

RESOLUTION NO. 2776

A RESOLUTION OF THE CITY OF SALISBURY, MARYLAND ADOPTING REVISED GUIDELINES FOR THE DOWNTOWN REVOLVING LOAN FUND

WHEREAS the Mayor and City Council of the City of Salisbury have established a Revolving Loan fund to aid in the revitalization of the Downtown area; and

WHEREAS the Mayor and City Council have determined that the guidelines for this fund should be revised to increase the effectiveness of this fund; and

WHEREAS, the responsibility of the program will be shifted to the Office of Business Development; and

WHEREAS, the name of the reviewing committee is being updated from the Banker's Review Committee to the Revolving Loan Advisory Committee; and

WHEREAS, the Salisbury City Council desires to allow existing businesses to apply for Revolving Loan Funds; and

WHEREAS, the Salisbury City Council desires to remove the requirement that the loan be limited to only 1/3 of the project cost; and

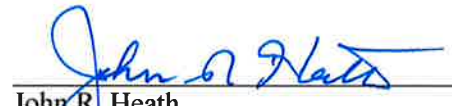
WHEREAS, the Salisbury City Council desires to increase the limit of the loan from \$50,000 to \$100,000.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Salisbury, Maryland hereby adopts the attached revised guidelines for the City's Downtown Revolving Loan Fund.

The above Resolution was introduced, read, and passed at the regular meeting of the Salisbury City Council on the 25th day of September, 2017.



Kimberly R. Nichols
CITY CLERK



John R. Heath
PRESIDENT, City Council

APPROVED by me this
28 day of SEPTEMBER 2017.



Jacob R. Day
MAYOR, City of Salisbury



To: Laura Kordzikowski, Business Development
From: City Council
Subject: Revolving Loan
Date: 8/8/17

At the direction of Mayor Day, the Office of Business Development has been looking for ways to make the City's Revolving Loan program more flexible so that we might see more utilization in the future.

The program is currently marketed by the Director of Business Development, who has seen several interested parties during her tenure. Unfortunately, those interested have generally decided to pursue other avenues for financing, despite the attractive interest rate offered by the program. The reasons given for utilizing other programs primarily boil down to:

1. Under the Revolving Loan program, borrowers can only borrow up to 1/3 of the project costs or \$50,000, whichever is less. This straps borrowers with having to find other sources of financing to cover the other 2/3
2. Need for quick capital, presently applicants must pull together the application and submit it to the Director of Business Development to check for completeness. Once complete, the Revolving Loan Committee must meet to review the application and form a recommendation to Council. The application goes in front of City Council Work Session and Legislative Session to be voted on and then the City Legal team drafts up the loan settlement paperwork.

To make the program more lucrative, we are proposing the following changes to the guidelines that would allow Revolving Loan applicants to borrow up to \$50,000 without any 1/3 restriction. Revisions to the previous 2010 guidelines are included in this package.

The Office of Business Development has cleared the changes in our guidelines with HUD (these funds were originally provided by HUD for a bulkheading project in the early 1980s and then transitioned over to a Revolving Loan portfolio with their blessing).



CITY OF SALISBURY DOWNTOWN REVOLVING LOAN FUND PROGRAM GUIDELINES

PURPOSE

The purpose of the City of Salisbury Revolving Loan Fund is to ultimately aid in the revitalization of the Downtown area by fostering growth of new businesses and assisting expanding businesses. Its objectives are to improve the physical appearance of both the interiors and exteriors of commercial and mixed use buildings, increase the City's tax base, and provide needed goods and services to local residents. The program will also help preserve historically architecturally significant structures and address safety issues by eliminating code deficiencies. Areas being served in the Downtown area for purposes of this program will include the area **shown on the attached map.**

ADMINISTRATIVE RESPONSIBILITIES

The City of Salisbury will administer the revolving loan program with loan servicing being provided through M&T Bank. Applicable administrative costs will be charged to the Revolving Loan Fund.

PROGRAM MARKETING

The City of Salisbury will develop a marketing brochure which explains the loan's purpose and procedure. The brochures will be available at the Downtown Salisbury Visitor Center and on the City's websites.

REVOLVING LOAN ADVISORY COMMITTEE

The Revolving Loan Advisory Committee will review applications in the order in which they are received. A personal interview may be required at the discretion of the Revolving Loan Advisory Committee.

The Advisory Committee will make a written recommendation regarding: conformity to program guidelines; contribution to Downtown development; the soundness of the loan; the credit worthiness of the applicant according to generally accepted standards in the financial service industry; the amount of the loan; and the terms of the loan.

All applications will be submitted to the City Council for final approval. A majority vote of the Council members present and voting, provided there is a quorum, will be required in order to approve a particular application.

It is the goal of this program to take action upon each application within 45 days after receipt of all required information. Once the available funds have been loaned, applications will be held on file without evaluation and the applicants will be so notified.

