

Northampton County Revolving Loan

Program Overview

The Northampton County Revolving Loan Program is an alternative lending source to support private businesses in the creation of new employment opportunities and the retention of existing jobs within the County. We don't compete with traditional lenders, but are able to offer up to 50% of the total request of the loan in conjunction with bank and other lending sources. The program is designed to fill a specific financing gap in enabling private business development to occur within the County that otherwise would not occur, or that would experience hardship without loan assistance from the RLF Program. Subject to the availability of funds, participation in the RLF program is open to any individual meeting the program requirements and the underwriting standards established by the County.

Prospective program participants are encouraged to read the RLF Program guideline document following this cover page; develop a complete business plan including a pro forma; secure personal tax returns for the most recent two (2) years [and; if applicable, business tax returns for the most recent two and financial statements for the most recent ninety (90) days]; and contact the Northampton County Economic Development Commission at the address shown below for further information.

Please also see the attached checklist of documents needed to apply for a small business loan.

Northampton County Economic Development Commission
9495 NC 305 N.
Post Office Box 685
Jackson, North Carolina 27845

Telephone:252-534-1092

CHECKLIST OF BASIC ITEMS NEEDED TO APPLY FOR A SMALL BUSINESS LOAN

1. Basic Business Plan for new and existing business including the following:*
 - Business Concept, Products and/or Services
 - Owners and Key Management Personnel
 - Market Analysis and Summary
 - Opportunities and Assumptions
 - Challenges and Risks
 - Goals and Objectives
 - Financial Plans and Pro Forma
2. Personal Tax Returns for most recent 2 years
3. Business Tax Return for most recent 2 years for existing business
4. Current year financial statements within the last 90 days for existing business
5. Projected monthly, two-year, cash flow statement for new and existing businesses
6. Business notes payable and receivable for existing business
7. Resume of key management and owners
8. Copy of most current personal credit report (available on-line)
9. List of assets to be used for collateral to secure the loan
10. Commitment letter for funding from a bank if available
11. Commitment letter from the borrower of personal financial contribution to the business

Note: For loans involving the acquisition of an existing business, please try to get the previous owner to share their financial information documenting performance of the business (monthly cash flow charts and profit and loss statements). Two to three years of records will be of great help in evaluating the potential success or failure of the venture.

*The North Carolina Community College's Small Business Centers provide a valuable source of information and assistance in developing a good business plan which is essential in securing financing.

Jerry Edmonds III is the Small Business Center Director at Halifax Community College and can be reached at 252-536-7274, jedmonds080@halifaxcc.edu

Dan Joyner is the Small Business Center Director at Roanoke-Chowan Community College and can be reached at 252-862-1279, wjjoyner4307@roanokechowan.edu

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COUNTY OF NORTHAMPTON
ECONOMIC DEVELOPMENT
REVOLVING LOAN FUND PROGRAM

The Board of Commissioners of Northampton County, North Carolina (“Board of Commissioners”), hereby establish a Revolving Loan Fund Program (“RLF” or “RLF Program”) in accordance with the provisions of Section 153A-376 of the North Carolina General Statutes, which authorizes Northampton County, North Carolina (“County”) to engage in, to accept Federal and State grants and loans for, and to appropriate and expend funds for community development programs and activities.

SECTION 1 – PURPOSE:

The purposes of the RLF Program are as follows:

- (A) The creation of new job opportunities and the retention of existing jobs within the County for persons of low and moderate income;
- (B) To further new business development and expansion of existing businesses within the County; and
- (C) To enable private business development to occur within the County that would not occur or that would experience hardship without loan assistance from the RLF Program.

Applicants and projects must meet the purpose of Subsection A above and at least one, but not necessarily both, of the other purposes above in order for the applicant/project to qualify for consideration for participation in the RLF Program.

The RLF Program shall be administered by the County Finance Department with support provided by the County Economic Development Commission.

SECTION 2 – RLF REVENUES:

The RLF shall be funded from grant funds received for the purpose of establishing, sustaining and expanding a revolving loan fund, from interest earned on unspent RLF money, and other sources as may be identified and approved by the Board of Commissioners. No loan may be made unless there exist sufficient funds in the RLF Program to fund the loan.

