

Development Authority of Rabun County Revolving Loan Fund Overview

PURPOSE:

The purpose of the fund is to provide “gap financing” to County businesses to assist with their establishment, growth and/or expansion. Gap financing is defined as the difference between the total project cost, the owner’s/partner’s contribution and what has been borrowed from a lending institution (bank). The Revolving Loan Fund (“RLF”) is not designed to fund 100% of the project cost but to supplement lending provided by commercial lenders. Verification of other financing/investment in the project will be required except on smaller projects which will be considered on a case by case basis.

Economic development activities funded through the RLF program are intended to meet the following objectives:

- 1) To encourage the creation and retention of permanent jobs which provide a wage appropriate to the skills and experience of the local labor force.
- 2) To encourage the leveraging of new private investment in the County in the form of fixed asset and working capital investments.
- 3) To perpetuate a positive and proactive business climate that encourages the retention and expansion of existing businesses and helps to attract desirable new businesses.
- 4) To lend monies at interest rates and loan maturities that encourage business development and facilitates reinvestment in the County while providing for the recapitalization and growth of the RLF.

TERMS AND CONDITIONS:

Loan terms and conditions shall be structured on the basis of need and ability to repay. Minimum standards include the following:

- 1) Loan Amount. The amount of funds available for any single business enterprise shall range from a minimum of \$5,000 to a maximum of \$50,000. Requests for loan amounts in excess of \$50,000 will be negotiated on a case-by-case basis.
- 2) Interest Rate. The interest rate on each loan shall be a minimum of 5.75% with an optimal rate of Wall Street Journal Prime minus 1%. The minimum rate is subject to change at any time. Exceptions can be made if specific cases warrant them.
- 3) Loan Term. Standard terms for RLF loans shall be as follows: a) Machinery, equipment, and fixtures-2 to 7 years; b) buildings and land-5 to 10 years; and c) working capital-1 to 5 years. Amortization periods that exceed the loan term may be provided where appropriate.

- 4) Repayment. Deferral of principal payments may be provided for a maximum period of two years from the date of the first disbursement of RLF funds or one-half of the loan term, whichever is less. Interest only payments during this period shall be required.
- 5) Prepayment. There are no prepayment penalties.
- 6) Collateral. Collateral requirements shall be determined on an individual basis by the DARC and may include: deeds to secure debt on land and building; liens on fixed and major movable equipment; liens on accounts receivable and inventory; liens on the corporate assets of affiliated businesses, when appropriate; and key-person life insurance coverage naming the DARC as a beneficiary, with a declining balance equal to the outstanding loan balance, when appropriate. This collateral may be subordinated to private sector financial institutions participating in the project, if required.

Unlimited personal guarantees from the principals of the business who have 20 percent ownership or more shall be required. Limited personal guarantees for the owners of the business who have less than 20 percent ownership may be required, where appropriate. In addition, junior liens on personal property may be required on projects with limited collateral.

- 7) Insurance requirements. Businesses receiving loans for fixed assets shall be required to obtain property-casualty insurance for the appraised value of the property being financed, businesses receiving construction loans shall be required to have builder's risk insurance for the amount of the debt financing attendant to the project, and businesses purchasing real estate shall be required to have lender's title insurance for the amount of RLF real estate financing attendant to the project. DARC shall be listed as an additional insured on all property casualty and builder' risk insurance policies.
- 8) Loan Application Fee. The DARC shall require a loan application fee in the amount of \$150. The fee must accompany the application and is non-refundable.
- 9) Loan Origination Fee. The DARC shall require a loan origination fee of \$250.
- 10) Closing Costs. The DARC shall require the borrower to pay at least 50% of the legal fees and costs incurred to close the loan. The remaining portion of the closing costs can be added to the principal of the loan.

ELIGIBLE APPLICANTS:

- 1) Applications may be submitted by the authorized representative of any business wishing to establish a new operation or expand an existing operation in Rabun County.
- 2) Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability, sexual orientation or national origin.

INELIGIBLE APPLICANTS:

RLF loans shall not be available for the following businesses: 1) speculative investment companies; 2) real estate investment companies; 3) lending institutions; 4) gambling operations; 5) illegal immigrants 6) retail businesses. Retail businesses do not exclude shopping center developments, but only loans to individual retail business operations. Retail businesses may be considered pending a review of jobs created, collateral, & repayment ability.

RLF loans shall be provided to eligible applicants for the following activities:

- 1) The acquisition of land, building, and/or fixed or major movable equipment.
- 2) Site preparation; the construction and/or reconstruction of buildings; the rehabilitation of building, including leasehold improvements and façade renovation for commercial and industrial buildings; and/or the installation of fixed equipment.
- 3) Clearing, demolition, and/or the removal of structures. 4) Working capital. 5) Buyouts by purchase of assets or stock.

INELIGIBLE ACTIVITIES:

RLF loans shall not be available for the following activities:

- 1) Refinancing or consolidating existing debt.
- 2) Reimbursement for expenditures prior to loan approval.
- 3) Specialized equipment that is not essential to the business operation.
- 4) Residential building construction and/or reconstruction (unless such reconstruction is intended to convert the building to a business use).
- 5) Routine maintenance.
- 6) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services.
- 7) Other activities that the DARC may identify as inappropriate for the RLF program.

