

TOWN OF POCAHONTAS  
DOWNTOWN REVITALIZATION PROJECT

**REVOLVING LOAN FUND  
PROGRAM DESIGN**

# REVOLVING LOAN FUND

## SECTION I: PROGRAM ADMINISTRATION

### PROGRAM DESCRIPTION

The Town of Pocahontas has budgeted \$50,000 in Phase I funding to create a revolving loan fund for their Downtown Revitalization Project. The purpose of the Revolving Loan Fund program is to provide low interest, fixed asset financing to existing or new commercial businesses that locate to or expand in the CDBG project area and which result in the creation or retention of jobs with at least 51% of those jobs held by, or made available to, low to moderate income (LMI) persons. Recaptured funds will be used to make additional loans, thus creating a revolving loan fund.

### PURPOSE

The purpose of the Revolving Loan Funds is to stimulate economic development, job creation and economic diversity within the Town of Pocahontas's central business district. This will be specifically achieved by:

1. Providing property owners/small business owners with construction/permanent financing for property acquisition, renovation, fixed equipment purchase for business start-up and expansion, and/or mixed use housing development in the Town.
2. To serve as a source of additional financing for building acquisition and renovation, leasehold improvements, working capital, fixed asset purchases, and other project related costs in participation with conventional financing; and
3. To serve as a micro-loan program providing financing to support the creation and expansion of small businesses and other commercial interests in the downtown area.

### STAFFING AND RESPONSIBILITIES

The Revolving Loan Fund program will be administered by the Town of Pocahontas. The Town's Loan Fund Advisory Board will review and approve all loans under this program. The Town of Pocahontas may appoint three to five members to participate in the Loan Fund Advisory Board for the Town of Pocahontas loan reviews. A quorum for such meetings will consist of a majority of the Fund Advisory Board members of the Town of Pocahontas. The loan fund will be capitalized utilizing Community Development Block Grant funds. Loan servicing will be administered by the Town.

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## SECTION 2: LOAN POLICIES

### AREA OF OPERATION

The Revolving Loan Fund program will operate within the boundaries of the designated project area of the Community Development Block Grant within the Town of Pocahontas, Virginia. After final administrative closeout of the grant by the Department of Housing and Community Development (DHCD) the Town of Pocahontas may expand the boundaries to include businesses outside of the initial grant area, but still within the Town limits, to utilize recaptured capital from the program. Preference will be given to businesses that wish to locate within the project area. However, if a business wishes to locate within Town, but outside the project area AND has significant Economic Restructuring impact, it may qualify for the Revolving Loan program.

### TYPE OF FINANCING & INTEREST RATE

The type of financing is fixed asset financing. CDBG loan funds will be available at an interest rate of 3%.

### TERMS

The term of the loan cannot exceed ten (10) years but can be for a lesser term. Scheduled amortization shall not exceed ten (10) years. The borrower must have an equity interest in the business or building and provide adequate marketable collateral to secure the loan.

Collateral may include first or second lien positions or a deed of trust on assets financed. Perfection of security instruments on collateral may consist of UCC filings, mechanics liens, assignment of rents, titles, and any other instruments to perfect a lien on certain equipment or fixtures. At the discretion of the Town's Loan Fund Advisory Board, other forms of marketable collateral (including marketable stocks or bonds, US Government securities, letters of credit) may be considered if the value of the marketable collateral is sufficient to protect the interest of the Town and State throughout the term of the loan.

The loan must be repaid on a monthly basis over the entire term. There is no prepayment penalty.

One fulltime-equivalent (FTE) job must be created or retained for every \$10,000-\$25,000 loaned with at least 51% of those jobs held by, or made available to LMI individuals. This may include the loan applicant if no immediately previous job was held.

Jobs must be created and filled before final administrative closeout of the program by DHCD. Part time employees may be hired under this program. In this case, each part-time employee will be counted as one-half of a FTE and qualified as a LMI based upon household income. The borrower is responsible for the hiring process.

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The owner of a building may apply for a loan under this program and assume responsibility for the amount of jobs to be created within the grant period. If at the end of the initial grant period the actual number and type of jobs created does not meet those required under the terms of the loan, then the building owner must immediately refund the amount of the loan, or the outstanding balance, not covered by qualified jobs.

