



**City of
Copperas Cove, Texas**

REVOLVING LOAN FUND PLAN

July 16, 2013

CITY OF COPPERAS COVE REVOLVING LOAN FUND

Objective:

The City of Copperas Cove Revolving Loan Fund (RLF) was created as a public sector financial tool to stimulate economic growth in the community. The purpose of this initiative is to set up a revolving loan fund and infrastructure improvements program to provide capital for private projects which would not be possible without such assistance. The RLF is funded by program income which is a derivative of grants through the State of Texas originating from the U.S. Department of Housing and Urban Development, Texas Department of Agriculture, or any of its predecessors.

The program is not intended to duplicate or compete with local financial institutions, but rather to complement them. The major difference between the RLF program and conventional financing is the goal to be derived from lending money. While the goal for conventional financial institutions is profit, the goal for the RLF program is to create/retain jobs and capital formation in the private-sector. The RLF is designed to fill gaps in the local financial markets and provide or attract capital which otherwise would not be available for economic development.

In accordance with national objectives, RLF funds are awarded for the purpose of creating new permanent jobs or permanently retaining existing jobs, primarily for low and moderate income persons. In order to comply with the national objective, at least 51% of the permanent jobs created or retained by each business assisted with the RLF must be filled by persons who have a family income of less than 80% of the county median income.

PART I. LOAN PROGRAM

Program Guidelines:

To receive consideration, applicants must meet the following program guidelines:

- 1) A minimum of one full-time equivalent job (37.5 hours per week) must be created and filled for each \$25,000 or less from the Copperas Cove RLF. Note: One (1) permanent job, which is equal to two (2) part time jobs created or retained by each business assisted with the RLF, must be filled by persons who have a family income of less than 80% of the county median income. The jobs should be targeted to low-income persons who fall below the HUD Section 8 Income Limits for Coryell County (See Exhibit C). The business has one year from the date of loan closing to fill the new job(s). Businesses claiming retained jobs as part of a proposal must provide documentation that the employees will be permanently laid off or the business will close down or relocate out of state if RLF funds are not available.
- 2) RLF funds cannot exceed 33.33% of the total project costs **with one exception being for non-profit organizations, which may be funded up to 100% of equipment costs.** The

remaining funds must come from other sources, which include, but are not limited to: a licensed financial institution, owner's equity, or other public or private funds.

RLF funds are designed to fill a gap in the available financing for a project in the local market. RLF funds cannot replace funds a financial institution is willing to loan to the business. The applicant's private lender must submit a signed letter which states the reason(s) it is unwilling to loan more than a specified amount for the project.

- 3) The business must be located within the City of Copperas Cove city limits and/or the city's extraterritorial jurisdiction. Assistance will not be provided to businesses intending to relocate from one area of Texas to the city of Copperas Cove, unless the relocating business provides satisfactory documentation that the only other alternative is to leave the State of Texas. An intrastate relocation project may be considered if there is no objection by the local government in which the business is presently located.
- 4) Financial assistance may not be provided to projects involved in the relocation of any industrial or commercial plant, facility or operation, from one state to another state, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.
- 5) Assistance may not be used for the general promotion of the community as a whole (as opposed to the promotion of specific areas and programs).
- 6) Assistance may not be used for professional sports teams, or for assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to users or members clearly outweighs employment or other benefits to low and moderate income persons.
- 7) Assistance may not be used for a for-profit business while that business or any other business owned by the same person(s) or entity(ies) is the subject of unresolved findings of noncompliance relating to previous CDBG assistance provided by the recipient.

Eligible Uses of Funds:

- A loan to purchase land
- A loan to acquire a building
- A loan to construct a building or renovate an existing building
- A loan to purchase machinery and equipment*
- A loan to provide approved uses of working capital
- Provide the required local injection for a Small Business Administration (SBA) 504 loan

* The purchase of equipment with CDBG funds is generally ineligible. This includes construction equipment, general purpose equipment, furnishings and personal property.

- *Equipment* means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds \$5,000.
- *General purpose equipment* means equipment which is not limited to research, medical, scientific or other technical activities. Examples include, but not limited to, office equipment, furnishings, telephone networks, IT systems, air conditioning equipment, printing equipment and motor vehicles.

Loan Terms:

Loans are provided to the applicant at a rate of ____% under the prime lending rate at the day of closing. Repayment is computed on a monthly installment basis. The repayment of the loan may not exceed ten (10) years.

***Note:** The blank spaces indicate that the interest rate has not been set. The City Council will set and approve each loan applicant's interest rate when it is presented to the Council.

