



**City of North Liberty**

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# **Small Business Development Program Program Guidelines**

A joint program of the  
**City of North Liberty**  
and the  
**University of Iowa's John Pappajohn Entrepreneurial Center**



April 2012

## Introduction and Intent of the Program

The City of North Liberty has established a revolving loan program in order to expand and maintain its economic base by assisting new and expanding small businesses. The University of Iowa's John Pappajohn Entrepreneurial Center has agreed to support this program by providing assistance to applicants and assisting in evaluating requests for funding. The program will be funded by the City of North Liberty as described below:

<b>Fiscal Year</b>	<b>Funds Allocated</b>	<b>Revenue Source</b>
2013	\$75,000	Tax Increment Financing or General Fund Revenues
2014	\$75,000	Tax Increment Financing or General Fund Revenues
2015	\$75,000	Tax Increment Financing or General Fund Revenues (if needed)
	<b>\$225,000</b>	

*Note: The City Council will determine the revenue source on a case-by-case basis.*

The North Liberty Small Business Development Program is intended to provide supplemental financing in support of new or expanding businesses located within the City of North Liberty. The Program will make loans for the following purposes:

- To increase employment opportunities by increasing the number and types of businesses in the City of North Liberty.
- To offer financial assistance that will promote the retention and expansion of existing businesses.
- To increase the local property tax base.
- To diversify the community's economic composition by encouraging unique or essential business startups and expansions.

Funded projects must create or retain permanent jobs, make investments into the community's tax base or provide a unique service within the community.

The University of Iowa's John Pappajohn Entrepreneurial Center's role with this program is to provide resources and guidance to the Program applicants. Examples of assistance include, but are not limited to, developing a business plan, seeking other matching funds, networking, etc.

## Program Requirements

The Program will provide direct loans to new or expanding small businesses located or locating in North Liberty. The amount of the loan, the interest rate, and other terms will be determined for each project individually based on demonstrated need and the availability of funds. The maximum allowable repayment schedule for any loan is five years.

All applications must satisfy the following minimum requirements to be eligible for assistance:

- The project must be located within the City of North Liberty or be proposed for annexation into the City.

- The maximum request per project is \$25,000.
- The Program shall not constitute more than one-third of the financing for any project.
- There must be evidence of adequate private equity. The equity must be in the form of cash from the owners/investors, must be at least 10% of the total project financing, and must be injected into the project after the application has been approved.
- There must be evidence that Program money is necessary to make the proposed project feasible. There are a number of ways in which to prove need for the funding, including but not limited to, a financing gap, insufficient return on investment, or locational disadvantages.
- The project must conform to the City's zoning and other applicable federal, state, and local codes and regulations.
- The applicant must be a private, for-profit enterprise. Preference will be given to companies in the advanced manufacturing, information technology, biosciences and other innovative industries.
- The business requesting Program funds must be able to demonstrate that it can, if a loan is made, continue as a sustainable business in the foreseeable future without any additional or ongoing below market rate financial assistance. This is accomplished with projected financial statements.
- The applicant must consult with the University of Iowa's John Pappajohn Entrepreneurial Center or another local entrepreneurial development organization such as the UI Small Business Development Center, prior to submitting a Small Business Development Program application and may be required to complete the Fastrac® Program or other approved entrepreneurial courses as provided by the University of Iowa's John Pappajohn Entrepreneurial Center.

### Evaluation Criteria

The following criteria are used to evaluate applications:

- The need for Program Fund monies exhibited through balance sheets, income statements, and cash flow projections.
- The amount of Program Funds requested per new job pledged or retained. Job creation projects will be detailed in the agreement.
- The Program Funds as a percent of the total financial package.
- The community's need for and impact of the project; consideration will include local employment conditions, resultant new economic activity, the quality of jobs, project schedule, property tax enhancement, and other effects on the local tax base.
- The overall reliability, feasibility and quality of the application materials.

- Preference will be given to projects that create high quality jobs, diversify the city's composition, and/or export goods and services outside Johnson County.
- Refinancing or restructuring of existing loans will not be considered.

### **Application Procedure**

Applications for assistance must be submitted to:

City of North Liberty  
Attention: Small Business Development Program Review Committee  
PO Box 77  
3 Quail Creek Circle  
North Liberty, Iowa 52317

City staff will review the application for completeness and accuracy. After review, the application will either be returned to the applicant with deficiencies noted or forwarded to the Small Business Development Program Review Committee. The Review Committee will consist of the following members: 1) the North Liberty City Administrator or designee; 2) a North Liberty City Council person, as appointed by the Mayor; 3) a member of the North Liberty Development Group; 4) a representative from the John Pappajohn Entrepreneurial Center; 5) a local small business expert as appointed by the Mayor. The Review Committee will have 30 days from receipt of a full and complete application to review it and make a decision. That decision may include:

- Submitting the application to the North Liberty City Council with a recommendation for approval with or without conditions and suggested terms of the loan.
- Request from the applicant additional information or clarification of information submitted as part of the application.
- Denying the application for consideration for funding.

The North Liberty City Council will consider the Review Committee's recommendations at its next regularly scheduled meeting. The City Council may:

- Approve the loan with the terms and conditions recommended by the Review Committee.
- Reject the loan request.
- Defer action until additional information and/or clarification is received.

