Section 3. Microenterprise Business Attachment

This Section contains:

1. Task Matrix Attachments
2. Program Guidelines
3. Cost Allocation Plan (required if serving both TIG and non-TIG clients)
4. Other Local Organizational Support Attachments
5. Leverage Attachments
6. El Dorado County Redevelopment Feasibility Study

El Dorado County Microenterprise Assistance Program Guidelines

I. Program Description

The El Dorado County Microenterprise Assistance Program requires a community effort to identify and recruit TIG applicants for the program. Qualified and interested individuals will be invited to attend introductory sessions explaining the scope and purpose of the program. They will assess their willingness to seek self-employment and determine their family and personal commitment to program participation.

Participants accepted into the Program will attend training and seminars designed to enlighten and teach basic business skills and provide opportunity to review the overall feasibility of their business concept. Following the training, participants will be provided an opportunity to create a business plan with one-on-one technical assistance which can guide the business start-up in establishing funding for the new venture. The Program will provide continuing support to participating businesses with advisors and counselors for specific issues.

Microenterprise Assistance Program applicants interested in a Business Façade Loan will not be required to attend an introductory session in order to apply for a loan.

II. Eligible Applicants

Applicants include all community members considered low to moderate income or TIG eligible (total household incomes at or below 80% of the county's median income). Program activities will begin with recruitment and screening for participants who have the potential to become future business owners or have existing businesses but still meet targeted income group guidelines. Start-up businesses that will hire the TIG will also be eligible.

Recruitment will continue with existing agencies serving the County of El Dorado including but not limited to:

El Dorado County Office of Economic Development
El Dorado County Department of Human Services – Social Services Division
Job One of El Dorado County
State Department of Employment Development
State Vocational Rehabilitation Department
County Chambers of Commerce including but not limited to:
El Dorado County Chamber of Commerce
El Dorado Hills Chamber of Commerce
Cameron Park/Shingle Springs Chamber of Commerce
Coloma Chamber of Commerce
Georgetown Chamber of Commerce
Pollock Pines Chamber of Commerce
South Lake Tahoe Chamber of Community
Small Business Associations
Civic Groups

In addition to income verification, program applicants who are seeking technical assistance will be screened for prior skills and experience levels, self-determination to improve and gain control of their environment, willingness to commit to full participation in training and counsel as well as overall family and/or household support for entrepreneurship. Program application and eligibility documents are included as attachments to this application.

Applicants seeking a Business Façade Loan will be verified for eligibility as a TIG-qualified commercial property owner or Microenterprise owner and will be approved based on Section VI of these guidelines.

III. CDBG Eligibility Requirements

The County of El Dorado Microenterprise Program will meet CDBG eligibility requirements by offering training, counsel and loan opportunities to members of the low to moderate income groups residing within the unincorporated areas of El Dorado County.

National CDBG objectives will be met by serving one of two goals:

- Limited clientele: participants who are either individuals seeking business start-up or business owners with existing small businesses will demonstrate TIG eligibility. Participants will create or maintain self-employment, and/or create new jobs through business expansion;
- Job creation/retention, participants will create or retain job positions meeting wage and hour guidelines where at least 51% of the jobs are TIG member eligible.

For the purposes of this proposal, Microenterprise is defined as a business that has five or fewer employees, one or more of whom owns the enterprise.

IV. Program Content

The County of El Dorado Elevation Program Microenterprise Technical Assistance will provide training and Technical Assistance through the One-Stop Service Delivery System. Technical Assistance (TA) to business includes a wide range of knowledge and skill development essential to business entrepreneurial success. There are two ways or settings in which TA will be delivered to clients:

1. One-on-One: One client and one or more counselors, consultant, and/or mentor;
2. Workshop: Multiple clients, all of whom are verified TIG, and one or more counselors, consultant, and/or mentor.

Various Technical Assistance content can be delivered in each setting, and each setting more or less suited to delivery of a particular content to a particular client. The Program Operator will select the setting most cost effective and conducive to the Technical Assistance. It is anticipated the majority of workshops and seminars will be held at the One-Stop Service Center in Placerville. However, outreach will be provided in South Lake Tahoe, El Dorado Hills and Georgetown.

V. Technical Assistance

The classroom training will offer ten modules that provide necessary training and counsel for all selected participants. The program will include:

- Skills Entrepreneurs Need: What it Takes to Survive in Business
- Deciding on a Business
- Business Plan; Your Roadmap to Success
- Communication Tools and Organization
- Marketing Analysis

- Marketing Strategy
- Management Skills
- Operations: Running the Business
- Licenses, Permits, Business Names and Insurance
- Keeping the Books – Accounting and Cash Flow
- How to Finance Your Business – What Lenders Want to See
- Location and Opening Your Business
- Tools to Forecast Business Needs and Sound Cash Management

Participants in the program will be expected to attend training sessions and meet regularly with counselors and trainers to develop a business plan. Training will be offered with two complete cycles planned within 12 months of program approval. Additional programs may be determined on a geographic basis to meet community and countywide need.

It is expected that many participants may decide to seek regular employment opportunities or determine they do not wish to complete the program. These individuals will likely gain from attendance and may become more qualified job applicants through the program participation. Although program objectives are established from completion and potential loan funding, a review of individual circumstances will be sought from all participants, which demonstrates factors impacting program participation.

VI. Business Façade Loan Program

Purpose:

The Business Façade Loan Program will allow TIG-qualified commercial property owners or Microenterprises, with the consent of the property owner, to borrow loans funds to make repairs and improvements to the front façade of the building in which the business is located.

The goal of the program is to create a positive downtown business environment that encourages retention of existing businesses and brings new businesses into the area. Loans provided through this program will be subject to prevailing wages. Microenterprises located in a building they do not own must obtain approval from the property owner before façade improvements or repairs can be made.

The Business Façade Loan Program will provide loans, in which repayments are "revolved" or "recycled" to be loaned again in the same program. Therefore, the initial funds that capitalize the Program will be used again to create additional jobs, assist more businesses and property owners, and continue to provide significant benefits beyond the initial loans.

The Building Façade Loan Program will be available to assist microenterprise or property owners located in the unincorporated areas of El Dorado County with priority given to those located within the areas identified in the December 2007 Redevelopment Feasibility Study which includes:

- Georgetown
- North Cameron Park
- South Cameron Park
- Shingle Springs
- Missouri Flat
- Diamond Springs
- El Dorado
- Camino
- Somerset/Mt. Aukum
- Meyers

POLICY:

The following elements are critical in the selection of loans for the Business Façade Loan Program:

- Existence of a "financial gap" that hinders the business or property owner from obtaining or affording the project without the Program;
- That the terms and conditions of the Loan are appropriate;
- The business is a microenterprise as defined in Section III of these guidelines or the property owner is from the Target Income Group (TIG). The TIG is a low/moderate income person whose household income does not exceed 80% of County median household income, adjusted by family size; and
- The loan meets underwriting requirements.
- Businesses must provide documentation of a minimum five (5) year lease for the facility and owner approval allowing the improvements.

Eligible applicants include commercial property owners and microenterprises who are TIG qualified.

The structure must be commercial or industrial. Business Façade Loan Program funds can be used to improve the front exterior façade of the building in which the business is located by making repairs and improvements including but not limited to:

- Masonary cleaning and repair
- Cornice restoration
- Window and door repair or replacement
- Exterior painting
- Power washing or sand blasting
- Canopy repair or replacement
- Gutter and downspout repair or replacement
- Roof parapet walls
- Lighting
- Signage
- Decorative additions (ie. brick, stone, tile)

- Removal of architectural barriers
- Awnings
- Architectural design*

*No more than 10% of the total loan funds can be used for architectural design costs

Ineligible repairs/improvements include but are not limited to:

- Interior repairs/improvements
- Landscaping
- Sidewalks
- Walkways
- Rear/Side Façade*

*Buildings with two or more facades that face main streets may be eligible for repairs/improvements to both facades. Determination will be made on a case-by-case basis. In such cases the Program loan will not exceed the $25,000 limit established in these guidelines.

Where it is determined that Federal and State Prevailing Wage requirements must be met the County will provide a grant of up to $5,000 toward the costs of prevailing wages.

FUNDING GUIDELINES:

Loans will range from a minimum of $5,000 to a maximum of $25,000. Loans will bear a 1% interest rate. Interest will accrue during the term of the loan and will be forgiven upon successful repayment of the principal amount borrowed.

Grants are limited to $5,000 for prevailing wage and lead-based paint abatement and mitigation.

Total funds not to exceed $25,000 per project.

The County of El Dorado will initially seek applicants to meet the following target goals:

Program loans	10
To include:	
Business expansion	8
Start Ups	2

- **Leveraging**: The business owner is required to leverage one dollar for every loan dollar. On a case-by-case basis this leverage requirement may be waived. A private dollar can be either cash or other quantifiable assets. Expenditures made by the loan applicant prior to the Business Façade Loan Program loan award are not counted unless made as part of the submittal, and made within 60 days of the Business Façade Loan Program loan submittal, related to and in anticipation of such submittal. **A minimum of 10% of the total project funding must be from owner equity.**
- **Loan Terms**: Loans will be provided for up to ten years, depending on the extent of repairs/improvements financed and the demonstrated need for the Business Façade Loan Program funds. The length of loan shall not exceed the economical life of the repairs/improvements being financed.

- **Loan Fee**: A loan fee of up to 1.5% may be charged to the borrower.
- **Prepayment Penalty**: None
- **Deferral of Payments**: On a case-by-case basis.
- **TIG Verification**: Borrowers will be required to submit documentation verifying their eligibility for the Loan Program as a Targeted Income Group property owner or microenterprise business owner.
- **Collateral Requirements**: All Business Façade Loan Program loans shall be fully secured by collateral in order to maintain the Business Façade Loan Program. No unsecured loans shall be made. Types of collateral may include liens on real property; deeds of trust; liens on machinery, equipment or other fixtures; lease assignments; personal and/or corporate guarantees; and other collateral, as appropriate.

APPLICATION PROCESS:

- Applicant contacts County of El Dorado Human Services Department Housing Division to determine program eligibility.
- Applicant submits preliminary information including business and personal tax returns for the last three years, business financial statements (balance sheet & income statement) for current year and prior three years, personal financial statement, credit history and project summary.
- Department reviews documentation to determine program eligibility and financing affordability for participant.
- Department submits request for loan assistance to the Loan Review Committee.
- Applicant is provided written notification of approval or denial, with reason, and the appeal process for denial.
- County loan documents are prepared and executed.
- County assistance funds are deposited into escrow along with the required closing instructions and documents.
- Department monitors file for compliance with loan requirements.

INCOME LIMITS*:

80% of El Dorado County Median Income – 2008
(Area Median Income $71,000)

1 person	$39,750
2 persons	$45,450
3 persons	$51,100
4 persons	$56,800
5 persons	$61,350
6 persons	$65,900
7 persons	$70,450
8 persons	$75,000

(*figures change annually)

Loans will be processed in accordance with the El Dorado County's MicroLoan Program Guidelines incorporated herein by this reference.

VII. Implementation Plan

The client selection recruitment is handled through the El Dorado County Department of Human Services in conjunction with El Dorado County Job One One-Stop Resource Centers. All participants are screened for income verification using the Verification Form included in this application. All existing CalWORKS recipients are giving an assessment of skills and interest in the entrepreneurial training. Notices will also be sent to clients who have been screened for acceptance in the El Dorado County Housing Rehabilitation and Housing Acquisition Programs.

Additional recruitment for qualified applicants will be made through media coverage and marketing brochures. Local lenders will recommend clients and projects through working with Business Services Representative when appropriate. In addition the Office of Economic Development and County Chambers of Commerce will refer potential applicants.

All candidates will be screened for Targeted Income Group (TIG) eligibility prior to enrollment in the program. Individuals not qualified as TIG will be referred to other business resource assistance programs, including the Greater Sacramento Small Business Development Center and Sierra Economic Development Corporation (SEDC) SBA funded Microenterprise program. The prescreening process will also assess possible barriers to attending training such as transportation, childcare needs and language barriers.

VIII. Training Program and Technical Assistance Program

Implementation of the training program will commence with informational meetings where applicants and interested individuals will learn of the content and operation of the entire training and loan program. Meetings will be held in local communities to reach the widest audience, while actual training may take place in Placerville, Cameron Park, and potentially South Lake Tahoe. Training sessions will take place according to the training curriculum with a minimum of two complete cycles offered during the grant period.

The County has a Resource Center developed in both Placerville and South Lake Tahoe One-Stop Resource Centers where participants may use a personal computer to conduct research on the Internet and/or prepare the text and numbers necessary for the construction of a formal business plan. Participants will be able to schedule appointments for the El Dorado County Chamber of Commerce to utilize the resources of the local Chamber and the Greater Sacramento SBDC for compiling information data necessary to complete their tasks and plan.

IX. Delivery of training programs, One-on-One Technical Assistance, and Business Support

The County or its subcontractor will provide comprehensive workshops to the participants that cover all of the elements of how to start their own business. These classes are appropriate for those individuals who have an idea to begin their own business and those that have recently started their business. We are proposing the workshops to consist of 6 classes that are designed for 3 hour sessions, and consist of classroom teaching, classroom activities, and speakers from the local community who have started their own businesses or have pertinent expertise to impart to the new business owner/entrepreneur. The classes are designed to deliver a completed business plan for the participant that will guide them through the first years of operations and prepare them for funding requests.

The technical assistance to be provided to the targeted income population will consist of one on one consulting to assist them in their area of need. The assistance will not be confined to the participants in the Business Start-Up workshop, but will also be available to businesses that request it as long as their income falls within the target income group (TIG) to participate in the program. The services will consist of consulting in all areas of their startup needs. All participants in the Business Start-Up Workshop are included in the one-on-one technical assistance. Each class participant will be scheduled for individual one-on-one assistance as part of class participation.

Business support will consist of assistance with printed materials and brochures for access to the internet through the One-Stop Resource Center. Other assistance could be computer classes or other specialized support. The assistance will be provided on a one-on-one basis and will be offered to all participants in the classes and to all qualified businesses. Other business support may be provided as identified through the classes.

During the final phase of the training process, the County or Subcontractor, with the assistance of mentors, will guide entrepreneurs through the process of preparing an application for funds under the grant program. Entrepreneurs will then have the opportunity to make a presentation to the Loan Advisory Board demonstration their ability in start-up businesses.

X. CDBG Monitoring

CDBG monitoring requirements will vary depending on the use of funds and the applicable federal overlays. Environmental review procedures are included with this application.

Job Creation/TIG Benefit

All participants will be screened for Target Income Group (TIG) benefit eligibility. The El Dorado County Department of Housing, Community and Economic Development will be responsible for quarterly employment verification reports and income verification processes. All participants receiving assistance with CDBG funds will be 100% verified.

Environmental Review Requirements

The County is required to complete an environmental review under federal regulations whenever CDBG funds are used to provide assistance to a business. The review process is set forth at 24 CFR Part 58 and further explained in the State CDBG Grant Management Manual. As a function of providing a business with direct financial assistance (such as a loan, grant, loan subsidy, loan collateralization, or loan guarantee) the grantee must complete an environmental review for each instance of assistance at the appropriate level of clearance. The local loan review board may conditionally approve each loan subject to completion of an environmental clearance as a special condition of drawn down of funds. The project may not begin until the environmental clearance has been completed including any applicable noticing requirements and approved in writing by Department staff, and the environmental review record must be placed in the public information file.

Labor Standards Requirements

CDBG loans may trigger compliance with Federal Labor Standards and Provisions. The following CDBG-assisted projects may be subject to the payment of Federal Prevailing Wage Rates:

New construction or rehabilitation

On-site improvements in support of new construction

Installation of equipment

When a project is determined to be subject to Federal Labor Standards, the County will be responsible for assigning in-house or contract staff to monitor compliance with this requirement.

Other Monitoring Requirements

Other requirements that apply to CDBG funding and may need to be monitored for compliance include:

- **Acquisition, Anti-Displacement, and Relocation**. If the County uses CDBG funds to acquire property, then it must comply with CDBG acquisition procedures. The County must minimize the displacement of persons (families, individuals, businesses, non-profit organizations, and farms) that may result from CDBG-funded activities (24 CFR 570.606). If the displacement occurs, then the grantee must insure that the affected parties are provided with adequate relocation assistance (24 CFR 50.606).
- **Equal Opportunity/Section 3**. The County must insure that no one is being excluded from participating in, or benefiting from, the CDBG program on the basis of race, color, religion, national origin, or sex (24 CFR 570.602). The County must have a system in place for tracking the "protected class" status of loan applicants, loan recipients, job applicants, and job recipients (24 CFR 570.607).
- **Procurement**. The County will utilize procedures in procuring services, supplies, equipment and construction contracts that maximize free and open competition and the efficient, economical use of the CDBG funds (24 CFR 85.36).
- **Contractor Eligibility and Certification**. The County will ensure that any contractors and/or subcontractors are not on the federal list of ineligible contractors and that they are licensed and in good standing (24 CFR 570.609).

XI. Matrix

El Dorado County Microenterprise Loan Fund Program Roles and Responsibilities

Key: County Staff – El Dorado County Department of Human Services and Economic Development
County – El Dorado County Chamber of Commerce

Task	County Staff	County
Audit	X	
Business Forums	X	X
Clear Grant Conditions	X	
Client Assessment and Tracking	X	X
Conduct Environmental Review	X	
Content Development	X	X
Equal Opportunity Compliance	X	
Federal Overlay Compliance	X	
Fiscal/Performance Reporting	X	
Identify & Recruit Clients	X	X
Income Screening	X	
Procurement	X	
Program Marketing	X	X
Program Monitoring & Recordkeeping	X	

Program Oversight & Evaluation	X	
Project Management	X	X
Public Participation	X	
Set-up & Maintain Public Files	X	
Tracking/Monitoring	X	
Trainer Recruitment/Coordination	X	X
Training/Technical Assistance	X	X
Workshops	X	X
Clear Special Conditions	X	
Income Screening/TIG Benefit	X	
Conduct Appeal Process	X	
Attend HCD Workshops	X	
Refer for Business Counseling - SBDC	X	X

Microenterprise Task Matrix

Task	General Admin	Activity Delivery	Microenterprise Assistance Activity
Approve RLF Guidelines	X		
Clear Special Conditions	X		
Prepare Funds Requests	X		
Monitor Grant Expenditures	X		
Generate Fiscal/Performance Reports	X		
Coordinate grant activities with Program Operator and Grantee	X		
Oversee program implementation and activities	X		
Compile official grant project files	X		
Monitor achievement of goals	X		
Report on progress to Grantee and local governing body	X		
Meet with local econ developers to solicit referrals		X	
Create and distribute program flyers and newsletters		X	
Write press releases; Market Microenterprise services		X	
Participate in Loan Advisory Review		X	
Loan Servicing and Accounting		X	
Create and update the program website		X	
Income screen for TIG status		X	
Determine business size and eligibility as a microenterprise		X	
Ascertain readiness of potential participant		X	
Ascertain readiness in eligible, enrolled participant			X
Gather baseline data on potential participant		X	
Gather baseline data on eligible, enrolled participant			X
Field calls from potential participant		X	
Create service plan for eligible, enrolled participant			X
Coordinate course offerings with community colleges and other providers		X	
Set up courses and schedules for eligible, enrolled participants			X
Assist in preparing business plan and marketing strategy			X
Conduct courses			X
Curriculum Development		X	
Class/Training Preparation		X	
Guide eligible, enrolled participants in resolving business issues			X
Field calls from enrolled, eligible participants			X
Meetings/counsel sessions with eligible, enrolled participants			X
Assist in preparing loan application		X	
Collect and input eligible, enrolled participant data		X	
Prepare and submit cost allocation plan	X		

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Report on program outcomes	X		
Determine indicators for tracking	X		
Evaluate program effectiveness		X	
Create database to match participant data collection	X		
Attend HCD Workshops	X		

Business Assistance Task Matrix

Task	Contract Program Operator	County	Contract Loan Servicer
Establish and Maintain Program Loan Files	X	X	
Legal Review of Loan Documents			
Approve RLF Guidelines		X	
Prepare Fiscal/Performance Reports		X	
Review Fiscal/Performance Reports		X	
Monitor Program Operator		X	
Conduct NEPA and CEQA Review		X	
Participate in LAB Review			X
Loan Servicing and Accounting			X
Provide Monthly Receipts of Loan Payments			X
Provide Quarterly Statements on Loans			X
Implement collections and foreclosures			X
Approve Reuse Plan		X	
Meet with Participating Lenders	X	X	
Publicize and Market the RLF	X	X	
Screen and Assist Loan Applicants	X		
Refer ineligible applicants to others	X		
Request preliminary Loan information	X		
Get Credit Report, other documentation	X		
Prepare loan package and recommendation with appropriate determination	X		
Present loan to LAB	X		
Close loan with other lenders	X	X	
Monitor loan and general compliance	X		
Preview and Sign all HCD Reports		X	
Prepare Cash Requests and HCD Reports		X	
Clear special conditions	X	X	
Site visits to borrowers	X		
Track jobs/benefit (EEO) Infrastructure Grants Business Loans	X		
Monitor Labor Standards	X		
Income Screening/TIG Benefit		X	X
Conduct Appeal Process		X	
Establish Fair Share Amount	X		
Develop Fair Share Agreement	X		
Execute & Implement Fair Share Agreement	X		
Planning, Building & Public Works Review		X	
Attend HCD Workshops		X	
Provide Business Counseling - SBDC			
Provide Overall review and liaison between RLF components, County & CDBG Program		X	

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COST CATEGORIES FOR GENERAL ADMINISTRATION, ACTIVITY DELIVERY, AND PROGRAM ACTIVITY

ACTIVITY DELIVERY AND PROGRAM LOAN/ACTIVITY	General Administration	Activity Delivery	Program Loan/Activity
Advertisement	X	X	
Application Preparation	X	X	
Appropriate Fees		X	X
Attend Workshops (HCD)	X		
Bidders Conferences		X	
Use of Loan Proceeds			X
Engineering Draw/Design		X	
Environmental Studies	X		
Fiscal Reporting	X		
General Coordination	X		
Indirect Costs	X	X	
Insurance Premiums		X	
Loan Processing*		X	
Meetings with Banks		X	
Meetings with Borrowers		X	
Personnel Office	X		
Planning Studies	X		
Procurement Office	X		
Program Reporting	X	X	
Loan Servicing		X	
Relocation Costs		X	
Legal Costs	X	X	
Loan Committee Meeting	X	X	

Costs of processing loans funded by another source may be charged to the CDBG-funded program if the other loan program is to be part of the jurisdiction's CDBG activity and is identified in the Enterprise Fund Application, Section D Activity Description Form.

EI DORADO COUNTY
MICROENTERPRISE LOAN PROGRAM GUIDELINES

I. PURPOSE:

The El Dorado County Microenterprise Assistance Loan Program (MLP) is designed to provide the critical and necessary capital needs of businesses and development projects in El Dorado County. The MLP is capitalized with funds from the State of California Community Development Block Grant (CDBG) Program. The intent of the MLP is to provide appropriate assistance to business and development projects, which in turn will create and/or retain jobs, along with increasing the commercial and industrial base of the community.

The MLP provides loans in which repayments are "revolved" or "recycled" to be loaned again in the same program. Therefore, the initial funds that capitalize the program will be used again to create additional jobs, assist more businesses and projects and provide significant benefits beyond the MLP's initial loans.

The MLP is designed to provide need-based funding as some percentage of a project's total financing requirements. The MLP is targeted to businesses and projects that have the greatest potential for long-term job creation/retention, particularly jobs created and/or retained for low and moderate income persons.

The MLP will assist businesses and projects that start-up, expand, and/or locate within the unincorporated county limits of El Dorado. The MLP funds can be used to finance:

- Working Capital/Lines of Credit,
- Inventory Purchase,
- Equipment Acquisition,
- Furniture/Fixtures.

II. POLICY:

The following elements are critical in the selection of loans for the MLP Program:

- Existence of a documented need that hinders the business or project from obtaining or affording the project without the MLP injection.
- The loan meets the MLP's underwriting criteria.
- Business owner qualifies as a CDBG Microenterprise (i.e. owner(s) is TIG, and the business has five or fewer employees, including the owner(s).
- The terms and conditions of the project are appropriate.

III. SOURCE OF FUNDING:

The source of funding for the MLP is the State of California Community Development Block Grant Program Enterprise Fund Component Program. Loans are not made from the El Dorado County General Fund.

IV. DESCRIPTION OF FUNDING

4.1 Guidelines

Loans will range from a minimum of $1,000 to a maximum of $25,000. However, MLP loans above $25,000 will require additional approval by the State Department of Housing and Community Development (HCD), Economic Development Advisory Committee (EDAC).

- **Leveraging**: Minimum 10% of total project costs.

- **Loan Terms:** Up to ten years, depending on the asset being financed and the demonstrated need for the MLP funds. The length of the loan shall not exceed the economical life of the equipment/asset being financed.