Loan Security/Collateral:

The proposed loan must be secured by sufficient collateral to assure repayment.

Loan Amount:

The minimum amount of a loan may not be less than \$10,000. The maximum amount of a loan is limited to the amount of available funds in the RLF account at the time of closing.

Application Process:

The owner of the new or expanding business must complete all loan application forms included in this document.

Upon submission, the application will be reviewed for technical adherence to the guidelines by the City. Should the application be deficient the applicant will be contacted for additional information. After completion of the technical adherence review, the application will be submitted to the RLF Committee for a funding recommendation, utilizing the Review Criteria established and included as part of this document. The recommendation of the RLF Committee is submitted to the City Council for approval.

Available Assistance:

When requested, technical assistance will be made available.

Other:

- 1) **All information pertaining to CDBG funding is subject to open records.** Therefore, the application, once submitted to the City Council, becomes public information.

LOAN APPLICATION CHECKLIST

The completed application package will be submitted electronically. Additionally, a one-page application form with an original signature will be submitted to the following address:

City of Copperas Cove
Attn: Budget Department
P.O. Drawer 1449
Copperas Cove, TX 76522

All exhibits should be labeled in the upper right hand corner of the page. If a required exhibit is not applicable to your business, place a sheet of paper with the appropriate exhibit letter and state that this exhibit is not applicable.

Exhibit A

Project Description and Business History. Provide a brief history of your company and include a detailed project description of the intended use of RLF funds including a paragraph describing the expected benefits your company will receive from the loan. The statement should be no more than one single-spaced typed page.

Exhibit B

Letter of Commitment. A firm commitment letter from a financial institution must be included in the application package. The letter must have the following ingredients:

- Language which indicates that the loan has been approved by individuals or committees empowered to lend the amount stated in the commitment letter and that the institution will lend, subject to certain conditions
- Specific dollar amounts, term in years, and interest rate
- The use of funds (for example, equipment, real estate purchase, working capital)
- Specific collateral or security
- Monthly debt repayment and specific conditions attendant to the loan

Also, the lender's letter should comment on the reasons why it will not provide additional funds to the project. It should state that the financial institution's loan is contingent upon a loan in a specific amount from the Revolving Loan Fund.

Exhibit C

Job Hiring Statement. Complete the Job Hiring Statement applicable to the proposed project.

Exhibit D

List the Board of Directors. Attach a list of the Board of Directors and their business addresses with telephone numbers.

Exhibit E

List of Subsidiaries or Affiliates. List any subsidiaries or affiliates and note their relationship with your company. Include a current balance sheet and operating statement for each company listed.

Exhibit F

Source and Use of Funds. Complete the Source and Use of Funds form for the proposed project.

Exhibit G

List of Machinery and Equipment. Complete the List of Machinery and Equipment to be Purchased form. Include only equipment to be purchased with RLF funds.

Exhibit H

Summary of Collateral. Complete the Summary of Collateral form. Include information for the RLF and any prior liens.

Exhibit I

Budget Estimate. Attach budget breakdown on construction, engineering, and administration costs.

Exhibits J-P

Financial Statements:

_____ a. Exhibit J – Balance Sheets. For existing businesses, include a comparative balance sheet which includes financial data for the past two years. Also include a pro forma balance sheet which includes loans identified in the application.

_____ b. Exhibit K – Profit and Loss Statements. Provide a comparative profit and loss statement which includes financial data for the past two years. In addition, include a two year projected statement.

_____ c. Exhibit L – Business Plan and Market Feasibility Information. For a new business start-up, provide a business plan and any market feasibility information.

_____ d. Exhibit M – Personal Income Statements. Provide a personal income statement for all principals owning a 20% or more share of the company. This statement should cover the prior three years and the most recent 90-day period.

_____ e. Exhibit N – Annual Cash Flow and Cash Flow Projections. Provide an annual cash flow statement and cash flow projections for one year.

_____ f. Exhibit O – Monthly Cash Flow Projections. Provide monthly cash flow projections for one year.

_____ g. Exhibit P - Last Yearly Audited Financial Statements. Provide last years audited financial statements.

Exhibit Q

Purchase or Lease of Land/Building. Provide a copy of any applicable purchase and/or lease agreements for land and/or buildings.

Exhibit R

Detailed Debt Schedule. Complete a separate Detailed Debt Schedule form for each principal owning 20% or more of the company.

Exhibit S

Construction Estimates. Provide a copy of any applicable construction estimates for the project.

