

# City of Trenton

W. Reed, Gusciora, Mayor

Department of Housing & Economic Development  
Benjamin Delisle, Director



NEW JERSEY  
**COMMUNITY**  
CAPITAL

## JOB CREATION LOAN PROGRAM

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In response to the rise in unemployment brought on by the COVID-19 crisis, the City of Trenton seeks to provide low-interest loans from our revolving loan fund to existing and prospective Trenton businesses to help them hire more employees. While providing some benefit to businesses in the form of the possibility of forgiveness a portion of the loan, the intent is to have loan dollars recycled to assist future businesses.

*This revolving loan fund is a 50% matching loan at 3% interest, with a maximum loan amount up to \$250,000.*

### Requirements

1. Businesses must be qualified Trenton Urban Enterprise Zone participants for the full term of the loan. To do this, businesses must join the UEZ and be up to date with State taxes.
2. The business must have a minimum equity investment 10%.
3. Prospective businesses (start-ups; purchases of existing business or businesses relocating to Trenton) are eligible for financing but must provide a business plan and a three-year projection at the time of application. If you need help with a plan or a projection, assistance is available from the Small Business Development Center.
4. Applicants must exhibit a minimum of 3 years' experience in the field.
5. Business must have a current City Business License or applicable New Jersey Business Registration.
6. Businesses must provide an executed deed (if property owner) or a signed lease agreement (if renting).
7. Non-profits are not eligible. Franchise businesses are not eligible.
8. If the applicant is also the property owner, property taxes and water must be current.
9. All owners with at least 20% ownership in the business must submit their most recent business and personal tax return, provide a personal guarantee, complete Personal Financial Statement SBA Form 413 and consent to a credit check and other searches (judgments, legal, etc.). The primary owner's score must be at least 625.
10. Eligible uses include payroll, rent, business property mortgage, utilities, building purchase or improvements, business purchase, inventory or equipment. Use of the loan for city, state or federal taxes, permits, fees or personal expenses is not allowed. Construction will trigger state prevailing wage requirements.
11. Businesses must demonstrate an ability to repay the loan.

Debt Service Coverage limits increase with the size of loan.

- \$5,000 - \$75,000 = minimum debt service coverage of 1.0x.
- \$75,000 - \$150,000 = minimum debt service coverage of 1.1x.
- Over \$150,000 = minimum debt service coverage of 1.2x

The mayor, department directors, city council and staff of the Department of Economic Development, as well as their immediate families, are not eligible.

The City of Trenton may change or clarify elements of these requirements and this loan program as necessary without notice.

### **Term of Loan**

The maximum loan is \$250,000. The minimum loan is \$5,000. The actual loan amount approved will be based on need and available funding. Loan proceeds will be disbursed as eligible expenses are incurred.

The maximum loan term will be 10 years. The actual loan term will be determined based on the intended use of loan proceeds.

Interest will accrue and be charged at a rate of three (3.00) percent per annum, based on the amount of principal outstanding. Monthly payment of Principal and Interest will be made in a sufficient amount to repay the full amount of the loan over the loan term. Start-ups, relocations and building improvements might be eligible for a limited interest only period.

Loan/Application Fees include a commitment fee equal to 1.00% of the loan amount plus all closing costs (searches, legal, title, recording).

Full repayment is expected at the end of the loan term. No prepayment penalty.

Collateral: UCC-1s will be filed. Other collateral may be required based on intended uses of loan proceeds.

Part of the loan may be forgivable.

- Amount forgiven
  - 10% of the principal will be forgiven if the business is open and operating 60 months after the closing date, and if at least 5 jobs have been created.
  - 5% of the principal will be forgiven for every new employee who resides in Trenton at a predetermined date about halfway through the loan period. To qualify, the employee must have been employed by the loan recipient for a minimum of 1 year.
- Maximum forgiveness
  - If the company creates a minimum of 25 new total jobs, the maximum principal forgiveness will be 50%.
  - If the business creates fewer than 25 new total jobs, the maximum principal forgiveness will be 25%
- Interest on the loan is not forgivable.

If accepted to the program, the business must submit annual reports detailing

- the number of full time and part time employees
- the number of employees who are Trenton residents,
- classification of positions held (i.e. staff, manager, full time, part time, benefits, etc)
- an annual payroll report.

Check with your tax professional implication of forgivable loan. The IRS may count forgiven loans as income.