The Town or other authorized organization will keep a record of all jobs created under this program. This will be accomplished at no cost to either the employer or the prospective employee.

Businesses that are considered to diversify the local economy will be eligible for \$25,000 loaned per job created. All other businesses are eligible for loans of \$10,000 per job created. To be considered a diversified business and qualify for the higher threshold amount, the loan applicant must demonstrate that the jobs created at the business are not normally locally available, enhance the Town's economic restructuring and cultural heritage efforts, or are a direct result of the research contained in the Town's adopted Economic Restructuring Plan. Examples of some diversified businesses include restaurants, retail stores, and outdoor recreation outfitters. Examples of some non-diversified businesses include beauty salons, insurance agencies and governmental services.

## AMOUNT

The minimum loan amount is \$10,000 and the maximum loan amount is \$50,000 per individual business. The Loan Fund Advisory Board may waive this requirement, at its sole discretion, on a case-by-case basis if it is determined to be in the Town's best interest.

## USES

Allowable uses of funds which are received from the revolving loan fund are for building and land acquisition, leasehold and site improvements, new construction and rehabilitation costs, purchase of fixtures, machinery, equipment and associated installation costs, and working capital.

## ELIGIBILITY REQUIREMENTS

Any new commercial/retail business or building owner that locates in the project area or an existing commercial business or building owner that is located in or expanding in the project area and which meets the following eligibility requirements may apply for a loan through the Revolving Loan Fund. This could include for-profit business, non-profit business or sole proprietors.

The Eligibility Requirements for the Revolving Loan Fund Include:

1. Provide proof that the business or building is located and has a permanent physical address in project area. Provide proof that it is not the borrower's place of residence.

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2. Provide proof of collateral. Assets used as collateral may include cash, land, buildings, or equipment. Proof of hazard insurance in sufficient amount to protect the collateralized asset is required. Borrowers may not use their primary residence as collateral.
3. Provide proof of equity interest in business or building.
4. Provide a business plan.
5. Demonstrate that one fulltime-equivalent job will be created or retained for every \$10,000-25,000 borrowed (depending on job diversity type) from the Revolving Loan Fund.
6. Business will not discriminate on the basis of race, culture, gender, sexual orientation, age or religion.
7. Business will be compliant with all state and local regulations and zoning ordinances governing land-use and building renovations and/or development.
8. Provide verification of employment of LMI individual(s). The Town or other authorized organization will record all jobs created for this program.
9. Each new hire must submit a self-certified, household income eligibility documentation of the employee(s) for LMI classification. See Attachment 1 for more information.

## COSTS & FEES

The borrower is responsible for all legal fees associated with the loan processing and may pay any such fees using loan proceeds.

At such time that additional loans are made beyond the Administrative Closeout, the borrower will be responsible for application fees, origination fees and closing costs as per loan policy.

## NON-DISCRIMINATION

In the Revolving Loan Fund Program there will be no discrimination on basis of race, color, religion, national origin, sex (including sexual orientation), marital status, disability, or age in any of its policies, procedures or practices.

## SECTION 3: APPLICATION PROCESS AND DOCUMENTATION

The Town of Pocahontas, will accept applications from eligible businesses, building owners or entrepreneurs on a first-come, first-served basis. At the Town's discretion, submission of applications for assistance may be limited to certain windows of time (rounds of funding). The Revolving Loan Fund Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information based on age, race, color, religion, sex (including sexual orientation), handicap, familial status or national origin. The program will be implemented to assure consistent and equitable assistance to all program participants.

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Completed applications and required documentation will be reviewed by the Loan Fund Advisory Board.

Generally, loan decisions will consider borrower creditworthiness, with preference given to borrowers with good credit ratings, although not exclusively. The loan program will consider making loans to existing and start-ups that are in good standing in the community, and which share the Town's commitment to supporting economic development and job creation in the downtown area.

Any remaining funds not loaned out at the time of final administrative close-out of the Town's CDBG project will be returned to the funding agency; however the Revolving Loan Fund may continue as program income generated through the recapture or repayment of loan funds becomes available or if new sources of funds become available to the Town of Pocahontas.