SECTION 3 – ELIGIBLE APPLICANTS:

All RLF funded activities must be eligible activities permitted under Title I of the Housing and Community Development Act of 1974, as amended. The minimum Standards of Eligibility are listed below. The meeting of these standards will enable the business to apply but in no way is this a guarantee of a loan from the program. Where there exists competition for funds, loan(s) will be selected according to the selection criteria. Also, all loan applicants must satisfy the credit underwriting criteria. All loans are subject to review and approval by the Board of Commissioners. The County is not obligated to make any particular loan. Since no policy can be written to cover any unforeseen circumstances, the Board of Commissioners reserve the right to reject any loan for any reason whatsoever, regardless of meeting any or all criteria listed herein, so long as the rejection is consistent with U.S. Department of Housing and Urban Development (“HUD”) regulations and other laws.

The minimum requirements to be an eligible RLF Program applicant are as follows:

- (A) The project must be located within the County.
- (B) The project must be a private development project creating and/or retaining at least three (3) new permanent full-time jobs. Temporary jobs (e.g., construction) shall not qualify. All references in this policy to jobs created or retained shall mean permanent full-time jobs. A full-time job means a job employing an individual at the rate of thirty (30) hours or more per week or consecutive seven (7) day period.

(C) At least 51% of the new permanent jobs created or existing jobs retained by the project must be provided to low and moderate income persons. A low and moderate income person is defined as a person who is a member of a family whose total gross income does not exceed 80% of the median family income for the respective family size as established from time to time for the County and as published by HUD.. The date when the person's income is determined is the date when the person submits an application for employment. (In the case of job retention projects, income shall be the gross income of families to which employees belong at the time of the RLF application.) A family is defined as one or more related persons living in the same household. Documentation of income shall be accomplished by a survey of employees to be completed by the employee(s) without requiring earnings and/or income tax records or other evidence.

(D) Job retention projects will only be considered if an applicant clearly demonstrates that jobs will be lost without participation in the RLF Program and the applicant has set a schedule for layoffs. However, for projects involving the expansion of an existing business, the number of existing full-time jobs may be combined with the number of new jobs to be created in determining the amount of RLF funds for which an applicant may be eligible.

(E) The amount of RLF loan requested must be reasonable and shall account for no more than 50% of total project capital costs unless the loan is made to in whole or part to restructure owner equity to be reinvested as working capital in a project. In such instances, RLF loans may not exceed 50% of the owner's equity in the real property securing the loan.

- (F) The project must be in conformance with local, state and federal laws. The applicant should be able to demonstrate that all required permits can be obtained (e.g., compliance with zoning ordinance and building codes).
- (G) The applicant must be a corporation in good standing and eligible to do business in the State of North Carolina, a partnership of the same qualifications or a sole proprietorship. The applicant and the beneficiary recipient of the award may be related business entities and have subsidiary, fiduciary (holding-company), reporting and/or other financial relationships that may individually or mutually guarantee and secure the performance of another related business entity as a part of this RLF Program.
- (H) Loans may be made for buildings (and improvements thereto) or capital equipment and related development and operational costs. Loans may be made to restructure owner equity to be reinvested as working capital in a project. In such instances, RLF loans may not exceed 50% of the owner's equity in the real property securing the loan.
- (I) RLF loans may not be used for refinancing existing commercial debt (loans) and may not be made for development of commercial property to be leased except as the lease may be between related business entities as described in Part G, above.
- (J) RLF loans must meet minimum thresholds of one (1) job created/retained per \$10,000 in RLF loans.
- (K) RFL loans must satisfactorily meet the credit underwriting standards described herein.
- (L) The applicant must submit evidence that private sources will provide the funds necessary for the project (private loan(s), equity, etc.) to fund the portion of the project cost not funded by the RLF loan. Firm letters of commitment are required.

