved by the Board of Directors, the Chairman of the Board will execute the required documents and the Redevelopment Agency will fund the loan.

6. Loan Servicing

Loan servicing will be done by the Redevelopment Agency staff.

7. Reporting

All recipients of funds will be required to report to the Redevelopment Agency the job creation and retention activity in order to successfully track economic impact of the program. Standardized forms will be provided to the recipients for use in reporting.

FORM APPROVED COUNTY COUNSEL

BY:  01/31/10
MICHELLE CLACK DATE

Exhibit A
Redevelopment Commercial, Industrial and Manufacturing
Assistance Program Application Process

