

GUIDELINES FOR BUSINESS REINVESTMENT
LOW INTEREST LOAN PROGRAM

ADMINISTRATION AND FOR FURTHER INFORMATION:

City of Middletown
Department of Planning, Conservation and Development
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PART I: INTRODUCTION

The Business Reinvestment Low Interest Loan Program (REINVEST) was created in June, 1991 and is designed to aid in the revitalization of Middletown's economic base by providing loans from the City's Economic Development Fund to commercial property owners and/or tenants. The loans to be provided are for up to 50% of the construction costs, to a maximum of Twenty-Five Thousand Dollars (\$25,000) for the purpose of encouraging the establishment, improvement, and expansion of businesses, excluding professional offices, located within the City of Middletown.

A. PROGRAM GOAL

Loans for exterior and interior improvements are given with the goal of creating a more vibrant business community by attracting new and retaining existing businesses.

B. PROGRAM OBJECTIVES

To attract new quality businesses and assist with the expansion of existing businesses in the City of Middletown;
To preserve ground floors and other appropriate spaces for business enterprises;
To create a more attractive vibrant community;
To provide a better selection and more diverse economic environment for the citizens of Middletown;
To create new jobs; and
To stimulate the local economy through the utilization of local contractors and vendors.

C. PROGRAM DESCRIPTION

The REINVEST Program provides matching low interest loans to assist businesses and property owners with interior and exterior renovations. REINVEST is a reimbursement loan, which will be paid to the loan recipient only after all the work has been completed to the satisfaction of the Economic Development Committee and its staff, and after all contractors have been paid in full by the tenant and/or property owner. All arrangements with contractors are to be made directly by the tenant and/or owner.

The Program assumes that business and property owners will work together. Plans, including designs and materials must be approved by the Economic Development Committee and its staff prior to the start of work.

The loan recipient is required to match the loan funds on a 1:1 basis, ie: for every dollar of the loan, the owner and/or tenant must also expend one dollar on the loan-funded improvements.

The interest rate for all borrowers is 3% per year with a maximum term of five (5) years. A non-refundable application fee of \$100.00 is required upon submission of an application. The \$100.00 application fee will be utilized to pay the servicing bank for analyzing any loan which is not approved by the City, whether recommended by the servicing bank or not or to pay any loan fees (i.e. recording fees, UCC filings, etc.). If the application fee is not sufficient to cover all fees, the loan recipient will be responsible for any fee insufficiency. The loan recipient is not obligated to pay the servicing bank a fee for analyzing the loan.

Fee income will go directly into a fund, separate from the City's Business Reinvestment Loan Fund, which will be utilized only for the payment to the servicing bank or for the payment of such fees as stipulated above. Any profit earned from this fund will be returned to the Business Reinvestment Loan Fund for relending at the close of each fiscal year.

Low interest loans are available only to "target businesses" [see definition, Part III-D (1)]. In cases where the business or the property owner is financing both interior and exterior improvements, the Committee will consider appropriate allocations of loan funds. Hence, the loan funds may go to the business owner, the property owner, or a combination thereof.

PART II: ADMINISTRATION

A. GENERAL

REINVEST is a program of the City of Middletown. The Economic Development Committee, its staff and a participating financial institution will review applicant eligibility and make funding recommendations to the Common Council of the City of Middletown. The Common Council must approve the funding of all REINVEST applicants. Applications will be received on a first-come, first-served basis; however, all applications received within the allowed loan application submission period will be considered. Loan approval is solely at the discretion of the City, and is dependent upon availability of funds.

B. DESIGNATED PROGRAM AREA

The designated program area is defined as the geographic limits of the City of Middletown.

C. WAIVER OF POLICY

The policies and procedures set forth herein shall be implemented in a uniform and consistent manner. Any question concerning stated policies, procedures or request for waiver of same may be referred to the Economic Development Committee and the Common Council of the City of Middletown.

D. AMENDMENTS

The Economic Development Committee and the Common Council of the City of Middletown reserve the right to amend these regulations as necessary.

