

# **Downtown Mobile Alliance Low-Interest Retail Loan Program**



Program Administered by:

## **Downtown Mobile Alliance, Inc.**

261 Dauphin Street

Mobile, AL 36602

[www.downtownmobile.org](http://www.downtownmobile.org)

(251) 434-8498

Approved December 12, 2012



# **Retail Loan Program Application and Policies and Procedures**

## **Downtown Mobile Alliance, Inc.**

### **Description**

The Retail Loan Program is designed to promote startup, expanding or relocating retail business operations in selected areas of Downtown Mobile. The Program will offer low-interest loans from the Downtown Mobile Alliance, Inc. (DMA).

### **DMA Loan Terms**

The DMA Retail Loan will:

1. Be limited to a maximum loan amount of \$20,000.
2. Require a borrower equity investment equal to at least 50% of the total project cost, meaning that for every dollar of DMA loan there must be at least one dollar of personal financing.
3. Be amortized monthly over a 5-year period at a 2% interest rate.
4. Require that during the term of the loan monthly principal payments be made automatically by the borrower into an account maintained by the DMA based on the amortization (repayment) schedule.
5. Require that the retail business must open for customer operations at least 48 hours per week.
6. After each business year, the retail business must submit a financial statement to the DMA showing a going concern, and be subject to a credit rating check.
7. Require personal guarantees from all owners of the retail business.
8. Require that the loan proceeds are disbursed after the borrower equity investment.
9. Require that a non-refundable loan fee of 3% be paid upon submission of the application for a retail loan.
10. Following preliminary approval of the loan by the DMA Incentives Committee, require that the applicant pay one-half of the fee for the DMA's retail consultant to review the loan application. The total fee is \$650, meaning that the applicant is responsible for paying \$325. The DMA will pay the balance of the fee.
11. In the event of a default, the loan will immediately begin to accrue interest at the default rate of interest. The default rate of interest is 12%.

DMA Loan Example:

<b>Retail Borrower Funding Need</b>		
	\$	%
<b>Borrower Equity Investment</b>	20,000	50.00%
<b>DMA Loan</b>	20,000	50.00%
<b>Total Project Cost</b>	<b>\$40,000</b>	<b>100.00%</b>

In the event of default or closing of the business during the term of the loan, the Downtown Mobile Alliance has the right to pursue repayment under standard credit collection processes.

### **Time Frame**

Project applications will be accepted on a first come, first served basis until current fiscal year funding is depleted.

### **Use of Funds**

Funds can be utilized for fixed asset (tenant leasehold improvements or equipment) or startup expenses. Ineligible uses for the funds include franchise fees or debt refinancing.

### **Program Boundaries**

The Loan is available to ground-floor retail tenants located on both Dauphin Street and Royal Street. Two Targeted Retail Areas (“TRA”) are included within the program boundary. These consist of Dauphin Street (between Water Street and Cedar Street) and Royal Street (between Government Street and St. Louis Street).

### **Basic Eligibility Requirements for Retail Businesses**

The program is available to startup, expanding or relocating retail business operations that occupy first-floor space with an active street presence, maintain regular, daily business hours and in-stock merchandise available for purchase by walk-in customers. Both for-profit and non-profit retail businesses that physically occupy the downtown space are eligible. Building developers are not eligible. Preference will be given to those operations that provide under-served products to the growing downtown residential, office and visitor population. To receive assistance, businesses must be located within the approved TRA:

<b>Fiscal Year 2012 - 2013</b>	
<b>Maximum Amount:</b>	<b>\$20,000</b>
<b>Target Areas:</b>	<b>Dauphin Street (Water Street to Cedar Street) Royal Street (Government Street to St. Louis Street)</b>

The DMA staff and Incentives Committee will review applications on a first-come-first-served basis for the duration of funding availability. Projects that are recommended for approval will be submitted to the Downtown Mobile Alliance board of directors, or their designee for review and approval. Program funding is limited; loans are subject to the availability of funds. Only projects that have new leases signed after February 1, 2013, will be eligible.

