

TOWN AND VILLAGE OF BRISTOL REVOLVING LOAN FUND GUIDELINES

The Revolving Loan Fund administered by the Town and Village of Bristol is funded with income from a Community Development Grant awarded to the Town and Village by the Secretary of the Agency of Development and Community Affairs on February 14, 1984.

Funds available must be used for activities that would benefit low and moderate income people by conserving, improving or expanding housing; creating and retaining jobs; or improving public facilities, either in support of housing or economic development activities, or where there is a threat to public health and safety.

The Revolving Loan Fund has two sources of income resulting from the Community Development Grant of 1984: program income and miscellaneous revenue. Program income designated for reuse is subject to the same eligibility guidelines as the original grant. Miscellaneous revenue is not restricted by the rules of the original grant, but must be used to further community development goals in keeping with the intentions of the original grant.

The primary purposes for which program income may be used are the continued expansion of the community's ability to meet the housing and employment needs of low-to-moderate income residents and the correction of urgent threats to the health and welfare of the community. All activities should assure long-term benefit.

ELIGIBLE ACTIVITIES

Program income will be used to fund housing rehabilitation, economic development, and public facilities projects needed to support housing rehabilitation or economic development. Such projects will include, but not be limited to the following:

1. Rehabilitation of either owner or non-owner occupied housing units that will meet the housing needs of low-to-moderate income people.
2. Financial assistance to businesses that will create or maintain jobs in Bristol.
3. Public facilities improvements that are needed to accomplish either of the preceding objectives.

The principal beneficiaries of any project using these funds will be people with low-to-moderate incomes or those with special housing needs.

Miscellaneous revenue may be used for all program income activities and also to assist in the provision of loans that will help Bristol area businesses create or maintain employment in Bristol and of Bristol residents, and will enhance the economic vitality and stability of the community. It may be used for any legitimate business purpose including the purchase of land in the village or town of Bristol, the purchase or

construction (including renovation) of buildings, or the purchase and installation of machinery and equipment. Funds can be used for training and upgrading of employee skills. The funds are not available to finance or refinance existing company assets.

It is understood that these funds are for the making of loans which must be paid back, and not for the awarding of grants.

The Joint Town and Village Board (hereinafter referred to as the Joint Board) consists of the members of the Town's Board of Selectmen and the Village Trustees. For the purpose of advising the Joint Board on the use of available funds, the Joint Board will appoint a Community Development Advisory Board (CDAB).

1. Community Development Advisory Board (CDAB)

A. Membership

The Bristol Community Development Advisory Board shall be composed of seven citizens, one of whom shall be a member of the Board of Selectmen and one of whom shall be a Village Trustee, appointed by the Joint Board. Eligible for membership on the CDAB will be Bristol residents and Bristol business owners. The Joint Board may request that a staff member of either the regional planning commission and/or regional development corporation sit with the CDAB in an advisory, nonvoting capacity.

B. Chairperson

The Joint Board shall appoint one member of the CDAB to serve as Chairperson.

C. Terms of members; Replacement

The initial membership of the CDAB will be appointed on a staggered terms basis from one to three years. Thereafter, all new members will be appointed for a three year term.

In the event that a member is unable to serve a full term, the Joint Board shall appoint someone to serve the unexpired portion of the term. If a member misses three consecutive meetings, the CDAB will recommend a name to the Joint Board to replace that person.

Members of CDAB will serve at the pleasure of the Joint Board.

D. Authority

The CDAB has the authority, within these policies, to advise the Joint Board on all applications for loans from eligible applicants. A loan may result only from a written application approved by the Joint Board on the recommendations of the CDAB.

E. Voting

Applications for loans must be approved by a two-thirds majority of the CDAB before the CDAB's recommendation is made to the Joint Board for approval. Other business appropriate to be conducted by the Board shall require a two-thirds majority of those members present. The Joint Board will vote on the loan recommendations of the CDAB. A majority vote of the Joint Board will be required for an applicant to receive funding.

F. Quorum

A quorum for the CDAB for purposes of loan review and approval shall be five members. For all other purposes, a quorum shall be four members.

G. Reports

Records of all actions of the CDAB taken in general session, and of the status of each outstanding loan, shall be recorded in the committee's public minutes and available at the manager's office/town hall. However, all information regarding the business and financial status of applicants will be held confidential and any such written or printed information shall be kept in a secure site designated by the Chairperson of the CDAB.

H. Conflict of interest

Members of the CDAB shall be ineligible to apply for revolving loan funds for as long as they are members. CDAB members will be ineligible to participate in recommendations regarding applications of family members, employers, business competitors, etc.

I. Review

The Joint Board shall review these membership policies periodically and make changes as needed to meet village and town needs. This review will occur at least every three years.

