

**TOWN of BRATTLEBORO, VERMONT
SMALL BUSINESS ASSISTANCE PROGRAM**

POLICIES AND PROCEDURES

A. POLICIES

- I. **Purpose:** The goal of the Town of Brattleboro's Small Business Assistance Program is community and economic development. The fund is designed to supplement conventional lending sources and provide capital that otherwise would not be available to businesses in Brattleboro. It is intended to provide flexible lending criteria and terms, favorable rates, and assume greater risk than banks in regards to eligibility requirements and permissible use of funds. The Small Business Assistance Program (SBAP) provides low-interest loans to meet these needs. The SBAP is available for the following purposes:
 - a. To help the prospective or existing business owner(s) start or expand a viable enterprise in Brattleboro, particularly industrial and commercial ventures that have a demonstrable gap in a loan financing package.
 - b. To assist an economic development project that will provide new or renovated, reasonably-priced space for the start-up, expansion or relocation of the type of business described in (a) above, and which also demonstrates a financing gap.
 - c. To create quality full-time jobs.
 - d. To diversify and strengthen Brattleboro's economic base through the financial assistance offered.
 - e. To advance the goals and policies of the Brattleboro Town Plan.
 - f. To provide jobs to low and moderate income individuals.

- II. **Governing Policy:** SBAP loan funds shall be made available to applicants who meet all program eligibility and lending requirements and criteria on a first come, first served basis. Commitment of loan and disbursement of funds shall be contingent on the availability of funds in the SBAP. The Loan Review Committee will provide oversight of the program and determine uses of the SBAP loan funds. The Loan Manager shall assist the committee, coordinate the loan application process and in general manage the daily tasks associated with administering the SBAP.

- III. **Selection Criteria:** The following criteria shall guide the Loan Review Committee's selection of applications for funding:
 - a. How well the project corresponds and meets the goals of the SBAP and Brattleboro Town Plan to stimulate local economic activity, assist in the retention, growth and establishment of small businesses, and create or retain jobs for low and moderate income individuals.
 - b. The scope of community and/or economic development to be achieved by the project and the potential to be realized by the Town of Brattleboro should the project be successful.
 - c. Primary consideration shall be given to the number and quality of full-time jobs anticipated to be created and/or retained.
 - d. The necessity of the Town's loan funds in the success of the project and what other funding is available to applicant.

- IV. **Eligibility Requirements:** In order for a new or existing business or development project to be eligible for assistance, an applicant must meet the following eligibility requirements:
- a. The loan applicant shall be either the owner(s) of a business or the principal developer who has plans to create or upgrade space for small businesses.
 - b. Applicants may be private or public, for-profit or not-for-profit organizations.
 - c. The business or development must have a committed site in Brattleboro.
 - d. As a basic guideline, eligible businesses are those which fall within the defined thresholds set by the Small Business Administration.
 - e. Ownership of the business must be documented by applicable legal and tax documentation.
 - f. Projects must be compliant with any and all Federal, State of Vermont and local laws, regulations, rules and codes applicable to the project and/or business or organization.
 - g. For a start-up business, the owner must demonstrate past or present enrollment in a small business counseling program.
 - h. The applicant shall provide evidence that personal and real estate taxes on any property owned by a principal or corporate interest involved in the application project are current.
 - i. All current SBAP loans must be paid off at closing before a new SBAP loan is awarded.
- V. **Eligible Activities/Expenses:** Activities eligible for assistance through the SBAP are:
- a. Expenses directly associated with operating a business including the purchase, repair or replacement of inventory and/or equipment.
 - b. Activities directly associated with remodeling or refurbishment of the physical interior and/or store front of the place of business or for new or replacement business signage. For those businesses that are located in a historic district, nationally registered or historically significant building, refurbishment and signage shall be in keeping with the architectural character of the structure and neighborhood.
 - c. Activities directly related to the improvement of infrastructure/utilities that will bring the place of business up to local and state code compliance. In exceptional cases, this might include the complete or partial demolition of a structure to meet the intent of this section.
 - d. Acquisition of real property for the purpose of business development, but not for speculative purposes.
 - e. Other activities the Loan Review Committee deems eligible.
 - f. *Note:* Demolition or improvement of buildings located in a National Historic District, a nationally registered building, or building eligible for nomination to the National Register of Historic Places must meet State Historic Preservation guidelines.
- VI. **Ineligible Activities/Expenses:** SBAP funds shall not be used for:
- a. Payment of back taxes.
 - b. Payment of debt service.
 - c. Reimbursement of SBAP eligible expenses already incurred.
 - d. Salaries and other payroll expenses.
 - e. Paying off an existing SBAP loan.
 - f. Acquisition of real property for speculative purposes.
 - g. Labor performed by applicant.
 - h. Any projects that would create a conflict of interest for any person involved in the administration or decision-making process of this program.