All applications must be submitted with complete documentation of eligibility. Applications must be made on the form provided by the Town and must be signed by all the applicants. The application submission must include the following items in order to be considered for financial assistance.

Information Which May be required from Applicants:

1. Completed and signed application
  - a. Loan Request Worksheet
  - b. Personal Financial Statements
  - c. Credit Authorization Form
  - d. Balance Sheet, Profit & Loss Statement, (AP & AR for current 90 day period)
  - e. Disclosure Statement(s)
  - f. Business Lease/deed
2. Current three-year business plan and management resumes
3. Current eighteen month financial projections (including P&L, cash flow, owner compensation)
4. Personal credit report (as appropriate)
5. Three business references
6. Copy of collateral offered & current market value (title, deed, security paper, etc)
7. Statement indicating what the loan will be used for
8. Three years of Applicant Tax Returns

## LOAN ADMINISTRATION

The loan program will be administered by the Town of Pocahontas.

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Loan approval decisions will be made in accordance with the policies and procedures outlined herein.

Substantially all of the investment capital contributed to the loan fund by the Town will be loaned to qualified businesses.

## PROCEDURES

1. The program will be marketed primarily by the Town, in coordination with community partners such as local banks, Tazewell County and the Tazewell County IDA.
2. Initial contact and entry into the program will take place through the Town. Businesses that are deemed ready and which are interested in obtaining financing through the loan fund will complete a loan application.
3. Completed loan applications are presented to the Town Loan Fund Advisory Board for consideration. The Grant Administrator (Cumberland Plateau Planning District Commission) will be responsible for presenting each potential loan to the committee, and will be available to answer any questions that arise.
4. The Town will advise each applicant of the Board's decision, and will work with the business as needed to implement the committee's recommendation.
5. In the event of a default situation, the collateral pledged for the loan will be recaptured as per the agreement of the promissory note.

## SECTION 4: PROGRAM TIME FRAME

Revolving Loan Funds will be available to qualified applicants following the award of the grant and execution of the Community Development Block Grant agreement with the funding agency (projected May 2011) until final close-out of the Town's CDBG program or funds are exhausted whichever comes first. However, at the Town's discretion, submission of applications for assistance may be limited to certain windows of time (rounds of funding).

Any remaining funds not loaned out at the time of administrative close-out of the Town's CDBG project will be returned to the funding agency; however the Revolving Loan Fund may continue as program income generated through the recapture or repayment of loan funds or if new sources of funds become available to the Town of Pocahontas.

## SECTION 5: PROGRAM INCOME

Any CDBG Revolving Loan Funds repaid or recaptured during implementation of the Pocahontas Downtown Revitalization Project will be used to recapitalize and extend the Revolving Loan Fund Program. Repaid or recaptured CDBG funds will be returned to the

# REVOLVING LOAN FUND

Revolving Loan Fund pool for additional loans to stimulate investment in businesses in order to help create and retain jobs in the community.

After final closeout of the grant program, the Town may elect to expend repaid or recaptured funds outside the current project area for this purpose.

## **SECTION 6: COMPLAINTS AND APPEALS PROCEDURE**

Oral complaints of any nature and by any party shall be documented and resolved by the Grant Administrator as informally and quickly as possible.

Written complaints will be received by the Town of Pocahontas and will be resolved and documented. The person making the complaint will be notified in writing of the decision. All written complaints will be addressed within fifteen (15) days of receipt and resolved within thirty (30) days and documentation retained for review. Barring a resolution of the complaint by the Loan Fund Advisory Board, the complaint may be taken to the Town Council where a non-legal resolution is final. The final appeal will be addressed in writing to the Virginia Department of Housing and Community Development. Beyond this step, the complainant may seek a legal remedy in the local court of jurisdiction at complainant's own cost.

The Revolving Loan Fund Program will apply all procedures in a uniform manner. No applicant or employee will be asked for additional information, not required by the funding agency, based on color, religion, sex, handicap, or familial status. The program will be implemented to assure consistent and equitable assistance to all program participants.