2. GENERAL LOAN PARAMETERS:

A. Borrower Eligibility

1. The applicant must demonstrate to the CDAB's satisfaction a commitment and ability to repay the loan with interest under the terms agreed.
2. A business applicant must demonstrate that the company is an Equal Opportunity Employer.

B. Security

Security to be required for loans will be determined by the CDAB on a case-by-case basis in accordance with applicable provisions of these Guidelines.

Personal guarantee of loans, need for co-signers, and other specific security arrangements may be made as a condition of loan recommendations by the CDAB and approval by the Joint Board.

C. Types of Loans

The CDAB shall consider, but not be limited to, the following types of loan:

1. Fully amortized loan, with interest rate set at a rate between 4% and standard commercial interest rate for a project of its type, to be set at the date of approval of the loan application by the Joint Board, and a term no greater than 10 years.
2. Loan with a standard amortization term but with a balloon payment of principal due at some earlier date.
3. Loans for which interest only is payable for a designated period at the beginning of the loan term up to 12 months, with principal and interest then amortized in standard fashion over the remaining term of the loan.

D. Funding Limits

No limit is set on the amount of funds sought; however, no loan will be approved for any amount over the amount currently in the appropriate fund and liquid as of the date of approval.

The Joint Board, acting on the recommendation of the CDAB, may commit funds at or below the amount requested, at its discretion.

The CDAB has the right to decline to lend out balances in the loan fund based on its best judgment and on anticipated near-term needs for funds by projects with high priority and benefit for the community.

E. Need for Other Funding

All loans must be matched to the maximum reasonable level as determined by the CDAB. Cash savings, donated labor, equity in buildings or machinery devoted to the project, and loans from other sources will be acceptable sources of matching funds.

3. LOAN APPLICATION PROCEDURE

A. Loan Application

All loan requests must be accompanied by an application for funds. This application shall be in the form of a written request. The following information is required of all loan applicants:

Exhibit 1: SUMMARY PAGE

- a. Name of applicant, address, telephone number
- b. Amount of loan request
- c. Brief project description
- d. Project costs
 1. Real estate
 2. Improvements
 3. Machinery and Equipment
 4. Professional fees (lawyers, accountants, engineers, etc.)
 5. Other (contingency, construction interest, etc.)
 6. Total
- e. Amount and source of matching/additional funds (include terms and interest rates of loans)
 1. Bank
 2. Public agency
 3. Equity
 4. Other
 5. Total
- f. Collateral other than project assets
- g. Statement of specific, tangible benefits to Town/Village of Bristol, in terms of low and moderate income residents
- h. Name, title and phone number of individual who prepared this application
- i. Name, title and phone number of individual who is the primary contact with CDAB
- j. Name and address of legal representative for applicant
- k. Signature and title of applicant; date of application

Exhibit 2: PROJECT DOCUMENTATION:

Describe the purposes for which the loan will be used and provide at least one written estimate of the project costs. In the case of equipment and machinery, provide a quote for the purchase.

In the case of improvements or renovations, provide evidence that the work proposed will comply with local codes and other necessary permits. Provide a plan/schedule for implementation.

In the case of a registered business, project documentation for funds must include a business plan. This plan shall describe the short and long term goals of the business and include supportive information about the business environment, general marketing, production plan, principals, key personnel, and management plan. The plan need not be lengthy, but rather provide evidence and documentation of planning.

Exhibit 3: MATCHING FUNDS:

Provide evidence of commitment for the balance of the project from sources other than the Revolving Loan Fund. This should take the form of letters of commitment from lenders, investors, and/or the owner(s) of the business.

Exhibit 4: EVIDENCE OF OWNERSHIP:

Reference deed by book and page number in the Bristol Land Records. If the building is not owned by the applicant, provide notarized permission of owner to undertake improvements, unless the right to improve or repair is otherwise authorized by lease or leasehold agreement. A copy of the leasehold agreement is to be included with the application.

Exhibit 5: EVIDENCE OF REPAYMENT CAPABILITIES:

All applicants must complete a financial application form as provided by CDAB and available from the offices of the Town Manager.

In addition, all registered businesses/applicants must provide three years of financial information, at least one year being the most recent tax return and at least one year being a financial projection; the additional year can be either a tax return or a second year of financial projections. In the case of a startup venture, a three year projection of profit/loss and cash flows is required, with the cash flow being monthly for the first year or to the breakeven point, whichever is later.

It is at the discretion of the Joint Board to allow the CDAB to waive specific exhibits of the written application.