SECTION 4 – LOAN EVALUATION AND SELECTION/APPROVAL CRITERIA:

Each loan shall be evaluated by the Board of Commissioners according to the criteria below. When two or more loans are competing for the same available funds, the one which better satisfies the criteria, in the sole discretion of the Board of Commissioners, shall be selected. The County, however, is not obligated to select or make any particular loan. Weight of each criterion shall be determined by the points assigned to each category. The maximum number of points is 120 (not counting bonus points). In cases where there is only one applicant the loan will be evaluated by the same criteria. Approval of applications with less than 65 points is discouraged. The criteria are as follows:

- (A) The applicant's equity is equal to or exceeds the amount of the RLF loan; or the RLF loan is 25% or less of the total amount of total project financing required (20 points).
- (B) The amount of the RLF loan is 50% or less of the value of the real property securing the loan (20 points).
- (C) The total number of full time permanent jobs created or retained (5 – 20 points):
 - (1) 3-5 jobs (5 points);
 - (2) 6-10 jobs (10 points);
 - (3) 11-20 jobs (15 points);
 - (4) More than 20 jobs (20 points plus 1 bonus point for each 3 additional jobs up to 50).
- (D) The applicant is an existing business in the County with 3 or more employees and the project will result in the creation of 3 or more new full-time jobs (10 points).
- (E) The applicant's current business financial information demonstrates a positive cash-flow and the ability to service the loan through current income/revenue (15 points).

(F) Benefit to Low and Moderate Income - The percent of new jobs being created or existing jobs retained are for persons of low and moderate income (3 – 10 points):

- (1) 51% to 55% (3 points);
- (2) 56% to 63% (6 points);
- (3) 64% & greater (10 points).

(G) The average wages for new jobs being created or existing jobs retained equal or exceed the County's average weekly wage (all industries) for the previous year as published by the State of North Carolina (15 points).

(H) The project will result in the re-use of an existing building located in the County that has been vacant for the previous six (6) months; or results in the re-use of an existing industrial brown-field property (10 points).

SECTION 5 – CREDIT UNDERWRITING STANDARDS:

No loan shall be made unless the Board of Commissioners determines that the project and the owner(s) are acceptable credit risks. Customary loan underwriting practices shall be used. However, it is understood that projects applying under this program, by virtue of being appropriate for the RLF program, may not be appropriate for financing to the extent needed by private sources. For this reason underwriting practices for the RLF Program may differ somewhat from bank lending practices. For example, a bank may only provide 70% financing for a particular type of project. The fact that the applicant needs an additional 20% financing from the RLF Program may not preclude a RLF loan being made.

Upon request, the applicant shall submit documentation in support of the following minimum criteria to be used by the Board of Commissioners in determining the soundness of a loan:

- (A) Credit report of the company and related business entities (and/or owners/officers as appropriate).

- (B) Experience and past performance of the company (and/or owners/officers as appropriate) related to the project.
- (C) Project Pro-forma (showing project's loan debt service as proposed in the application).
- (D) Security for the loan.
- (E) Financial statements of the application and related business entities, if any, if party to the RLF loan application.
- (F) Whether or not there is any public benefit in the project.
- (G) Any other criteria the Board of Commissioners, in its sole discretion, deems to be relevant.

SECTION 6 – SECURITY FOR LOANS:

All loans will be secured by a Note and Deed of Trust on real property with the County listed as lien holder. In addition, if the loan is for capital equipment a security agreement and UCC Financing Statement shall also be filed. Documents shall be properly recorded. The County will be furnished with a proper Title Opinion. In addition, the County will be furnished with ALTA, Builder's All Risk, Flood Insurance and Hazard Insurance Certificates, if applicable, in favor of the County as lien holder. The County's lien may be subordinated to a private commercial loan made for the project. Any agreement to subordinate the County's lien shall be determined by the Board of Commissioners in its sole discretion and on a case-by-case basis.

SECTION 7 – LOAN FEE:

To recover part of the cost of the County of processing a loan the applicant will reimburse the County for any accounting expenses or legal fees incurred during the closing of the loan. These expenses may also be financed under the RLF loan. The County will not charge

a loan application fee. The accounting and legal fees will be documented in the County's record keeping procedure.