- **Interest Rate:** The interest rate is set based on the demonstrated financial need of each borrower. If the financial need is the availability of capital, the interest rate shall be near market rates for the asset being financed. If the financial need is the cost of capital (rate, term or collateral requirements), then the interest rate is set by evaluating the financial information to determine at what interest rate the project would be viable.

- **Loan Fee:** Borrowers will pay for any direct costs incurred in loan processing and closing, such as recording fees, attorney fees, escrow fees, etc.

- **Prepayment Penalty:** None

- **Deferral of Payments:** On a case by case basis, determined based on the financial gap."

- **Collateral Requirements**: All MLP loans shall be fully secured by collateral in order to maintain the Microenterprise Loan Program. No unsecured loans shall be made. Collateral will usually be in the form of liens on the assets financed including fixed assets such as machinery, accounts receivable, inventory, and lease assignments. Liens upon other non-project assets of the borrower may also be used to secure the loan. Personal guarantees will be required of all person/entities holding a 50% or more interest in the applicant's business. Types of collateral may include

    - Liens on real property,
    - Deeds of Trust,
    - Liens on machinery, equipment, or other fixtures,
    - Lease assignments, as appropriate,
    - Personal and/or corporate guarantees, as appropriate, and
    - Other collateral, as appropriate.

4.2 General Administrative Features

The Microenterprise Loan Program will comply with all CDBG requirements, including, but not limited to:

- Confidentiality of Client Financial Information, as allowed by law;
- Equal Opportunity/Affirmative Action Policy;
- Attorney review of all contracts and legal forms;
- Monitoring and Reporting Forms;
- Collection and Foreclosure Policy;
- Labor Standards (where applicable);
- Clearing CDBG Special Conditions;
- Relocation assistance (where applicable);
- Section 3 requirements;
- Fair Housing requirements;
- Environmental reviews;
- El Dorado County staff will be responsible for overall project marketing, loan evaluation, loan packaging, and monitoring.

4.3 Project Evaluation Criteria

The following evaluation criteria will be adhered to during the course of the Microenterprise Loan Program:

- The number of jobs created/retained and the percentage benefiting members of the Targeted Income Group.
- The amount of private dollars leveraging MLP funds.
- The financial viability of the proposed project.
- The demonstrated need for the MLP funds.

4.4 General Credit Requirements

A loan applicant must:

- Show ability to operate a business successfully,
- Have enough borrowing ability or equity to operate, with the MLP loan, on a sound financial basis,
- Show the proposed loan is of sound value or reasonably secure to assure repayment, and
- Show that the past earning record and future prospects of the firm indicate ability to repay the loan and other fixed debt, if any, out of the profits.

4.5 Loan Packaging

County staff will be responsible for MLP loan packaging activities, including review of all proposals presented to the Loan Advisory Board (LAB).

4.6 Loan Review

The Loan Advisory Board (LAB) shall be responsible for reviewing funding proposals and making recommendations to County staff. The El Dorado County Housing and Community Development Agency will decide terms and conditions of loan agreements. The LAB shall be comprised of:

- One representative of County Staff;
- One Certified Public Accountant;
- Two representatives of a El Dorado County lending institution, and
- Two representative of the business community appointed by the County.

HCD/CDBG will make the final loan determination after County LAB approval.

4.7 Length of Review Process

On average, the MLP review process takes six to eight weeks from submittal of a complete loan application through LAB review. Loan funds can be disbursed two to three weeks after signing the MLP documents, depending on the financing and approval by HCD. Conditional commitments can be made prior to final approval from another funding source. Every effort will be made to facilitate the process to coincide with the other funding source and the project's requirements.

4.8 Linking Jobs with Long-Term Unemployed

County staff will work closely with the Workforce Investment Act (WIA) programs and services that provide assistance to the unemployed and low and moderate income persons. Early and consistent involvement with each loan applicant will be an integral policy of the MLP Program.

V. ELIGIBILITY

5.1 Eligible Applicants

In order to be considered for financing through the MLP, applicants must meet the following requirements:

- Have a completed business plan which includes a competitive market analysis and qualify as a Microenterprise (owner(s) is TIG and the business has five or fewer employees, including the owner(s))
- Be an on-going or start-up private, for profit Microenterprise business concern, partnership, sole proprietorship licensed and located (or planning to locate) within the unincorporated areas of El Dorado County. Businesses operating out of a residence are eligible.
- Be in compliance with all county, state and federal financial obligations, including taxes with zoning regulations.
- Loan monies may NOT be used to satisfy any existing debts.

5.2 Eligible Uses

The project must be commercial or industrial. MLP funds can be used for construction and permanent financing, working capital, inventory, equipment, real property acquisition, construction and rehabilitation.

5.3 Ineligible Uses

Projects must be located in the unincorporated areas of El Dorado County. Projects cannot be residential in nature. Projects must have reasonable assurance of repayment. Projects are not eligible if they create a conflict of interest pursuant to California Government Code S87100 et seq for any current El Dorado County or Business Development Corporation employee or Loan Advisory Board (LAB) member. Projects must create or retain jobs, primarily for the Targeted Income Group and must leverage private or equity funds.

5.4 Eligible Costs

- Finance of inventory, furniture, fixtures, machinery and equipment.
- Working capital, supplies and start up costs.

5.5 Ineligible Costs for CDBG Loans

Costs incurred prior to CDBG grant execution, submittal of the loan application, and environmental review requirements, except for private leverage as specified in Section 4.1. and costs other than those listed as eligible in Section 5.5.

VI. ROLE OF THE COUNTY

6.1 County staff will, as required

- Publicize and market the MLP; screen all applicants for loans;
- Refer candidates that are not eligible, do not meet the MLP criteria or need technical assistance to the Small Business Development Center;
- Ask promising candidates to submit preliminary information and an application, along with accompanying financial information;
- Prepare package, along with recommendation to loan advisory;
- If approved, assist with loan processing and closing;
- Once closed, monitor the loan, maintain the loan records, and monitor compliance with job objectives.

The County staff will make the daily decisions called for or implied regarding the activities of the MLP. Decisions to foreclose and declare defaults will be the responsibility of the El Dorado

County Housing and Community Development Agency, in consultation with legal counsel, based upon recommendations of staff. County staff will monitor on-going operations of the loan recipient. Staff will consult and monitor program operator during the term of the contract. Staff will review all reports, financial information and performance reports on each loan during the term of the loan. Staff will serve as the contact for the State Department of Housing & Community Development for the MLP.

County staff will meet with each MLP applicant to ensure that the applicant maintains the documentation required. Staff will brief each applicant on his obligations and requirements of the Program. Additionally, County staff will conduct an environmental review of the project as necessary. County staff and program operator will refer potential applicants, including those ineligible or denied MLP financing, that need technical and management assistance to the appropriate organization. As a condition of the loan, the County or LAB may require that applicants receive pre- and/or post-loan counseling.

County staff and/or the program operator may require applicants who have received loans to undertake business counseling if it appears that the applicant's financial position is declining and the MLP loan may become delinquent.

6.2 Role of the Loan Collection Agent

The County will conduct the duties of the loan collection agent. The duties will include the following:

- Loan servicing and accounting;
- Provide monthly receipts of loan payments
- Provide quarterly statements on each loan
- In concurrence with the jurisdiction's legal counsel, undertake loan collections, including asset liquidation;
- Obtain credit reports on all loan applicants

VII. LOAN SELECTION & APPROVAL PROCESS

7.1 (A) Marketing

The marketing of the MLP Program will be accomplished by a variety of means. There will be media coverage, marketing brochures, and joint marketing through program operator's existing loan packaging and financial services. Local lenders will recommend clients and projects, when appropriate. The Small Business Development Center, local Realtors, and business associations will also refer potential applicants. The County will also use existing business and community networks to market the MLP Program.

7.1 (B) Procedure

Once a potential project has been identified, County staff will conduct a preliminary review for eligibility with the MLP criteria. If another lending source is more appropriate, or the project does not meet the MLP criteria, the staff will refer the prospective borrower to another organization for assistance.

If the project appears to meet the criteria, the applicant will be asked to submit preliminary information. Preparation and submission by an applicant of preliminary information and supporting documents include, but are not limited to: business and personal tax returns for the last three years or since commencement of operations (whichever is less), business financial statements (balance sheet and income statement) for current year and prior three years, current personal financial statement, credit history, and proposed project summary. Start-up businesses must submit proforma financial statements for the first five years. Real estate projects must submit pro forma projections for the first five years, and pre-leasing information.

The preliminary information will be reviewed by County staff. If the project is viable, a draft loan analysis will be prepared by program operator. If the decision is to decline the request, the program operator will provide the applicant with a written explanation of the denial. If appropriate, referrals to other organizations will be made.

If the review is positive, the applicant will be invited to an application conference with program operator and to submit a formal application to program operator, which will be presented to the LAB for their recommendation. At the application conference, program operator will review with the applicant the formal MLP checklist and required information, forms and financial schedules deemed necessary the County to complete the loan package. The County will determine project needs/conformance with local requirements, as well as determine the necessary environmental review for the project. The County will begin the environmental review as necessary.

The applicant, in conjunction with the County will develop the employment plan. Upon completion of the necessary information, applications will be presented by the program operator to the LAB. The presentation will include a completed MLP Project Evaluation Form. If the private funds are from equity, then the commitment letter must be from the applicant. The program operator presentation will include a recommendation. This recommendation will include the proposed terms and conditions, based upon the identified financial need and the "appropriate" analysis undertaken by program operator, along with a checklist insuring that the loan meets the MLP guidelines and criteria.

The LAB will decide to recommend approval or to decline the loan request. If declined the applicant will be informed in writing by the County as to the reason. If recommended, the LAB's recommendation can be under the terms and conditions proposed by program operator, or the LAB can recommend alternative terms and conditions. The LAB recommendation is the presented to the County Staff. County staff will review the loan package for completeness and regulatory compliance, as well as final review for compliance with MLP guidelines and criteria.

When the County approves or denies the loan request, the applicant will be notified in writing. If denied, the reasons for denial will be included. County approval shall include a certification statement that, based on his/her review of the staff report and LAB recommendation, the County finds that the CDBG loan is appropriate and that the assistance is commensurate with both the needs of the borrower and public benefits stemming from the project.

7.1(C) Loan Closing

Upon approval by the County will prepare for the loan closing. After final approval from HCD/CDBG the Borrower will sign all the necessary documents and agreements. The County will request a drawdown of funds from the State Department of Housing & Community Development (the timing of the request may vary depending on the project). The County will prepare the loan closing documents, prepare title and lien searches, and UCC-1 filings, if appropriate. County legal counsel will review all agreements and documents, as necessary.

Loan closing will be undertaken by the County. At the time of closing, the Borrower will be provided with a checklist outlining their obligations under the MLP Program. At closing, or another specified time, funds will be disbursed to the Borrower. The County will complete any remaining legal, regulatory or other items. Monitoring and compliance files will be set-up at this time.

7.1(D) Loan Monitoring

Two separate loan files will be maintained. The first is the legal file which holds all the original loan documentation, along with the original documents. This file shall be kept in a fireproof vault for safekeeping. The second is a credit file which shall contain the day-to day administrative records of the loan. At a minimum the legal file shall include:

- Note
- Loan Agreement, including Non-Financial Employment Plan
- Mortgage

- General Security Agreement
- Personal Guaranty
- Corporate Guaranty
- Subordination Agreement
- Life Insurance Policy and Assignment
- Hazard Insurance Policy and Assignment
- General Resolution
- Certificate of Secretary
- Opinion of Counsel
- Intercreditor Agreement

The credit file shall contain, at a minimum, the loan application and financial information associated with the application, credit memo, LAB recommendation, final local approval, disbursement records, reports of site visits, updated financial information provided by borrower, job creation/retention data, etc.

A reporting system will be established for each loan and the loan portfolio as a whole. The report should be up-dated at least quarterly. The County shall be responsible for preparation of this report. The report will be used by the County to monitor the loans and identify problems. The report will contain the following:

- **Fund Report Balance:** A monthly summary of the beginning fund balance, principal and interest recaptured during the month, disbursements made during the month and funds committed but not yet disbursed, and amount remaining in the MLP which is unencumbered. The monthly receipts from the lender on each loan will serve as the basis for this report.

- **Portfolio Summary Report:** A quarterly summary of the total loans outstanding and authorized loans. The report shall include a quarterly statement on each loan, prepared by the lender. The quarterly report shall include the last payment date and loan balance. Delinquent loans shall be identified and a summary of actions to date to collect delinquent loans shall be included.

- **Employment Report:** A quarterly report on each project detailing the jobs created/retained, and where applicable those hired that meet the Targeted Income Group.

- **Loan Loss and Delinquent File:** A list of all loans that have been classified as uncollectible and a summary of foreclosure procedures to date on the loan. Loans that are delinquent will also be listed, along with a summary of recommended steps, and steps taken to date.

- **Tickler File:** A listing of the current loan portfolio and dates for receipt of financial statements, employment information, renewal of UCC-1 filings, review date, dates for insurance renewal and other information.

In addition, a loan monitoring file will be established which will include a summary of the monitoring requirements of the State Department of Housing and Community Development. A tickler file will be part of this overall file to insure that loan and MLP monitoring is undertaken and completed

VIII. LOAN UNDERWRITING

The loan underwriting policies of the El Dorado County Microenterprise Loan Program (MLP) are designed to insure the program's ongoing viability, assist businesses that could not proceed without the MLP, and ensure that the MLP assistance is appropriate.

8.1 HUD Underwriting Guidelines

The County has adopted the HUD underwriting guidelines for the MLP to determine whether a proposed CDBG subsidy is appropriate to assist with business expansion or retention. In addition, the project will be reviewed to determine that a minimum level of **public benefit** will be obtained form the expenditure of the CDBG funds in support of the project.

The objectives of the underwriting guidelines are to ensure that:

- Project costs are reasonable;
- All sources of project financing are committed;
- To the extent practicable, MLP funds are not substituted for non-Federal financial support;
- The project is financially feasible;
- To the extent practicable, the return on the owner's equity investment will not be unreasonably high;
- To the extent practicable, MLP funds are disbursed on a pro rata basis with other financing provided to the project; and
- Sufficient public benefit will be received from the expenditure of MLP funds.

8.1(A) Project Costs are Reasonable

All project costs will be reviewed for reasonableness, and to avoid providing either too much or too little MLP assistance. The amount of time and resources expended evaluating the reasonableness of a cost element shall be commensurate with its costs. In some instances, it will be necessary to obtain third-party, fair-market price quotations or a cost element. Particular attention will be documenting the cost elements in non-arms-length transactions.

Procedures:

1. Start with Sources and Uses of Funds.
2. For each Use of funds, determine if costs are reasonable.
    a. For machinery, equipment. Determine if the costs are estimated by a third-party (e.g. architect, engineer, equipment supplier, etc.). Determine if the estimates are included in the application. Determine if the contingency is adequate.
    b. For working capital, compare the amount of working capital to industry averages, risk, historical needs of the business and the projected need. Analyze business financial statements, projections, operating cycle and financial ratios.
3. A higher level of review will be required if there are no third party estimates.
4. Sources of information:
    - Sources and Uses of Funds Statement;
    - Financial Statements and Projections;
    - Industry Averages (Robert Morris):
    - Third Party Costs Estimates;
    - Building Department/Public Works;
    - Realtors;
    - Appraisers;
    - Architects/Engineers;
    - Contractors;
    - Equipment Suppliers; and
    - Other similar projects.

8.1 (B) Commitment of All Sources of Project Financing

Prior to the commitment of MLP funds to the project, a review shall be conducted to determine if sufficient sources of funds have been identified and committed to the project, and the participating parties have the financial capacity to provide the funds to ascertain if the project is viable and will move ahead in a timely manner. In certain circumstances, the MLP may commit its funds in advance of final commitments from other funding sources. However, to conduct the underwriting analysis, the approximate terms and conditions of the other funding sources should be known. Final commitments from the other funding sources will be required, with substantially similar terms and conditions as used in the underwriting analysis, prior to any loan closing or disbursement of funds.

Procedures:

1. Start with Sources and Uses Form.
    a. For all sources of funds, determine if there is evidence verifying commitment or intent to commit.
    b. For debt sources, be in receipt of letters of intent or interest, which specify the level of commitment and terms/conditions of the loan. The proposed terms should be reflected in the business projected debt schedule and in the financial projections. Determine if actual loan packages have been submitted to lenders.
    c. For equity sources, determine if the equity injection is verified on the business or personal financial statements. Or if an investor provides the equity, obtain evidence of the level and terms of commitment (e.g. letter of intent with accompanying financial statement verifying availability of funds).
2. Sources of information:
    a. Sources and Uses of Funds,
    b. Business and Personal Financial Statements, and
    c. Letters of intent/interest form lenders, partners and investors.

8.1 (C) Avoid Substitution of CDBG Funds for Non-Federal Financial Support

The project will be reviewed to ensure that, to the extent practicable, MLP funds will not be used to substantially reduce the amount of non-federal financial support for the project to make the most efficient use of the MLP funds.

8.1 (D) Financial Feasibility of the Project

Each project will be examined to determine the financial viability of the project, and thus the reasonable assurance that the public benefit will be realized. The current and past financial statements for both the business and individuals must be analyzed, along with tax returns and projections. The assumptions behind the projections must be critically analyzed. Income and expense costs shall be evaluated and compared historically, where applicable, and compared to industry averages (using guides such as Robert Morris' Annual Financial Statements). Project costs, including both hard and soft costs, must be determined to be reasonable. Accurate project costs are vital to determining project feasibility.

As part of the financial analysis, the past, current, and projected financial data shall be analyzed to determine if the job estimates are reasonable and supportable. Labor costs shall be looked at the break-even point. In addition, labor costs shall be checked against industry averages. Variations should be explained in the loan analysis.

The terms and conditions of the MLP loan must be appropriate. In general, the interest rate shall be set at a rate where available cash flow is able to meet debt obligations, after other obligations are met, with enough cash flow remaining to operate successfully. The loan term typically is based in the asset being financed. The term should not exceed the economic life of the asset being financed. However, a longer loan amortization schedule, with the loan due at the end of the economic life may be justifiable

Each loan shall include a written explanation of the appropriate analysis that was undertaken, and the reason the terms and conditions of the loan were approved.

8.1 (E) Financial Analysis

Historical and projected financial statements will be subject to financial analysis to determine the gap, and structure the terms and conditions of the MLP loan, as discussed above, but also to determine that the project is feasible. In addition, use prudent underwriting guidelines, demonstrating that the proposed loan is of sound value, and note how past earnings and future prospects indicate an ability to meet debt obligations out of profit.

Information that will be required to be submitted by the applicant will depend on the project, ownership structure and whether it is an ongoing or start-up business. In general, the information required is outlined in the MLP checklist in the exhibits.

The financial analysis will differ depending on whether the business is a start-up or existing business. The analysis will include for existing businesses a spread of the current and financial statements to determine trends. The pro forma statements will then be compared to these past statements. Financial ratios will be analyzed. The statements and ratios will be compared to industry averages. For start-up business the projections will be analyzed and ratios developed, and both compared to industry averages.

Ratios that will be analyzed include:

- Current Ratio: Current assets/current liabilities. This ratio is a rough indication of a firm's ability to service its current obligations. A ratio of 2:1 is considered secure.
- Quick Ratio: Cash & equivalents plus accountants & notes receivable/current liabilities. The ratio is a refinement of the current ratio. A ratio of 1:1 usually indicates ample liquidity.
- Cash Flow Coverage: Net profit & depreciation & depletion-amortization expenses/current portion of long term debt. This ratio is a measure of the ability to service long term debt.
- Another coverage ratio is: Earnings before interest and taxes/annual interest expenses. This ratio is a measure of a firm's ability to meet interest payments. A Cash Flow Coverage of 1.25 debt service shall be used as a guideline.
- Debt to Worth: Total liabilities/tangible net worth. This ratio is the relationship between debt and a businesses net worth. A lower ratio is an indication of greater long-term financial safety and greater flexibility to borrow. In general, a Debt to Worth ratio of higher than 5:1 should not be exceeded as an underwriting policy. There are exceptions when the industry average is high due to its capital intensive nature or when projections show the ratio lowering quickly.
- Collateral Coverage: The value of collateral as compared to the amount of the loan. Typical underwriting guidelines suggest that 125% of loan balance be used. However, this is highly dependent on the quality and security of the collateral. In addition, collateral requirements are a cause of "financial gaps". The MLP shall use 125% as a guideline, which shall only be lowered with specific and detailed analysis and explanation.
- Break-Even Analysis: The analysis of the project's ability to support the projected labor costs and additional debt service at its break-even point (BEP) will be analyzed to determine what proportion of the jobs can be supported at that BEP. This will serve as a worst case look at the business' prospects for success, ability to service new debt, etc.

The financial and ratio analyses must be supported by the business plan. The business plan must provide a clear understanding of the project, competition, market strategy, sales estimates, management capacity and other factors.

Lastly, to ensure project feasibility, an evaluation will be conducted of the experience and capacity of the business principals to manage the business and achieve the projections.

Procedures:
1. Perform financial underwriting analysis.
    a. Spread historical financial statement sand projections. Identify any significant differences and compare to industry averages.
    b. Review assumptions to projections. Determine if projections are reasonable and supported by market studies, business plan, and historical trends.
    c. Review financial ratios for project and compare to industry averages. If significantly different, determine the reasons and impact on feasibility.
    d. Review cash flow for project. Determine if there is adequate working capital.
    e. Determine break-even point for project, and how much the projections are above the break-even point. Determine if the public benefit will be realized at the break-even point.
2. Review the business plan, market information, historical financial statements, projections, ratio analysis, break even analysis, spreadsheet analysis, and management capacity to determine the project feasibility.
3. Sources of information:
    a. Historical Financial Statement;
    b. Financial Projections;
    c. Business Plan;
    d. Market and Industry information; and
    e. Industry Averages.

8.1 (F) Return on Equity Investment

The return on equity investment is the amount of cash that the investor/business owner is projected to receive in relation to their initial equity. For a sole proprietor, this equates to salary plus net income. To the extent practicable, the MLP should not provide more than a reasonable return on investment to the business owner. This will help ensure that the MLP will maximize the use of MLP funds and not unduly enrich the business owner. However, care shall be taken to ensure that the rate of return will not be too low, so that the business owner's motivation remains high to pursue the business with vigor.

If the project's financial returns are projected to be too low to motivate the business and/or investor to proceed with the project then risks of the project outweigh the returns. An inadequate rate of return, adjusted for industry and location risks, is a third method to determine the gap appropriate to be funded with MLP funds. To analyze this gap, the projected return on investment must be compared to the return on investment on similar projects. If it is shown that a gap does exist, then the MLP financing rate and terms must be set at a rate that provides a return equal to the "market rate". Real estate appraisers and lenders are important sources of information on "market rate" returns.

Procedures:
1. Review projections.
    a. Review revenues, expenses (including officer's salary/owners' draw), debt service and net operating income, and compare to historical financial information and to industry averages. Determine if these items are reasonable.
    b. Review indicators of owners' return on equity, including officers' salary, owners' draw, and net operating income. Given the project's risk and local conditions, determine if the return on equity is reasonable compared to industry averages.
2. Review the business and personal obligations. Determine what return on equity is necessary to meet personal and business obligations.

3. If return on equity is above industry averages, adjusted for risk and local conditions, take steps to reduce the return to within a reasonable rate by restricting owners' draw/officers' salary, or adjusting the MLP loan terms.
4. If return is below average, adjust MLP subsidy to bring the rate of return closer to the industry average.
5. Sources of information:
    a. Financial projections;
    b. Historical financial statements;
    c. Personal financial statements; and
    d. Industry averages.

8.1 (G) Disbursement of MLP Funds on a Pro Rata Basis:

To the extent practicable, MLP funds should be disbursed on a pro rata basis with other funding sources to avoid placing MLP funds at a greater risk than other funding sources. When it is determined that it is not practicable to disburse MLP funds on a pro rata basis, other steps shall be taken to safeguard MLP funds in the event of a default.

Procedures:
1. Review Sources and Uses of Funds. Determine when MLP funds will be expended as compared to other funds.
2. Determine other funding sources' policies towards expenditure of funds. These policies may require the use of MLP funds first. If so, may need to negotiate with other funding sources.
3. If MLP funds are to be expended first, consider actions to safeguard MLP funds (e.g. performance or completion bonds).
4. Sources of information:
    a. Sources and Uses of Funds
    b. Construction Contracts; and
    c. Lender Requirements/Policies.

8.1 (H) Standards for Evaluating Public Benefit:

Each project will be reviewed to determine if a minimum level of public benefit will be obtained from the expenditure of MLP funds. The minimum standards are:
- The business owner must qualify as a TIG individual; or
- The project must lead to the creation or retention of at least one full-time equivalent job per $35,000 of MLP funds used; or
- The project must provide goods or services to residents of an area, such that the number of TIG persons residing the areas served by the project amounts to at least one TIG person per $350 of MLP funds used.