Exhibit T

Letter of Compliance. Submit a letter on owner stationery stating that the business will comply with all applicable rules, regulations, requirements, and assurances as stated in the original Revolving Loan Fund Package and any changes and amendments as approved by the City Council of the City of Copperas Cove.

Exhibit U

Credit Report. A current credit report for the business must be provided from the applicant. A credit report must be submitted for each principal owning 20% or more of the company. (The applicant is responsible for the cost of all credit reports.)

JOB HIRING STATEMENT – LOAN

_____ (Name of Applicant) _____ in consideration of a Revolving Loan of \$ _____ through the Copperas Cove Revolving Loan Fund attests that it will create and maintain _____ full-time (minimum 37.5 hours per week) equivalency jobs for the duration of the Loan Agreement. The position(s) are to be filled by individuals who, at the time of employment fall below the HUD Section 8 Income Limits for Coryell County. The Section 8 Income Limits are shown below.

Note: One (1) permanent job is equal to two (2) part time jobs

_____ (Name of Applicant) _____ shall give preference to participants in the Job Training Partnership Act (JTPA) program.

HUD Section 8 Income Limits Program Year 2013 Coryell County

FAMILY SIZE	INCOME	FAMILY SIZE	INCOME
1	33,350	5	51,450
2	38,100	6	55,250
3	42,850	7	59,050
4	47,600	8	62,850

In the space provided below, indicate the expected date of hire and hourly wage rate per employee. (IF NECESSARY, ATTACH ADDITIONAL SHEETS.)

POSITION	HIRE DATE	RATE OF PAY
_____	_____	_____
_____	_____	_____
_____	_____	_____

Signature of Authorized Officer for Applicant

Date

Typed Name of Applicant

Exhibit F

USE OF FUNDS BY SOURCE

	Bank	Owner Equity	RLF	Other	Total
Rate %					
Term (Years)					
Land					
Building					
Machinery/ Equipment					
Inventory					
Other: (please list)					
Total					

**LIST OF MACHINERY AND EQUIPMENT
TO BE PURCHASED WITH RLF FUNDS**

Machinery and Equipment	Purchase Price	Description

SUMMARY OF COLLATERAL FOR REVOLVING LOAN FUND

If collateral consists of land and building, and/or inventory, fill in the appropriate blanks. If you are pledging machinery, equipment, furniture, and/or fixtures, please provide an itemized list which contains serial and identification numbers for all articles that have an original value greater than \$500. Include legal description of real estate offered as collateral in the space below the table. If necessary, attach on separate page.

	Present Market Value	Present Mortgage Value	Cost Less Depreciation
Land and Building			
Machinery/Equip.			
Furniture & Fixtures			
Inventory			
Total Collateral			

Note: The above columns are not related and do not total. Please use figures that are, to the best of your knowledge, as close to accurate as possible.

Please furnish the following information on all installment debts, contracts, notes and mortgages payable. A separate statement must be completed for each principal owning 20% or more of the company.

[illegible]

LOAN REVIEW CRITERIA

Each loan application will be evaluated to determine: the credit worthiness of borrowers and for underwriting a loan application; the benefits to be provided to the residents of the City of Copperas Cove; and compliance with federal, state and local laws, regulations and policies. The evaluation criteria include the following:

Project Feasibility:

1. Is the project economically viable?
2. Based on realistic market projections, will cash flow be sufficient to repay the loan?
3. Does the applicant have sufficient experience in the field?
4. Is collateral adequate to support the loan?
5. In the event of default, how difficult will the foreclosure process be?
6. Have all owners and principals provided necessary information evidencing support of the loan? Do the guarantors have sufficient assets to pay off the loan?
7. Do the credit reports of the applicant and owners indicate a history of prompt payment?
8. Has an adequate business plan been prepared?

Community Benefits:

1. How many jobs will be created and/or retained? Will the applicant hire low and moderate income persons who are current residents of the area? When will the employees be hired and what will be the wage rate paid?
2. What will be the environmental impact if the business is established in the City of Copperas Cove?
3. How will the project affect historical and/or cultural resources in the City of Copperas Cove?
4. Will the project add diversity and stability to the local economy?
5. Is the product or service provided by the business similar to the product or service of an existing business?
6. If this loan is approved, will the applicant gain an unfair advantage over local competition?

7. Will this project or business provide positive “spin-off” benefits to existing businesses?
8. What will be the benefits and detriments to the City of Copperas Cove if the business is established or expanded?

Program Stipulation:

1. Will the business be located or the project be implemented within the City of Copperas Cove?
2. Will the project necessitate the relocation of individuals or businesses?
3. Have all owners or principals provided assurance of compliance with all laws and regulations?