**Note:** DMA is looking for projects that will have a major impact on the downtown retail environment. DMA reserves the right to reject any project. DMA also reserves the right to recommend funding at a lesser amount than what is requested based on size, budget, and priority of retail use.

**Leases:**

- Must include ground-floor spaces that have direct street access.
- Must have a lease in hand with at least an initial term of five (5) years.
- We encourage applicants to seek longer-term leases, and preference will be given to applicants who have longer lease terms.

**Eligible Retail Categories:**

The types of businesses eligible for this program shall conform with the findings in the City of Mobile's strategic plan, "The New Plan for Old Mobile." Recommended retailers include the following:

- **Apparel**  
Men's, Women's, and Children's: Casual, Formal wear  
Men's and Women's: Business
- **Accessories**  
Men's, Women's, and Children's: Shoes, Hats, Belts, Gloves, and Scarves  
Women's: Handbags/Hosiery  
Men's and Women's: Jewelry, Luggage, and Leather goods
- **Home Furnishing and Home Accessories**  
Furniture & Home Accessories, Art, Antiques, and Garden Shop (outdoor furnishings and plantings), Hardware
- **Specialty Retail & Gift Stores**  
Books, Periodicals, Music, Cards/Stationery, Candles, Frames, Table Top - Fine & Casual; Toys
- **Electronics**  
Personal Electronics, Computer Equipment, Telephones, Office Supplies, and Equipment
- **Health & Personal Care**  
Salons, Spas, Athletic Equipment & Apparel
- **Used Merchandise Stores**  
Vintage Clothing and Accessories

**The DMA reserves the right in its sole discretion to exclude a business from the program.**

**Business Development Training**

Business development training with the DMA’s retail consultant is available for all business owners who are approved for a Retail Loan. The retail consultant may provide services such as guidance and financial planning in areas such as start up budgets, buying plans, revenue growth, marketing strategy and tactics, staff development, inventory control, and financial/cash flow analysis. After loan approval and in the event that the applicant elects to use the DMA’s retail consultant for additional services, the \$650 Retail Consultant Application Review Fee will be available as a credit toward those additional services. A grant of up to \$1,000 is available to assist with the cost of the retail consultant’s initial review of the grantee’s business in the event that the grantee is interested in pursuing such services.

**Retail Consultant Application Evaluation**

As part of the loan approval process, all applicants will be required to participate in a loan application assessment with the DMA retail consultant. The loan application assessment fee will be \$650. The DMA will pay half (50%) of the retail consultant loan assessment fee and the applicant will be required to pay half (50%) of the retail consultant assessment fee.

**Application Fee Process:**

- Stage 1:** The applicant will submit a completed application along with the application fee. The application fee is 3% of the loan amount. The check is payable to the Downtown Mobile Alliance.
- Stage 2:** Preliminary approval given by the DMA Incentives Committee.
- Stage 3:** The loan application is reviewed by the retail consultant. The review may include a face to face meeting between the applicant and the retail consultant. The DMA and the applicant each pay 50% of the consultant loan application assessment fee.
- Stage 4:** If the DMA Incentives Committee gives final approval of the loan, a loan closing date will be scheduled.

The DMA and the Incentives Committee have the right to seek the retail consultant’s input on any matter deemed important in evaluating the loan application.

Retail Forgivable Loan Fee Example				
<b>Applicant:</b>		<b>Startup Retailer</b>		
<b>Loan Request:</b>		<b>\$ 10,000</b>		
<b>Stage 1 Fee:</b>	<b>DMA Loan Application Fee:</b>	<b>3%</b>	<b>\$ 300</b>	
<b>Stage 3 Fee:</b>	<b>Retail Consultant Application Review Fee:</b>	<b>\$ 650</b>	<b>Applicant</b>	<b>DMA</b>
			<b>50%</b>	<b>50%</b>
			<b>\$ 325</b>	<b>\$ 325</b>
<b>Total Loan Applicant Fees for Startup Retailer:</b>			<b>\$ 625.00</b>	<b>\$ 325.00</b>

**Disclaimer**

Neither the Downtown Mobile Alliance, nor its affiliates, shall be responsible for the business consulting, planning, design, or construction of improvements to property that is owned by the applicant. No warranties or guarantees are expressed or implied by the description of, application for, or participation in the Loan Program. The applicant is advised to consult with licensed architects, engineers, or building contractors before proceeding with final plans or construction.