Procedures:
1. Review historical financial statements.
    a. Review historical labor costs as a percentage of revenues. Compare the percentage to projected labor costs. Determine if the two figures are consistent. If not, obtain an explanation.
    b. Determine if the number of projected jobs is consistent with the projected increase in labor costs. Compare the labor costs percentage to industry averages.
2. Review the projections.
    a. Determine if the assumptions used to project revenues and labor costs are reasonable. Determine if market/industry information and historical financial statements support revenues and labor costs.
3. Determine if project meets minimum public benefit requirements (business owner is TIG individual, one full-time equivalent job for every $35,000 in MLP funds, or one TIG resident per $350 in MLP funds residing in the area served by the project).

IX. MICROENTERPRISE LOAN PROGRAM (MLP) TASK MATRIX

TASK	COUNTY STAFF	COUNTY
Establish and Maintain Program Loan Files		X
Legal Review of Loan Documents		X
Approve MLP Guidelines		X
Prepare Fiscal/Performance Reports		X
Review Fiscal/Performance Reports		X
Monitor County Staff		X
Conduct Environmental Reviews		X
Participate in LAB Review		X
Loan Servicing and Accounting		X
Provide Monthly Receipts of Loan Payments		X
Provide Quarterly Statements on Loans		X
Implement Collections and Foreclosures		X
Approve Reuse Plan		X
Meet with Participating Lenders		X
Publicize and Market the MLP		X
Screen and Assist Loan Applicants		X
Refer Ineligible Applicants to Others		X
Request Preliminary Loan Information		X
Get Credit Report, Other Documentation		X
Prepare Loan Package and Recommendation with Appropriate Determination		X
Present Loan to LAB		X
Close Loan with Other Lenders		X
Monitor Loan and General Compliance		X
Prepare and Sign all HCD Reports		X
Prepare Cash Requests and HCD Reports		X
Clear Special Conditions		X
Site Visits to Borrowers		X
Track Jobs/Benefit (EEO)		X
Monitor Labor Standards		X
Income Screening/TIG Benefit		X
Conduct Appeal Process		X
Planning, Building & Public Works Reviews		X
Attend HCD Workshops		X
Refer for Business Counseling - SBDC		X
Provide Overall Review and Liaison Between MLP Components, County Staff, County and CDBG Program		X

X. CDBG MONITORING

10.1 Environmental Review

Once a loan is determined to be viable under the CDBG criteria, staff will work to initiate the Environmental Review process for the project specific activity. Environmental review procedures are included.

CDBG monitoring requirements will vary depending on the use of funds and the applicable federal overlays.

10.2 Public Benefit Requirements

Job Creation/TIG Benefit
See **Section 8.1 (H)** for project evaluation criteria. The El Dorado County Department of Housing, Community and Economic Development will be responsible for the Income Certification processes.

10.3 Labor Standards Requirements

CDBG loans may trigger compliance with Federal Labor standards and provisions. The following CDBG-assisted projects <u>may</u> be subject to the payment of Federal prevailing wage rates:

- New construction or rehabilitation
- On-site improvements in support of new construction
- Installation of equipment

When a project is determined to be subject to Federal labor standards, the County will be responsible for assigning in-house or contract staff to monitor compliance with this requirement.

10.4 Other Monitoring Requirements

Other requirements that apply to CDBG funding and may need to be monitored for compliance include:

- **Acquisition, Anti-Displacement, and Relocation.** If the County uses CDBG funds to acquire property, then it must comply with CDBG acquisition procedures. The County must minimize the displacement of persons (families, individuals, businesses, non-profit organizations, and farms) that may result from CDBG-funded activities. (24 CFR 570.606). If the displacement occurs, then the grantee must insure that the affected parties are provided with adequate relation assistance (24 CFR 570.606).
- **Equal Opportunity/Section 3.** The County must insure that no one is being excluded from participating in, or benefiting form, the CDBG program on the basis of race, color, religion, national origin, or sex (24 CFR 570.602). The County must have a system in place for tracking the "protected class" status of loan applicants, loan recipients, job applicants, and job recipients (24 CFR 570.607).
- **Procurement.** The County will utilize procedures in procuring services, supplies, equipment and construction contracts that maximize free and open competition and the efficient, economical use of the CDBG funds (24 CFR 85.36).
- **Contractor Eligibility and Certification.** The County will ensure that contractors are not on the federal list of ineligible contractors and that they are licensed and in good standing (24 CFR 570.609).

FORECLOSURE GUIDELINES

The collection function of servicing a loan is typically organized into several areas. This includes collection of past due payments, counseling of borrowers with financial difficulties and institute foreclosure actions when necessary. The collection effort is vital to the viability of the Microenterprise Business Loan Program Program, without collection of payments when due, the efforts of sound underwriting and originating the loan are fruitless.

Beyond solid underwriting and loan origination procedures, loan monitoring is critical. The County shall review the on-going financial statements submitted to early on detect problems. When problems or negative trends are noted, County staff shall work with the borrower for business counseling. Business counseling shall begin with directly following the first late payment.

Dealing with loan collection and perhaps foreclosure is complicated and requires compliance with strict legal standards. Foreclosure must be invoked as a last result. Under the RLF Program, the loan collection agent, County Counsel, will provide loan collection, servicing and asset liquidation. Asset liquidation will only be undertaken with concurrence with the County's legal counseling.

The collection process will usually begin when a Borrower fails to remit payment. The first step is that the County will send a reminder notice. The notice will ask the Borrower to check their records and to disregard the notice if payment has been sent. If payment is still not received by the specified date, the County will then send out notice that the payment is delinquent and due immediately. The County will contact the business personally to determine the reason for the late payment. Business counseling will be set-up. If the business is experiencing financial difficulties and unable to meet their obligations, a meeting between the business and County staff will be set up.

Communication between the business and the County is critical and a required part of the loan collection process. Judicious personal contact at this stage can prevent future problems, including legal actions. Based upon the personal contact, review of the financial statements and business counseling a decision will be reached by the County, based upon Loan Advisor Board advice. The decision is whether additional counseling will improve the problem. If not, then there are essentially two options. The first is debt restructuring. This arrangement may call for reduced payments for a period of time. These discussions shall involve other lenders in the project. Such arrangements require careful analysis of the Borrowers situation and cooperation. Any arrangement constitutes a legal modification to the loan and must therefore be reduced to a written agreement. If the new agreement is breached, the County has preserved its legal right to foreclose. There may be other options, such as recasting of the loan. However, any restructuring shall be made after consultation between the Loan Advisory Board and the County, including legal counsel. The State of California Department of Housing and

Community Development staff shall also be advised.

If nothing can be resolved with the above steps, the County will send a demand letter to the Borrower. This letter will give the Borrower a short time period upon which to respond. If no response is received or the response is not satisfactory, then foreclosure procedures shall be undertaken by County with County Counsel providing concurrence. Foreclosure is the last step due to legal and other costs. The County shall undertake their normal foreclosure procedures and liquidate the assets to recover all or a portion of the Loan funds.

CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN REVIEW CHECKLIST

INSTRUCTIONS FOR COMPLETION OF CHECKLIST:

1. ALL loans must have PART ONE AND TWO COMPLETED AND IN PROJECT FILE.
2. If loan amount is $70,000 or less - complete and submit PART ONE ONLY.
3. If loan amount is greater than $70,000 and less than $250,000 - complete and submit PART ONE AND TWO.
4. All documents submitted in support of loan package must be organized and presented in the order of the checklist and MUST INCLUDE a page number.
5. Refer to the INSTRUCTIONS and NOTES for completing the checklist.

GRANTEE		**LOAN PROCESSOR**	
Jurisdiction:		**Organization Name:**	
Contact Name:		**Contact Name:**	
Phone:	**E-Mail:**	**Phone:**	**E-Mail:**

PART ONE: CDBG Federal Overlay Requirements		
1. GENERAL LOAN DOCUMENTATION:	**YES**	**NO**
a. Is Loan Committee Memo attached with Detailed Project Description?		
b. Is a completed/signed NEPA review attached?		
c. Is Prevailing Wage Monitoring triggered?		
d. Is Real Property to be acquired using CDBG Funds?		
e. If yes, is proper CDBG acquisition process followed?		
f. Is Real Property Acquisition part of the project?		
g. If yes, is proper option to purchase in place that would allow sufficient time to obtain NEPA clearance?		
h. Will Project cause **Displacement** of any persons or businesses?		
i. Is Business on Federal Debarred List? (www.epls.gov)		
j. Is project within jurisdictional boundaries? If no, explain		
k. Dunn & Bradstreet Number (DUNS). Required for HUD Performance Measurements. **#:**		
l. Date of Most Recent Program Guideline Approval:	/ / /	
2. NATIONAL OBJECTIVE (Complete A <u>or</u> B):	**YES**	**NO**
A. Documentation of Elimination of Slums or Blight (See Notes and Instructions 2.A)		
B. **Documentation that Full Time Equivalent (FTE) TIG jobs will be created or retained.** (51% of jobs must be TIG).		
i. Is Employment Agreement for job creation and FTE TIG Certifications prepared and ready for execution?		
ii. Total number of FTE jobs created/retained (FTE = 1750 Hours Per Year)		
iii. Proposed number of FTE TIG jobs created		
iv. Proposed number or FTE TIG jobs retained		
v. Percentage of FTE TIG jobs created and/or retained	%	

3. PUBLIC BENEFIT:	**YES**	**NO**
a. Total number of FTE jobs created _____ Total number of FTE jobs retained _____		
b. Does total number of FTE jobs support the loan? **(One FTE required for each $35,000 of funds)**		

CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN REVIEW CHECKLIST

4. SOURCES OF FUNDS:	
a. CDBG Open Grant	$
b. CDBG Program Income	$
c. Local Public Funds (RDA or Other)	$
d. Borrowers Contribution (cash or cash equivalent)	$
e. Private Loans (Bank or Other)	$
Total Project Cost	**$**

5. PURPOSE OF LOAN (Choose One):
Start Up ☐ Expansion of Existing Business ☐ Business Preservation/Job Retention ☐

PART TWO: LOAN UNDERWRITING (Loans Greater than $70,000 and Less than $250,000

6. UNDERWRITING CRITERIA (See 5 above): Based on the Purpose of Loan noted above see Notes 6a, 6b, and 6c on Instructions and Notes page for additional information.

7. UNDERWRITING DOCUMENTATION:	**YES**	**NO**
a. Documentation of Site Control		
b. Description of Use of CDBG Funds		
c. Detailed Sources and Uses Table		
d. Credit Report Review – Business and Personal		
e. Tax Returns – Business and Personal		
f. Debt Coverage Ratio Calculation (DCR)		
g. Loan Terms and Conditions		
h. Electronic Files (ie; MSExcel) – Balance Sheets, Profit & Loss, Pro Forma P&L and Balance Sheets, DCR Calculation, ROI Calculation. Include **ALL** financial calculations.		

8. COMPLIANCE WITH HUD UNDERWRITING GUIDELINES:	**YES**	**NO**
a. Documentation that project costs are reasonable (570.482(e)(2)(i)). Provide third party cost estimates.		
b. Documentation that all sources of project financing are committed (570.482(e)(2)(ii)). Provide third party loan approval letters and documentation.		
c. Documentation that, **to the extent practicable,** CDBG funds are not substituted for non-Federal financial support (570.482(e)(2)(iii)). Provide documentation the owner is not able fund activities solely with other financing.		
d. Document that the project is financially feasible (570.482(e)(2)(iv)). If CDBG funds are invested will the projected profits allow for job creation? Has market demand been verified?		
e. Documentation that, **to the extent practicable**, the return on the owner's equity investment will not be unreasonably high (570.482(e)(2)(v)). Provide ROI calculation with CDBG Loan Terms and with conventional financing terms.		
f. Documentation that, **to the extent practicable**, CDBG funds are disbursed on a pro rata basis with other finances provided to the project. (570.482(e)(2)(vi)).		

Reviewed by:____________________________ **Date:**_________

CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN REVIEW CHECKLIST
NOTES AND INSTRUCTIONS

1a. Attach the Loan Committee Memo with a detailed project description.	**1b.** Grantees must complete a NEPA review for each CDBG business loan, and must receive NEPA clearance from the State prior to releasing loan funds. NEPA should be started at loan application submittal. Level of NEPA review is based on scope of work for entire project. See Chapters 3 and 15 (appendix) in the Grant Management Manual for a complete description of the process for determining level of NEPA review. If there are any questions regarding the level of review required, contact Department staff.	**1d, e, and h.** If CDBG assistance is provided to a business purchasing a building with an existing tenant (residential or commercial) and, as part of the project, the tenant must be displaced, relocation requirements will be triggered. See Chapter 6 in the Grant Management Manual for guidance on relocation and acquisition requirements
1i. Provide printout documenting business is not on the Federal Debarred List. Website address is www.epls.gov.	**1j.** Attach documentation confirming a written agreement (eg; revenue sharing agreement) between jurisdictions. If funds designated for a non-entitled jurisdiction are utilized for a project in an entitled jurisdiction, prior written approval from HCD is required.	**2A.** Attach legible map documenting the project is in a slum or blighted area (Redevelopment Area or Area with a proper HUD survey and local designation). Provide a written narrative of how the proposed project will eliminate or prevent blight in the area.
2Bi. Has business acknowledged and agreed to job creation requirements (ie; letter from the business, loan disclosure statement, loan committee condition).		
PART TWO. SUBMITTAL OF BACKUP DOCUMENTATION NOTED IN PART TWO IS NOT REQUIRED FOR LOANS LESS THAN $70,000, HOWEVER, ALL INFORMATION MUST BE COLLECTED AND VERIFIED FOR ALL LOANS AND WILL BE SUBJECT TO REVIEW AT MONITORING.		
6a. If the loan request is for a **Startup,** the startup business, and any additional businesses where the borrower has a 20% or greater ownership interest, shall be underwritten and the following information is required: ✓ Credit Report including a version of the FICO scoring method (eg; Beacon, Empirica, etc.). Jurisdiction shall determine minimum FICO credit score required. If a FICO score is not provided a detailed analysis and narrative supporting the credit worthiness of the borrower shall be provided. ✓ Copy of three **(3) years** personal tax returns. ✓ Copy of a personal financial	**6b.** If the loan request is for a **Expansion** to an existing business, the expanding business and any additional businesses where the borrower has a 20% or greater ownership interest, shall be underwritten and the following information is required; ✓ Credit Report including a version of the FICO scoring method (eg; Beacon, Empirica, etc.). Jurisdiction shall determine minimum FICO credit score required. If a FICO score is not provided, a detailed analysis and narrative supporting the creditworthiness of the borrower shall be provided. ✓ Copy of two **(2) years** personal tax returns.	**6c.** If the loan request is for **Business Preservation and/or Job Retention,** the business and any additional businesses where the borrower has a 20% or greater ownership interest shall be underwritten and the following the following information is required; ✓ Credit Report including a version of the FICO scoring method (eg; Beacon, Empirica, etc.).Jurisdiction shall determine minimum FICO credit score required. If a FICO score is not provided, a detailed analysis and narrative supporting the creditworthiness of the borrower shall be provided. ✓ Copy of two **(2) years** personal tax returns. ✓ Copy of two **(2) years**

CDBG ECONOMIC DEVELOPMENT BUSINESS LOAN REVIEW CHECKLIST
NOTES AND INSTRUCTIONS

statement. ✓ Detailed Sources and Uses table. ✓ Minimum three **(3) years** of pro forma Profit and Loss Statements, Balance Sheets, and Cash flows or until business shows profitability. ✓ Provide Debt Coverage Ratio, Sales Growth Ratio, Current Ratio, Quick Ratio, and Debt to Equity Ratio yearly for a minimum of three (3) years or until business shows profitability. ✓ Personal Guarantees from all corporate borrowers. ✓ Document of collateral and valuation. ✓ Description of organization and resumes of management team. ✓ Copies of all leases, supply contracts, employment agreements. ✓ Business Plan with Market Analysis.	✓ Copy of two **(2) years** business tax returns for existing expanding business. ✓ Copy of personal financial statement. ✓ Detailed Sources and Uses Table. ✓ Two **(2) years** historical financials for existing business. ✓ Two **(2) years** of pro forma Profit and Loss Statements, Balance Sheets, and Cash Flows. ✓ Detailed market analysis supporting the sales growth projections. ✓ Detailed information on jobs created and assure all costs associated with new jobs are reflected in financial information.	business tax returns for existing business. ✓ Copy of personal financial statement. ✓ Detailed Sources and Uses Table. ✓ Two **(2) years** historical financials for existing business. ✓ Two **(2) years** of pro forma Profit and Loss Statements, Balance Sheets, and Cash Flows. ✓ Detailed market analysis supporting the sales growth projections. ✓ Detailed information on jobs created and assure all costs associated with new jobs are reflected in financial information. ✓ Supporting documentation for insuring retention of jobs. (24 CFR 570.483(b)(4)(i)(ii). Documentation there is an eminent danger of a loss of jobs due to specific circumstances (ie; regulatory requirement, natural disaster, foreign competition).
7a. Site control documentation (ie: title policy confirming borrower as owner, lease agreement, purchase agreement).	**7b.** Provide detail of the uses of CDBG funds (ie: furniture, fixture, equipment list, installation costs, construction cost breakdown).	**7c.** Sources and Uses Table shall detail **ALL** Sources and Uses of project financing.
7d. Credit Report should include a FICO score. Jurisdiction shall determine minimum credit score required based on risk factors of business and Loan Guidelines.	**7f.** Debt Coverage Ratio Calculation **(DCR).** The calculation for DCR is: Total Cash Flow available for Debt Service/Total Debt Service (including **ALL EXISTING and NEW** debt)	**7g.** Provide summary of proposed loan terms and conditions. Ensure terms and conditions meet local Program Guidelines.
7i. Provide all spreadsheets, projections, calculations in an electronic format (ie: MSExcel©). Electronic format shall include formulas utilized in the preparation of the financial information presented.	**8e.** Return on Investment calculation **(ROI).** Calculate the ROI using the CDBG loan terms and conditions and the proposed conventional loan terms and conditions and provide a comparison between the two. The calculation for ROI is: <u>NOI* - Interest Expense</u>** Owners Equity*** * NOI is Net Operating Income. **Interest Expense is the interest only portion of debt service. ***Owners equity is cash or a cash equivalent.	

LOAN AGREEMENT

THIS AGREEMENT is made and entered into_____________, **200_** by and between the County of El Dorado, a municipal corporation, (hereafter the "Lender") and _______
____
____(hereafter the "Borrower").

WHEREAS, the Borrower has applied to the Lender for a loan for the purpose of helping to finance a______________________ (business); and

WHEREAS, the Borrower has read and agrees to comply with all restrictions and requirements of the loan contained in this Agreement and attached Exhibits, which are incorporated herein by reference; and

WHEREAS, the Lender is willing to make such a loan to the Borrower on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. THE LOAN

a. LOAN/NOTE: Subject to the terms and conditions of this Agreement, the Lender hereby agrees to lend the Borrower, and the Borrower hereby agrees to borrow from the Lender and repay the Lender, the amount of $__________ (hereinafter called "Loan"). The obligation of the Borrower to repay the Lender shall be evidenced by the promissory note (hereafter the "Note") of the Borrower in a form satisfactory to the Lender dated the date on which the Loan is made (hereafter known as the "Closing Date") payable to the order of the Lender for the amount of the Loan with interest on the unpaid principal in the amount of _______________ and secured by a Deed of Trust on the subject property, a UCC-1 filing on all furnishing, fixtures and equipment financed with the Loan, and a personal guarantee by __________________________.

b. TERMS and REPAYMENT: The term of the Loan shall be ________ years from the date the____________ is first open for business. The principal and interest shall be deferred for the first ____________months after the date of opening for business. The Note shall be repayable in _______equal monthly installments after the deferral. The first monthly installment shall be due and payable on the first day of ______the month after the date of opening. All payments shall be applied first to interest and then to principal. All payments will be made promptly to the Lender at the addresses specified by the lender. Prepayment of the loan is allowable with no prepayment penalty.
The interest rate on the principal amount of the loan shall be _______% per annum.

c. PURPOSE: The purpose of the Loan is to help finance ______________________________: The acquisition of land (APN #) and purchase of roll-in and plug-in equipment, furniture and fixtures are to be used the __________ ______________________________to be developed at the above site in El Dorado County, CA.

d. EMPLOYMENT: As a condition of the Loan, the Borrower agrees to create at a minimum ________ full time jobs, allowing for some full-time equivalents, within _____ months of the Closing Date, defined as the date the Borrower acquires the land. When meeting the national objective of TIG benefit, at least 51% of **all** jobs created as a result of this loan will be filled by members of the targeted income group.

e. OTHER LOANS/FUNDS: The Loan is made in combination with other loans/funds described as follows:

Sample Valley Bank	$662,000
SBA	$540,000
Cash Equity	$150,500

The contact for other Loans/Funds is:

Name:	Sample Valley Bank	Name:	Lake Area EDC
Address:	P.O. Box 123 Sample, CA	Address:	P. O. Box 456 Sample, CA
Phone:		Phone:	
Contact:		Contact:	

Prior to disbursement of any funds, Borrower shall provide to Lender evidence satisfactory to Lender that Borrower has executed loan documents for the other funding/loan(s).

f. DISBURSEMENT OF FUNDS: Funds for the purchase of equipment, furniture and fixtures shall be disbursed by Lender as two party checks payable to Borrower and vendor(s) only upon presentation of invoices from said vendor(s), evidencing materials, services or labor provided in connection with the project approved by the Lender. Disbursements for working capital, using the funds, by Borrower shall only be for the approved uses contained in the CDBG Standard Agreement, which has been reviewed by Borrower, and in accordance with State of California Department of Housing and Community Development regulations.

Disbursement of working capital is subject to providing documentation that Borrower has executed other loans for this project and has received the initial disbursement from at least one loan or has expended equity funds in an amount equal to the requested CDBG loan disbursement.

2. CONDITIONS OF LENDING

The obligation of the Lender to make the Loan shall be subject to the fulfillment at the time of closing of each of the following conditions:

a. NOTE AND LOAN AGREEMENT: The Borrower shall have executed and delivered to the Lender this Loan Agreement and the Note in a form satisfactory to the Lender and its Counsel.

b. SECURITY AGREEMENT: The Borrower shall have executed and delivered to the Lender a Security Agreement for a Third Deed of Trust for the subject site, a UCC-1 filing for all equipment, furniture and fixtures financed with the Loan, and personal guarantee of ______________________________.

c. DEEDS OF TRUST: The liens granted to the Lender pursuant to the terms of the Security Agreement, the Promissory Note and the Deed of Trust are or will be, when executed, liens in the respective property described therein, including the proceeds and products thereof.

d. GUARANTEES: The Lender shall have received duly executed personal and corporate guarantee agreements acceptable to the Lender.

e. THREE-PARTY EMPLOYMENT AGREEMENT: The Borrower shall have executed and delivered to the Lender a Three-Party Employment Agreement.

f. GOVERNMENTAL APPROVAL: The Borrower shall have secured all necessary approvals or consents, if required, of governmental bodies having jurisdiction with respect to any construction contemplated in accordance with the use of proceeds of the Loan. The Borrower shall comply with the Zoning Ordinance of the County Code throughout the development and use of the property described herein.

g. APPROVAL OF OTHERS: The Borrower shall have secured all necessary approvals or consents required with respect to this transaction by any mortgagor, creditor, or other party having any financial interest in the Borrower.

