



BUSINESS REVOLVING LOAN FUND

MANAGEMENT PLAN

Approved by City Council [DATE]

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REVOLVING LOAN FUND MANAGEMENT PLAN

A. Purposes of the Revolving Loan Fund (RLF)

1. To promote the economic well being of South Portland by helping to finance projects which maximize private sector investment, offer benefit to low and moderate income people, and continually add value to the economic base of the City.
2. To expand business employment and ownership opportunities for South Portland residents through economic development that is compatible with the City's physical and social environment.
3. To encourage maximum utilization of existing vacant and underutilized buildings, particularly those historic buildings listed or eligible for listing on the National Register of Historic Places.
4. To stimulate investment in the renovation and conservation of small business space.
5. To provide gap financing for businesses that intend to relocate or expand within the City of South Portland, and to create or retain high quality jobs, preferably within the manufacturing and technology sectors. Preference, where possible, shall be extended to South Portland residents for those jobs created.

B. Limitations

1. Recipients must either own property prior to or as the result of receipt of RLF program funds, or be a resident of the City of South Portland; or
2. Own a business, or as the result of receipt of RLF program funds, purchase or open a new business in the City of South Portland;
3. Individual loans of no more than \$10,000, funded entirely through the City's RLF program, may be requested.
4. No loan from the City's RLF program, in conjunction with another lending source, may exceed \$100,000.

C. Administration

1. The City of South Portland, through its Economic & Community Development Director, will:
 - a. Be responsible for overall RLF administration, unless the City Council elects to outsource these responsibilities;
 - b. Prepare the request for funds and answer questions from potential applicants;
 - c. Assist RLF applicants with packaging of development proposals;
 - d. Recommend amount and terms of the loan and owner participation to the Review Committee, and then if recommended by the Committee, to the City Council for approval;
 - e. Annually review administration of the RLF to ensure that operation policies are in accordance with the Management Plan; and

- f. Fulfill all necessary servicing and reporting requirements, until such time as the loan has been paid in full.
2. The City Council may adopt amendments to the Management Plan, based on recommendations of the City Manager, staff, or the Review Committee.
3. The RLF will be audited yearly as part of the City's audit. Cost of said audit will be assessed against RLF fund. The borrower will be solely responsible for the timely payment of any outside fees associated with the loan process including, but not limited to: legal fees, financial review, property appraisal or inspection fees.
4. The City's Corporation Counsel will represent the City in any legal matters during the development of the loan applications, the review of the loan agreement papers for signature by the City and successful applicants, and with the closing on the loan agreement.
5. The Finance Director of the City will be solely responsible for writing any checks from the RLF account for loan disbursements or payment of administrative fees.

D. Operational Guidelines

1. Eligibility guidelines for projects associated with CDBG funds:
 - a. Projects: Eligible projects are those which enable the creation, establishment, or expansion of an existing business within the City of South Portland.
 - b. Applicants: Eligible borrowers of the RLF include South Portland residents, property owners, Maine owned businesses including corporations, cooperatives, partnerships, and proprietorships.
 - c. Applicant credentials: The applicant must be the owner or chief executive officers of the business for which a loan is being requested, i.e. proprietor, senior partner, president or majority stockholder, and must have the authority to make legal agreements for the business.
 - d. Equity requirements: All applicants will be required to provide evidence of the equity needed for the completion of the proposed project. Equity may be in the form of cash, securities, real property, or such other form that is deemed appropriate and verifiable.
2. Types and terms of loans:

It is the intent of the RLF to provide gap financing for eligible projects that are not able to secure adequate conventional financing to meet project needs.

- a. Types of Loans: The RLF will be designed to provide loans for eligible project activities including loans for business expansion, start-up and buy out.
- b. Collateral: Acceptable collateral may include real estate and other assets. Second or subordinate positions in assets may be accepted.
- c. Loan amounts: The maximum loan amount will be \$200,000 to any one project and the minimum will be \$5,000.00.
- d. Interest rate: The interest rate will be based on the discount rate as listed in the Wall Street Journal, and decided on a case by case basis with emphasis on

the applicant's repayment ability and the project's financial structure. In no case will the minimum interest rate be less than two percent (2%).

- e. Loan Amortization: The loan period will be up to a maximum of ten (10) years depending on the size of the loan and the type of the project. Payments of principal and interest will be made monthly.
- f. Delinquency: When a loan payment is five (5) days late, the borrower will be contacted immediately to determine the reason and the status of the loan. A loan payment will be considered delinquent if payment has not been made within fifteen (15) days after the specified due date. In the event of delinquency, a notice will be sent to the borrower requesting immediate payment.
- g. Defaults: If the borrower is more than thirty (30) days in arrears and has not notified the servicing agent of a plan to become current with the City of South Portland, then the borrower will be considered in default. If a borrower defaults on a loan agreement, whether through non-payment of scheduled loan payments or through breach of any loan condition, appropriate legal or other action will be taken by the Corporation Counsel to ensure that the entire loan amount will be recovered and returned to the RLF. Any person or business who defaults on a loan under this program will be barred from making any future loan applications to the RLF loan documentation will provide that all costs of collection, including attorney fees, will be paid by the borrower.

E. Application process:

1. Prospective borrowers will apply for a loan by filling out an application form provided by the City.
2. The City of South Portland will utilize the following loan application review process: a Review Committee (consisting of the Director, a representative from the community, the Finance Director or his/her designee) would forward a recommendation to City Manager and City Council for loan approval or denial. The City Council shall then hold a public hearing to discuss the proposed loan, respecting the confidential nature of the business plan and terms.
3. The review process is based on materials submitted by the Applicant (below):
 - a. Name & address of applicant
 - b. Summary of qualifications
 - c. Background information of the principals of the business, (resume)
 - d. Description of the project
 - e. History of company/business
 - f. Personal financial statement
 - g. Business balance sheet
 - h. Profit/loss statement
 - i. Cash flow performance
 - j. Business plan

- k. Amount of financing required
 - l. Amount of equity proposed
 - m. Collateral to secure all or part of the loan
 - n. Personal guarantee (if required)
 - o. Number/wage scales of current employees retained/jobs to be created
 - p. Financial statements of principals of the business
 - q. Details of existing bank loans and other financing of the company, including stock pledges
 - r. Copy of financing commitments for balance of project funds
 - s. Any additional data that may be required by the City
- 1) The MRLF review committee shall review the application and make a recommendation for approval or denial to the City Manager. Final review and approval of the South Portland City Council is required.
 - 2) Final loan dispersal shall be subject to evidence of State, federal, or local permit approvals for operation of a business regulated by State or Federal agencies, as well as compliance with municipal laws and regulations for the location and an operation of the business.