Neither the Downtown Mobile Alliance, nor its affiliates, shall be responsible for providing any tax advice to the applicant. Since each borrower's situation is different, applicants should consult their own tax advisor to determine the particular tax consequences to them of participation in the Retail Loan Program.

### **Application Process**

It is recommended that potential applicants contact the Downtown Mobile Alliance staff to evaluate their eligibility for the program. Please note that applications must be received and reviewed by the Downtown Mobile Alliance before work begins. Loans will not be awarded to projects that are under construction or completed prior to application to the Loan Program.

Downtown Mobile Alliance staff must review all applications to ensure that the eligibility criteria are met. The Downtown Mobile Alliance Incentives Committee must then approve each Loan application.

1. Pre-Submittal Conference – A meeting with an assigned staff member of the DMA must be held prior to submission of a Retail Loan application. The purpose of the meeting is to acquaint all parties with the scope of the project and any related issues. This meeting also serves to familiarize the applicant with the submittal and review process and Retail Loan policies. Applicant must provide items 1, 2, and 3 of application requirements at this meeting.
2. Submittal of Application – An outline of the Retail Loan application follows in this package. The official application must be assembled based on this outline. Applications must be submitted and approved prior to the start of construction. **Five (5) copies** of the application must be submitted no later than two weeks prior to the scheduling of a DMA Incentives Committee meeting. The applications should be delivered to: **The Downtown Mobile Alliance, Inc., 261 Dauphin Street, Mobile, Alabama 36602**. A fee of three percent (3%) of the proposed loan amount is due upon submission of the completed application.
3. Preliminary Review of Application – The DMA will conduct a preliminary review of the application. If preliminary approval is granted, the loan application package will be submitted to the DMA's retail consultant for review.
4. Business Assessment – A retail consultant will provide all DMA loan applicant referrals with a "Business Assessment." The Business Assessment will consist of a review of the business operations and financial information in the loan application. A fee of \$325 (1/2 of the retail consultant's application review fee) will be due. A customized proposal for business development training will be offered once the Loan has been approved.
5. Final Review and Approval – The DMA Incentives Committee will meet for final review and approval of the loan application. Meetings are held at the DMA office at 261 Dauphin Street. The applicant or his/her appointed representative must be present at the final review and

approval meeting. An appropriate representative could be any of the project principles, or professionals contracted on the project.

6. Business Development Training – Customized business advisory and development services are available upon approval of the Retail Loan. The retail consultant’s loan application review fee will be credited toward any additional business development training services requested by the loan grantee. Additionally, a grant of up to \$1,000 is available to assist with the cost of the retail consultant’s business evaluation and startup assistance for the loan grantee.
7. Loan Closing & Fees – If the project is approved by the DMA Incentives Committee, the DMA will arrange a loan closing at which all documents deemed necessary by the DMA to evidence the loan will be executed and delivered by the borrower.

# Downtown Mobile Alliance Retail Loan Application

## Application Requirements

1. Briefly describing the proposed business. Include in this section:

a. Retail Category\_\_\_\_\_

b. Name of business \_\_\_\_\_

c. State the location of the proposed project by street address and legal description

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

d. Approximate square footage of space \_\_\_\_\_

e. If applicant is not the property owner, name the property owner at the time of application submittal\_\_\_\_\_

f. Five (5) year cash flow pro forma attached:

i. Yes\_\_\_\_\_ No\_\_\_\_\_

g. Sources & uses statement attached:

i. Yes\_\_\_\_\_ No\_\_\_\_\_

h. Copy of any and all information submitted to financial institution which may include tax returns, appraisals, third party reports, etc:

Yes\_\_\_\_\_ No\_\_\_\_\_

i. All other information needed to fully explain the project including a detailed description:

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2. Provide background information about the applicant and guarantors, including business experience, if any, and all other relevant information this organization may need to consider while reviewing the application. Describe the corporate or partnership structure as applicable.