## **SECTION 7: RECORDKEEPING**

The Town Loan Fund Advisory Board will be responsible for keeping the minutes of its meetings. A copy of the minutes will be provided to the Town of Pocahontas and archived in the Town of Pocahontas office. The Town will be responsible for tracking the information as required to ensure compliance with CDBG program requirements including data on the businesses submitting applications, businesses approved for financing, LMI beneficiary data, loan servicing and accounting records.

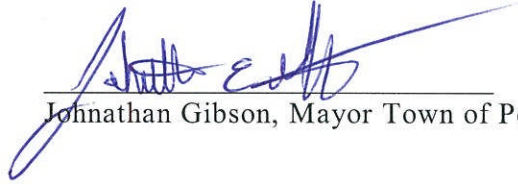
Documentation that loan proceeds are expended as proposed may be provided through source documentation (such as invoices, construction contracts, etc.). All documentation will be kept on file at a secure location as required to ensure confidentiality of applicant information. Copies of all documentation will be kept in a secure location at the Town of Pocahontas, Virginia.

## **SECTION 8: PROGRAM DESIGN AMENDMENTS**

During implementation of the Revolving Loan Fund Program the Town may find it necessary to make minor changes and refinements as the program proceeds. If a major alteration to this design is deemed necessary to better achieve the intent of the program, the Town Council will adopt the changes upon approval of the proposed change by the Town Mayor and Virginia Department of Housing and Community Development.

Adopted on 4-18-11 by Pocahontas Town Council.

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Johnathan Gibson, Mayor Town of Pocahontas

4-18-11

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Date

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## ATTACHMENT 1

- a. An LMI employee must meet the following HUD Low Income Limits. The adjusted gross family income for the previous year cannot exceed 80% of the area median income by family size as issued annually by the U.S. Department of Housing and Urban Development (HUD). The maximum income limits are revised annually as income levels are released by HUD.

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Total Number of Persons in Household	2010 Maximum Low to Moderate Income Limit
1	\$29,900
2	\$34,150
3	\$38,400
4	\$42,650
5	\$46,100
6	\$49,500
7	\$52,900
8	\$56,300

Source:

FY 2010 LMI (Tazewell County). Pocahontas is an independent town located within Tazewell County.

LMI Limit is 80% of the Area Median Income.

Maximum income limits are revised annually as income levels are released by HUD.

- b. For the purpose of this Revolving Loan Fund program, annual income is defined as all income from any source during the 12-month period prior to the employment date.
- i. Income inclusions are: wages and salaries, overtime pay, commissions, fees, tips and bonuses, paid alimony, child support, regular contributions received from persons not residing in the employees household, interest and dividends, periodic payments from social security, SSI benefit, annuities, insurance policies, retirement funds, pensions, lotteries, unemployment, workers compensation, severance pay, welfare, food stamps, aid to dependent children and other sources of public assistance.
  - ii. Income exclusions are: Income from employment of children under the age of 18 years, foster care payments, medical reimbursements, income of a live-in aid, student financial assistance paid directly to the student or educational institution, hostile fire pay, qualified training payments, temporary, non-recurring or sporadic income, disabled PASS, one time gifts and housing assistance payments.

# REVOLVING LOAN FUND

## BYLAWS of the

### TOWN OF POCAHONTAS REVOLVING LOAN FUND ADVISORY BOARD

#### ARTICLE I – THE BOARD

Section 1. Name of the Board. The name of the Board shall be the “Town of Pocahontas Revolving Loan Fund Advisory Board.”

Section 2. Purpose of the Board. The purpose of the Board shall be to set policies and procedures that govern the Town of Pocahontas Revolving Loan Fund Program. The Board shall approve businesses and building owners who are qualified to participate in the program. The Board shall review, qualify and approve applications for financial loans available through the program, the terms of said loans, monitoring of the loan process and ensure that all requirements of the program have been met. The Board shall take other action as necessary as it relates to the Revolving Loan Fund Advisory Board.

Section 3. Office of the Board. The offices of the Board shall be in the Town Office of Pocahontas, Virginia, but the Board may hold its meetings at such place and times as it may designate by resolution.

