

Loan Fund Purpose

The City of Tacoma’s Community & Economic Development Department, in coordination with the Tacoma Community Redevelopment Authority (TCRA), offer the Small Business Loan Fund Program. The program is designed to provide funding necessary for a business to establish or expand. This program provides gap financing, which is used in combination with the borrower’s other financial resources. Other financial resources should include a senior lender and equity investment. In all cases, borrowers must demonstrate the ability to repay the loan and provide sufficient collateral to secure the loan.

Administration

The loan fund is administered by the Tacoma Community Redevelopment Authority (TCRA) and staffed by the City of Tacoma’s Community and Economic Development Department (CEDD).

Loan Amount and Terms

The minimum loan amount offered through the loan fund program is \$25,000 and the maximum loan amount available is \$300,000. Loans carry a fixed interest rate that is the lower of 4% or 75% of the prime rate listed in the Wall Street Journal. Loan terms tend to be longer than those offered by traditional lenders and are amortized for up to 25 years, based on the life of the asset. All loans carry a five-year call. At the time of the call, borrowers have the option to pay off the loan or request the TCRA board to extend the loan term another five years.

Loan Repayment

Principal and interest payments are due monthly. There are no early repayment penalties.

Eligibility Requirements

- Owner of an existing Tacoma business and/or commercial building.

- Business tenants must have building owner consent and signed lease/intent to lease for the improved area.

- Tenant borrowers must have a lease term equal to the proposed loan term.

- Borrower must contribute a minimum of 10% equity to the project.

- Loan fund proceeds must be used to fill a financing gap between the total cost to complete the project and the sum of owner equity and senior lender financing.

- Borrower must create 1 full-time equivalent job per \$100,000 borrowed.

- All individuals with 20% or more ownership in the business must personally guarantee the loan.

- Borrower must demonstrate the ability to repay the loan through 100% collateralization and/or sufficient cash flow.

Ineligible Applications

- Exclusively residential properties.

- Common areas of a mixed use project that benefit residential units.

- Routine inspection and maintenance costs are not eligible.

Loan Collateral

Loans will be secured by a lien on the real property and/or liens on other assets. All loans shall have the unlimited guarantee of the principal owners of the business entity.

How the Process Works

- Borrower initially meets with CEDD staff and submits a detailed project cost estimate.
- Upon initial staff screening borrower submits a loan application along with accompanying documents.
- The loan is underwritten and packaged for consideration to the TCRA Board. Underwriting review will focus on the credit score of the principal(s) of the business, debt service capacity through a review of the business financial statements and confirmation that sufficient equity and collateral exists.
- Upon approval from the TCRA Board, loan closing takes place.
- Funds are dispersed and the loan is then fully executed.
- Borrower begins making monthly principal and interest payments on the loan.

Other Information

- Loan-related work must be performed by bonded and licensed contractors.
- Soft costs (e.g. drawings, engineering, recording fees, title reports) may be part of project cost.
- Determination of the value of real property can be verified through a recent (within last 6 months) appraisal, broker’s price opinion and/or market analysis, at the discretion of the TCRA.
- Loan fee of 1% plus closing costs applies and is due upon loan signing. This fee can be included in the amount financed.

Contact

For more information or an application, contact:

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