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3. Give a detailed description of the proposed uses of the loan funds.

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4. Applications must include the following materials, if applicable, for consideration. Please provide materials that can be reproduced for distribution to the DMA Incentives Committee.

- a. Current photos of the interior and exterior of the building included:  
Yes\_\_\_\_\_ No\_\_\_\_\_
- b. Professional rendering of proposed improvements included:  
Yes\_\_\_\_\_ No\_\_\_\_\_
- c. Architectural plans, including square footage, dimensions/measurements included:  
Yes\_\_\_\_\_ No\_\_\_\_\_
- d. Color and material samples included  
Yes\_\_\_\_\_ No\_\_\_\_\_
- e. Sign plans included  
Yes\_\_\_\_\_ No\_\_\_\_\_
- f. Awning design included  
Yes\_\_\_\_\_ No\_\_\_\_\_
- g. Historical significance designation supplements included:  
Yes\_\_\_\_\_ No\_\_\_\_\_

5. Do the building improvements include Green Retrofit/Planning & Design plans? Examples include:
- a. Yes\_\_\_ No\_\_\_ Energy efficient lighting with motion sensors
  - b. Yes\_\_\_ No\_\_\_ High efficiency heating ventilation and air-conditioning equipment with on/off sensors
  - c. Yes\_\_\_ No\_\_\_ Water conserving plumbing fixtures in kitchens and baths
  - d. Yes\_\_\_ No\_\_\_ Rainwater harvesting system that can be used for watering landscaping
  - e. Yes\_\_\_ No\_\_\_ Asbestos abatement and new high efficiency insulation replacement
  - f. Yes\_\_\_ No\_\_\_ Use of Green building materials, i.e. recycled flooring, bamboo wood flooring, low volatile organic compound (VOC) paints, sealants, glues, finishes, and furnishings
  - g. Yes\_\_\_ No\_\_\_ Permeable pavement instead of asphalt for drainage
  - h. Yes\_\_\_ No\_\_\_ Renewable energy systems, i.e. wind turbines and solar panels
  - i. Yes\_\_\_ No\_\_\_ Dark conventional roofing replaced with Energy Star or green roof
  - j. Yes\_\_\_ No\_\_\_ Improved glass efficiency
  - k. Yes\_\_\_ No\_\_\_ External sunshades added over windows and doors

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. Provide financial statements or tax returns on the company for the past three (3) years.  
 a. Attached\_\_\_ Not Attached\_\_\_
7. Provide financial statements and tax returns for the principle owners.  
 a. Attached\_\_\_ Not Attached\_\_\_

8. Estimated days/months for completion of the project. \_\_\_\_\_

9. State proposed time schedule for the project including the dates anticipated for the following:
- 1. Amount and anticipated closing date of the primary loan \_\_\_\_\_
  - 2. Anticipated lease execution date \_\_\_\_\_
  - 3. Anticipated opening date \_\_\_\_\_

\_\_\_\_\_  
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10. Give three personal credit references and three business credit references. These are to be from business professionals (not from relatives).

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11. Disclose whether any applicant, guarantor, or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. Please supply detailed information.

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12. Provide the name, address, and telephone numbers of the applying entity. Provide the name(s) of the applying entity representatives and any other financial guarantors of the business and their addresses and telephone numbers if different from above.

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**13.** Please read the paragraph below. Your signature indicates your understanding of and concurrence with the following:

This application is made in order to induce the Downtown Mobile Alliance (“DMA”) to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the DMA in its consideration of the application is included. The applicant expressly consents to the DMA’s investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the DMA financial program for which it is applying and agrees to comply with those policies. The applicant specifically agrees to pay all reasonable costs, legal fees, and expenses incurred by the DMA, whether or not the incentive is granted or project completed.