3. EVENTS OF DEFAULT

The entire unpaid principal of the Note, and the interest then accrued thereon, shall become and be immediately due and payable upon the written demand of the Lender, without any other notice or demand of any kind or any presentment or protest, if any one of the following events (hereafter an "Event of Default") shall occur and be continuing at the time of such demand, whether voluntarily or involuntarily or, without limitation, occurring or brought about by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rules, or regulations of any administrative or governmental body, provided, however, that such sum shall not be then payable if Borrower's payments have been waived, or the time for making the Borrower's payments has been extended by the Lender:

a. NON-PAYMENT OF LOAN: If Borrower shall fail to make payment when due of any installment of principal on the Note, or interest accrued thereon, and if the default shall remain unremedied for fifteen (15) days.

b. NON-PAYMENT OF OTHER INDEBTEDNESS: If Borrower shall be in default of payment when due of any installment of principal or of interest on any of the Borrower's other indebtedness, if such default shall remain unremedied for fifteen (15) days.

c. INCORRECT REPRESENTATION OR WARRANTY: If any representation or warranty contained in or made in connection with the execution and delivery of this loan agreement, or in any certificate furnished pursuant hereto, shall prove to have been incorrect when made in any material respect.

d. DEFAULT IN COVENANTS: If the Borrower shall **materially** default in the performance of any other term, covenant, or agreement contained in this Loan Agreement, and such default shall continue unremedied for thirty (30) days after either: (1) it becomes known to an executive officer of the Borrower; or (2) written notice thereof shall have been given to the Borrower by the Lender.

e. **EMPLOYMENT: If the Borrower shall fail to comply with the provisions of the Three-Party Employment Agreement, which results in the requirement by the CDBG program upon the Grantee to repay grant funds expended to assist the Borrower, the Borrower hereby agrees to repay $35,000 per job which contributes to the failure to meet the CDBG requirements.**

f. VOLUNTARY INSOLVENCY: If the Borrower shall become insolvent or shall cease to pay its debts as they mature or shall voluntarily file a petition seeking reorganization of, or the appointment of a receiver, trustee, or liquidation for it or a substantial portion of its assets, or to effect a plan or other arrangement with creditors, or shall be adjudicated bankrupt, or shall make a voluntary assignment for the benefit of creditors.

g. INVOLUNTARY INSOLVENCY: If an insolvency petition shall be filed against the Borrower under any bankruptcy, insolvency, or similar law or seeking the reorganization of the Borrower of the appointment of a receiver, trustee, or liquidator for the Borrower, or for a substantial part of the property of the Borrower, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of the Borrower, and such petition shall not be dismissed, or such writ or warrant of attachment or similar process shall not be released or bonded, within sixty (60) days after filing of levy.

h. JUDGEMENTS: If any final judgment for the payment of money that is not fully covered by liability insurance shall be rendered against the Borrower, and within sixty (60) days shall not be discharged, or an appeal therefrom taken and execution thereon effectively stayed pending such appeal, and if such judgment be affirmed on such appeal, the same shall not be discharged within thirty (30) days.

h. RIGHT UPON DEFAULT: Upon default by Borrower, Lender has all remedies available to it under State law in enforcing this Agreement and Lender rights to the collateral mentioned herein including, but not limited to, the following:

   i. Accelerate and declare the full balance immediately due on the Note and commence suite for collection thereof

   ii. Take possession of the collateral or render it unusable, without notice, except as required by law, provided that said self-help shall be done without breach of peace;

   iii. Request and demand that Borrower assemble the collateral at an acceptable location for delivery to Lender;

   iv. Sell or dispose of collateral by sale and pursuant to the law;

   v. Specifically enforce the terms of the Note and related agreements;

   vi. Foreclose on any real property or appropriate personal property by strict foreclosure in equity;

   vii. Pursue any and all other remedies available under law to enforce the terms of this Agreement and Lender's rights to the real and personal property identified herein, and in collateral security documents of the Lender.

j. SALE/REFINANCING/CHANGE OF OWNERSHIP: The Loan shall be due and payable upon the sale of the business, sale or refinance of any real property financed with this Loan or as part of the project in which funds from this loan where used, sale or refinancing, of any real property used as collateral for this loan, change in ownership of the business involving any guarantees of this loan, or wherein Borrower ceases to be a majority owner of the business.

4. OTHER DOCUMENTS

Lender may require and Borrower agrees to execute such other documents as may be required by the Lender in its sole discretion in order to comply with State and federal regulations governing (a) the loan proceeds and (b) prudent lending practices.

5. COLLECTION AGENT

Borrower hereby appoints the Lender as its agent to appoint a loan collection agent to provide loan servicing in accordance with this agreement and other loan documents. Lender may remove or replace the loan agent in its sole discretion. Lender shall provide or cause to be provided notice to Borrower of change in the loan collection agent.

6. WAIVER

No failure or delay on the part of the Lender in exercising any right, power or remedy hereunder shall operate as a waiver thereof.

7. ATTORNEY FEES

If any of the Parties to this Agreement breaches any provision of this Agreement, or becomes Party to litigation concerning this Loan or the security for this Loan, then the other Party may institute legal action against the defaulting Party for specific performance, injunction, declaratory relief, damages, or any other remedy provided by law. In addition to the recovery of any such sum or sums expended on behalf of the defaulting Party, the prevailing Party shall be entitled to recover from the losing Party such amount as the court may adjudge to be reasonable attorneys' fees for the services rendered to the prevailing Party in such action. The Parties each waive the applicability of Davis-Sterling Common Interest Development Act, Civil Code Section 1350.

8. EXHIBITS INCORPORATED BY REFERENCE

Borrower agrees to each of the covenants and commitments contained in Exhibits A through E are attached hereto and by this reference incorporated herein.

9. NOTICES:

Notices shall be sent to:

Borrower: ______________________ Lender: ____________________

Name:	County of El Dorado Department of Human Services
Address:	937 Spring Street Placerville, CA 95667
Phone:	(530) 621-6300

With Copies to:

10 HEIRS, SUCCESSORS AND ASSIGNS

This agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties to this agreement.

11. AMENDMENTS

Any amendments or modifications to this agreement must be in writing and signed by both parties.

Acceptance

IN WITNESS WHEREOF, the parties hereto have each caused this Loan Agreement to be duly executed as of the date first written above.

BORROWER:____________________	LENDER:____________________
By:____________________	By:____________________
____________________ Title	____________________ Title
BORROWER:____________________	LENDER:____________________
By:____________________	By:____________________
____________________ Title	____________________ Title

Date:____________________ Date:____________________

EXHIBIT III-A

LOAN AGREEMENT REPRESENTATIONS AND WARRANTIES

The borrower represents and covenants the following:

a. DULY ORGANIZED: The Borrower is a (corporation, partnership, or sole proprietorship) duly organized, validly existing, and in good standing under the laws of the State of California and has the power to enter into this Agreement and to borrow hereunder.

b. DULY AUTHORIZED: The making and performance by the Borrower of this Agreement, and the execution and delivery of the Note, and any Security Agreements and Instruments have been duly authorized by all necessary corporate actions and will not violate any law, rule, regulation, order, writ, judgment, decree, determination, or award presently in effect or result in a breach of or constitute a default under any bank loan or any other agreement or instrument to which the Borrower is a party or by which is or its property may be bound or affected.

c. LEGALLY BINDING INSTRUMENTS: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. The parties agree to execute such further documents and instruments as shall be necessary to carry out the terms of this Agreement, and such documents and agreements shall likewise be binding upon the parties and their successors.

d. NO LEGAL SUITS: There are no legal actions, suits, or proceedings pending, or to the knowledge of the Borrower, threatened against the Borrower before any court or administrative agency, which if determined adversely to the Borrower, would have a material adverse affect on the financial condition or business of the Borrower.

e. NOT IN DEFAULT: The Borrower is not in default of any obligation, covenant, or condition contained in any bond, debenture, note, or other evidence of indebtedness or any mortgage or collateral instrument securing the same.

f. TAXES ARE PAID: Borrower has paid in full all taxes and assessments levied by any taxing agency, federal, state, or local against Borrower or its personal or real property.

g. NO ADVERSE CHANGE: The Borrower certifies that there has been no adverse change since the date of loan application in the financial conditions, organization, operation, business prospects, fixed properties, or personnel of the Borrower.

EVIDENCE OF PROJECT FUNDING: The Borrower has submitted to the Lender acceptable evidence (e.g., bank commitment letter) of financing or liquidity for the balance of project cost.

i. HAZARDOUS SUBSTANCES: The Borrower does not know or believe or have reason to know or believe, that hazardous substances are now, or have been, generated, stored, treated, handled, disposed of, released or otherwise located on the property.

BORROWER:

By:______________________________

____
Title

____

____
Title

Date:______________________________

LOAN AGREEMENT EXHIBIT B

AFFIRMATIVE COVENANTS OF THE BORROWER

The Borrower agrees to comply with the following covenants from the date hereof until the Lender has been fully repaid with interest, unless the Lender shall otherwise consent in writing:

a. PAYMENT OF THE LOAN: To pay punctually the principal and interest on the Note according to its terms and conditions and to pay punctually any other amounts that may become due and payable to the Lender pursuant to the terms of this Agreement or Note.

b. PAYMENT OF OTHER INDEBTEDNESS: To pay punctually the principal and interest due on any other indebtedness now or hereafter owing the Borrower to the Lender or any other lender.

c. INSURANCE: To obtain at its sole cost and keep in full force and effect during the term of this agreement broad form property damage, hazard insurance covering fire and extended coverage in amounts at least equal to the unpaid balance of the note naming the COUNTY as a loss payee, personal injury, employers, and comprehensive form liability insurance in the amount of $1,000,000 per occurrence providing that the COUNTY, its officers, agents, and employees shall be named insured under the policy, and that the policy shall stipulate that this insurance will operate as primary insurance, and that no other insurance effected by the COUNTY or other named insured will be called upon to cover a loss covered there under. To obtain evidence of fire and extended coverage insurance in the amount of at least the fair market value of the real property and any and all improvements which are the subject of the security described in Paragraph 1 of the Loan Agreement shall be submitted to the COUNTY within 15 days of the execution of this Agreement naming the COUNTY as a loss payee under such policy. Such evidence shall be acceptable to Lender in its sole discretion. A title policy, acceptable to the Lender in its sole discretion, with endorsements required by Lender shall be provided by Borrower.

d. CERTIFICATES OF INSURANCE: To file with COUNTY within 15 days of the execution of this agreement, a certificate of insurance and an endorsement which shall provide that no cancellation, major change in coverage, or expiration will be made during the term of this agreement, without 30 days written notice to the COUNTY prior to the effective date of such cancellation, or change in coverage.

e. PAY ALL TAXES: To pay and discharge all personal property taxes, assessments, and governmental charges upon it or against its properties prior to the date on which the penalties attached thereto apply, except that the Borrower shall not be required to pay any such tax, assessment, or governmental charge which is being contested in good faith and by appropriate proceedings. If so requested by Lender, Borrower will provide a bond guaranteeing payment of such taxes or assessments in any case in which Borrower contests any tax and refuses to pay under this section.

f. PROVIDE ADDITIONAL EQUITY: To provide additional equity funds to cover additional project costs incurred as a result of overruns or unanticipated expenses or changes in work orders in the project as specified in the Loan Commitment Letter.

g. MAINTAIN EXISTENCE: To maintain its existence, rights, privilege, and franchises within the State of California and qualify and remain qualified in each jurisdiction in which it's present or future operations or its ownership of property requires such qualifications.

h. PROVIDE FINANCIAL AND JOB INFORMATION: To maintain adequate records and books of account, in which all of its business and financial transactions will be entered in accordance with generally accepted accounting principles.

In addition, the Borrower agrees to deliver to the Lender financial statements certified by an authorized officer of the Borrower to be true and accurate copies within sixty (60) days of the close of the period and annual financial statements, prepared by an independent accountant and certified by an authorized officer of the Borrower to be true and accurate copies within ninety (90) days of the close of the period. The Lender retains the right to request audited statements from the Borrower, to be obtained at the Borrower's expense.

The Borrower's Agent, the Job Training Agency, has agreed by separate Agreement to provide job hiring or saving data to the Lender every (3) months for the period of the Loan or five (5) years, whichever is less. This job data will include but not be limited to the number of new hires, wages, title, starting date or jobs retained that directly relate to this loan.

The Borrower will comply with record keeping requirements. All records concerning the construction, including invoices, receipts and contracts will be kept for a period of not less than four years from the closing of the loan or completion of construction, whichever is later. All relevant records pertaining to the project shall be accessible and available for inspection or audit by Lender for the same time period. If directed so by the Lender, Borrower shall deliver to the Lender all records, accounts, documentation and other relevant materials relating to the receipt and disbursement of loan funds.

The Borrower further agrees to provide written notice to the Lender of any public hearing or meeting before any administrative or other public agency which may in any manner affect the chattel, personal property, or real estate securing the Loan.

i. RIGHT TO INSPECTION: To grant the Lender, until the Note has been fully repaid with interest, the right at all reasonable hours to inspect the chattel, personal property, and real estate used to secure the Loan, and to provide the Lender free access to the Borrower's premises for the purpose of such inspection.

j. NOTICE OF DEFAULT: To give written notice to the Lender of any event within 15 days of the event that constitutes an Event of Default under this Loan Agreement as described in Article VI herein or that would, with notice or lapse of time or both, constitute an Event of Default under this Loan.

k. INDEMNIFY AND HOLD HARMLESS: Borrower shall indemnify and hold harmless the County, its officers, agents and employees from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, activities giving rise to strict liability, or defects in design by the Borrower or any person directly or indirectly employed by or acting as agent for Borrower in the performance of this Agreement, including the concurrent or successive passive negligence of the County, its officers, agents or employees.

It is understood that the duty of Borrower to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.

Acceptance of insurance certificates and endorsements required under this Agreement does not relieve Borrower from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

l. EXPENSES OF COLLECTION OR ENFORCEMENT: To pay the Lender, if the Borrower defaults on any provision of this Agreement, in addition to any other amounts that my be due, an amount equal to the costs and expenses of collection, enforcement, or correction or waiver of the default incurred by the Lender's rights under the Note and this Agreement; the prevailing party shall be entitled to its reasonable attorney's fees.

m. OTHER INSURANCE: To maintain life insurance on________________________ ____ in the amount of $________________. The life insurance policy will be a term policy. The Borrower will assign the amount of insurance to the Lender and submit an acknowledged copy from the insurance company of the assignment.

n. NULL AND VOID COVENANTS: In the event that any provision of this Loan Agreement or any other instrument executed at closing or the application thereof to any person or circumstances shall be declared null and void, invalid, or held for any reason to be unenforceable by a Court of competent jurisdiction, the remainder of such agreement shall nevertheless remain in full force and effect, and to this end, all covenants, conditions, and agreements described herein are deemed separate.

o. JOBS: To create or maintain the number of jobs described in and comply with the conditions of the Non-Financial Employment Plan Agreement.

p. COLLATERAL: To provide and maintain all collateral property or equipment in good condition and at the original site identified in the loan application.

q. HAZARDOUS SUBSTANCES: Neither Borrower nor any tenant of space in the real property shall generate, sell, treat, store, handle, dispose of or otherwise deal with hazardous material on the property. The Borrower shall comply with all applicable laws, regulations, ordinances, licenses, permits, rules and other codes pertaining to hazardous materials. The Borrower shall indemnify and hold harmless from all liability, claims, penalties, fines, losses damages and expenses of any kind, including, without limitation, clean-up costs and reasonable attorney fees, incurred by Lender as a result of Borrowers breach of the provisions of the Deed of Trust, as a result of Borrower's breach of warranty regarding hazardous substances, or as a result of the presence of hazardous substances on the property.

BORROWER:

By: ______________________________

____
Title

____

____
Title

Date: ______________________________

EXHIBIT C LOAN AGREEMENT

NEGATIVE COVENANTS OF THE BORROWER

The Borrower covenants and agrees that, from the date hereof until payment in full of the Note, unless the Lender shall otherwise consent in writing, the Borrower will not enter into any agreement or other commitment the performance of which would constitute a breach of any of the covenants contained in this Loan Agreement including, but no limited to, the following covenants. Any breach of these covenants would constitute an Event of Default, and the rights of default by the Lender may be executed.

a. ENCUMBER THE BORROWER'S ASSETS: The Borrower will not further encumber its assets or incur indebtedness in addition to that now existing and that provided for in this Loan Agreement, except indebtedness incurred in the ordinary course of business and payable within one year.

b. SELL THE BORROWER'S ASSETS: The Borrower will not sell or transfer all or a substantial part of its assets except those usually sold in the ordinary course of the business. The following items will not be sold, transferred, or removed from the site during the life of this loan.

c. LEASE OR SUBLEASE PROPERTY: The Borrower will not lease or sublease all or any portion of the property to be acquired, constructed, or rehabilitated as described in Section 1.03, with the proceeds of this Loan.

d. CHANGE OWNERSHIPS: The principles of the Borrower will not permit, without the written permission of the Lender, any material change in the ownership structure, control, or operation of the Borrower including, but not limited to: (1) merger into or consolidation with any other person, firm, or corporation; (2) changing the nature of its business as carried on at the date hereof; (3) substantial distribution, liquidation, or other disposal of the Borrower's assets to the stockholders or any other party.

e. CHANGE THE PROJECT: The Borrower will neither permit nor suffer to exist, without prior written Lender consent, any material change in the project's plans and/or specifications submitted to the Lender as per the Preliminary Loan Application. Material change will include any significant variance in the accepted plans and specifications, increases in contract prices, and/or additional financial obligations with respect to the construction and acquisition of assets.

BORROWER:

By: ______________________________ ______________________________

______________________________ ______________________________

Title Title

Date:______________________________ Date: ____________________

LOAN AGREEMENT EXHIBIT D

MISCELLANEOUS

a. WAIVER OF NOTICE: No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. No modification or waiver or any provision of this Loan Agreement or of the Note, nor any consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

b. AMENDMENTS - WRITING REQUIRED: The Lender hereby expressly reserves all rights to amend any provisions of this Agreement, to consent to or waive any departure from the provisions of this Loan Agreement, to amend or consent to, or waive departure from the provisions of the note, and to release or otherwise deal with any collateral security for payment of the Note provided, however, that all such amendments be in writing and executed by the Lender and the Borrower.

c. NOTICES: All notices, consents, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given to a party hereto if mailed by certified mail, prepaid, to the Lender at its address set forth a the beginning of this Loan Agreement, and to the Borrower at the address set forth at the end of this Loan Agreement or at such other addresses as any party may have designated in writing to any other party hereto. This section does not limit other means of delivering written notice if said notices are actually received.

d. PAYMENTS: The Borrower will make payments to the Lender in accordance with the terms and conditions and instructions contained in this Loan Agreement and the Promissory Note.

e. SURVIVAL OF REPRESENTATIONS AND WARRANTIES: All agreements, representations, and warranties made by the Borrowers herein or any other document or certificate delivered to the Lender in this transaction survive the delivery of this Agreement, the Note and the Security Agreements hereunder, and shall continue in full force and effect so long as the Note is outstanding.

f. SUCCESSORS AND ASSIGNS: This Loan Agreement shall be binding upon the Borrower, its successors, and assigns, except that the Borrower may not assign or transfer its rights without prior written consent of the Lender. This Agreement shall inure to the benefit of the Lender and, except as otherwise expressly provided in particular provisions hereof, all subsequent holders of the Note. Borrower acknowledges that Lender contemplates and may assign the Note and this Agreement and consents to such assignments.

g. COUNTERPARTS: This Loan Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

h. GOVERNING LAW: This Loan Agreement and the Note and Security Agreements, Financing Statements, and Deed of Trust shall be deemed contracts made under the laws of the State of California and for all purposes shall be construed in accordance with the laws of said State.

i. WAIVER: Failure by Lender at any time to require performance by Borrower of any of the provisions of this Agreement shall in no way affect Lender's rights hereunder to enforce the same, nor shall any waiver by Lender of any breach hereof be held to be a waiver of any succeeding breaches or a waiver of this non-waiver clause.

BORROWER:

BORROWER:

By: ______________________________

____
Title

____

____
Title

Date: ______________________________

LOAN AGREEMENT EXHIBIT E

PROJECT ASSURANCE

The Borrower hereby assures and certifies that he/she will comply with all regulations, policies, guidelines, and requirements as they relate to Microenterprise Business Façade Loan Program. Also, the Borrower assures and certifies to the County of El Dorado that the project:

a. Will comply with Title VI of the Civil Rights Act of 9164 (P.L. 88-352) whereby no person in the United States shall on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the Microenterprise Business Façade Loan Program by which the Borrower receives Federal financial assistance and will immediately take any measures necessary to effectuate this agreement.

b. Will comply with Title VI of the Civil Rights Act of 1964 (42-USE 2000d) prohibiting employment discrimination where: 1) the primary purpose of the financial assistance is to provide employment, or 2) discriminatory employment practices will result in unequal treatment of persons who are or should be benefiting from the loan-aided activities.

c. Will comply with Section 112 of the Public Law 92-65 and Title III of Public Law 94-135 whereby the borrower assures that no person in the United States shall on the grounds of sex or of age be excluded from participating in, be denied the benefits of, or otherwise be subject to discrimination in connection with loan-aided activities.

d. Will comply with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 State. 975, approved December 31, 1976. Section 102 (a) requires, on and after March 2, 1975, the purchase of flood insurance in communities where such insurance is available on a condition for the receipt of any purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, or any other form of direct or indirect federal assistance.

e. Will comply with Section 106 of the National Historic Preservation Act of 1966 as amended (16 USC 47 0), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966 (16 USC 469a-1 et seq.) by: a) consulting with the State's Historic Preservation Officer on the conduct of investigation, as necessary to identify properties listed in or eligible for inclusion in the National Register (see 36 CFR Part 880.8) by the activity, and notifying of existence of any such properties; and b) complying with all requirements established by the State to avoid or mitigate adverse missing effects.

f. Will give the County of El Dorado through any authorized representative the access to the right to examine all records, books, papers, or documents related to the loan.

g. Will comply with Section 2, of the Public Works and Economic Development Act which state that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one labor area to another.

h. Will assure that any building or facility financed in whole or in part by any funds provided under the Microenterprise Business Façade Loan Program will be designed, construed or altered so as to assure ready access to and use of such building or facility by the physically handicapped. This provision applies only to firms which deal directly with the general public in the normal and usual course of their business, and to facilities in which business is customarily transacted by and with members of the general public.

i. Will insure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the project are not listed on the Environmental Protection Agency's (EPA) list of Violating Facilities and that it will notify the County of El Dorado Department of Human Services of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by the EPA.

j. Will comply with all requirements imposed by the Federal sponsoring agency concerning special requirements of law, program, and other administrative requirements.

k. Will comply with the Davis Bacon Act, as amended (40 U.S.C.276a--5).

BORROWER:

By: ______________________________

____
Title

____

____
Title

Date: ______________________________

LOAN AGREEMENT EXHIBIT F

County of El Dorado
LOAN ADVISORY BOARD

Project Evaluation Form
RLF General Guidelines and Criteria

Company
Name:____
Address:
____
Telephone: ( )_______________ Applicant Loan # ____________

1. Recommendation:

2. a) Description of Business/Project:

   b) Resume:

   c) Comment:

3. RLF CRITERIA

   a) Creation of at least one job per every $35,000 loaned.

   b) Leveraging ratio of at least ______ private to every one RLF dollar.

   c) Availability of jobs; availability of 51% jobs created to low/moderate income persons

   d) Confirmation of existence of financing gap.

e) Business/Project located at or relocating to.

f) Environmental Assessment completed or scheduled to be completed.

4. Does the project result in an expansion?

   of space?
   of sales?

5. Does the cash flow projection account for the new jobs?

6. What is the time frame for new jobs to start in relation to disbursement of loan proceeds and is it appropriate?

7. Does the project demonstrate a public benefit?

8. Can this gap be met with equity?

9. What are the uses and sources of fund?

10. Program Status

    a) Total Funds Available for Lending $
    b) Total Funds Loaned $
       Current RLF Balance $

11. Financing Policy

    a) Applicant Request $ ____________

    b) Applicant number of years requested ____________________
       Type of Loan ____

       Comment:

    c) Interest rate for loans will be ________________________

    d) Security required to adequately collateralize loan.
       Value of Collateral Available: $ ___________________

       Project Cost: $ ___________________

       Prior Liens: $ ___________________

       Collateral Surplus $ ___________________

Additional Collateral:	$ ____________________
TOTAL ADDITIONAL COLLATERAL	$ ____________________
RLF Loan:	$ ____________________
Collateral Coverage:	$ ____________________

LOAN AGREEMENT EXHIBIT G

County of El Dorado
BUSINESS LOAN PROGRAM

(PRELIMINARY) LOAN APPLICATION

I. COMPANY INFORMATION

NAME: ______________________________

ADDRESS: ______________________________

____

TELEPHONE NO.: ______________________________

CONTACT PERSON: ______________________________

PROJECT ADDRESS: ______________________________

____

PROJECT ASSESSOR PARCEL NUMBER(S):

____

CURRENT NUMBER OF EMPLOYEES: ______________________

PROJECTED NUMBER OF EMPLOYEES AFTER COMPLETION OF PROJECT: ______________________________

NUMBER OF EMPLOYEES TO BE HIRED DURING YEAR ONE: ________
(Also indicate which month(s) jobs begin)

NUMBER OF EMPLOYEES TO BE HIRED DURING YEAR TWO: ________
(Also indicate which month(s) jobs begin)

TOTAL NUMBER OF NEW EMPLOYEES: ______________________

TOTAL NUMBER OF EMPLOYEES TWO YEARS FROM COMPLETION OF PROJECT (or 24th month of State grant term):

____

II. PRINCIPAL(S) INFORMATION

NAME: ______________________________

POSITION: ______________________________

% OF OWNERSHIP: ______________________________

YEARS OF EXPERIENCE: ______________________________

III. EXISTING FACILITY

SIZE: ____________ SQ.FT.

