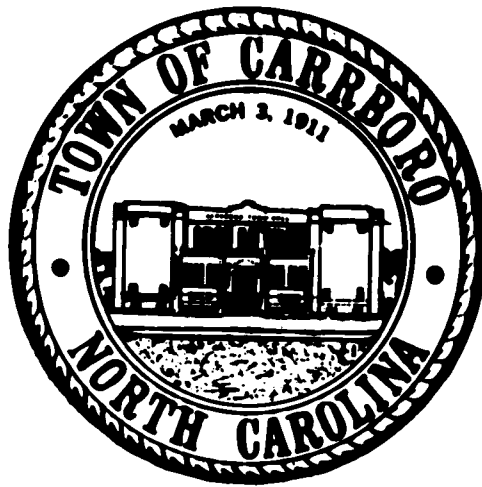

Town of Carrboro



Revolving Loan Fund Description and Criteria

DESCRIPTION

In 1986, the North Carolina Department of Natural Resources and Community Development (NRCD) determined that Community Development Block Grant (CDBG) income may be used to establish a revolving loan fund to provide communities with a source of financing to undertake economic development activities.

The Town of Carrboro created its revolving loan fund in 1986 for projects that result in the creation or retention of jobs targeted specifically to low and moderate income persons.

Loans from the fund are made to private non-profit and for-profit firms for projects such as construction or renovation of a building, purchasing existing buildings, the acquisition of equipment, the extension of utilities or streets to new sites, parking lots, and inventory. Other potential projects are explored with applicants as long as it can be shown that new employees will be hired or employees who would otherwise lose their jobs will be retained.

Every applicant is required to complete an application which is reviewed through a formal review process. The application is reviewed first by the Downtown Development Commission (DDC) and if approved, then by the Board of Aldermen. The life of the loan interest rate charged will be based on cash flow projections and other means of documented need. All loans will be secured through an agreement (lien) conveying to the Town a financial interest in property owned by the applicant.

Funds are subject to availability. To inquire about fund availability, contact Carrboro's Community and Economic Development Officer James Harris at (919) 968-7700, Post Office Box 829, Carrboro, N.C. 27510.

CRITERIA

1. The project must be located in the town's planning jurisdiction. Priority will be given to projects located in the downtown business district.
2. The description of the project must include:
 - size of the planned facility
 - the product or service provided or manufactured
 - start-up activities and one year's production projections
 - identification of other funds and firm financial commitments
3. Project need definition:
 - to include specific need for revolving loan funds in addition to or in lieu of private financing
 - relationship of jobs to the revolving loan funds requested

4. Low and moderate income benefit statement
 - total number of new or retained jobs
 - number and percent of low and moderate income jobs
 - schedule for employment
5. Financial line item budget
 - how will the revolving loan funds moneys and private moneys be spend
6. Revolving loan funds must be used for eligible Community Development Block Grant (CDBG) activities. The use as working capital to hire employees and debt refinancing is not permissible.
7. Agreement to comply to Title I requirements (environmental and Davis Bacon).
8. The project must use some private funds, preferably at least 50% of the project cost.
9. Project must create or retain at least one job per \$10,000 of CRLF moneys. Fifty-one percent (51%) of the jobs must go to individuals in the low and moderate income category.
10. Full commitment of all private funds (loan approved by financial institution, letter of credit from bank, or other source of capital).
11. Applicant's ability to repay revolving loan fund and carry out the proposed project (as substantiated by financial statements submitted with loan application). This must include two years of historical statements for existing businesses and a minimum of one year of financial projections for new and existing businesses. Personal homes may be used as collateral on loans.
12. Priority is given to conforming projects in the downtown business district. The effects on existing businesses of the same type must also be considered prior to loan approval.
13. Financial need:
 - applicant must be turned down by at least two banks
 - must lack the internal cash necessary to finance improvements, new construction, equipment purchase
 - must demonstrate that without this assistance the proposed activity would not be possible and the low to moderate benefit requirement would not be met
 - must state that minimum amount of CDBG assistance necessary to complete the project
14. If after one year the applicant has not used the funds, a request for an extension of the loan would need to be reviewed by the Board of Aldermen.
15. A loan may not be made until funds are available to cover its entire amount.
16. An individual may receive only one loan from the fund.