COST PER JOB:

A minimum of one full-time equivalent (FTE) job shall be created and/or retained for each \$20,000 of RLF funds requested. Loan amounts under \$20,000 shall require at least one FTE to be created and/or retained.

PROJECT COMPLETION:

All projects shall be completed, all funds expended, and all jobs created and/or retained within 24 months from the of the RLF loan approval. All jobs shall be maintained for a minimum of 12 months.

DARC RLF SUPPORTING DOCUMENTATION FOR ALL APPLICANTS:

Note: Items underlined are usually critical for most projects. Other documentation may not

be applicable or will be required prior to disbursement of DARC RLF funds. A DARC representative is available to discuss what particular supporting documentation would be needed in individual cases. DARC reserves the right to request other information.

GENERAL PROJECT INFORMATION:

- 1) Synopsis of Project – Indicate: who will be the primary borrower (s) of the DARC RLF financing and who will develop the project; what the DARC RLF proceeds will be used for and the amount of financing needed to implement the total project; where the project will take place; and when the project will be implemented.
- 2) Feasibility/ Marketing Analysis and Plan- Existing plans relevant to the project should be provided. Relevant information could include any market or feasibility studies and various analyses that examine trade areas, tenant mix, over/under supply mixes in specific markets, etc.
- 3) Resumes of the principals involved in day-to-day management of the project.
- 4) Plans, Specifications, Rendering and Architectural Drawings.
- 5) Property Management Plan (for real estate projects) that outlines a plan for the renting and merchandising of space in the facility, the operation and maintenance of the facility and what party will be responsible for the financial and day-to-day management of the property.

FINANCIAL AND COMPANY INFORMATION:

- 1) Personal Financial Statement current within 60 days for each proprietor, partner or stockholder with 20% or more ownership of the project. A standard form from a commercial bank may be used.
- 2) Personal tax returns for the previous two years for each proprietor, partner or stockholder with 20% or more ownership of the project.
- 3) A Schedule of debts which includes the original date and amount, monthly payment, interest rate, present balance owed, maturity, to whom payable, and collateral securing any short-term and long-term loans that the project business or the developer (s) currently have outstanding or have planned for the next 12 months. Please indicate whether each loan is current or delinquent.
- 4) The names of affiliated (through ownership or management control) and subsidiary businesses. DARC may require financial statements be provided.
- 5) A copy of existing or proposed lease agreement(s).

- 6) Corporate tax returns for the previous two years for the existing business that is the underlying DARC RLF borrower.
- 7) Company financial statements for the previous three years for the existing business that is the underlying DARC RLF borrower as well as interim financial statements within 60 days of the application.
- 8) A year-end pro-forma balance sheet and income statement for the first two years of the business that is the DARC RLF borrower with a written explanation of assumptions.
- 9) A monthly cash flow analysis for the first 12 months of operation or for three months beyond the breakeven point (whichever is longer) together with a written explanation of assumptions for any new business that is the DARC RLF borrower.
- 10) Anything deemed necessary by the DARC.

SUPPORTING COST DOCUMENTATION, SITE CONTROL, ETC.

- 1) A copy of key cost documents such as real estate purchase agreements, contractor cost estimates, vendor quotes for machinery and equipment, etc.
- 2) Purchase Option, Sales Agreement, or Warranty Deed for any real estate needed to undertake the project.
- 3) Financial Commitment Letter(s) from participating financial institution(s) and public agencies. The letter(s) should indicate the amount, rate, term, and contingencies associated with the financing, and the reasons why it wishes assistance in the financing of the project.
- 4) Commitment Letter(s) from participating business(es) or tenants. The letter(s) should indicate the number of full-time jobs to be created and/or retained and the amounts of any private investment that will occur as a result of the project.
- 5) List of Available Collateral with prior liens noted.
- 6) If the business is a franchise, include a copy of the Franchise Agreement and the Franchisor's Disclosure Statements that is required by the Federal Trade Commission.

PROJECT DESCRIPTION:

Describe your project. Provide sufficient detail for a clear understanding of the entire project, including the interested parties and their names. Please indicate: what activities the DARC RLF proceeds will be used for; where the project will take place (please give an exact address); and the status of the project and its implementation schedule.

SOURCES AND USES Indicate the amount of DARC RLF financing requested and show how the proposed sources and uses will be allocated. Show the other financing sources and the related dollar amounts. Also show the purpose(s) for which the funds will be used, and in what amounts.

Be sure to identify the amount of equity in the project. **Note that the DARC RLF generally requires an owner's equity injection and commercial financing in order for the project to be eligible and competitive.**

USE OF FUNDS		SOURCE OF FUNDS	
Use	Amount	Lender/Equity Investor	Amount
Land	\$		\$
Building			
Construction	\$		\$
Rehabilitation	\$		\$
Furniture, Fixtures & Equipment	\$		\$
Working Capital	\$		\$
Infrastructure	\$		\$
Other	\$		\$
Total Costs =	\$	Total Sources =	\$

Note: "Total Costs" must equal "Total Sources"