OWNED OR LEASED? ______________________

IF OWNED:

PURCHASE PRICE	$ __________
EXISTING MORTGAGE	$ __________
RECENT APPRAISED VALUE	$ __________
ANNUAL MORTGAGE PAYMENTS	$ __________

IF LEASED:

MONTHLY RENT	$ __________
ANNUAL RENT	$ __________
EXPIRATION DATE OF LEASE	__________

IV. NEW/EXPANDED INFORMATION (IF APPLICABLE)

SIZE: ____________ SQ.FT.

WILL NEW FACILITY REPLACE EXISTING FACILITY? __________
IF REPLACED, WILL RENT BE SAVED OR WILL EXISTING FACILITY BE SOLD?

____

CURRENT MARKET VALUE OF EXISTING FACILITY? $ ____________

PURCHASE PRICE OF NEW FACILITY $ ____________

APPRAISED VALUE $ ____________

WILL PURCHASER OCCUPY ENTIRE SPACE? ____________
IF NO:

EXPLAIN OTHER USES: ____
____

% TO BE OCCUPIED BY PURCHASER:
____

RENTAL INCOME GENERATED: $
____

V. PRINCIPAL BANK INFORMATION

NAME OF BANK:
____

CONTACT PERSON:
____

TELEPHONE NUMBER:
____

AVAILABLE LINE OF CREDIT:
____

VI. PROJECT COSTS

NEW CONSTRUCTION $ ____________

REHABILITATION $ ____________

OFF-SITE IMPROVEMENTS $ ____________

ACQUISITION $ ____________

OTHER: $ ____________

TOTAL: $ ____________

VII. PROJECT FUNDING

RLF $ ____________________

BANK $ ____________________

COMPANY $ ____________________

OTHER $ ____________________

TOTAL $ ____________________

VIII PROJECT DESCRIPTION

IX. ADDITIONAL INFORMATION

X. INFORMATION REQUESTED BY LAB

_________ BUSINESS INCOME STATEMENTS (CURRENT & LAST THREE (3) YEARS)

_________ BUSINESS BALANCE SHEETS (CURRENT & LAST THREE (3) YEARS)

_________ PERSONAL FINANCIAL STATEMENTS

_________ INCOME TAX RETURNS

(LAST THREE YEARS)

________ DEBT SCHEDULE

________ RESUME(S)OF OWNER(S) AND BUSINESS HISTORY

________ ITEMIZED THIRD PARTY COST ESTIMATE

________ PRELIMINARY PLANS INCLUDING FACADE RENDERING

________ SIGNED ASSISTANCE AGREEMENT

________ ____

I/WE HEREBY ACKNOWLEDGE THAT LAB DOES NOT AND CANNOT GUARANTEE THAT I/WE WILL RECEIVE FINANCING FROM THE RLF, OR PUBLIC OR PRIVATE LENDERS. IN ADDITION, RLF FINANCING WILL NOT BE PROVIDED WITHOUT ADEQUATE DOCUMENTATION REGARDING FUNDING OF THE BALANCE OF PROJECT COSTS.

APPLICANT SIGNATURE: ________________________________

DATE: ____

APPLICANT SIGNATURE: ________________________________

DATE: ____

LOAN AGREEMENT EXHIBIT H

REVOLVING LOAN FUND

PROJECT CHECKLIST

1. Business Information:

_____ Business Plan
_____ Resume(s) of Principal(s)(normally those with 20% ownership or more)
_____ Articles of Incorporation/By-Laws
_____ Certificate of Good Standing (obtained for Corporations from Secretary of State)
_____ Partnership Agreement
_____ Franchise Agreement
_____ Fictitious Name Statement

2. Project Information:

_____ Purchase Agreement (Deposit Receipt)
_____ Preliminary Title Report on Property to be Acquired
_____ Preliminary Plans and Specifications
_____ Cost Estimates (Construction, Machinery & Equipment)
_____ Lease Agreement, Existing of Future
_____ Project Appraisal
_____ Applicable Permits and Licenses
_____ Copy of Equity Capital/Buy-Out Agreement
_____ Summary of Collateral

3. Financial Information:

a. Business

_____ Income Statement - past three years plus current (within 60 days)
_____ Balance Sheet - past three years plus current (within 60 days)
_____ Aging Schedules of Accounts Receivable/Payable (same date as current Balance Sheet)
_____ Schedule of Existing Debt (same date as current Balance Sheet)
_____ Business Federal Tax Returns (past three (3) years) (Used to verify/supplement Financial Statements)
_____ Income and Cash Flow Projections (next two (2) years)
_____ Pro Forma Balance Sheet

b. Personal:

____ Personal Financial Statements of Principal Owner(s) (normally those with 20% Ownership or more)
____ Individual Federal Tax Returns of Principal(s)

4. Other Information:

____ Corporate Resolution to Borrow

____ Letter of Assurance from Business as to Hiring Policy, Training Agreements, Location, Use of Proceeds, etc.

____ Three-Party Employment Agreement

____ Other

LOAN AGREEMENT EXHIBIT I

REVOLVING LOAN PROGRAM

PRE-CLOSING CHECKLIST

____ A copy of the construction contract between the business and the general contractor.

____ A copy of final construction/rehabilitation plans stamped by the appropriate local agency – El Dorado County Development Services - Building Department.

____ A copy of the Construction Contractors Performance Bond (100% Performance, Labor and Material Bond - owner as obligee).

____ A copy of the building permit.

____ A letter from an insurance agent, stating that hazard insurance will be in effect upon closing of the loan, naming the Lender as mortgagee. Insurance should be for the total amount of the project.

____ A copy of the contractor's workers' compensation and Builders Risk Policy.

____ A lien form (UCC-1) on all machinery and equipment to be held as collateral.

____ Copy of the purchase agreement between buyer and seller.

LOAN AGREEMENT EXHIBIT J

REVOLVING LOAN PROGRAM

SAMPLE ESCROW INSTRUCTIONS

Send to Title Company or Bank Escrow Officer. Reference the Escrow number obtained from Preliminary Title Report. Put in letter format.

OUTLINE

1. Identify parties of the transaction. Give Escrow Number if you have had one assigned in Preliminary Title Report.

   - Names
   - Legal Structure (if business)
   - Address

2. Recite intentions of above parties.

   - Identify Buyers and Sellers
   - Identify Sources and Amounts of Financing
   - Identify Role and Duties of all Parties
   - Identify Order of Priority of Parties to security or collateral

3. Identify all Documents submitted.

   - Loan Agreement(s)
   - Promissory Note(s)
   - Deed(s) of Trust (Identify position for filing)
   - Assignment(s) of Deed(s) of Trust
   - Notice(s) of Default
   - Personal and Corporate Guarantee(s)
   - Checks - including maker, amount, and payee
   - Any other appropriate documents

4. Instructions and Authorizations to Escrow Officer.

   - Delivery of Checks and/or documents
   - Insertion of dates and conforming of documents - all dates same
   - Recordation of Documents after signatures obtained
   - Disbursement of Checks and/or funds
   - Insurance and delivery of policies of Title Insurance

- Delivery of other documents
- Return of original documents
- Bill the borrower for any charges incurred for your services

5. Conditions to be met prior to Recordation

   - Sample language:

   "You are authorized to record the appropriate documents and disburse our deposited check when the following conditions have been met:"

   - Hazard Insurance on Fixed Assets, Specify amount and assignees
   - Signing of the construction contract
   - Project surety bonding, specify type and terms
   - Other policies of Insurance (eg. Life and Liability), specify amounts and assignees
   - Evidence of appropriate licenses and permits
   - Endorsements of Title Insurance
   - Evidence of execution of other loan agreements
   - Evidence of deposit of cash equity by borrower and/or investors
   - etc.

NOTE: It is essential that project escrow instructions be reviewed by an attorney prior to submittal to the Title/Escrow Company.

EL DORADO COUNTY
DEPARTMENT OF HUMAN SERVICES
Doug Nowka
Director

Date

Agent
Title Company
Address
City and State

Dear:

Your are in the process of closing an escrow for the purchase of ______________________. The purchasers are ___________________.

The County of El Dorado will be making a loan from the Microenterprise Business Facade Loan Fund in the amount of $___________. The term of the loan will be ____ years at _______ percent interest. The loan would be fully amortized over a __________ year period.

Prior to disbursing the funds from escrow you should complete the following list of items:

1. Have four (4) originals of the loan agreement signed and return them to me for County signature.

2. Prepare note and second Deed of Trust ______________________ ___________________________, California. This should also include assignment of rents. The County of El Dorado will subordinate to a $___________ loan from the ____________ Bank of _________________________.

3. Place a second Deed of Trust in the amount of $ ____________ on ____.

4. Have ___________________ sign both originals of the Guarantee Agreement provided and return them to me.

5. Obtain evidence of Life Insurance on _________________ in the amount of $__________, assigned to the County of El Dorado.

6. Obtain evidence of Fire and Liability insurance on both properties being used as collateral. A minimum of $________ on the _________________ property. The County of El Dorado is to be added as loss payee on all such properties.

7. Collect $__________ as a Loan Origination fee for the County of El Dorado.

937 Spring Street ❖ Placerville, CA 95667 ❖ (530) 621-6300 ❖ FAX (530) 295-2598 ❖ edcha@co.el-dorado.ca.us

8. All fees to be paid by the Borrowers.

After the above activities have been completed, and prior to the disbursement of the Funds, we would like to review the documentation for completeness.

Please let me know if you have any questions.

Sincerely,

Joyce Aldrich
Program Manager

Section 3, Part 2.4: Other Local Organization Support

The continued development of a Microenterprise Assistance Program for El Dorado County is strongly supported by the El Dorado County Office of Economic Development as demonstrated in the Resolution.

Section 3: Leverage Documentation

The County has committed in-kind staffing of $2,500 in support of the Microenterprise Program. An additional commitment of $1,500 has been provided by the County's Office of Economic Development.

El Dorado County Redevelopment Feasibility Study

County of El Dorado

December 2007

GRC ASSOCIATES, INC.

TABLE OF CONTENTS

TABLES

FIGURES

EL DORADO COUNTY
REDEVELOPMENT FEASIBILITY STUDY

I. INTRODUCTION

Purpose of the Study

The County of El Dorado ("County) is concerned about the declining physical and economic conditions in unincorporated communities within the County. Certain areas currently exhibit signs of blight, including deteriorated or obsolete buildings, underutilized properties, inadequate public improvements and environmental concerns that could pose health and safety risks to the residents and businesses of these communities. ~~Any one or all of these conditions of blight may also impact the economic growth.~~ In response to these concerns, the County has conducted a study to determine the potential feasibility of using redevelopment as a tool for economic revitalization.

Redevelopment is a powerful and effective tool used by redevelopment agencies to improve physical and economic conditions existing in a city or county. By establishing a redevelopment agency and initiating a redevelopment effort focused in areas identified by this study, the County could assist in rehabilitating and revitalizing businesses, improving residential living conditions and providing additional public improvements. These redevelopment projects and programs would be funded through tax increment revenues that are generated from the increase in assessed property values of the area.

The County has conducted a feasibility study to determine areas within the unincorporated county that could benefit from redevelopment. For the purposes of this study, ten preliminary survey areas ("Study Areas") have been identified and their locations are shown in Figure 1. The Study Areas include:

1. Georgetown
2. North Cameron Park
3. South Cameron Park
4. Shingle Springs
5. Missouri Flat
6. Diamond Springs
7. El Dorado
8. Camino
9. Somerset/Mt. Aukum
10. Meyers

The purpose of this feasibility study is three-fold: 1) to determine if the Study Areas, together and individually, qualify as a redevelopment project area based on criteria under California Community Redevelopment Law ("Redevelopment Law"); 2) to project the potential tax increment revenues from redevelopment; and 3) to assess the feasibility of establishing a redevelopment agency and initiating a redevelopment program.

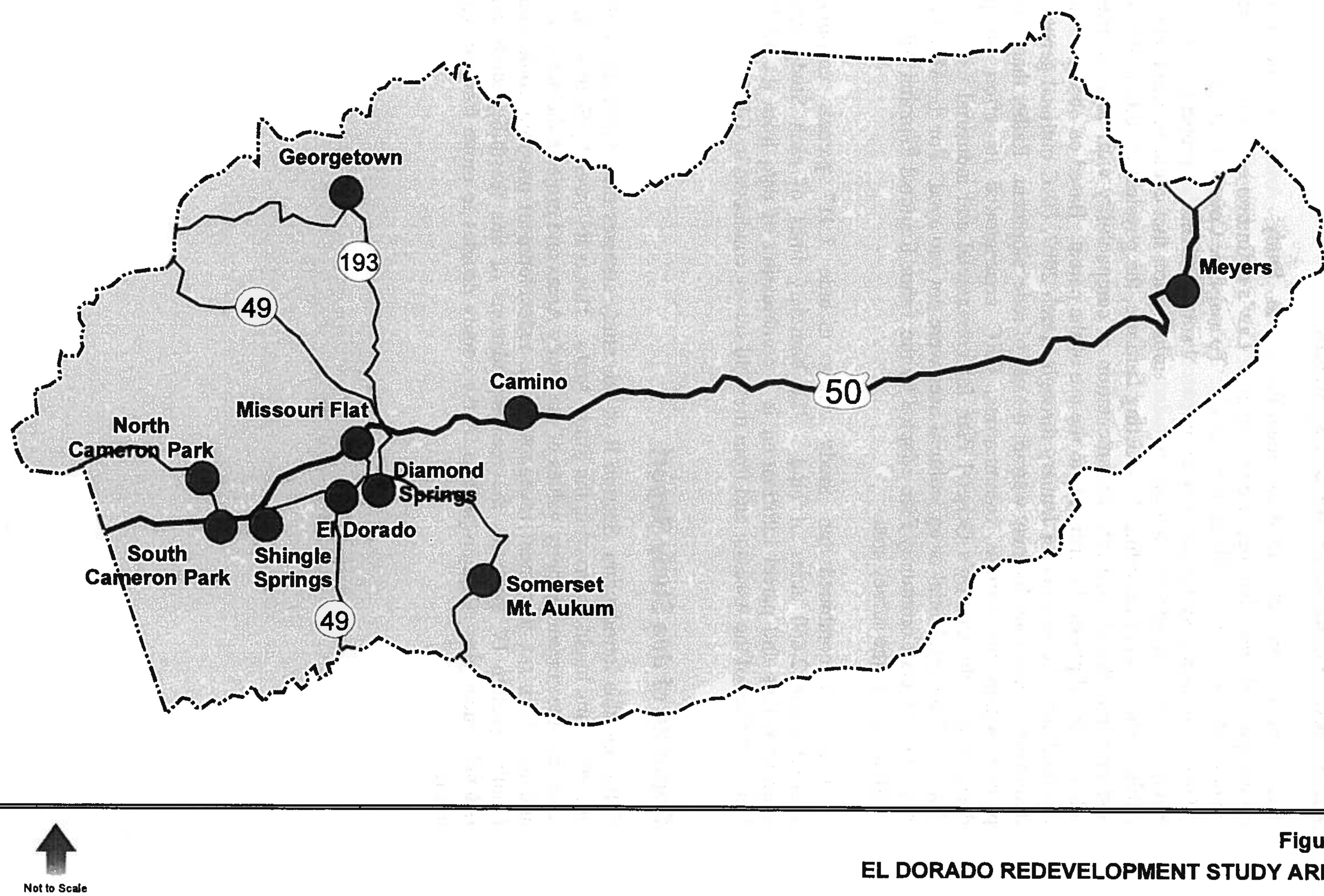


Figure 1
EL DORADO REDEVELOPMENT STUDY AREAS

Approach to Selecting the Study Areas

The project approach involves identifying the Study Areas in the County's unincorporated areas that meet Redevelopment Law's definition of "blight" – which will be defined in greater detail later in this study. To assist the County, GRC Associates, Inc. ("GRC") initiated a systematic, parcel-by-parcel survey of each of property within the ten Study Areas. The survey database included information that could be determined from public right-of-ways regarding the existing land use, the physical condition of buildings and property, design elements, documentation of compatibility with adjacent uses, and other observed physical constraints to the use of the parcel. Based on observations from the field survey conducted in January through March 2007, GRC outlined general areas that exhibit conditions that may warrant the use of redevelopment. Rather than survey all parcels within the various communities, GRC concentrated its effort on parcels designated in the County's General Plan for commercial and industrial uses. Parcels designated for residential or agricultural uses were not surveyed. For the Meyers Study Area the Meyers Community Plan adopted by the Tahoe Regional Planning Agency was used to identify the survey area.

In total, the combined ten Study Areas include 1,417 parcels encompassing approximately 2,660 acres of land. The boundary lines of each Study Area are approximations and parcel information is a combination of data from the El Dorado County Office of the Assessor and from the field survey conducted by GRC.

Contents of this Study Report

Following this Introduction, Section II of this study assesses the conditions of physical and economic blight observed in the Study Areas. This is followed by Section III, which examines the current property values of the Study Areas and projects the potential short- and long-term tax increment revenues that a redevelopment program could generate. Finally, Section IV discusses the recommendations of this feasibility study and the redevelopment plan adoption process, if the county decides to move forward with this effort.

II. MEETING THE REDEVELOPMENT REQUIREMENTS

Redevelopment is a key financial and administrative mechanism used to eliminate existing conditions of blight in an area. One of the first steps in the redevelopment process is to create and adopt a project area that meets the statutory requirements of Redevelopment Law.

Project Area Criteria

The Redevelopment Law sets forth a variety of conditions that must exist if an area is to be included in a redevelopment project area. The proposed project area must be:

1. *Predominantly urbanized – not less than 80 percent of the land in the Project Area must be or has been urbanized. (Section 33320.1)*

2. *Characterized by one or more conditions of physical blight (Section 33031(a)), including:*

   - *Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.*
   - *Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.*
   - *Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.*
   - *The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.*

3. *Characterized by one or more conditions of economic blight (Section 33031(b)), including:*

   - *Depreciated or stagnant property values.*
   - *Impaired property values, due in significant part, to hazardous waste on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).*
   - *Abnormally high business vacancies, abnormally low lease rates, high number of abandoned buildings.*
   - *A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.*

- *Serious residential overcrowding that has resulted in significant public health or safety problems. As uses in this paragraph, "overcrowding" means exceeding the standards referenced in Article 5 (commencing with Section 32) of Chapter I of Title 25 of the California code of Regulations.*
- *An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.*
- *A high crime rate that constitutes a serious threat to the public safety and welfare.*

4. *Necessary for the effective redevelopment of the blighted area (Section 33321). A project area need not be restricted to buildings, improvements, or lands which are detrimental or inimical to the public health, safety, or welfare, but may consist of an area in which such conditions predominate and injuriously affect the entire area. A project area may include lands, buildings, or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area of which they are a part.*

It is important to note that the above project area criteria reflect the new changes in Redevelopment Law that significantly redefined both the physical and economic standards for what qualifies as blight. The new legislation (SB 1206), which took effect January 1, 2007, narrowed the definition of blight and made it more difficult to designate an area for redevelopment. In general, physical blight must be evidenced by long-term neglect and show a serious health and safety risk to residents and businesses.

Study Areas

The ten Study Areas include land designated for commercial and industrial uses within unincorporated communities within the county. The size and boundaries of each Study Area are presented in Table 1 and illustrated in Figures 2 to 8.

- Georgetown. This Study Area generally includes the Main Street area of the historic community of Georgetown. It includes 117 parcels and totals 104 acres.
- North Cameron Park. This Study Area includes both commercial and industrial designated land located in the vicinity of Cameron Park Drive and Green Valley Road. It includes 100 parcels totaling 143 acres, which also includes the Cameron Air Park Airport.
- South Cameron Park. Located in the vicinity of the Highway 50 and Cameron Park Drive, this Study Area has experienced new retail commercial and office development north of Highway 50. There are 149 parcels totaling 334 acres.
- Shingle Springs. This Study Area is immediately east of Cameron Park South in the vicinity of Highway 50 and South Shingle Road. New industrial development is occurring in the western portion of the Study Area. There are 236 parcels totaling 523 acres.
- Missouri Flat. This is the largest of the Study Areas with 364 parcels totaling 864 acres. It is a rapidly growing commercial and industrial area with recent developments north of Highway 50 and in the vicinity of the new Wal-Mart

development at Missouri Flat Road and Forni Road. As a result of high traffic volumes, the Missouri Flat Road/Pleasant Valley Road connector is proposed.

- Diamond Springs. An historic community located along Pleasant Valley Road (Route-49). This Study Area includes 92 parcels totaling 94 acres.
- El Dorado. This Study Area is located in the center of the historic community of El Dorado. All 123 parcels in this Study Area are designated commercial with the exception of one industrial parcel (lumber mill). This Study Area encompasses 119 acres.
- Camino. The Camino Study Area is located along Carson Road which parallels Highway 50. The General Plan designates both Commercial and Industrial land uses. The dominant industry is Sierra Pacific lumber, however, the area is experiencing growth in the wine industry. There are 38 parcels totaling 227 acres.
- Somerset/Mt. Aukum. This Study Area includes three relatively small non-contiguous areas along Mt. Aukum Road (E-16). The three areas totaling 30 parcels and 110 acres.
- Meyers. The unincorporated community of Meyers is located along Highway 50 south of the city of South Lake Tahoe. The Study Area boundaries are based on the Meyers Community Land Use Concept Plan developed by the Tahoe Regional Planning Agency. The Study Area includes 168 parcels and totals 142 acres.

Table 1
STUDY AREAS

Study Areas	No. of Parcels	Parcel Acres	Streets/ROW Acres	Total Acres
Georgetown	117	76.6	27.4	104.0
North Cameron Park	100	111.0	31.7	142.7
South Cameron Park	149	282.2	51.9	334.1
Shingle Springs	236	441.8	81.6	523.4
Missouri Flat	364	778.7	85.5	864.2
Diamond Springs	92	82.4	11.7	94.1
El Dorado	123	108.8	9.9	118.6
Camino	38	197.3	29.7	227.0
Somerset/Mt. Aukum	30	99.9	10.0	109.9
Meyers	168	102.0	40.0	142.0
Total Study Area	1,417	2,280.7	379.3	2,660.0

Source: GRC Associates, Inc.