SECTION 8 – TERMS:

Due to the nature of the RLF Program, flexible loan terms are permitted to the degree needed by the project. Quarterly level payments of principal and interest on the unpaid balance beginning with the first quarter of the loan term and ending with the last quarter shall be considered the norm. Any deviation from the norm shall be justified by the applicant through the project pro-forma and other supporting documentation. The normal interest rate shall be the prime rate as defined herein and variable, if private loan is variable, fixed if private loan is fixed. There shall be no penalty for prepayment of the RLF loan principal and/or interest, in whole or part. Any deviation from these standards must be similarly justified. In order to have an adequate turn around on loan funds the following minimum criteria shall be followed except as noted below:

- (A) No loan shall be made for less than 50% of the prime rate.
- (B) Principal and interest payments shall not be deferred for a period greater than three (3) months.
- (C) Payments shall be made on or before the fifteenth (15th) day of the last month of each annual quarter. A grace period of seven (7) days may be permitted for receipt of payments. Upon failure to make payment beginning the eighth (8th) day the RLF loan the RLF recipient shall be determined to be in default of the RLF loan, and the whole of the balance of principal and interest due shall be determined to be immediately callable, unless other payment terms have been negotiated with and approved in writing by the County Finance Director.
- (D) Maximum term shall be five (5) years.

(E) Payments, noting the purpose of the payment, shall be made to:

Northampton County

Attn: Finance Director

Post Office Box 663

Jackson, NC 27845

SECTION 9 – LOAN APPLICATION PROCESSING:

Loan applications will be accepted at any time during normal County business hours; however, loan applications must be submitted at least twenty-one (21) days prior to the Board of Commissioners meeting at which the application is scheduled to be considered for approval. Grossly incomplete applications will not be accepted. If an application lacks some minor documentation it may be accepted; however, the applicant will have seven (7) days to supply the additional required application documentation. Otherwise, consideration of the application will be delayed for consideration at the next Board of Commissioners meeting at which consideration of the application can be scheduled. The County will have up to seven (7) days after receipt of the package to determine its completeness. Notwithstanding the above, the County reserves the right to delay consideration of any loan application for up to thirty (30) days for any reasons deemed by the County, at its sole discretion, to be in the best interest of the County. Approval or denial may occur at any regular or special meeting of the Board of Commissioners; however, no approval/denial shall occur without the Board of Commissioners first holding a public hearing. The hearing shall be advertised at least once, the notice appearing in a newspaper having general circulation in the County and appearing at least seven (7) but not more than twenty-five (25) days before the date set for the hearing. A loan application package shall consist of a completed loan application, supporting documentation, any other documentation the County may determine to be necessary to satisfy the requirements and objective of the RLF Program.

The Board of Commissioners reserves the right to negotiate the interest rate and other loan terms if it deems it in its interest to do so to secure terms more favorable to the County.

The County Attorney shall coordinate the closing of each loan. The County Attorney shall review and/or prepare all loan documents prior to closing.

Loan Documents:

At or before closing, the following executed documents will be required for each loan:

- (A) Completed loan application and supporting documentation;
- (B) Documentation of the Board of Commissioners' approval of loan;
- (C) Evidence that other funds needed to complete the project, if any, have been provided and are currently available for project use;
- (D) Evidence that all state and local permits have been obtained;
- (E) Executed loan agreement between County and borrower (employment criteria, job created, LMI jobs created, and private investment commitments will be included in loan agreement) together with an amortization and payment schedule;
- (F) Promissory Note;
- (G) Deed of Trust;
- (H) Security agreement, UCC Financing Statement (if appropriate);
- (I) Evidence that the borrower's officials and the County officials are authorized to execute the documents identified in Subparagraphs (E), (F), (G) and (H) above; and
- (J) Any other documents the County may deem appropriate in its sole discretion.

SECTION 10 – TECHNICAL ASSISTANCE:

The County may provide technical assistance to applicants and those interested in the RLF Program to further the purposes of the program, to determine that interested applicants are appropriate for the program, to market the program, and to assist applicants in completion of application and supporting documentation. This assistance will be provided by County staff and/or other County resources which will be available to any and all applicants if needed.

SECTION 11 – PROGRAM MARKETING:

The RLF Program will be marketed through the following mechanisms:

- (A) Notification to and individual contact with existing businesses in the County;
- (B) Other means as the County may deem appropriate.

SECTION 13 – PUBLIC INSPECTIONS:

All procedures for making loans and the contents of the RLF Program will be available for inspection at the Northampton County Manager's Office. A public hearing on this program will be held prior to final approval. The public will be notified of the RLF Program and availability of funds.