**Applicant Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Five - Year Cash Flow Statement - Sample

**Income:** \_\_\_\_\_ **Yr 1**                      **Yr 2**                      **Yr3**                      **Yr4**                      **Yr5**

Sales  
Sales Tax:

**Total Income:**

**Cost of Goods Sold**

COGS-Merchandise  
    a. Beginning Inventory  
    b. Total Inventory Available  
    c. Ending Inventory

COGS - Freight

**Total Cost of Goods**

**Gross Profit:**

**Expenses:**

Rent  
Utilities  
Tax/License  
Legal/Accounting  
Salaries  
Payroll Taxes  
Advertising/Marketing  
Bank merchant fees  
Furniture, Fixtures & Equipment  
Exterminator  
Insurance  
Repairs & Maintenance  
Sales Tax @9.00%  
Miscellaneous, Supplies, Shrinkage, etc

**Total Operating Expenses**

**Debt Service:**

Principal  
Interest  
Debt Service Ratio

**Net Income Before Taxes**

## **Sources and Uses Statement – Sample**

### **Sources of Funds:**

Business Financing – including amount, rate, and period

Owner’s equity in project

Other Sources (specify each source)

### **Total Sources of Funds**

### **Uses of Funds:**

Detail of business cost including:

Tenant Improvement Cost

Financing Fees

Professional Fees

Other Business Expenses

Inventory

Furniture/Fixtures & equipment

Permit Costs

Other Uses

### **Total Uses of Funds**

**Downtown Mobile Alliance Retail Loan  
POLICIES AND PROCEDURES**

**General Policies and Procedures**

1. Completed applications must be received at the Downtown Mobile Alliance office at least two weeks prior to calling a meeting of the DMA Incentives Committee. Incomplete applications will not be presented to the committee for review. Incomplete applications will be subject to any new policies or procedures that are adopted by the Downtown Mobile Alliance Incentives Committee, and/or the Downtown Mobile Alliance board of directors. **Applications must be submitted and approved prior to the start of construction.**
2. Downtown Mobile Alliance staff will evaluate each application according to the Retail Loan Program Criteria, to determine the project's eligibility and recommended loan amount. The applicant will be notified prior to the DMA meeting as to the recommendation.
3. A staff summary of each application and the recommendation for each project will be distributed to the Incentives Committee a week prior to the meeting.
4. Staff will present each application and its recommendation for approval or denial at the Incentives Committee meeting. Applicants will be invited to make brief remarks regarding their project at which time the committee members may ask questions of staff and the applicants before making a decision.
5. The Incentives Committee will deliberate on the merits of each application, and if in their opinion the project qualifies, the Incentives Committee may award the loan in full or in a partial amount, depending on grant fund availability.
6. Applicants are notified in writing of the approval or denial of their retail loan. Applicants whose projects are approved are notified of the loan award date and the beginning of the 3-month period to start construction on the project.
7. Once a project is awarded a Retail Loan, the applicant has three (3) months to begin construction or renovation work on tenant improvements. If tenant improvements do not begin within the 3-month period, the applicant will be notified that the loan will lapse, and the funds will be returned to the fund pool.
8. Once tenant improvements have started on a project, the applicant has six (6) months to complete the project and open for business. If the business has not opened at the end of the 6 month period, the applicant will be notified that the loan will lapse, and the funds will be returned to the fund pool.
9. If an approved project is nearing the 3-month or 6-month lapse point, an opportunity will be provided for the applicant to request an extension. One extension of three months may be

granted at the discretion of the Incentives Committee, depending on the project's circumstances and the future needs for funds in the pool.

10. If an approved loan does lapse and is returned to the fund pool, the applicant may re-apply on a first-come-first-served basis. The standard loan application process in use at that time must be followed for a resubmitted application.
11. An annual financial report, certified by a financial officer of the borrower, of the retail business receiving a Retail Loan must be presented to the Downtown Mobile Alliance within 90 days of the close of each fiscal year end. The annual financial report will be reviewed to confirm that the retail business was open for customer operations at least 48 hours per week in the previous year and has financial viability as a going concern. The Retail Loan recipient may be subject to a credit rating check each year that the loan is outstanding.

In the event that the Retail Loan recipient fails to pay their loan payment when due, the Downtown Mobile Alliance has the right to pursue repayment under standard credit collection processes.