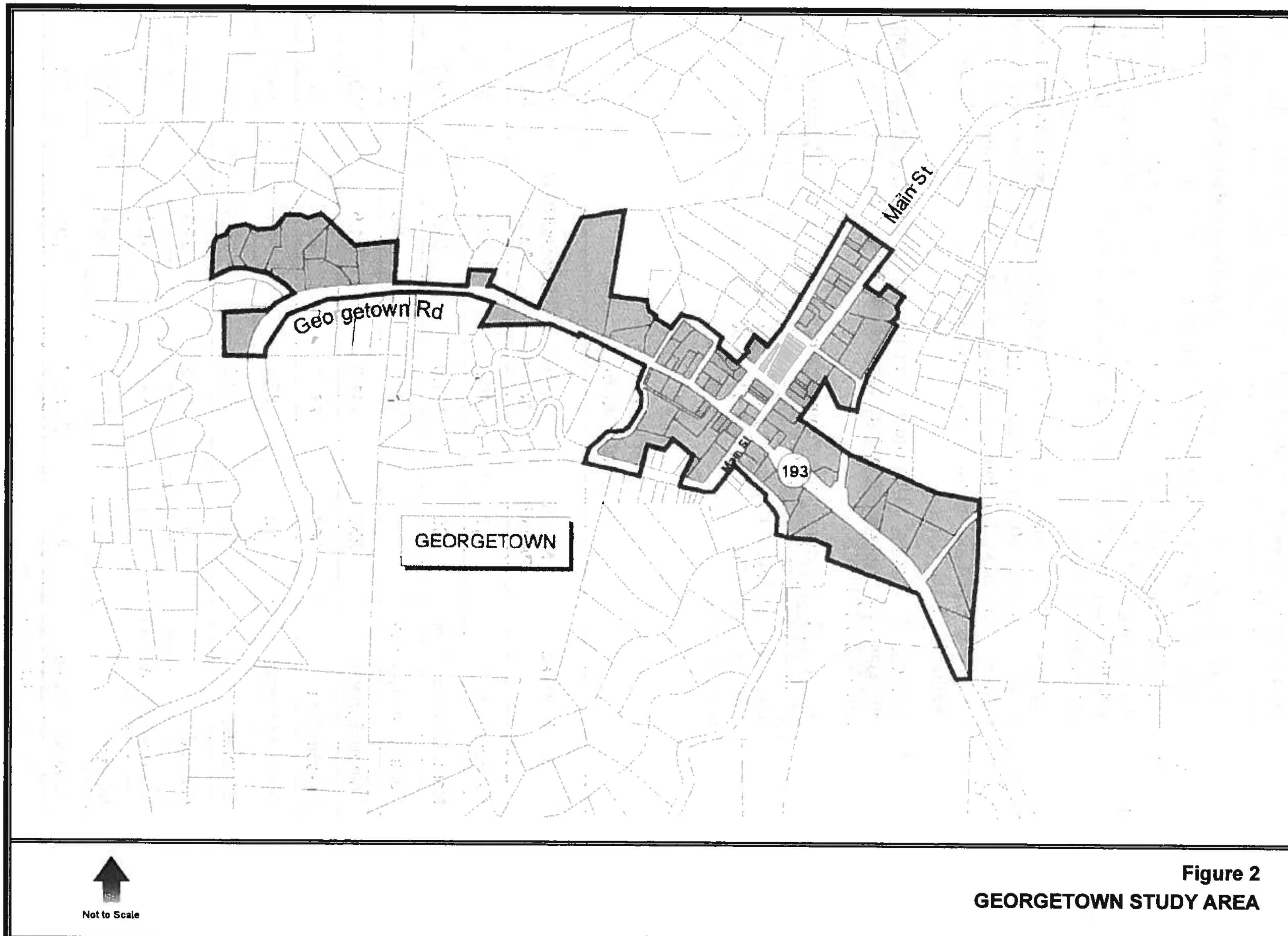


Figure 2
GEORGETOWN STUDY AREA

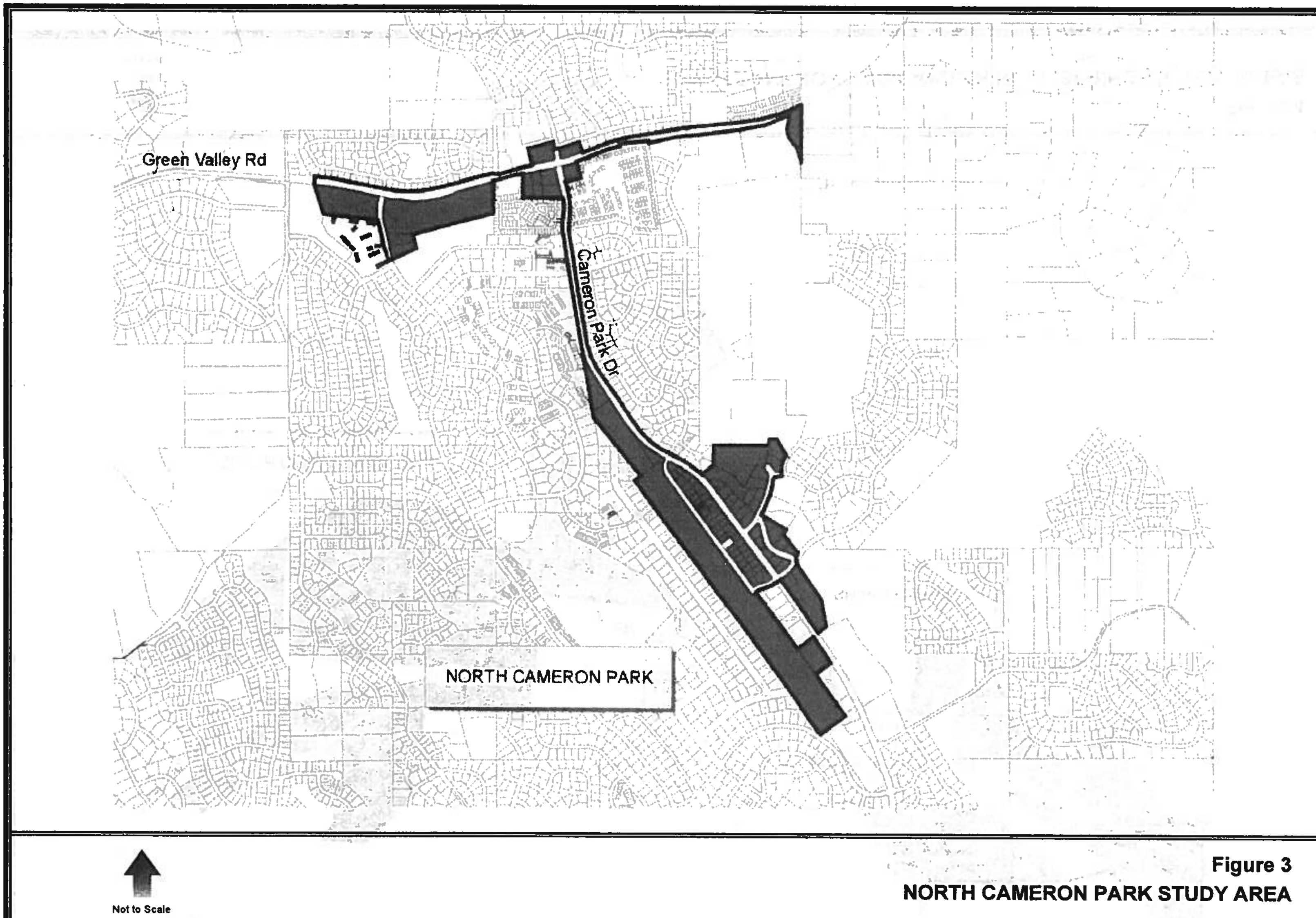


Figure 3
NORTH CAMERON PARK STUDY AREA

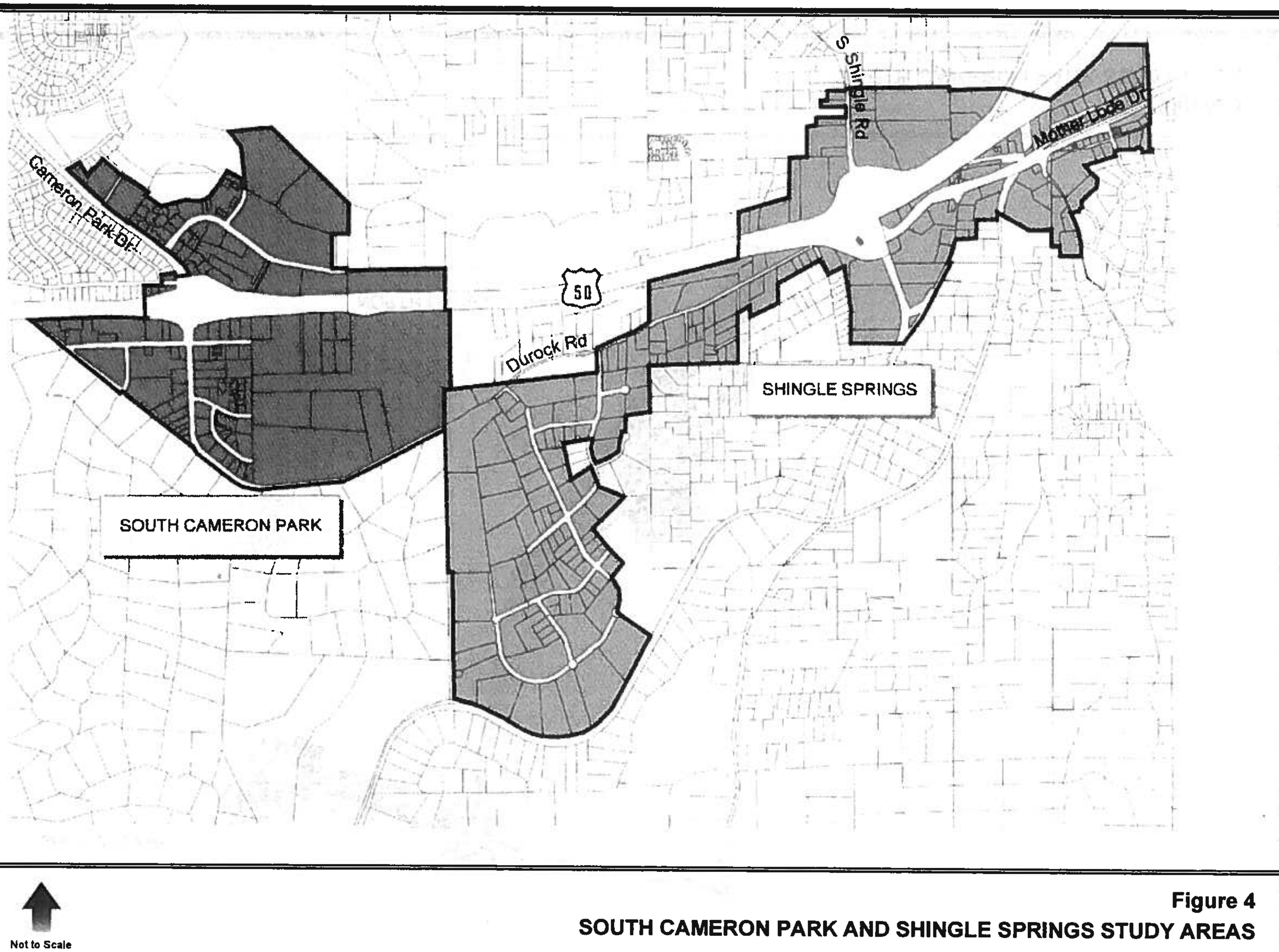


Figure 4
SOUTH CAMERON PARK AND SHINGLE SPRINGS STUDY AREAS

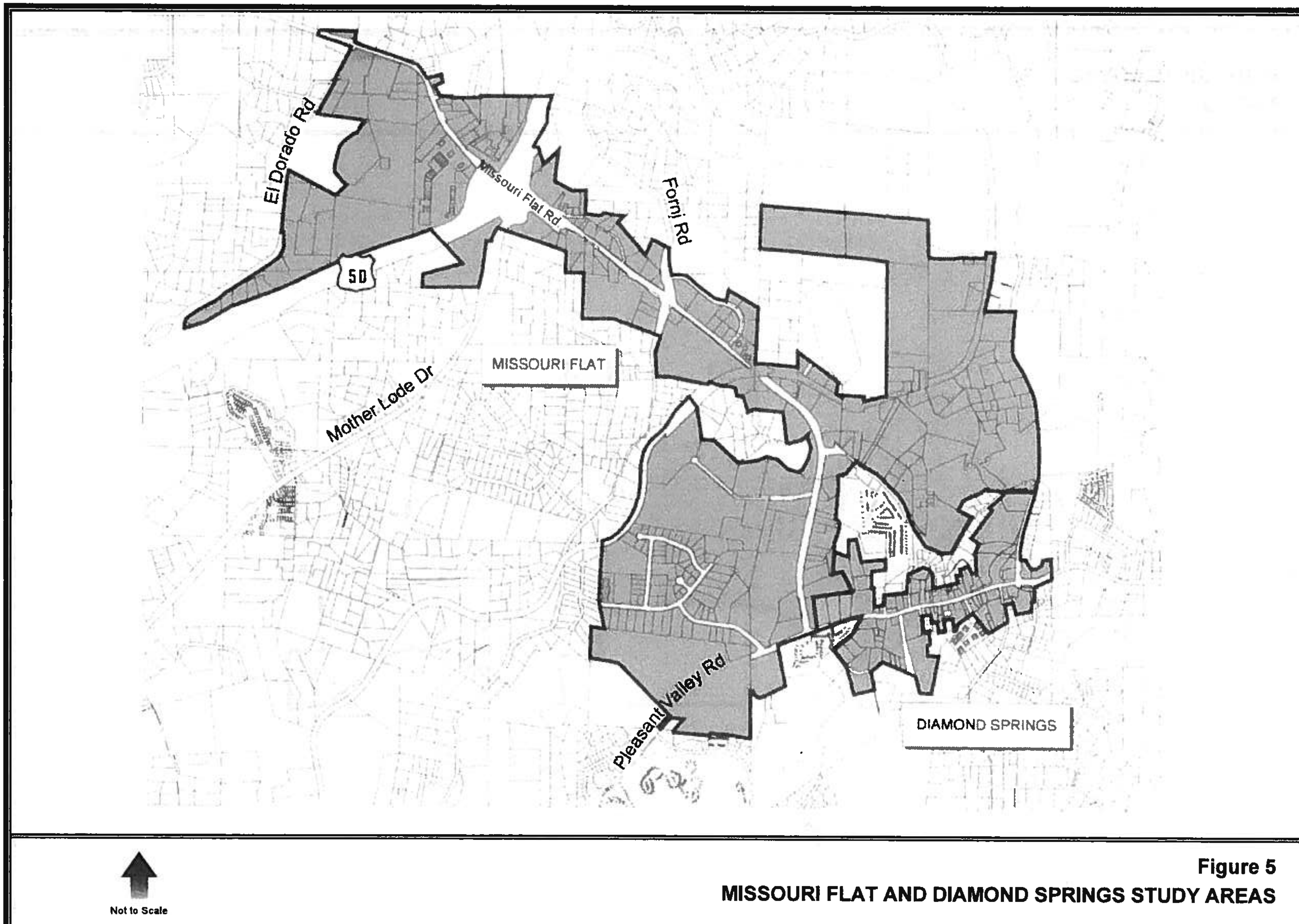


Figure 5
MISSOURI FLAT AND DIAMOND SPRINGS STUDY AREAS

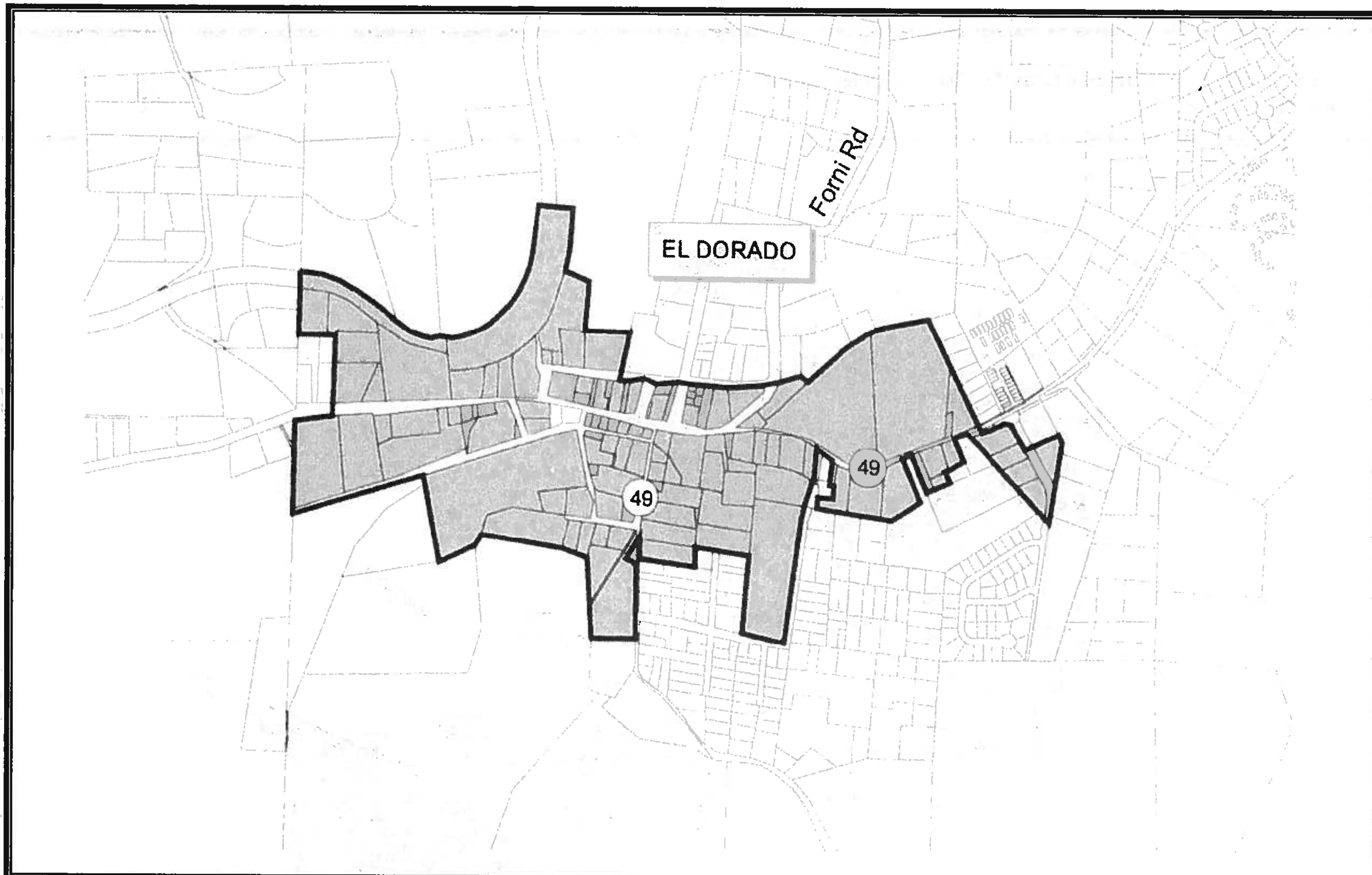


Figure 6
EL DORADO STUDY AREA

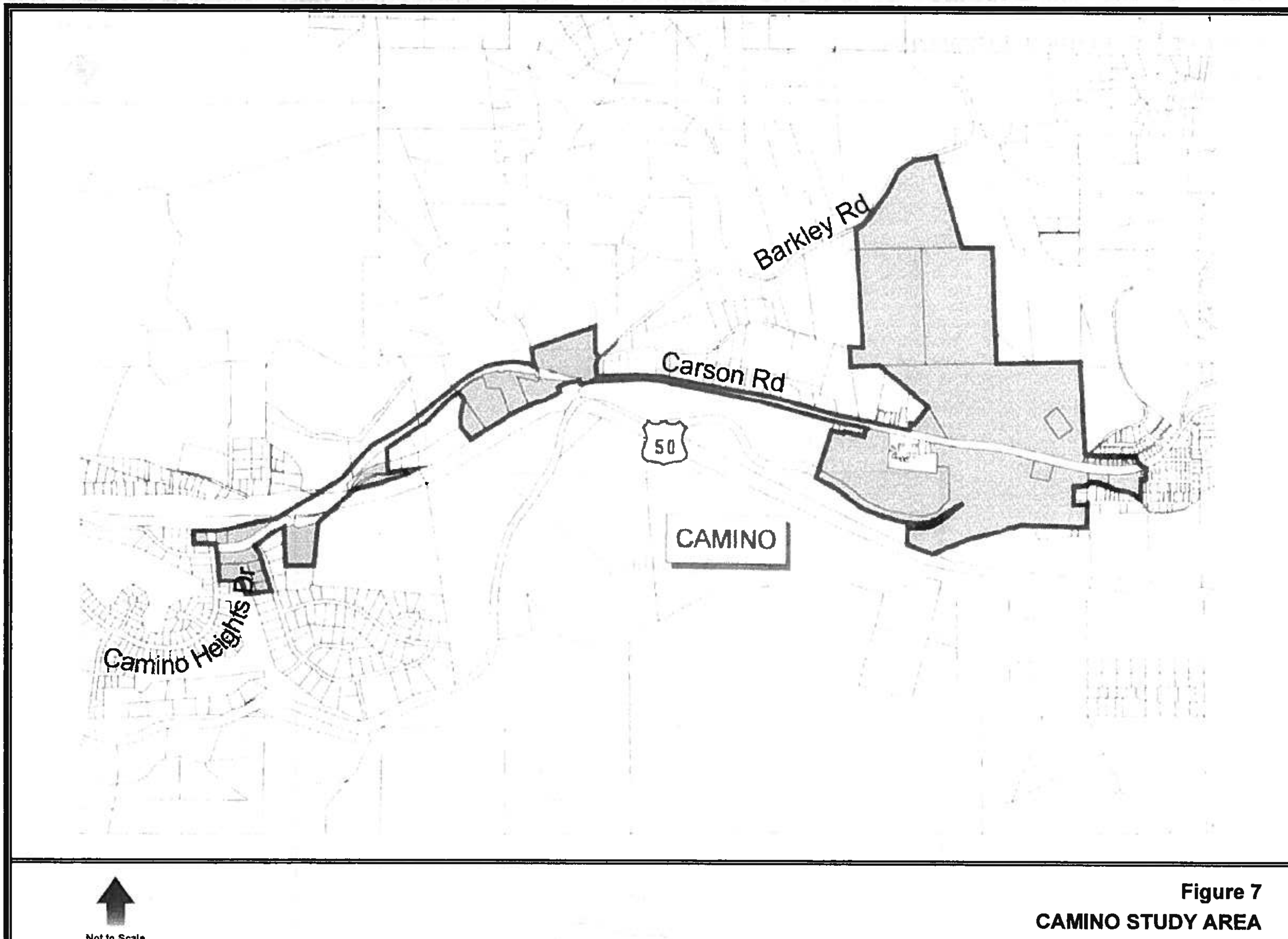


Figure 7
CAMINO STUDY AREA

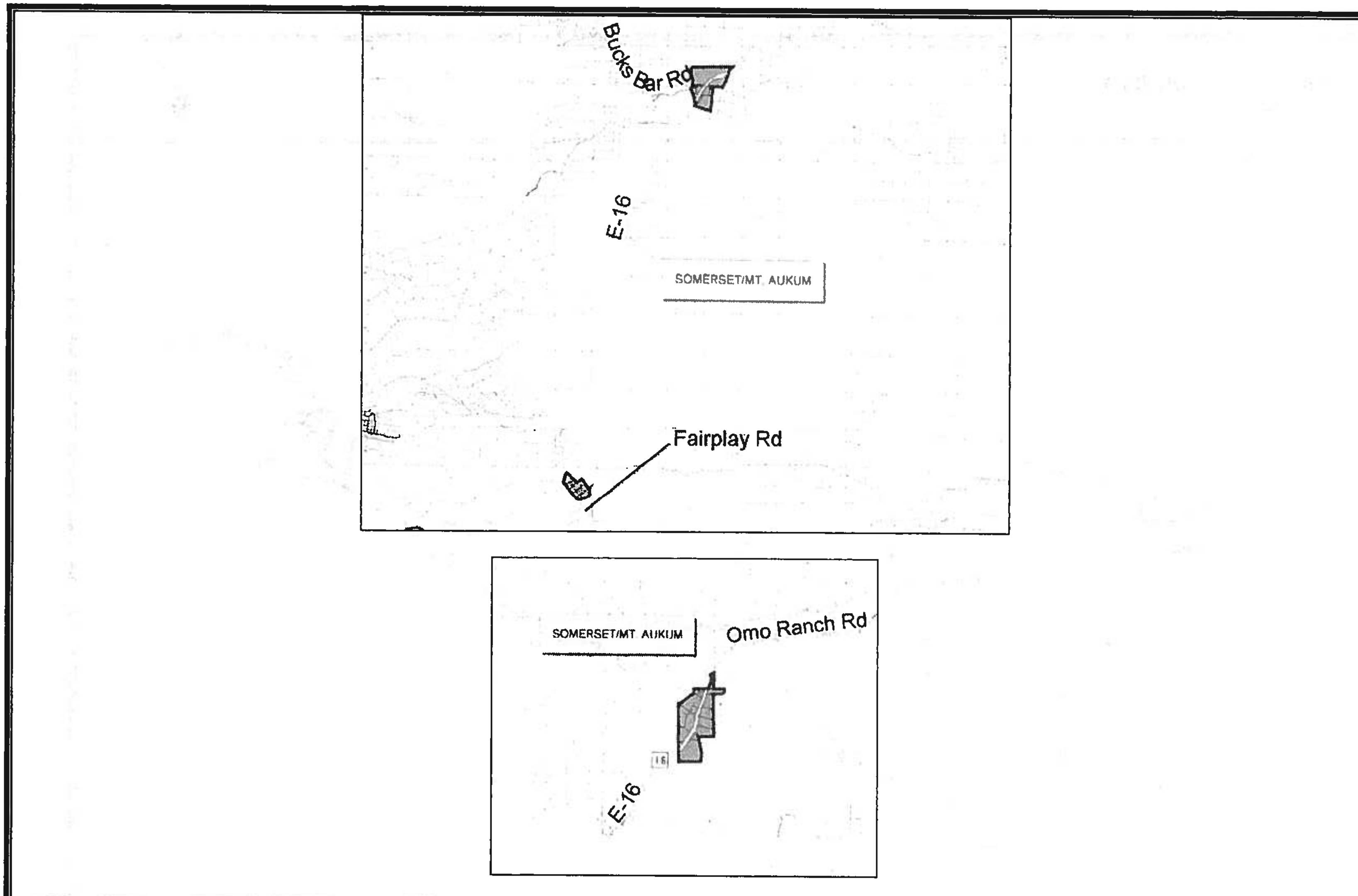


Figure 8
SOMERSET/MT. AUKUM STUDY AREA

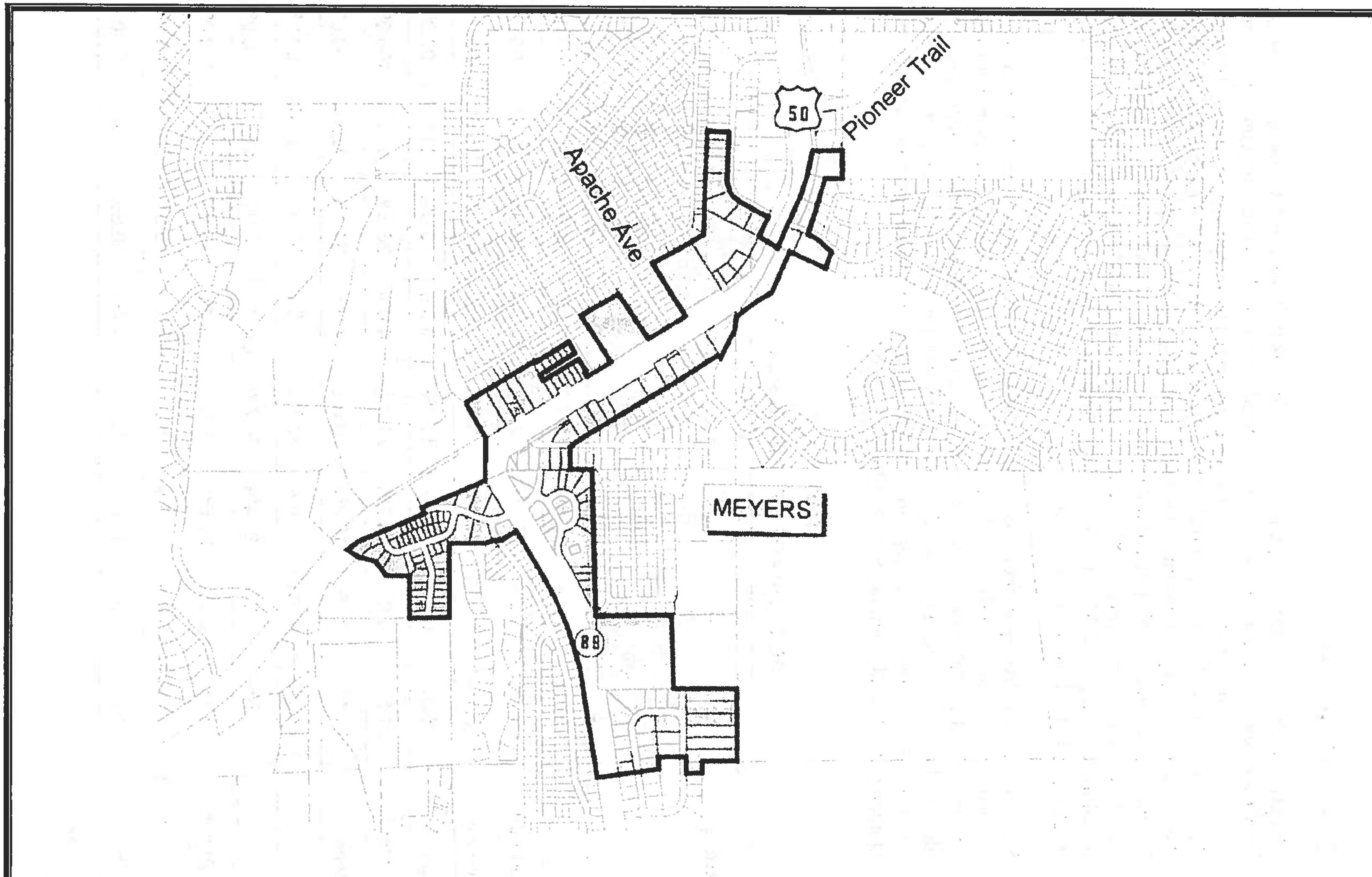


Figure 9
MEYERS STUDY AREA

Existing Land Uses

The primary focus of a redevelopment effort is to revitalize the County's commercial and industrial areas. While all of the land in the Study Areas is designated for commercial or industrial uses, these uses only represent 18.6 percent and 18.0 percent of the total Study Area's existing land uses, respectively. Of the ten Study Areas, South Cameron Park has the highest percentage of current commercial acreage at 30.4 percent. As shown in Table 2, almost one-third (30.6%) of the total Study Area land is undeveloped. Based on the survey, there are approximately 824 acres of vacant land within the total Study Area and the Shingle Springs and Missouri Flat Study Areas account for approximately 450 acres or over one half of the total vacant land.

Residential uses also represent a significant number of parcels. According to the survey, 246 parcels are single-family or multi-family residential uses. This translates into at least 260 units in the total Study Area. This is a conservative figure because some parcels identified as commercial may include a residential unit (mixed-use) on the property. The Study Areas with the largest proportion of land used for residential purposes include El Dorado (32.1%) and Diamond Springs (26.5%).

Table 2

PERCENTAGE OF EXISTING LAND

Study Areas	SF Residential.	MF Residential	Commercial.	Industrial	Public	Vacant	Streets/ROW	Total
Georgetown	18.6%	2.4%	26.8%	1.0%	4.5%	20.5%	26.4%	100.0%
North Cameron Park	0.7%	0.0%	26.1%	4.9%	29.7%	16.3%	22.2%	100.0%
South Cameron Park	0.1%	0.0%	30.4%	9.0%	0.0%	44.9%	15.5%	100.0%
Shingle Springs	6.3%	0.2%	19.1%	13.0%	0.5%	43.0%	17.8%	100.0%
Missouri Flats Corridor	21.5%	0.0%	14.2%	21.0%	4.0%	26.5%	12.8%	100.0%
Diamond Springs	24.1%	2.4%	18.8%	0.0%	7.9%	34.1%	12.7%	100.0%
El Dorado	27.2%	4.9%	7.0%	17.7%	1.5%	33.5%	8.3%	100.0%
Camino	1.5%	0.3%	11.4%	70.7%	0.0%	3.0%	13.1%	100.0%
Somerset/Mt. Aukum	13.1%	0.0%	26.6%	0.0%	5.1%	46.1%	9.1%	100.0%
Meyers	1.6%	0.0%	17.6%	6.7%	19.5%	26.3%	28.2%	100.0%
Total Study Area	11.9%	0.5%	18.6%	18.0%	4.7%	30.6%	15.6%	100.0%

Source: GRC Associates, Inc.

Historical Landmarks

El Dorado County has numerous historical landmarks that center around the Gold Rush era. As such, California Historical Landmarks within the Study Areas include the Towns of Diamond Springs, El Dorado, Georgetown and Shingle Springs. To be designated as a California Historical Landmark, a site must be of statewide historical significance and meet at least one of the established criteria: 1) be approved for designation by the County Board of Supervisors or the City/Town Council in whose jurisdiction it is located; 2) be recommended by the State Historical Resources Commission; and 3) be officially designated by the Director of California State Parks. The Office of Historic Preservation (OHP) is responsible for administering federal and state mandated historic preservation programs in California.

As El Dorado County possesses multiple California Historical Landmarks, special considerations and regulations will be required to assure the preservation of buildings deemed historically significant. The added powers, authority and resources of the redevelopment agency may be needed to successfully address these concerns.

Urbanization

Section 33320.1 of the Redevelopment Law mandates that not less than 80 percent of the land in a redevelopment project area must be or have been urbanized. As shown in Table 3, the total Study Area is almost one-third (30.6%) vacant and over two-thirds (69.4%) urbanized land, which also includes streets, highways and public rights of way. Therefore, all the Study Areas together would not qualify as a single redevelopment project area. This analysis has not reviewed permits to determine prior development; however, much of the larger vacant parcels did not appear to have prior development. A review of any building permits on each vacant parcel would provide a more accurate indication of any prior development.

At the Study Area level, only Camino and North Cameron Park meet the urbanization test at 97.0 percent and 83.7 percent urbanized, respectively. Georgetown, at 79.5 percent urbanized, could possibly qualify since it is an older town and some of the vacant land could previously have been developed. In spite of recent new commercial development in South Cameron Park, only 55.1 percent of this Study Area is currently developed. In order to meet the urbanization requirement, the Study Area boundary lines could be revised to exclude certain large vacant parcels located at the edges of a Study Area. The exclusion of large vacant parcels could qualify Study Areas such as South Cameron Park, Shingle Springs, Missouri Flat and Meyers.

Table 3
URBANIZATION ANALYSES

Study Areas	Percent Vacant	Percent Urbanized
Georgetown	20.5%	79.5%
North Cameron Park	16.3%	83.7%
South Cameron Park	44.9%	55.1%
Shingle Springs	43.0%	57.0%
Missouri Flats Corridor	26.5%	73.5%
Diamond Springs	34.1%	65.9%
El Dorado	33.5%	66.5%
Camino	3.0%	97.0%
Somerset/Mt. Aukum	46.1%	53.9%
Meyers	26.3%	73.7%
Total Study Area	30.6%	69.4%

Source: GRC Associates, Inc.

Physical Conditions of the Study Area

Based on the field survey and the review of El Dorado County Assessor's data, GRC concludes that some of the Study Areas would meet the physical blight requirements for establishing a project area under the Redevelopment Law. Below is an overview of physical conditions in the Study Area.

Building Condition

According to Redevelopment Law, buildings that are unsafe or unhealthy for persons to live or work including serious building code violations, dilapidation and deterioration caused by long-term neglect, or vulnerability to seismic activity are characteristics of physical blight conditions.

Much of the deterioration of buildings in the Study Areas is the result of their age. As shown in Table 4, the median age of buildings in the total Study Area is 32 years. Therefore, one-half of the existing structures (residential and non-residential buildings) in the total Study Area were constructed prior to 1975. The oldest median ages of homes were in Georgetown, El Dorado and Diamond Springs. In these three Study Areas, one-half of the existing structures were built before 1950, and according to the Assessor's information, Georgetown has 16 parcels with buildings constructed prior to 1900, with the earliest built in 1850.

Table 4

AGE OF BUILDINGS

Study Areas	Parcels with Year Built Data	Median Age of Bldg.	Built Prior to 1971	Percent Built Prior to 1971
Georgetown	84	1945	66	78.6%
North Cameron Park	52	1982	2	3.8%
South Cameron Park	73	1983	7	9.6%
Shingle Springs	82	1982	27	32.9%
Missouri Flats Corridor	155	1984	48	31.0%
Diamond Springs	51	1950	42	82.4%
El Dorado	78	1949	65	83.3%
Camino	23	1960	16	69.9%
Somerset/Mt. Aukum	14	1960	9	64.3%
Meyers	25	1976	4	16.0%
Total Study Area	637	1975	286	44.9%

Source: County of El Dorado Assessors Office

1 *Includes only those parcels with available information on the year of construction*

Older buildings require greater maintenance, which results in higher costs to the owner. Thus, in many cases, deferred maintenance results in the further deterioration of the buildings. In addition, older deteriorated structures often violate building code standards and lack safety features such as fire suppression, home security devices, sewer lines and seismic safety retrofits. In fact, stringent seismic safety codes were not developed until after the 1971 Sylmar earthquake in southern California. After that event, building codes throughout California were revised to ensure that structures could withstand seismic activity of similar magnitude. According to the County Assessors data, 44.9 percent of the buildings on developed parcels were constructed prior to 1971. In El Dorado and Diamond Springs, over 80 percent of the existing structures were constructed prior to 1971. While earthquake safety is important to all California residents, the safety risk may be less in El Dorado County relative to other California counties because earthquake fault zones subject to the Alquist-Priolo Earthquake Fault Zone Act are not present in the county.

The results from the parcel-by-parcel survey conducted for this feasibility study also indicate that deteriorated and dilapidated structures are evident in the Study Areas. Buildings that appear deteriorated or dilapidated generally have major structural problems that require immediate and extensive repair and substantial capital investment.

The survey indicates a building was deteriorated when it exhibited conditions such as poor foundation, large cracks in walls, rotting or sagging roofs, or other damages that impact the structural integrity of the building. These conditions, if left untreated, could result in the collapse of a portion or all of the building and endanger the safety of its occupants. In some cases, total repair cost would exceed the existing improvement value of the building, and therefore, would be a potential candidate for replacement.

Table 5 presents the results of the physical conditions survey in the Study Area. The results, which are based solely on visual assessments of the exterior of the structure as observed from the street, indicate that 132 parcels, or 13.3 percent of the total 990 developed parcels within the Study Areas, exhibit signs of building deterioration or dilapidation. Of the ten Study Areas, Georgetown had the highest number and percentage of parcels exhibiting deterioration. Approximately one-third (32.3%) of the developed parcels in Georgetown were blighted. The least blighted was South Cameron Park, which includes numerous newly developed parcels.

Table 5