VII. **Lending Criteria:** In addition to complying with the eligibility requirements set forth above, financial assistance shall be offered only if the following lending criteria are met:

- a. Primary consideration shall be given to the number and quality of full-time jobs anticipated to be created and/or retained.
- b. A detailed description of the proposed activity, a Project Plan, shall be part of the application. For development projects, this description shall be for all phases of the project and shall include a preliminary site plan, scope of work, space to be made available, proposed rent structure, and any other supporting information deemed necessary and appropriate to completely evaluate the proposed project.
- c. A total Project Budget which shall enumerate and detail all sources of funding, respective amounts and specific uses shall be submitted.
- d. A Business Plan, to include current Balance Sheet and Income Statement (for new construction or major rehabilitation, a total development cost breakdown), and a Cash Flow Pro Forma Prospectus of a minimum of three years, shall be provided.
- e. Evidence of other funding committed to the project.
- f. A credit report no older than three months for each applicant, or for business applicants, any individuals that are principals or have significant corporate interest in the business.
- g. Two years of personal tax returns for each applicant, or for business applicants, two years of business tax returns and two years of personal tax returns for any individuals who are principals or have significant corporate interest in the business.
- h. A list of assets that will be used as collateral.
- i. The applicant shall sufficiently demonstrate that without SBAP assistance, a financing gap exists for the proposed activity. This gap is usually a result of a ceiling imposed by a conventional lending institution and may be so documented, or represent a figure which renders the project financially prohibitive.
- j. The proposed activity should be consistent with the Town Plan.
- k. Evidence that the business is in compliance with local zoning requirements and either in compliance with applicable building, fire and health codes, or intending to use the loan to come into compliance.
- l. A \$50.00 application fee.

VIII. **Loan Amount and Terms:** The Small Business Assistance Program shall consist of two (2) lending programs: A minor loan with a maximum of \$40,000 and a major loan with a maximum of \$70,000. The following criteria govern loan amount and terms:

Minor loan program:

- a. A loan up to \$40,000 with a term not to exceed five (5) years.

Major loan program:

- a. A loan amount between \$40,001 and \$70,000 may be applied for.
- b. Loan cannot exceed 30% of the total project costs.
- c. Loan terms are set as follows:
 1. Real Estate Loans- 10 year term, generally amortized on a 15-year basis.
 2. Machinery & Equipment Loans—maximum 7-year term, generally amortized on a 7-year basis.
 3. Working Capital Loans-maximum 5-year term, generally amortized on a 5-year basis.

The following criteria shall apply to both loan programs:

- a. The interest rate of the loan shall be set at fifty percent (50%) of the Wall Street Journal Prime Rate as reported at the time of the loan closing, but not less than three (3%) percent.
- b. The first loan payment of principal and interest shall be due on the first of the month following sixty (60) days from the date of closing. At the discretion of the Loan Review Committee, alternative payment terms may be set.
- c. Late fees shall be five (5%) percent of the monthly payment or \$35.00, whichever is greater and will be assessed on late payments received after the 15th of each month.
- d. Project start and completion dates as stated in the application and/or loan and security agreement must be adhered to unless the finance director has agreed in writing to a revised schedule. The Finance Director may consult the Loan Review Committee regarding changes to the project schedule.
- e. A Loan Agreement, Corporate Promissory Note, Individual Promissory Note, Mortgage Deed and UCC Financial Statement shall be executed and duly filed, as applicable, on the day of closing.
- f. An Individual Promissory Note and Personal Guaranty are required by any person owning 20 percent or more of the company.
- g. Term life insurance on the signers covering the amount of the note and assigned to the Town.

IX. **Loan Review Committee:** The Committee shall have a minimum of five and a maximum of seven members. Membership shall consist of:

- a. one member of the Selectboard,
- b. one representative from the Brattleboro Development Credit Corporation (BDCC),
- c. one banker,
- d. two Town Administrative staff, and
- e. up to two additional members at the Selectboard's discretion.
- f. A quorum shall consist of a majority of the duly appointed members. A Loan Manager shall also be designated to facilitate and oversee the SBAP. The Loan Review Committee shall review loan applications and make decisions regarding their eligibility and funding.