After the North Liberty City Council makes a decision, City staff will notify the applicant of the decision.

**NOTE: The applicant must agree to allow the Loan Review Committee to research the company's history, make credit checks, contact the company's financial institution(s) and perform other related activities necessary for reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Loan Review Committee has the discretion to determine what action it shall be take.**

### **Additional Details**

If an application is recommended for approval, the applicant must sign a contractual agreement with the City of North Liberty. This agreement establishes:

- The terms and conditions of the loan, including, but not limited to, interest rate, frequency of loan payments and penalties for late payments.
- Job creation and/or retention performance as described in the application.
- Penalties for failure to meet the job creation or retention goals or for relocating the business outside of the City of North Liberty.
- Other terms and conditions recommended by the Review Committee and approved by the North Liberty City Council.

Program Funds must be secured by mortgages and/or liens against fixed assets or personal property and may be supplemented by personal guarantees. Such mortgages, liens, and/or personal guarantees may be subordinated to conventional bank financing.

The loan recipient is responsible for payment of direct costs, such as recording fees or legal costs, associated with making and/or closing the loan. Evidence of payment and recordation is required at closing.

In general, the repayment of loans will be made via equal payments over the term of the loan, such as monthly, quarterly, semi-annually, or annually. The due date of the first payment is negotiated on a project-by-project basis.

The project described in the approved application becomes the performance goals in the program contract documents. In the event that the applicant fails to complete the project and/or create the jobs pledged, the applicant may be determined to be in breach of contract. The percentage completed may have a direct bearing upon any action taken by the City of North Liberty. The Program Funds may be subject to immediate repayment based upon the percentage of the project and/or creation of jobs not completed and penalties may be imposed.

Recipients are required to submit quarterly performance reports, including financial statements and information related to job creation to the Review Committee. All records related to the Small Business Development Program must be retained for a period of at least three years after the date upon which the final loan repayment is received.

### **Confidentiality**

The North Liberty Small Business Development Program is subject to the Open Records law (1994 Iowa Code, Chapter 22). The provisions of the Open Records law govern treatment of information submitted to the City of North Liberty in a Small Business Development Program application. All public records are available for public inspection. Some public records are considered confidential and will not be disclosed to the public unless ordered by a court, the lawful custodian of the record or by another person duly authorized to release the information.

Failure of an applicant to request confidential record treatment for a record does not preclude the City from treating it as a confidential record. However, if an applicant who has submitted business information to the City does not submit a request for confidential treatment, the City may proceed as if that applicant has no objection to its disclosure to members of the public.

The contents of a completed Small Business Development Program application are open to public inspection. The City will treat some portions of the required attachments submitted in connection with an application as confidential. The City considers the following records as confidential and they will be withheld from public disclosure:

- Tax records
- Quarterly Iowa "Employer's Contribution and Payroll Report" prepared for the Workforce Development Department
- Business's payroll register
- Personal financials
- Business financial projections

Other information supplied to the City as part of the attachments to the application may be treated as confidential under Iowa Code §22.7. Following are the classifications of records that are recognized as confidential under Iowa law and which are most frequently applicable to business information submitted to the City:

- Trade secrets. [Iowa Code §22.7(3)]
- Reports to governmental agencies that, if released, would give advantage to competitors and serve no public purpose. [Iowa Code §22.7(6)]
- City information on an industrial prospect with which the City are currently negotiating. [Iowa Code §22.7(8)]
- Communications not required by law, rule or regulation made to the City by persons outside of both organizations to the extent that the City could reasonably believe that those persons would be discouraged from making them if they were made available for general public examination. [Iowa Code §22.7(18)]

A request that a record, or portions of a record, be treated as confidential must:

- Be in writing and submitted to the City;
- Set forth the legal and factual basis justifying such confidential record treatment for that record [refer to the list of §22.7 exceptions most applicable];
- Identify the specific reasons justifying confidential treatment;

- Include the name, address and telephone number of the person authorized to respond to any inquiry or action of the City concerning the record; and
- Submit: a) the original record in its entirety and b) if portions of a record are to be kept confidential, a copy of the record in which the confidential material has either been deleted or blacked out with a marker.

When submitting records to the City for which confidential treatment is sought, the original record must conspicuously indicate that all or portions of it are confidential. Requests for treatment of a record as confidential for a limited period of time shall specify the precise period of time for which that treatment is requested. A person requesting treatment of a record as confidential may also be required to sign a certified statement or affidavit enumerating the specific reasons justifying the treatment of that record as confidential and to provide any proof necessary to establish relevant facts.

If a request for confidential record treatment is denied, the City will notify the applicant in writing of that determination and the reasons for denial. Upon request of the applicant, the City may engage in good faith, reasonable delay in allowing examination of the record so that the applicant may seek injunctive relief under Iowa Code §22.8 or other applicable provision of law. However, a record will not be withheld from public inspection for any period of time if the City determines that the applicant has no reasonable grounds to justify treatment of that record as confidential. The City will notify the applicant in writing of the time period to seek injunctive relief or the reasons for the determination that no reasonable grounds exist to justify confidential treatment.

If a request for confidential record treatment is granted, or if action on the request is deferred, a copy of the record from which the matter in question has been deleted and a copy of the decision to grant the request or to defer action upon it will be available for public inspection in lieu of the original record.

## **Contacts**

For more information, contact:

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