Section 4. Board Members. The Board shall consist of a minimum of three to five members, who shall be appointed by the Pocahontas Town Council. The Board shall include a member of the Town Council. All Board members shall serve a term of two years and may be reappointed.

Section 5. Authority. All power to execute the terms of this program will be vested to the Revolving Loan Fund Advisory Board by the Town of Pocahontas Town Council.

#### ARTICLE II – OFFICERS

Section 1. Officers. The Officers of the Revolving Loan Fund Advisory Board shall be a Chairman, Vice-Chairman, and Secretary.

Section 2. Chairman. The Chairman shall preside at all meetings of the Board.

Section 3. Vice-Chairman. The Vice-Chairman shall perform the duties of the Chairman in the absence or incapacity of the Chairman; and in case of the resignation or death of the Chairman, the Vice-Chairman shall perform such duties as are imposed on the Chairman until such time as the Board shall elect a new chairman.

Section 4. Secretary. The Secretary of the Revolving Loan Fund Advisory Board will be chosen from among the advisory board members. The Secretary may delegate to a clerical assistant the responsibility for keeping the minutes of the meetings and record all votes, and shall keep a record of the proceedings of the Board in the town office. The Secretary shall also be responsible for having the minutes approved by the Board.

Section 5. Administration. The Town of Pocahontas Town Council, through the town council member on the advisory board, shall have general supervision over the administration of the business and affairs of the Board and shall be charged with the management of the Town of Pocahontas Revolving Loan Fund Program.

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Section 6. Election. The Chairman and Vice-Chairman and Secretary shall be elected from among the members of the Board and shall hold office for one year or until their successors are elected and qualified. Consecutive terms of office are allowed.

Section 7. Vacancies. Should any of the offices become vacant, the Board shall elect a successor from its members at the next regular meeting and such election shall be for the unexpired term of said office.

## ARTICLE III – MEETINGS

Section 1. Regular Meetings. Regular meetings of the Revolving Loan Fund Advisory Board shall be held on the \_\_\_\_\_ day of each month at \_\_\_\_\_ p.m. at the Town of Pocahontas Office or at such place as may be designated by the Town. The Secretary shall deliver the meeting information packages to each member of the Board at least three (3) working days prior to such meeting. The Secretary may at his discretion cancel the regular meeting if there is no business to conduct.

Section 2. Special Meetings. The Chairman of the Revolving Loan Fund Advisory Board may, when deemed expedient, shall, upon the written request of two members of the Board, call a special meeting for the purpose of transacting any business designated in the call. The call for a special meeting may be delivered to each member of the Board or may be mailed to the business or home address of each member of the Board at least two (2) days prior to the date of such a special meeting. At such special meeting, no business shall be considered other than that as designated in the call, but if all of the members of the Board are present at a special meeting, any and all business may be transacted at such special meeting.

Section 3. Quorum. A majority of the Board shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn until a quorum is obtained. When a quorum is in attendance, the Board may take action upon a vote of a majority of the entire Board present. Upon vote, each Board member including the Chairman shall have one (1) vote. In the event of a quorum and a tie vote, the business at hand will be tabled until an odd majority of the board is present and a new vote can be cast.

Section 4. Attendance. Board members are expected to attend all meetings and should notify the Secretary in advance of any absence. A member unable to attend may cast a vote on each item before the Board by providing a written proxy statement to the Secretary in advance of the meeting.

Section 5. Manner of Voting. The voting on all questions coming before the Board shall be by majority, with the "Ayes" and "Nays" recorded in the minutes of the meetings.

## ARTICLE IV – AMENDMENTS

Amendments to the Bylaws. The Bylaws of the Revolving Loan Fund Advisory Board shall be amended only with approval of at least a majority of the Board at a regular or special meeting, but no such amendment shall be adopted unless at least three (3) days written notice thereof has been previously given to all Board members. All Bylaw changes must also be approved by the Town of Pocahontas Town Council before they are adopted.

## ARTICLE V – PARLIAMENTARY PROCEDURE

Parliamentary Procedure. Robert's Rules of Order shall govern the conduct and procedures at all meetings of the Revolving Loan Fund Advisory Board.

AS OF 4-18 \_\_\_\_\_, 2011

# REVOLVING LOAN FUND