B. PROCEDURES

I. **Application and Application Review Procedures:** A complete application package containing all materials shall be submitted to the SBAP Loan Manager, accompanied by an application processing fee of \$50.00. The package will be reviewed for eligibility and completeness. The applicant will be notified of the status of the application as soon as possible from the receipt of the application. If the application is incomplete for any reason, the applicant shall have two weeks to address the deficiency(ies). Failure to meet this deadline shall result in a forfeiture of application position and require a resubmission. Upon satisfactory review of an application, the Loan Manager shall submit the application package, accompanied by an application summary, to the Loan Review Committee.

II. **Loan Review Committee Review of Applications:**

- a. The Committee shall meet as needed to review and act on loan applications. A quorum shall consist of a majority of the duly appointed members. It is required that the applicant or its agent attend the meeting.

- b. If the Committee deems that additional information is required before acting on an application, this information shall be requested from the applicant to be submitted to the Committee for further review.
- c. During its review, the Committee reserves the right to adjust the loan amount and set the terms of the loan. The applicant will be notified by the Loan Manager of any adjustment.
- d. The Loan Review Committee shall review applications and make decisions regarding their eligibility and funding. A favorable review by the Loan Review Committee will be forwarded to the Selectboard for final action.
- e. The applicant shall be notified in writing of the Committee's decision.
- f. The Loan Review Committee will meet at least once annually to review and reevaluate the goals, policies, procedures and overall effectiveness of the SBAP Loan Fund.

III. Confidentiality:

The applicant's credit references, financial statements and income tax returns will be made available to the loans manager and a credit subcommittee appointed by the Loan Review Committee. The subcommittee will advise the Loan Review Committee concerning the applicant's creditworthiness. Once the Committee has finished considering the application, copies of those documents will be destroyed. The originals will be retained in the finance department files but sealed from the public view (as provided by 5 VSA §317 [6][7]).

IV. Selectboard Action:

- a. A loan application shall be scheduled for and considered at the next Board meeting following receipt of the Loan Review Committee's recommendation. It is required that the applicant or its agent attend the meeting.
- b. The applicant shall be notified in writing by the Loan Manager of the Board's decision.

V. Closing of the loan and Disbursement of funds:

- a. If the loan application is approved by the Selectboard, a date for closing shall be set by the Town. No closing shall take place until all conditions contingent to closing have been complied with.
- b. Loan documents to be executed and duly filed at closing shall include a Loan Agreement, Corporate Promissory Note, Individual Promissory Note, Mortgage Deed, UCC Financial Statement, and proof of term life insurance, as applicable.
- c. Disbursement of SBAP loan funds shall be made in one lump payment on the date of closing. At the discretion of the Loan Review Committee, an alternative disbursement schedule may be set.
- d. False or misleading information shall be considered a default of the loan agreement, and may cause the Town to seek remedies as stated in the loan Agreement.

VI. Refinancing and Subordination Agreements:

If the Town is asked to sign a subordination agreement or otherwise permit or agree to the refinance of a property used to secure the loan and the refinancing or subordination agreement will increase the Town's risk, the Loan Review Committee will meet and discuss the terms of the loan. The Committee reserves the right to renegotiate the terms of the loan or require its payoff at that time. If the refinance or subordination agreement does not change or increase the Town's risk, the Finance Director or Town Manager may approve the request without the Loan Review Committee's approval.

- VII. **Right of Appeal:** An applicant whose request for SBAP funds has not been approved by the Small Business Loan Review Committee may appeal for reconsideration in writing to the Small Business Loan Review Committee no later than one week after notification. Pursuant to the Town Charter, any decision by a Town committee may be appealed to the Selectboard.
- VIII. **Monitoring:** The Town reserves the right to monitor the project periodically. Upon completion of the project, the applicant must submit a letter to the Town explaining how the project goals as stated in the loan application have been met.

Adopted by the Brattleboro Selectboard on the 8th day of March, 2016.

BRATTLEBORO SELECTBOARD

David Gartenstein, Chair

Kate O'Connor, Vice Chair

John Allen

Donna Macomber

David Schoales, Clerk