RESULTS OF THE BUILDING CONDITIONS SURVEY BY PARCEL

Study Areas	Building Condition		Total
	Deteriorated	Good Condition	
Georgetown	31 (32.3%)	65 (67.7%)	96 (100.0%)
North Cameron Park	3 (4.3%)	67 (95.7)	70 (100.0%)
South Cameron Park	1 (0.9%)	112 (99.1%)	113 (100.0%)
Shingle Springs	16 (10.7%)	133 (89.3%)	149 (100.0%)
Missouri Flats Corridor	26 (9.4%)	251 (90.6%)	277 (100.0%)
Diamond Springs	14 (21.5%)	51 (78.5%)	65 (100.0%)
El Dorado	15 (16.3%)	77 (83.7%)	83.7 (100.0%)
Camino	10 (28.6%)	25 (71.4%)	35 (100.0%)
Somerset/Mt. Aukum	4 (20.0%)	16 (80.0%)	20 (100.0%)
Meyers	12 (16.4%)	61 (83.6%)	73 (100.0%)
Total Study Area	132 (13.3%)	858 (86.7%)	990 (100.0%)

Source: GRC Associates, Inc.

Sewer Facilities

Another factor of physical blight is the lack of adequate sewer facilities. According to the County, much of the older Study Areas such as Georgetown, Camino and Somerset/Mt. Aukum are still dependent on septic tanks for sewer disposal. Parts of Shingle Springs and Missouri Flat are served by the sewer systems and most of the areas of North and South Cameron Park, El Dorado, Diamond Springs and Meyers have sewer lines to the county sewer system.

Code Enforcement

Code enforcement is also a factor used to determine blight. The County issues violation citations to property owners that do not comply with the existing code. According to information provided by the County's Code Enforcement Unit, there are approximately 1,300 open code enforcement cases throughout the county. Approximately 900 cases are related to structure violations and approximately 250 are zoning violation cases. Unfortunately, code enforcement information by parcel is not available to the public; however, the County recently plotted all cases and found that code enforcement cases were evenly spread countywide according to population density. No specific area within the county had a significantly higher concentration of code enforcement cases, and therefore, it is not a factor distinguishing blight in one area over another.

General Plan/Zoning Conformance

Factors that prevent or substantially hinder the viable use or capacity of buildings or lots include properties exhibiting conditions of substandard design or obsolete design or construction given present general plan standards, zoning designations or other development standards.

Incompatible uses in the Study Areas relative to planned uses are a significant blighting problem. According to the County General Plan Land Use Element, it is a policy that development in which residential use is the sole or primary use shall be prohibited on commercially and industrially designated lands. Since all the Study Areas are designated for either commercial or industrial uses, any residential use is considered nonconforming. However, any nonconforming use may be allowed to continue its use subject to limitation established in the zoning ordinance, such as not allowing the use to expand, enlarge or otherwise extend either on the same or adjoining parcel of land without a special use permit. It is considered a legally nonconforming use if the use was legally established in the zone in which it was located, but the use is not currently permitted in the zone. These nonconforming uses may continue to operate or occupy legally established properties, even if not in compliance with the current code (sometime referred to as a "grandfathered" use).

In addition, development standards for commercial and industrial districts include minimum lot sizes, maximum building coverage, minimum lot width, and yard and maximum building height. For the purposes of this study, minimum lot size and maximum building coverage were analyzed based on the Assessor's parcel data. The minimum lot area is 5,000 square feet for commercial and 10,000 square feet for industrial. The maximum building coverage is 60 percent of the lot in both commercial and industrial districts.

Based on both the permitted uses and development standards, 386 parcels or approximately one-quarter (27.3%) of the total parcels are considered nonconforming. Table 6 shows that El Dorado has the highest nonconforming percentage at 61.8 percent and Meyers has the lowest at 8.9 percent. For the most part, many of the Meyers parcels conformed to the permitted uses and development standards. However, Meyers homeowners are required to install Best Management Practices (BMPs) to help control runoff, which is a contributing factor to the water quality of Lake Tahoe. Examples of BMPs include installing trenches to filter roof and driveway runoff, paving driveways, and covering bare soils. In most cases, these BMPs were not evident on residential parcels surveyed for this study.

Such nonconforming uses create circulation problems, an increased exposure to pollution, and a visual hodgepodge that does not promote private investment and thus inhibits economic development.

Table 6
ZONING CONFORMANCE

Study Areas	Nonconformance	Percent
Georgetown	51	43.6%
North Cameron Park	23	32.9%
South Cameron Park	35	23.5%
Shingle Springs	60	25.4%
Missouri Flats Corridor	73	20.0%
Diamond Springs	32	34.8%
El Dorado	76	61.8%
Camino	13	34.2%
Somerset/Mt. Aukum	8	26.7%
Meyers	15	8.9%
Total Study Area	386	27.3%

Source: GRC Associates, Inc.

Economic Conditions

Taxable Sales

Key indicators of a City's economic condition are taxable sales and property values. Table 7 presents a comparison of 2005 taxable sales in the unincorporated County with the cities of Placerville and South Lake Tahoe combined and the state as a whole. Because of varying population sizes, a comparison of taxable sales is shown on a per capita basis. As indicated in the table, the unincorporated County's total taxable sales per capita ($6,023) are significantly less than the taxable sales per capita of the combined two cities ($19,640) and the state ($14,435). This indicates a potential sales "leakage" which occurs when household income is spent in areas outside the unincorporated area.

Table 7

COMPARISON OF TAXABLE SALES
2005

	Population	Taxable Sales (000)	Sales Per Capita
Unincorporated County	142,788	$860,042	$6,023
Placerville and South Lake Tahoe	33,849	$665,103	$19,649
California	37,195,240	$536,904,428	$14,435

Source: State Department of Finance and the State Board of Equalization

As previously discussed, the 2005 sales per capita in the unincorporated County is less than one-half the statewide average; however, taxable sales in the unincorporated county have increased significantly between 2000 and 2005. During this five-year period, taxable sales in the unincorporated County increased from $570.1 million to $860.0 million or an increase of 50.9 percent. In comparison, the two cities of Placerville and South Lake Tahoe combined experienced an increase in taxable sales of only 20.8 percent, while statewide, taxable sales increased by 21.5 percent. With more commercial retail development occurring in El Dorado Hills, Cameron Park, and Missouri Flat, the taxable sales gap between unincorporated county and the cities will narrow.

Commercial Retail and Office Lease Rates

An analysis was completed of the Study Areas' commercial retail and office lease rates. Owners and brokers representing 14 properties available for lease in the Study Area were contacted. The Study Areas' rates were compared with rates of available commercial space in unincorporated El Dorado Hills, which represents new and modern development. In comparison to El Dorado Hills, available commercial space in the Study Areas is generally older and smaller. According to Table 8, which summarizes a survey of current space for lease, the average available commercial space for lease in the Study Area was approximately 4,800 square feet as compared to 5,600 square feet in El Dorado Hills. The average commercial (office and retail) lease rate in the Study Area was $1.40 per square foot per month and approximately $2.00 a square foot per month in the newer El Dorado Hills development or 43 percent higher. When only retail lease rates are compared, the difference is even greater. The retail lease rate averages $1.80 in the Study Area as compared to over $3.00 in El Dorado Hills. One of the lowest retail lease rates was in a commercial retail center located in the Somerset/Mt. Aukum Study Area, where space was leasing for $1.00 per square foot.

Typically, the level of retail activity determines retail lease rates. The greater the sales activity, the higher the asking lease rate by the landlord. Low levels of retail sales could be caused by establishments located in functionally obsolete places (e.g. store front space with inadequate parking or parking in the rear), locations in perceived areas of high crime, low traffic counts or other factors.

Table 8

COMMERCIAL LEASE RATES

Area	Average SF of Available Space	Monthly Lease Rate per Square Feet
Study Area	4,800 SF	$1.40
El Dorado Hills	5,600 SF	$2.00

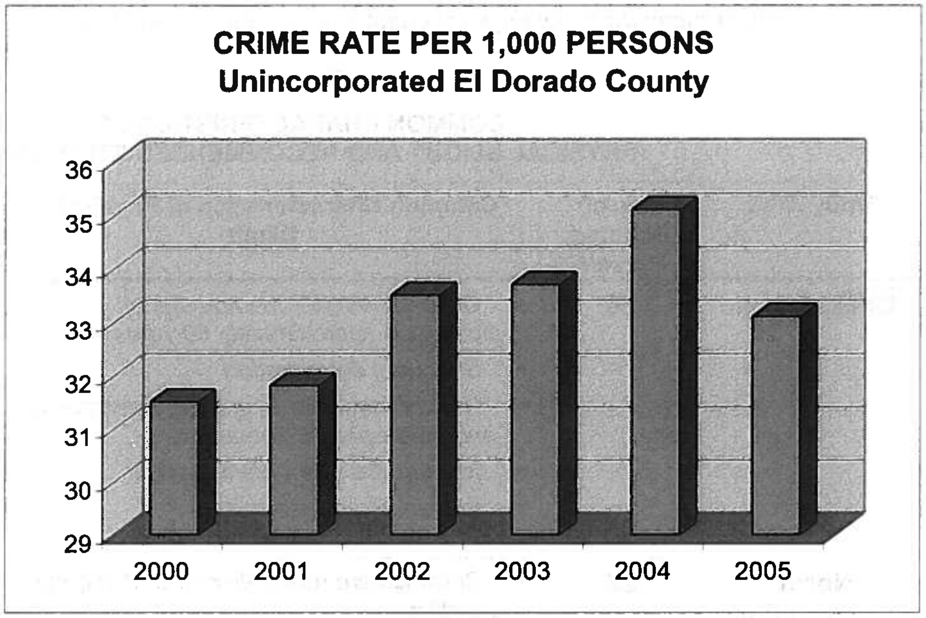
Source: GRC survey of Real Estate brokers (March 2007)

Crime Rates

According to Redevelopment Law, high crime rates constitute a serious threat to public safety and welfare, and therefore, are a condition of economic blight. Figure 10 shows crime statistics from the El Dorado County Sheriff's Office. As shown on the table, the crime rate (crimes per 1,000 persons) in the unincorporated County increased from 31.5 offenses reported in 2000 to 33.1 in 2005. Rates went as high as 35 report crimes per 1,000 persons in 2004. Serious crimes include murder, forcible rape, robbery, assault, burglary, larceny, motor vehicle theft and arson.

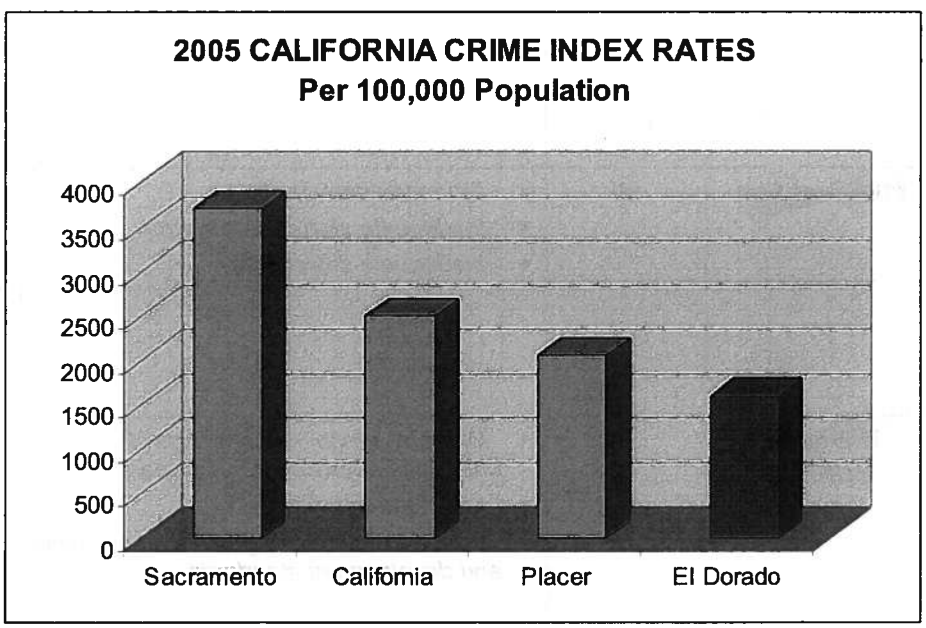
In order to compare the crime rates of El Dorado County with other neighboring counties and the state as a whole, the 2005 California Crime Index was analyzed. This crime index is developed from data from the California Department of Justice and includes crimes of homicide, forcible rape, robbery, aggravated assault, burglary, larceny-theft, motor vehicle theft and arson. As shown in Figure 11, El Dorado County's crime rate of 1,596 per 100,000 persons was lower than its neighboring county's of Sacramento (3,711 per 100,000) and Placer (2,049 per 100,000) as well as the statewide rate of 2,498 per 100,000 persons. Therefore, crime rates in the County may not be an indicator of economic blight when compared to surrounding counties.