SECTION 14 – USE OF FUNDS:

The use of RLF funds shall be listed to the making of loans to private for profit business undertakings for capital investments in accordance with this policy, for closing costs not paid by applicants, and for annual payment to the County for the cost of administration of the RLF Program.

SECTION 15 – MINIMUM ACTIVITY AND ALTERNATIVE USE OF RLF FUNDS FOR ECONOMIC DEVELOPMENT:

The RLF Program is subject to withdrawal by the County if minimum activity does not occur. Minimum activity shall be determined by the Board of Commissioners at its sole discretion.

The County will, at its sole discretion, use funds in the RLF Program for public improvements that are necessary for a particular economic development project (e.g., water/sewer extensions to industrial plant). The improvements must be tied to the project and of capacity reasonably necessary for the project. The County will fund any difference in costs for which are improvements desired by the County but are over the capacity reasonably necessary for the project. There must exist a firm contractual commitment that a jobs-producing project will take place. The project must generate new jobs of which at least 51% will be low and moderate persons (to be included in contractual commitment). No more than \$10,000 in RLF funds will be spent on such project per new job created. Improvements serving vacant industrial land or vacant building for purely speculative purposes will not be funded.

Prior to approving a project under this Section, the Board of Commissioners shall make the following findings and such findings shall be appropriately documented:

- (A) The project meets the intent and satisfies the requirements of this section;
- (B) The developer of the project cannot finance the needed facilities;
- (C) There are no other local funding resources to finance the project;

(D) There are no other practicable alternatives to the project (e.g., onsite treatment of sewage); and

(E) Information provided to the County demonstrates that the project will not/cannot take place within the County.

Prior to making decision to withdraw monies from the RLF Program, the County will undertake the following actions:

(A) The general public will be notified by newspaper ads, posted notice in public places, etc.; and,

(B) A public hearing will be scheduled and held to give public opportunity to have input into the program and the proposed withdrawal.

SECTION 16 – MONITORING OF DEVELOPMENT PROJECTS:

All RLF projects and loans will be monitored regularly by the County. During construction and initial hiring phases, the participant will submit quarterly reports on expenditures, project progress, and employment (LMI, Minorities, Females, etc.). After construction and initial hiring is completed, annual reports will be required. RLF recipients are required to submit to the County copies of the company's NCUI 101 reports on a quarterly basis, within forty-five (45) days of the end of the reporting quarter. All hiring requirements shall be made a part of the loan agreement. Failure to hire at least 51% LMI will result in calling in the note if the deficiency is not remedied. The person initially hired for each job created shall be used in determining whether hiring goals have been/are being met. Failure to submit NCUI 101 reports as required shall result in the loan being declared to be in default and the calling of the note.

SECTION 17 – DISBURSEMENTS:

For loans involving construction of facilities or structures, disbursements of RLF funds to participants shall be on the same basis as the leveraging ratio not including working capital. Funds will be placed in an escrow account at closing. Failure of the participant to invest private funds according to the participant's original RLF loan commitment will result in a reduction in the RLF loan commensurate with the leveraging ratio. Evidence of expenditures having been made or invoices due shall be required before any disbursement of RLF loan funds. For loans made for the purpose of acquisition of real property, capital equipment and or restructuring owner equity, RLF funds may be disbursed lump sum to participants as long as that disbursement is secured pursuant to Section 6 and other provisions of this document shown above. Failure of the participant to invest private funds according to the participant's original RLF loan commitment will result in a reduction in the RLF loan commensurate with the leveraging ratio. No interest shall be charged of participants of funds placed in escrow; however, all interest earned by the escrow account shall revert to the County's RLF Program.

SECTION 18 – AMENDMENTS:

The RLF Program policy set forth herein may be amended by the County from time to time. The following procedures will be followed for amendments:

- (A) Public notice of public hearing and nature of amendment;
- (B) Public hearing on amendment; and
- (C) Adoption of amendment.

SECTION 19 – ADOPTION:

ADOPTED AS AMENDED THIS THE 16TH DAY OF FEBRUARY 2015, BY THE NORTHAMPTON COUNTY BOARD OF COMMISSIONERS.

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