PART III: DESCRIPTION OF BUSINESS REINVEST LOAN

A. ELIGIBILITY REQUIREMENTS FOR PROPERTY

In order to be eligible, a property must:

1. be located in the City of Middletown;
2. be free of any major structural problems; and
3. have subject property meet current applicable fire, safety, building and health codes.

B. ELIGIBILITY REQUIREMENTS FOR APPLICANT

In order to be eligible for a loan, an applicant must:

1. Either operate or be opening a targeted business [see definition item III-D (1)] in the City of Middletown, or be the owner of record of the property in which the business will be operated;
2. If not the owner, have a signed lease on the applicant property for a minimum of three (3) years. The owner of a vacant property must file an application for a loan, which may be approved contingent to the signing of a lease with a tenant. In exceptional cases, the Economic Development Committee may vote to approve payment of the loan, prior to location of a tenant, if it is deemed necessary in order to make the property leasable;
3. Receive all necessary State permits and permits for the business or property including local approvals needed for work to be done; and
4. Do business in a property meeting all criteria in Part III-A, above.

C. MAXIMUM LOANS AVAILABLE TO A SINGLE PROPERTY OWNER AND ITS TENANTS

The maximum loan available to any single property owner and its tenants is limited to \$25,000. A property may receive only one loan during the lifetime of the program even if the tenancy changes. Any owner or tenant who received a grant under the City's REINVEST Grant Program during 1991, is not eligible to receive a loan for the property for which funds were granted.

D. DEFINITIONS

1. A "targeted business" is defined as a business that produces, sells or services any type of consumer goods or provides any service necessary to the creation of a diversified economy.
2. A "new business" is a business which is new to the City of Middletown and has signed a lease dated no earlier than one year prior to the date of the loan application.

E. REQUIRED MATCH FOR LOAN

There is a dollar for dollar matching requirement for the loan. However, since REINVEST is a reimbursement loan program, total expenditures must be documented and itemized bills and evidence that all bills were paid, must be submitted prior to receipt of any loan funds up to 50% of the construction costs, to a maximum of twenty-five thousand dollars (\$25,000.00). Additionally, this reimbursement loan is paid upon completion of work, inspection by the City of Middletown's Economic Development Committee and authorized City Personnel, and after all evidence of financial documentation satisfactory to the Economic Development Committee and its staff has been received. If receipt of all required documentation does not occur within six months after the loan was approved by the Common Council, the approval may be rescinded by the City.

F. DESCRIPTION OF REPAYMENT OF LOAN

All loans made available through REINVEST are to be issued at an interest rate of 3% yearly over a period of five (5) years. Repayment to the servicing bank must start no later than 90 days after the signing of the REINVEST loan agreement.

All loans issued to owners of the property to be improved will be secured to the City of Middletown by a mortgage on said property and/or other collateralizations as deemed appropriate by the City. Total mortgages must be no more than 95% of the current appraised fair market value of the applicant's property or properties. The City will not be subject to less than a second mortgage position.

All loans issued to tenants will be secured by collateral to include such things as personal property of the business and/or of the tenant, and/or a personal guaranty from an officer of the business and/or a mortgage on real property owned by the tenant and/or an officer of the business.

All loan repayments will be received by the servicing financial institution for deposit into the City's Business Reinvestment Loan Fund.

G. LOAN SERVICING

Upon completion of a loan closing, the Department of Planning, Conservation and Development staff will verify establishment of a loan account with the servicing bank. Staff will be responsible for monitoring repayment of all loans. Repayments which are over thirty (30) days overdue, will trigger a letter to the recipient requesting immediate payment of arrearage. An assessment of a fifteen dollar (\$15.00) late payment fee will then be added to the loan payment each month until the loan is brought to a current status. If a prompt response is not forthcoming from the recipient, staff will personally visit the recipient and seek immediate correction of the problem.

H. DEFAULT

Any account that is sixty (60) days plus, overdue, will be considered in default. Upon the occurrence of an event of a default, as defined in the executed loan documents, staff in conjunction with the City Attorney's Office, will be responsible for recovering the balance due from the recipient. The recipient and /or the guarantors shall pay to the City all reasonable attorney's fees, and all costs and expenses incurred by it in collecting this loan.

