



## City of Bristol Revolving Loan Fund

### PROGRAM DESCRIPTION

The Economic and Community Development (ECD) Board of the City of Bristol seeks to establish a “forgivable” revolving loan fund to stimulate economic development within the City of Bristol.

### AREA SERVED

This program will serve for-profit businesses with a commercial place of business in the City of Bristol.

### REVOLVING LOAN PROGRAM OBJECTIVES

1. To encourage small business growth.
2. To help create and retain jobs.
3. To stimulate commercial property improvements/investment.
4. To encourage businesses located outside Bristol to open locations in the city.
5. To assist home-based businesses graduating to commercial locations.

The revolving loan program is designed to complement – rather than compete with – private sector and State-sponsored lending programs. The program may be ideal for businesses which cannot obtain funding (or full funding) from conventional sources but is available to all businesses with eligible projects. The City of Bristol may act as a primary lender, but prefers to leverage matching loan funds to maximize the impact of the program. Applicants must demonstrate a 10% commitment of personal funds invested in the project to complement City loan funds.

### WHO'S ELIGIBLE?

Bristol-based businesses under 250 employees. Businesses may own the real property associated with business operations or may be lessees. Lessees must demonstrate a lease term – which may include an option to extend a current lease term – at minimum as long as the proposed loan term. Lessees must submit proof of the landlord's approval for tenant improvements to the structure. Landlords are not eligible to apply for funding.



## INTEREST RATE, MAXIMUM LOAN AMOUNT, & TERM LENGTHS

1. The City of Bristol shall employ an interest rate of no less than 5% to cover costs associated with the program. Applicants should inquire about the interest rate at time of application.
2. Maximum Loan Amounts:
  - a. \$50,000 to businesses undertaking new, taxable construction. “New construction” is defined as designing/building a new structure to conduct operations or designing/building an expansion to an existing structure resulting in approximately 2,500 square feet or greater of new space to be occupied by the applicant.
  - b. \$50,000 for “restaurant” operations featuring dine-in accommodations serving dinner until 8 pm or later at a brick-and-mortar location.
  - c. \$35,000 for businesses in operation for five (5) years and above not undertaking new construction. See *What Can Be Funded?* below.
  - d. \$25,000 for businesses in operation fewer than five (5) years but greater than one (1) year not undertaking new construction. See *What Can Be Funded?* below.
  - e. \$10,000 for businesses in operation less than one year not undertaking new construction. See *What Can Be Funded?* below.
  - f. **SPECIAL DOWNTOWN BONUS** – The maximum loan amounts above may be raised by 25% for businesses located “Downtown”. The Downtown area is identified by the local Enterprise Zone map: [https://bristolallheart.com/wp-content/uploads/2020/12/Bristol\\_EnterpriseZone\\_Map.pdf](https://bristolallheart.com/wp-content/uploads/2020/12/Bristol_EnterpriseZone_Map.pdf)
3. Term Length:
  - a. Applicants may choose an amortization period up to ten (10) years for loans \$35,000 and above, up to (7) years for loans less than \$35,000.
  - b. The minimum loan term will be six (6) months. Applicants will not be allowed to pre-pay their loan commitments prior to six months from loan closing. There will be no loan pre-payment penalty if the awardee chooses to “pay off” the balance of 50% of the loan principal (see “Loan Forgiveness” below) after completing the first six (6) months of payments.
  - c. Applicants may elect to benefit from a three month interest-only “grace” period following loan closing before the first full payment is due.



## **LOAN FORGIVENESS**

If the Borrower makes all monthly payments in full and on time to achieve payback of 50% of the loan principal and continues to conduct business operations in Bristol for ten (10) years after the Loan closing date, then the remaining 50% principal loan balance and associated interest shall be forgiven and the loan will be terminated. Borrowers who are late on a maximum of one (1) payment or who miss a maximum of one (1) monthly payment during the course of repaying the initial 50% loan principal and interest may request a waiver from the Economic and Community Development Director in order to qualify for loan forgiveness at the 50% repayment mark. It is expected that said request for waiver will explain extenuating circumstances that forced the one-month delinquency. During the period after the 50% principal balance payment has been met but before the 10 year requirement has been met, Borrower will not be obligated to make further payments on the Loan unless Borrower defaults.

## **LOAN FORGIVENESS DEFAULT CLAWBACK**

Businesses that cease to operate in Bristol during the 10-year period following loan closing – even if said business has successfully paid off 50% of its loan principal and has otherwise qualified for “loan forgiveness” prior to ceasing operations in Bristol – are required to complete 100% payback of the outstanding loan amount that was forgiven. Borrowers will be required to complete loan payback over the course of three (3) years following the date of Default using the same interest rate as was charged on the original loan.

## **WHAT CAN BE FUNDED?**

The City of Bristol Revolving Loan Fund may be used for direct loans to businesses for the following purposes:

1. New construction.
2. Acquisition and/or renovation of commercial real estate in which the applicant occupies all or a portion of the available space to conduct operations. Applicants may be lessees making tenant improvements (landlord approval required as part of application process).
3. Purchase of significant machinery/equipment necessary to support business operations and growth.
4. Funding is **not** available for general operating expenses or “working capital.”
5. Additional projects may be fundable on a case-by-case basis.



## **LOAN PROCESSING**

The application for a loan shall first be submitted to the Community Investment Corporation (CIC). CIC will be responsible for, at a minimum: (1.) reviewing applicant materials and assisting businesses with the application process and general business planning, if appropriate (2.) making a recommendation on applicant eligibility based on program guidelines (3.) creating all loan documentation (4.) coordinating loan closing (5.) performing loan billing and collection post award (6.) providing ongoing business support as needed post award (7.) providing reports to ECD staff/ECD board on loan program history and performance.

If an applicant/project does not meet the established program criteria, CIC will notify the applicant. If possible, ECD staff/CIC will work with the applicant to help bring the project into compliance or to suggest alternative assistance programs.

If the applicant is approved and provides the information requested in a timely manner, loans typically close in a maximum of 45 days. Timeframes vary based upon the complexity of the loan.

These loans are subject to underwriting by the Community Investment Corporation.

## **OTHER TERMS & REQUIREMENTS**

**Loan collateral:** The City/loan servicing contractor may require collateral as part of a loan commitment.

**Financial reports:** The City/loan servicing contractor may require the submission of company financial reports on a periodic basis following loan closing.

**Insurance:** The City/loan servicing contractor will require awarded businesses to hold appropriate levels of insurance, including but not limited to worker's compensation insurance, property insurance, liability insurance.

**Local taxes:** Applicants must be current on the payment of local, State, and Federal taxes.

Closing costs may vary based on loan amount.

Guarantees for individuals and/or businesses who own 20% or more of the applicant organization will be required to provide a guarantee.