

TRANSIT ORIENTED COMMUNITIES (TOC) – SMALL BUSINESS PROGRAM TERMS

Overview

The Metro Transit Oriented Communities (TOC) Small Business Program will provide low - interest, flexible loans to support tenant improvements of ground-floor retail space and enable spaces to be occupied by small business. The loans will be offered to developers of new projects, and/or owners of buildings with vacant ground floor retail spaces, with a priority for affordable housing projects and businesses near transit centers. Owners/developers would be required to pass on savings from the loan terms to small business tenants through either:

- Below market rent payments (owner/developer would supply data to prove)
- Flexible lease terms

Program Attributes

- Hard loan (would be repaid), allowing the program to revolve
- Aimed at local small businesses
- Addresses issue of vacant ground floor space in affordable housing and mixed use projects
- A lien would be placed on the property to collateralize the loan
- If a business fails, or is unable to repay, their tenant improvements could be used by a new small business tenant

Administration

The loan program would be administered by Community Development Commission of the County of Los Angeles (LACDC). The LACDC will provide door to door outreach services to identify eligible business tenants, and the developer/owner will be expected to assist as well. Because of the high service level associated with tenant improvement loans to small businesses, and the need for direct and targeted outreach, the program has relatively high administrative costs. Based on discussions with LACDC, a minimum of \$1,000,000 must be committed to the program. Of that total, \$184,225 would cover program administration and marketing and \$815,775 could be provided in loans. The relatively high cost of administration per loan is due to the outreach and increased administration associated with targeting small business.

Eligible Geography

1. Metro Joint Development Project
- OR
2. New development project or existing property within 500 feet of fixed-guideway stations and/or intersection of two 15 min max frequency peak period buses (of any bus operator)
- AND
3. Projects should be geographically distributed throughout the County, not concentrated in a single area.

Eligible Small Business Tenants

- a. Small Business – Fewer than 100 full-time employees, annual revenues of less than \$14 million (consistent with the LA County definition)
- b. Local businesses (LA County) which have been operating for at least three years
- c. Businesses are required to have a minimum of 2 years of positive cash flow.
- d. Tenant must have at least a 3-year lease, with an option to extend for an additional 2 years for a total of 5 years, which would run the length of the loan
- e. The fund would not fund the following business types:
 1. Fast Food
 2. Check Cashing
 3. Liquor Stores / Smoke Shops
 4. Pawn Shops
 5. Firearms Retailers
 6. Formula Retail (chain stores)

Eligible Buildings

- a. Buildings must be new buildings without funding sources for retail tenant improvements in their underwriting or existing buildings with retail spaces that have been vacant for at least 1 year.

Approximate Loan Sizes and Terms

- a. Maximum \$100,000 per loan
- b. Maximum 5-year loan term

Management / Reporting Requirements to Metro

Quarterly reports detailing:

- a. Loan disbursement by geography
- b. Default/Repayment rates
- c. Summary of impacts: new jobs, change in business revenues, other

Exhibit 1: Diagram of Metro TOC Small Business Program Proposed Structure

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