B. LOAN APPLICATION DECISIONS

All applications will be reviewed and decided upon by the CDAB on a case-by-case basis. The CDAB will have regular meetings on the third Wednesday of the month at 7 p.m. If no loan applications have been received or are pending from a previous month, the CDAB will not meet.

The CDAB will contract with a lending institution or other responsible agent at its discretion for initial review of the application, including all confidential information, by a qualified lender. The CDAB will make one of three recommendations:

1. Approval: at which time the Chairperson will forward the CDAB's recommendation to the Joint Board.
2. Tabled: for more information at which time the Chairperson will set an appointment to obtain this information.
3. Declined: at which time the Chairperson will send out the appropriate letter informing the applicant that their request was turned down and for what reasons.

The Joint Board will be informed of the CDAB's recommendations within five business days after the CDAB meets. If the CDAB recommends approval of a loan, they will inform the Joint Board at this time of the loan amount and terms. The Joint Board must act on recommendations for approval within ten business days following a regularly

warned meeting after a recommendation was received. On approval of the loan request by the Joint Board, the Chairperson through the offices of the Town Manager will forward an approval letter to the applicant and arrange with the Town's financing institution or agent for closing of the loan.

C. LOAN REVIEW AND CLOSING

The Town will contract with a local financing institution or other responsible agent at its discretion to perform any necessary credit analyses and all closings for the loans from the Revolving Loan Fund. The Town shall inform the bank or agent of the amount approved, required collateral, and any special conditions attached to the loan or approval. The bank or agent shall contact the applicant and arrange for closing.

The Town shall ensure that the bank or agent contacts the Town prior to closing to secure a release of funds. Copies of all loan agreements, security documents, and any other documentation related to the loan closing will be filed with the offices of the Town Manager.

D. LOAN PAYMENT

Loan payments shall be made directly to the financial institution or agent of the Town's choice. Loans will regularly be paid back in monthly installments of principal and interest, unless prior arrangements are made before loan closing.

E. LOAN APPLICATION, CREDIT INVESTIGATION AND CLOSING COSTS

All applications must be accompanied by a minimum non-refundable fee of 1% (one percent) of the loan amount requested, payable to the Town/Village of Bristol. If the loan is approved, this fee will be used to offset costs related to a credit investigation. The applicant, regardless of the final disposition of the request for funds, will pay all costs related to credit investigation. All closing costs, including but not limited to prepaid interest, title search, appraisal, credit report, recording, and other miscellaneous costs will be the financial responsibility of the applicant, and may be included in the loan amount.

F. INSURANCE

The following types of insurance may be required from the borrowers, depending on the individual circumstances:

1. Prior to closing, evidence of homeowner's or property fire insurance sufficient to cover the amount of all mortgages including the Town/Village of Bristol loan.
2. Casualty insurance and life insurance may be required by the CDAB if deemed appropriate.
3. Business liability insurance shall be carried by any recipient of loan funds.

4. Workers' Compensation insurance shall be paid for all employees of any business receiving loan funds.

For all insurance on the property, notification shall be sent by the borrower to the insurance carrier to add the Town/Village of Bristol as a loss payee.

4. LOAN SERVICING

A. GENERAL PROCEDURES

Loan payments shall normally be due every month at the financial institution or agent's office servicing loans for the Town/Village.

A late charge of 5% may be assessed for any late payment of 10 days or more. Loans may be prepaid at any time without penalty.

The Town/Village of Bristol will negotiate with the financial institution or agent of its choice regarding servicing costs and procedures.

B. DELINQUENT ACCOUNTS

A loan shall be considered delinquent and collection efforts instituted by the Town for any loan delinquent for forty-five (45) days or more.

C. FORECLOSURE

Foreclosure may be considered for the following circumstances:

1. Abandonment of property;
2. Refusal to pay note;
3. Sale of mortgaged property if loan assumption is not approved by the Joint Board;
4. Death of borrower and the estate does not pay the note;
5. When a senior mortgage holder threatens foreclosure and the Town/Village holds a junior mortgage.

Foreclosure proceedings will be governed by applicable State statutes.

D. FORBEARANCE

Rewriting terms of loans shall be considered when the borrower's financial situation has changed significantly since the closing of the loan. The decision upon any method of forbearance must be approved by the Joint Board on the recommendation of the CDAB.

E. BAD DEBTS

Any loan which has a remaining balance after foreclosure of collateral must be collected in full or charged off as a bad debt if it becomes 180 days past due.

F. NON-DISCRIMINATION

In accordance with the provisions of the Equal Opportunity Act and the laws of the State of Vermont, the CDAB may not discriminate in its lending practices on the basis of race, gender, sexual orientation, religion, national origin, age, marital status, or physical or neurological handicap.

G. CONFIDENTIALITY

All CDAB meetings to consider loan requests shall be held in Executive Session.