The Revolving Loan Advisory Committee will be composed of four people who are employed by Banks having local offices in the City and who have commercial lending experience. The Director of Business Development shall also serve on the committee. The Revolving Loan Advisory Committee members will be appointed by the Mayor with the advice and consent of the City Council and shall serve four year terms. A quorum must be present in order for the Revolving Loan Advisory Committee to conduct business. Advisory non-voting members may be added at the discretion of the Mayor.

FORMS AND INFORMATION NEEDED

The City will develop a standard form to be completed by all applicants. This form and supporting information will be detailed enough to permit the City to make a sound judgment regarding the feasibility of various loans. This package will be similar to that used by local commercial lending institutions. Forms may be obtained by mail from the Director of Business Development, City of Salisbury, 110 N. Division Street, Salisbury, MD 21801 or by telephone at (410) 677-1916. Applications may also be obtained on the City's website at www.salisbury.md.

APPLICATION SUBMITTAL

All applications that are submitted will be first reviewed for completeness by the Director of Business Development before being reviewed by the Revolving Loan Advisory Committee. Applications will not be considered to be complete and ready for action until the complete application form and all required attachments are submitted. Required attachments include: a start-up business plan with three years' pro forma projections; personal and company income tax returns for the past two years; a personal financial statement of all business owners; company financial statement, if applicable; a conceptual design illustration; a project timeline; three written estimates of probable costs; and, evidence that the Historic District Commission has approved the concept plan. Existing businesses may substitute an expansion plan with three years' pro forma projections in place of the start-up business plan. Applicants whose applications are denied will be notified in writing.

ELIGIBLE APPLICANTS

A loan may be provided to a qualified property owner or, with the written approval of the property owner, a qualified commercial tenant.

ELIGIBLE ACTIVITIES

Loan funds may be used for professional engineering and architectural assistance, renovation of exteriors and interiors of buildings and the purchase or renovation of equipment or machinery in the target area.

INELIGIBLE ACTIVITIES

Loan funds may not be used for start up costs, working capital, refinancing fees, access streets and roads, parking areas, utility and service extensions or those activities which would not be permitted by local ordinances, or activities inconsistent with the historic district commission guidelines.

PRIORITY

Priority will be given to those applicants who will provide additional jobs, provide needed goods and services to the community, or generate additional tax revenues.

LOAN SERVICING

Actual loan servicing will be provided through M&T Bank. The City Attorney will conduct the settlement of the mortgage. All loan installment payments shall be due on the same day of the month to provide for ease of administration.

FEES & EXPENSES

The Borrower will pay all direct expenses involving the closing of the loan, such as legal fees, recordation fees, appraisals, etc.

TERMS OF LOAN

The City Council reserves the right to evaluate each case on its own merits, and to maintain some flexibility in loan terms. This latitude is given in recognition of the fact that the purpose of the fund is to provide an incentive for businesses to locate or expand in downtown Salisbury.

The amount of the loan will be determined on a case by case basis, based on the nature of the project and on the amount of funds available. In all cases, individual loans will be limited to a maximum of \$100,000.

Interest rates will be set, as of the day of the loan approval, on the less than 10 year long term composite rate published daily by the U.S. Treasury plus 1% and will be fixed for the term of the loan.

The term of the loan will be 3, 5 or 7 years based on standard lending procedures and will be subject to the recommendations of the Revolving Loan Review Committee. Factors to be considered are the purpose of the loan, and the security provided by the loan. The Revolving Loan Review Committee will take into consideration that a greater public purpose will be served by expeditious repayment of the loans in order to lend the repaid funds to other qualified applicants.

Previous Revolving Loan applicants may apply for funds if their previous loan balance is paid off and/or they presently have a good repayment history.

DEFAULT

Upon occurrence of an Event of Default hereunder, the City of Salisbury, in its sole discretion, will provide written notification to the borrower of the default. If not cured within 30 days, the City may: (a) declare the entire outstanding principal amount, together with all accrued interest and all other sums due under this Note to be immediately due and payable, and the same shall thereupon become immediately due and payable without further presentment, demand or notice; (b) terminate any outstanding commitments of the City to the Borrower; (c) exercise its rights to confess judgment against the Borrower, and (d) exercise any and all rights, powers, and remedies provided for in the Loan Documents or now or hereafter existing at law, in equity, by statute or otherwise. The above is a synopsis of the default conditions that are included in the loan documents.

COLLATERAL & SECURITY

The Revolving Loan Review Committee will review the loan-to-value ratio of the applicant and consider projects that will be collateralized up to 100%, but not over. The City is willing to consider a subordinate position behind a traditional bank lender and shall also take liens on other assets owned by the applicant, whether the applicant is an owner or a tenant.

EQUAL OPPORTUNITY STATEMENT

All applications are considered without regard to race, color, religion, sex, national origin, age, marital status, or physical or mental disability (provided applicants have the ability to enter into a legal contract).

DISCLAIMERS

The City Council reserves the right to amend these regulations at any time. In the event that the City Council determines the purposes for which the loan has been created has been successfully accomplished or for any other reason it deems necessary, the City Council may close this revolving loan fund and use the funds for another governmental purpose.