The Common Council will be kept informed promptly in writing of actions taken.

If at any time during the term of the loan, the business ceases operations, the loan will be considered in default and the recipient will be responsible to pay the entire loan balance, then due to the City, in full.

I. HISTORIC PRESERVATION RESPONSIBILITY

When using public funds, applicants for property either identified as historically significant or located within an approved historic district, have a responsibility to undertake improvements in accord with preservation guidelines. Such applicants

are encouraged to have plans and drawings approved by the Design Review and Preservation Board.

J. JOB CREATION

REINVEST is but one of the initiatives offered by the City to encourage new job creation. The extent to which the proposed activity will generate new employment opportunities will be considered by the City in evaluating the application. Applicants should specify the number and types of new jobs anticipated.

K. UTILIZATION OF LOCAL AND MINORITY CONTRACTORS AND VENDORS

The utilization of Middletown based contractors and vendors by REINVEST loan applicants will be considered by the City in evaluating the application.

PART IV: APPLICATION PROCEDURES

A. APPLICATION

A property owner or tenant interested in obtaining a REINVEST Loan may obtain an application package at the Department of Planning, Conservation and Development in the Municipal Building. Separate application packages for the property owner and the tenant are available; however, property owners and tenants must sign each application. The completed application, with supporting documentation and drawings, must be submitted to the City of Middletown, Department of Planning, Conservation and Development, for review by City staff, the servicing bank and the Economic Development Committee. Department of Planning, Conservation and Development staff will forward the applicant's financial information to the servicing bank for its review and recommendations. Following receipt of the bank's report, the Economic Development Committee will recommend applications to the Common Council for approval.

B. DOCUMENTATION

Project plans for all properties proposed for rehabilitation must be submitted with the application. The absence of satisfactory plans will cause the application to be incomplete and, therefore, it will not be processed. The Economic Development Committee will work with applicants to balance good design with financial wisdom. Loan approval is predicated on the plans and drawings submitted as part of the application. Changes to approved plans will cause the loan funds to be rescinded unless prior written approval is received from the Economic Development Committee and its staff.

C. DOCUMENTATION OF FINANCIAL CAPABILITY FOR NEW BUSINESS

A start-up business will be required to submit evidence of its ability to meet the major financial outlay required of a start-up business and evidence that the analysis necessary for a business plan has been completed. The documentation required will include financial statements from business principals, management background and capabilities, and business product lines and services. The City encourages applicants to receive guidance in obtaining this evidence of ability and documentation from the Small Business Development Center (SBDC) located within the Chamber of Commerce, 393 Main Street, Middletown. At its discretion, the Committee reviewing the application may ask for more information prior to approving a loan.

D. LOAN AGREEMENT

Upon approval of a loan by the City, the applicant must enter into a loan agreement with the City and the financial institution responsible for servicing the loan.

E. HOLD HARMLESS

The recipient will agree to indemnify and hold harmless, the City of Middletown and its officers, servants, employees, contractors and agents against any claims, suits, liabilities, or judgements for injury or injuries to persons, building(s) or grounds, loss or interruption of the business or commerce of the recipient due to work performed using the REINVEST Loan.

F. PAYMENT OF LOAN

The loan will be paid to the recipient after all work is completed and financial documentation is submitted verifying that the eligible project cost was at least twice the amount of the loan. Itemized bills describing the work performed, the location of the work and the cost must be submitted for each renovation contractor. The recipient must submit proof that all contractors were paid prior to release of funds. All bills are to be submitted as a complete package with a statement that the recipient

has conformed to the conditions of the loan agreement and requests that the project be inspected and the loan funds paid. If 100% of the work is not completed to the satisfaction the City and Economic Development Committee within six (6) months of the effective date of the REINVEST Loan Agreement, the loan or any portion thereof shall not be paid to the recipient.

*APPROVED BY THE COMMON COUNCIL ON 06/01/92, 11/02/92 AND
AS AMENDED 8/2/93, 10/3/94, 7/1/96 and 4/6/98*

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