Disclosure of any information relating to application to, transactions by, and decisions of the CDAB as to rate, term, and conditions of loans, except as made in the public minutes of the CDAB, shall not be made to anyone except by written authorization of the borrower.

H. APPEALS

When an applicant disagrees with a decision of the CDAB, the following procedure shall be followed:

1. The applicant shall contact the Chairperson and request a personal appearance before the CDAB for the purpose of appealing its decision;
2. The CDAB shall meet to hear the appeal as the first order of business at its next regularly scheduled meeting;
3. The decision of the CDAB to refuse recommendation of a loan to the Joint Board shall be final.

5. LIMITATION OF GENERAL ADMINISTRATION COST

The Revolving Loan Fund will be administered under the guidelines that exist in the EXIT AGREEMENT Section IV between the State of Vermont Agency of Development and Community Affairs and the Town and Village of Bristol, dated March 24 1989.

6. AMENDMENTS

Amendments to these guidelines may be proposed at any time by the CDAB or the Joint Board. Amendments will be approved by a majority vote of the Joint Board.

Revised by
Bristol CDAB
June 1992

BRISTOL COMMUNITY DEVELOPMENT PROGRAM PROGRAM POLICIES AND GUIDELINES

ELIGIBILITY GUIDELINES AND CRITERIA

1. Priority will be given to projects that will assist Bristol businesses to create or retain employment in Bristol and of Bristol residents, and will enhance the economic vitality and stability of the community. It may be used for any legitimate business purpose including the purchase of land in the Town or Village of Bristol, the purchase, construction, or renovation of buildings, or the purchase of machinery. The funds are not available to finance or re-finance existing company assets.
2. Properties, whether commercial or residential, located in the Town or Village will be eligible for rehabilitation financing under the Bristol Community Development Program.
3. Priority for financing housing rehabilitation will be given to investor-owned buildings in which 50% or more of the units are occupied by low to moderate income tenants, or owner-occupied buildings when the owner is of low to moderate income.
4. Priority will be given to those projects that rehabilitate existing structures versus new construction. Positive impact on the historic character of the Town and Village is a priority.
5. Prior to receiving a loan, delinquent property taxes shall be paid in full.

UNDERWRITING GUIDELINES

1. In most cases, no more than 90% of the after-rehabilitation appraised value of the property may be mortgaged to finance rehabilitation.
2. Third mortgages will be accepted as security for rehabilitation loans.
3. Letters of credit may be required from property owners when the net operating income of the building is below 115% of debt service.
4. Loans made under the program will be due and payable in full when title to the property changes ownership except in unusual and extenuating circumstances.
5. A personal financial guarantee will be required from all borrowers and co-borrowers.

REHABILITATION GUIDELINES

1. Rehabilitations will be carried out to meet applicable Vermont Agency of Natural Resources and Department of Labor and Industry regulations, provisions of the Americans with Disabilities Act, the Secretary of the Interior's Standards for Historic Preservation, where applicable, and applicable building codes, ordinances and bylaws.
2. For housing rehabilitation projects, the following priorities will guide the order in which work is to be financed.

Priority A--Repairs to correct conditions dangerous to health and safety; repairs to make units presently occupied by handicapped tenants barrier-free.

Priority B--Repairs to correct incipient defects or serious, but not hazardous, defects, including energy conservation measures.

Priority C--Repairs that are desirable but not essential to health and safety.

**Town and Village of Bristol
Competitive Factors for Revolving Loan Fund Assistance**

- For each new full time equivalent job available to low/moderate income persons 3 points (maximum 36)
- For each new job which pays better than 110% of LMA wage for its SIC classification 2 points (maximum 24)
- For each unit of affordable housing created or rehabilitated 5 points (maximum 30)
- If project is located in Main Street target area defined in original Community Improvement Grant agreement 5 points
- If project will enhance the economic vitality, historic character or appearance of the Village center 0-5 points
- If company is in a basic industry such as manufacturing, producer services or tourism (75% of revenues) 0-3 points
- If project improves supply lines or marketing channels or provides specific spinoff benefits for other Bristol area businesses (supporting letter(s) required) 0-3 points
- Extent of match by private or other public sources 0-5 points
- Demonstrated need for funds to make project work, secure other funds, etc. 0-10 points
- If project uses Vermont products or agricultural resources, recycled materials, renewable energy resources, produces recyclable products, or improves the environment 0-9 points
- If project will have an adverse effect on/disproportionate demand for Town or Village services -6 to 0 points
- If project will have adverse environmental impacts or negative effects on rural character of Town and integrity of historic Village center -8 to 0 points

Total possible points: 100 Minimum points to qualify for assistance: 30