Figure 10



Source: El Dorado County Sheriff's Office

Figure 11



Source: California Department of Justice

Summary of Physical Blight

Table 9 summarizes the physical blight witnessed in the Study Area

Table 9

COMMON CHARACTERISTICS OF PHYSICAL BLIGHT AND RECOMMENDED STUDY AREA

Study Area	No. of Blighted Parcels	Common Characteristics of Physical Blight	Recommended Project Area
Georgetown	60	▪ *Older buildings – median age of building is approximately 60 years* ▪ *Structural deterioration* ▪ *Nonconformance to general plan/zoning and development standards* ▪ *Inadequate storm drain system* ▪ *Inadequate sewer utility*	**YES**
North Cameron Park	22	▪ *Buildings are relatively new and in good condition*	**NO**
South Cameron Park	36	▪ *Buildings are relatively new and in good condition*	**NO**
Shingle Springs	68	▪ *Structural deterioration* ▪ *Inadequate sewer facility*	**YES** Revise Study Area boundary by deleting vacant parcels and new industrial developments
Missouri Flat	89	▪ *Structural deterioration* ▪ *Inadequate storm drain system* ▪ *Inadequate sewer utility*	**YES** Revise Study Area boundary by deleting vacant parcels and new commercial developments
Diamond Springs	39	▪ *Older buildings – median age of building is approximately 55 years* ▪ *Structural deterioration* ▪ *Nonconformance to general plan/zoning and development standards*	**YES**

Table 9 (Cont.)

COMMON CHARACTERISTICS OF PHYSICAL BLIGHT AND RECOMMENDED STUDY AREA

Study Area	No. of Blighted Parcels	Common Characteristics of Physical Blight	Recommended Project Area
El Dorado	78	▪ *Older buildings – median age of building is approximately 55 years* ▪ *Structural deterioration* ▪ *Nonconformance to general plan/zoning and development standards*	**YES**
Camino	21	▪ *Older buildings – median age of building is approximately 45 years* ▪ *Structural deterioration* ▪ *Nonconformance to general plan/zoning and development standards* ▪ *Inadequate sewer utility*	**YES**
Somerset/ Mt. Aukum	10	▪ *Older buildings – median age of building is approximately 45 years* ▪ *Inadequate sewer utility*	**YES** Revise Study Area boundaries by deleting vacant parcels
Meyers	21	▪ *Structural deterioration* ▪ *Non-conformance with general plan/zoning and development standards*	**YES** Revise Study Area boundaries by deleting vacant parcels

III. TAX INCREMENT REVENUE

If the County decides to implement a redevelopment program for the Study Areas, tax increment revenue generated from the increase in assessed property value will be the primary source of funding. This revenue can be used to pay County debts associated with the programs, which result from the County's commitment to eliminate blight within the redevelopment project area. Tax increment revenues can also be used to pay for the construction and financing of public improvements that benefit the project area.

Tax increment revenue, which results from the increase in assessed property value from redevelopment activity, is distributed back to the County. To illustrate this point, the County General Fund currently receives approximately 21 cents of every property tax dollar. According to the 2005-06 El Dorado County Tax Assessor property tax information, the assessed land and improvement value of the recommended Study Areas totals approximately $236.1 million. This is based on the Study Areas, which exclude large vacant land and recent developments. The Study Areas of North Cameron Park and South Cameron Park are not recommended for redevelopment based on the survey results which indicated that these Study Areas did not exhibit significant conditions of physical blight to be considered as a project area.

With redevelopment, the County could receive tax increment revenues approximately equal to one percent of the increased assessed values. From these tax increment revenues, the County is required under Redevelopment Law to set aside 20 percent into a fund to be used for low- and moderate-income housing and to comply with the statutory pass-through requirements.

The County could utilize any one or a combination of other methods to implement redevelopment programs in addition to tax increment, including: owner participation agreements, disposition and development agreements, tax increment bonds, cooperation agreements, loans or any other legal means.

Tax Increment Revenue Projection

Tables 10, 11 and 12 present the projected tax increment revenue that is anticipated for the Study Area over a 45-year period. These projections assume a 2008 base year with an assessed value of approximately $246.1 million. Given that the redevelopment plan adoption process takes approximately 12 months, the base year assessment for a new project area would be at the earliest 2008. Table 10 presents the potential tax increment based on an assumed annual growth rate in the property value of two percent and four percent. A growth factor of two percent for property values is conservative and represents the two percent growth allowed by Proposition 13. Tables 11 and 12 present a more detailed tax increment project based on a two and four percent annual increase in assessed property value. A two-percent growth scenario would result in projected net tax increment to the County – with housing set-aside funds and pass through payments taken out – of $10.0 million in 25 years and $32.5 million in 45 years. As shown in Table 12, if assessed values increase by four percent per year, the projected cumulative net tax increment would be $88.7 million.

Table 10

NET TAX INCREMENT PROJECTION
2 PERCENT AND 4 PERCENT ANNUAL GROWTH

Study Areas	2% Annual Growth	4% Annual Growth
Georgetown	$2,587,000	$7,073,000
North Cameron Park (Excluded)	NA	NA
South Cameron Park (Excluded)	NA	NA
Shingle Springs	$7,156,000	$19,568,000
Missouri Flats Corridor	$12,344,000	$33,757,000
Diamond Springs	$1,700,000	$4,650,000
El Dorado	$2,136,000	$5,841,000
Camino	$3,115,000	$8,517,000
Somerset/Mt. Aukum	$566,000	$1,549,000
Meyers	$2,845,000	$7,780,000
Total Study Area	$32,448,000	$88,735,000

Source: GRC Associates, Inc.

Note: The net figure is a 45-year cumulative total of tax increment and excludes the housing set-aside funds and statutory pass-throughs.

Table 11

TOTAL STUDY AREA REDEVELOPMENT PROJECT -- TAX INCREMENT
2 PERCENT ANNUAL GROWTH
(Values in thousands)

a. Tax Rate:	1.000%	d. Pass-through rate: Years 1-10	25.0%
b. Base Year A.V.	246,054	+ Years 11-30	21.0%
c. Annual Growth/Resale:	2.00%	+ Years 31-45	14.0%

Year	Assessed Valuation[2] (000s)	Gross Tax Increment	Housing Set-Aside	First Tier Pass Throughs	2nd Tier Pass Throughs	3rd Tier Pass Throughs	Total Pass Throughs	Total Available to Agency	Net Available for Non-Housing Programs and Projects (000s)
Base[1]	**246,054**								
2009	250,975	49	10	10			10	39	30
2010	255,995	99	20	20			20	80	60
2011	261,114	151	30	30			30	120	90
2012	266,337	203	41	41			41	162	122
2013	271,663	256	51	51			51	205	154
2014	277,097	310	62	62			62	248	186
2015	282,639	366	73	73			73	293	220
2016	288,291	422	84	84			84	338	253
2017	294,057	480	96	96			96	384	288
2018	299,938	539	108	108			108	431	323
2019	305,937	599	120	120	10		130	469	349
2020	312,056	660	132	132	20		152	508	376
2021	318,297	722	144	144	31		175	547	403
2022	324,663	786	157	157	42		199	587	430
2023	331,156	851	170	170	52		223	628	458
2024	337,779	917	183	183	64		247	670	487
2025	344,535	985	197	197	75		272	713	516
2026	351,426	1,054	211	211	86		297	756	546
2027	358,454	1,124	225	225	98		323	801	576
2028	365,623	1,196	239	239	110		349	846	607
2029	372,936	1,269	254	254	123		376	892	639
2030	380,394	1,343	269	269	135		404	940	671
2031	388,002	1,419	284	284	148		432	988	704
2032	395,762	1,497	299	299	161		460	1,037	737
2033	403,678	1,576	315	315	174		490	1,087	771
2034	411,751	1,657	331	331	188		519	1,138	806
2035	419,986	1,739	348	348	202		550	1,190	842
2036	428,386	1,823	365	365	216		580	1,243	878
2037	436,954	1,909	382	382	230		612	1,297	915
2038	445,693	1,996	399	399	245		644	1,352	953
2039	454,607	2,086	417	417	260	10	687	1,399	981
2040	463,699	2,176	435	435	275	20	731	1,446	1,011
2041	472,973	2,269	454	454	291	31	775	1,494	1,040
2042	482,432	2,364	473	473	307	41	820	1,543	1,071
2043	492,081	2,460	492	492	323	52	867	1,593	1,101
2044	501,922	2,559	512	512	339	63	914	1,645	1,133
2045	511,961	2,659	532	532	356	74	962	1,697	1,165
2046	522,200	2,761	552	552	373	86	1,011	1,750	1,198
2047	532,644	2,866	573	573	391	97	1,062	1,804	1,231
2048	543,297	2,972	594	594	409	109	1,113	1,860	1,265
2049	554,163	3,081	616	616	427	121	1,165	1,916	1,300
2050	565,246	3,192	638	638	446	134	1,218	1,974	1,336
2051	576,551	3,305	661	661	465	147	1,272	2,033	1,372
2052	588,082	3,420	684	684	484	159	1,328	2,093	1,409
2053	599,844	3,538	708	708	504	173	1,384	2,154	1,446
Total	**$18,043,279**	**$69,708**	**$13,942**	**$13,942**	**$8,060**	**$1,317**	**$23,319**	**$46,390**	**$32,448**

Table 12

TOTAL STUDY AREA REDEVELOPMENT PROJECT -- TAX INCREMENT
4 PERCENT ANNUAL GROWTH
(Values in thousands)

a. Tax Rate:	1.000%	d. Pass-through rate: Years 1-10	25.0%
b. Base Year A.V.	246,064	+ Years 11-30	21.0%
c. Annual Growth/Resale:	4.00%	+ Years 31-45	14.0%

Year	Assessed Valuation[2] (000s)	Gross Tax Increment	Housing Set-Aside	First Tier Pass Throughs	2nd Tier Pass Throughs	3rd Tier Pass Throughs	Total Pass Throughs	Total Available to Agency	Net Available for Non-Housing Programs and Projects (000s)
Base[1]	246,064								
2009	255,907	98	20	20			20	79	59
2010	266,143	201	40	40			40	161	120
2011	276,789	307	61	61			61	246	184
2012	287,860	418	84	84			84	334	251
2013	299,374	533	107	107			107	426	320
2014	311,349	653	131	131			131	522	392
2015	323,803	777	155	155			155	622	466
2016	336,756	907	181	181			181	726	544
2017	350,226	1,042	208	208			208	833	625
2018	364,235	1,182	236	236			236	945	709
2019	378,804	1,327	265	265	24		290	1,037	772
2020	393,956	1,479	296	296	50		346	1,133	837
2021	409,715	1,637	327	327	76		404	1,233	905
2022	426,103	1,800	360	360	104		464	1,336	976
2023	443,147	1,971	394	394	133		527	1,444	1,050
2024	460,873	2,148	430	430	162		592	1,556	1,127
2025	479,308	2,332	466	466	193		660	1,673	1,206
2026	498,481	2,524	505	505	226		730	1,794	1,289
2027	518,420	2,724	545	545	259		804	1,920	1,375
2028	539,157	2,931	586	586	294		880	2,051	1,465
2029	560,723	3,147	629	629	330		959	2,187	1,558
2030	583,152	3,371	674	674	368		1,042	2,329	1,655
2031	606,478	3,604	721	721	407		1,128	2,476	1,756
2032	630,737	3,847	769	769	448		1,217	2,630	1,860
2033	655,966	4,099	820	820	490		1,310	2,789	1,969
2034	682,205	4,361	872	872	534		1,406	2,955	2,083
2035	709,493	4,634	927	927	580		1,507	3,127	2,201
2036	737,873	4,918	984	984	628		1,611	3,307	2,323
2037	767,388	5,213	1,043	1,043	677		1,720	3,493	2,451
2038	798,083	5,520	1,104	1,104	729		1,833	3,687	2,583
2039	830,007	5,839	1,168	1,168	782	36	1,986	3,853	2,685
2040	863,207	6,171	1,234	1,234	838	73	2,145	4,026	2,792
2041	897,735	6,517	1,303	1,303	896	112	2,311	4,205	2,902
2042	933,645	6,876	1,375	1,375	957	152	2,484	4,392	3,017
2043	970,990	7,249	1,450	1,450	1,019	194	2,663	4,586	3,137
2044	1,009,830	7,638	1,528	1,528	1,085	237	2,849	4,788	3,261
2045	1,050,223	8,042	1,608	1,608	1,152	282	3,043	4,998	3,390
2046	1,092,232	8,462	1,692	1,692	1,223	329	3,245	5,217	3,525
2047	1,135,921	8,899	1,780	1,780	1,296	378	3,455	5,444	3,664
2048	1,181,358	9,353	1,871	1,871	1,373	429	3,673	5,680	3,810
2049	1,228,613	9,825	1,965	1,965	1,452	482	3,899	5,926	3,961
2050	1,277,757	10,317	2,063	2,063	1,535	537	4,135	6,182	4,118
2051	1,328,867	10,828	2,166	2,166	1,621	594	4,381	6,447	4,282
2052	1,382,022	11,360	2,272	2,272	1,710	654	4,636	6,724	4,452
2053	1,437,303	11,912	2,382	2,382	1,803	716	4,901	7,011	4,629
Total	**$30,972,215**	**$198,993**	**$39,799**	**$39,799**	**$25,455**	**$5,206**	**$70,460**	**$128,534**	**$88,735**

As required by Redevelopment Law, 20 percent of the tax increment revenues must be set-aside into a housing fund of the County for improving and expanding the supply of low- and moderate-income housing anywhere in the unincorporated County, as these housing funds are not restricted to the project area. As shown in the table, approximately \$13.9 million under a two percent growth rate and \$39.8 million under a four percent growth rate would be set-aside into this special fund over the 45-year redevelopment period.

In addition, Redevelopment Law requires an agency to pass through statutory amounts to the various taxing agencies, such as the schools and special districts that levy and collect property taxes in the project area and are not available to fund either housing or non-housing redevelopment activities. The basic statutory formula is a tiered payment where the County will receive more money at the beginning of the project and less money toward the end. This statutory agreement is the same for all taxing agencies and is not negotiated. Under the assumed two percent annual growth rate approximately \$23.3 million of the total tax increment revenue is distributed to taxing agencies and \$70.5 million under a four percent annual growth rate.

These projections must be reviewed with caution because property values do not always grow at a constant rate, but rather up or down depending on various economic factors. The recent short-term trend indicates that the total assessed property value of the county increased by an average annual rate of almost 12 percent. However, a continuation of double-digit growth rates is optimistic and unrealistic over the long-term. A two percent growth rate is conservative and a four percent growth rate is more realistic of long-term future trends.

Distribution of Tax Increment Revenues

While it is still uncertain how the County will distribute the future tax increment revenue, this study assumes that the focus of the County's redevelopment program will be to improve the public infrastructure and implement economic development programs. Public improvement programs could include paving existing streets, constructing sidewalks and gutters, improving sewer facilities, installing stormdrains, and other infrastructure facilities. Additionally, tax increment revenues can be used to facilitate commercial and industrial rehabilitation, business assistance, attraction and retention programs, property acquisition and assemblage and business relocation. Other redevelopment programs may include housing acquisition and rehabilitation. These programs would be in addition to the 20 percent housing set-aside funds from tax increment that must be used for rehabilitation and/or development of low- and moderate-income housing in the unincorporated County.

Table 13 illustrates the possible allocation of tax increment revenues into various redevelopment programs for the future project area.

Table 13

POTENTIAL USE OF TAX INCREMENT FUNDS ASSUMING A TWO AND FOUR PERCENT ANNUAL GROWTH RATE OVER A 45-YEAR PERIOD

Items and Allocation Assumptions	2% Annual Growth Rate ($)	4% Annual Growth Rate ($)
Public Improvements (50% of Net Allocation):		
Total Public Improvements -- Streets and traffic signals, sewer and drainage systems, etc.	$16,224,000	$44,367,500
Development Assistance (15% of Net Allocation):		
Commercial Rehabilitation, Business Assistance, Attraction and Retention Program (60% of Dev. Ass't. Allocation)	$6,814,100	$18,634,400
Property Acquisition, Assemblage and Business Relocation (40% of Dev. Ass't. Allocation)	$4,542,700	$12,422,900
Housing Assistance (25% of Net Allocation):		
Housing Rehabilitation Program – in addition to the 20% housing set-aside fund.	$1,622,400	$4,436800
Administration (10% of Net Allocation):		
Administration	$3,244,800	$8,873,500
TOTAL PROJECT COST	**$32,448,000**	**$88,735,000**

Low- and Moderate-Income Housing Projects (Mandatory 20% Set-Aside) totals $13.9 million under 2% annual growth rate and $39.8 million under 4% annual growth rate.

IV. CONCLUSION

This final section presents the major options available to the County to improve the physical and economic conditions in the Study Areas.

Recommendations

- *Based on the results of the survey, GRC's opinion is that the Georgetown, Diamond Springs, El Dorado, Somerset/Mt. Aukum, Meyers and portions of Shingle Springs and Missouri Flat Study Areas meet the Redevelopment Law's conditions for including properties within a redevelopment project area. Portions of Missouri Flat could be included into the Diamond Springs Study Area. It is recommended that the County consider a redevelopment effort because it is the primary tool available to address and eliminate adverse conditions in the various communities. The County should be authorized to use its redevelopment powers, including the ability to collect tax increment, to improve physical and economic conditions in the Study Areas.*
- *In the short-term (within the first five years from Redevelopment Plan adoption), the generation of tax increment will be marginal. However, in the long-term (after 15 years), the County could benefit from a revenue source of approximately $31.9 million over a 45-year period assuming a conservative two percent annual growth rate in assessed property value. The tax increment revenues should be used to support and implement housing, capital improvement and economic development programs.*
- *Start the redevelopment plan adoption process as early as possible for those study areas in greatest need, such as Georgetown and Camino where the existing sewer facilities are inadequate. Generally the adoption process will take approximately one year. The process includes the selection of a project area, documentation of blight, preparation of a legal description and map, environmental analysis in the form of an Environmental Impact Report (EIR), a public participation process and a joint public hearing.*
- *Perhaps the most controversial issue facing any redevelopment agency is the use or perceived use of "eminent domain". The County may consider the use of eminent domain powers, if necessary and as a last resort, to acquire real property within the designated project area for the purpose of assembling lots for development. Should the agency authorize the use of eminent domain powers, it is recommended that eminent domain apply only to non-residential uses. In addition, clear and accurate information about the use and benefits of eminent domain powers must be highlighted to the community. The benefits of eminent domain or condemnation include: 1) establishes a fair-market value by a third party; 2) allows the transfer of the property tax base if comparable property is found in the same county; 3) defers the capital gains tax for two years; and 4) allows the County to assemble properties when one property owner adversely impacts a potential development that could benefit the community.*
- *It is critical for the success of the redevelopment program, that the residents, property owners and tenants fully understand the public benefits of redevelopment and are aware of the County's intent from the very start of the project. To gain the support of the community and minimize the adverse impact of rumors, the most effective method is to provide simple and accurate information through an extensive*

community outreach program. This program should be on-going throughout the adoption process.

- *Perhaps the key finding of this study is the need to redefine the boundaries of the Study Areas in order to meet the 80 percent urbanization requirement set forth in Redevelopment Law. It is recommended that vacant land along the perimeters of some of the Study Areas and newer commercial developments, such as those recently constructed in the Missouri Flat Study Area, be excluded from the proposed project area if this redevelopment project is to succeed.*

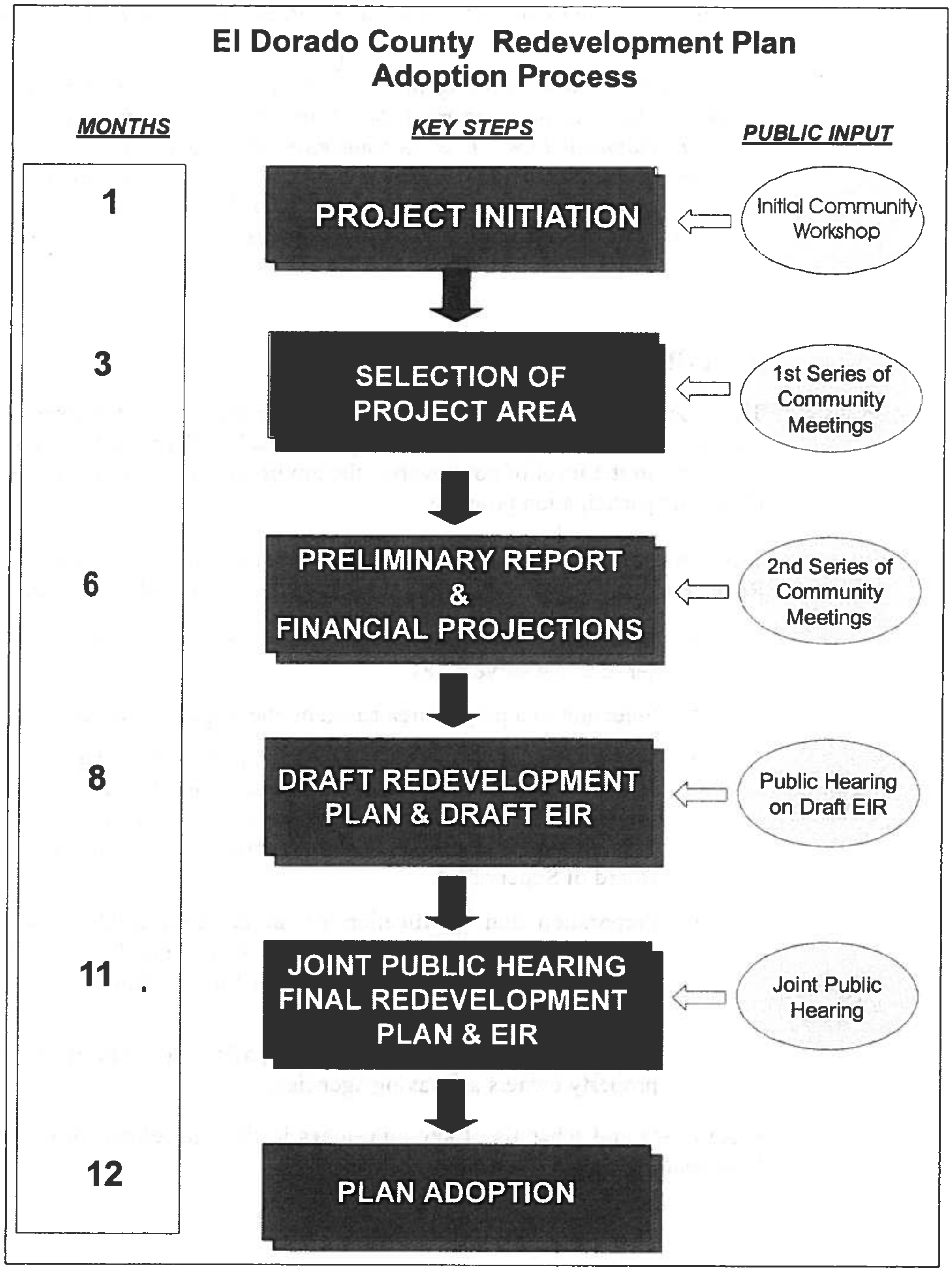
Next Step

The process to adopt one or two initial redevelopment project areas – if the County so chooses – will take approximately one year. The length of the adoption process may vary according to the level of controversy, the environmental review process, and the scale of the public participation program.

The formation of a redevelopment project area follows a process established under Redevelopment Law. The adoption process includes the following key steps:

- Designation of a survey area. The Study Areas identified in this study could serve as the survey area.
- Selection of a project area based on the blight assessment.
- Preparation and approval of the Preliminary Plan, Preliminary Report, Redevelopment Plan, Owner Participation Rules, Methods for Relocation and the Report to the Board of Supervisors. The adoption of the Redevelopment Plan will occur at a Joint Public Hearing of the Agency Board and the County Board of Supervisors.
- Preparation and certification of an environmental documentation required under Redevelopment Law and the California Environmental Quality Act (CEQA). For a new project area, an Environmental Impact Report (EIR) is required.
- Implementation of a public participation program with residents, tenants, property owners and taxing agencies.

A summary and schedule of key milestones in the redevelopment plan adoption process is presented below.


El Dorado County Redevelopment Plan
Adoption Process
MONTHS
KEY STEPS
PUBLIC INPUT
1
PROJECT INITIATION
Initial Community Workshop
3
SELECTION OF PROJECT AREA
1st Series of Community Meetings
6
PRELIMINARY REPORT & FINANCIAL PROJECTIONS
2nd Series of Community Meetings
8
DRAFT REDEVELOPMENT PLAN & DRAFT EIR
Public Hearing on Draft EIR
11
JOINT PUBLIC HEARING FINAL REDEVELOPMENT PLAN & EIR
Joint Public Hearing
12
PLAN ADOPTION