



CITY OF CORNING

**REVOLVING LOAN FUND
GUIDELINES**

ADOPTED
July 2009

City of Corning

Revolving Loan Fund Guidelines

Section 1.0 Consolidation of Loan Funds:

Upon adoption of Loan Guidelines, City loan funds, except funds restricted by specific grants, are consolidated into a single fund. Loans will be made on a funds available basis.

Section 1.1 Statement of Purpose:

The City's Economic Loan Fund will be used to make loans for projects to support following goals:

- Provide financial incentives for job creation and retention;
- Expand the property tax base, or other City revenue sources such as sales tax;
- Offer financial assistance that will promote the retention and expansion of businesses currently located within the City of Corning;
- Diversify economic employment by increasing the number and types of businesses through the recruitment of new business and industry;
- Provide "gap" or partial financing to supplement economic activity being carried on in the city by: commercial banks and other lenders, industrial development agencies, economic development organizations, business improvement districts, and other funding tools offered by federal, state or local agencies;
- Improve the City's rental housing stock, support upper floor development, rehabilitation of retail and commercial buildings, and assist residents and commercial property owners to maintain/upgrade drinking water and sanitary sewer service laterals.
- Implementation of the City's Master Plan, the Business Improvement District's Strategic Plan, City's Strategic Plan, and other City and BID development plans/initiatives

Section 1.2 Types of Assistance:

The City has established a revolving loan fund to provide financial incentives to support economic development by targeting specific business needs and types of enterprises. Assistance is available for:

- a. Economic Development
- b. Rental Rehabilitation
- c. Façade/Rear/Side Elevation Improvements
- d. Retail First Floor Rehabilitation
- e. Upper Floor Conversions
- f. Commercial Water/Sewer/Utility Improvements
- g. Residential Water/Sewer Lateral Improvements

Section 2.0 General Requirements and Terms:

- a. All loans must be made for properties/projects located within the City of Corning.
- b. Loans must be reviewed and approved by the Loan Review Committee and approved by City Council, except Commercial/Residential Water and Sanitary Sewer.
- c. All applicants must be current with all City taxes, fees, and charges.
- d. All applicants must demonstrate commitments from non-City sources to complete the project.
- e. Unless otherwise specified at time of closing, loans of \$20,000 or less will be repaid over five years; loans greater than \$20,000 will be repaid over ten years.
- f. All loans, except commercial/residential water/sewer, will be at a rate established by City Council and in effect at time of application.
- g. All loans must be collateralized in a manner acceptable to the Loan Review Committee and City Council.
- h. The City will require other mortgages for real property used as collateral and/ will file liens on assets serving as collateral.
- i. All loans are on a cost/reimbursement basis.
- j. Loan funds cannot be used for costs incurred prior to closing.
- k. Loan funds must be used for the specified purpose as stated in the application and as approved by Loan Review Committee and City Council.
- l. The applicant must obtain any required permits and approvals prior to disbursement of funds.

Section 2.1 Specific Loan Requirements:

A. Economic Loans:

Objectives: (1) to provide financial incentives for job creation and/or job retention; (2) to support business startups and expansions; (3) to support private sector investment; and (4) to support development or redevelopment of targeted areas within the City. The proposed project must meet one or more of the objectives to be eligible for the loan program

Eligible Uses:

- a. Renovations/Additions
- b. Equipment

Ineligible Uses:

- a. Refinancing
- b. Working capital

Requirements:

- a. Loan can not be greater than 50% of total project cost
- b. Minimum 10% owner/business equity in project
- c. Maximum Loan of \$100,000

B. Rental Rehabilitation Loans:

Objective: To provide financial incentives for improvements to rental property.

Eligible Uses:

- a. Structural repairs/upgrades such as roofing, foundations
- b. Mechanical systems, such as plumbing, electrical, heating
- c. Winterization and energy conservation

Ineligible Uses: Conversion of single-family homes to multiunit rentals

Requirements:

- a. Must be the legal owner of the property
- b. Must be an existing two to four unit rental property
- c. Loan can not be greater than 75% of total project cost
- d. Maximum loan of \$15,000 per rental unit included in the project.
- e. Minimum loan of \$10,000

C. Façade/Rear/Side Elevation Loans:

Objective: Assist owners of commercial property to rehabilitate/improve facades and/or rear/side elevations.

Eligible Uses:

- a. Façade/rear/side elevation cleaning, painting, and wood/masonry repair
- b. Window replacement (excluding breakage)
- c. General replacement/restoration of storefront/rear/side elevation(s)
- d. Signage and façade roof repairs/upgrades

Ineligible Uses: Costs not directly related to façade/rear/side elevation rehabilitation/improvements

Requirements:

- a. Loan can not be greater than 75% of total project cost
- b. Maximum loan of \$15,000 per façade or rear/side elevation
- c. Owner may qualify for both façade and rear/side elevation loans
- d. Retail businesses occupying more than one storefront can qualify for each storefront occupied.

D. First Floor Retail Rehabilitation Loan:

Objective: To assist owners or tenants with renovations of first floor retail areas.

Eligible Uses:

- a. Interior painting
- b. Wall papering
- c. Carpeting/floor/interior improvements
- d. Store fixtures/accessories
- e. Equipment

Ineligible Uses:

- a. Working Capital
- b. Costs of project for non-retail owners/tenants or non-retail areas

Requirements:

- a. Applicant can be either the owner or the tenant.
- b. Loan cannot be greater than 75% of total project cost.
- c. Maximum loan of \$15,000 per storefront.
- d. Can qualify multiple storefronts for same owner or tenant.

E. Commercial Upper Floor Conversion Loan:

Objective: To assist owners of commercial property to more fully utilize building space by converting upper stories to residential or commercial space/use.

Eligible Uses:

- a. Construction/rehabilitation costs for conversion of upper floors for commercial or residential use.
- b. Eligible costs include structural repairs/upgrades, electrical/heating/ventilation, plumbing, accessibility improvements, and sprinkler systems.

Ineligible Uses: Cosmetic items such as carpeting, interior appointments, and fixtures.

Requirements:

- a. Loan can not be greater than 50% of total project cost
- b. Maximum loan of \$100,000

F. Commercial Water/ Sanitary Sewer Lateral Line Loans:

Objective: To assist commercial property owners to maintain/upgrade lateral water/sewer lines and/or to install grease traps and backflow preventers. Also to comply with health department/DEC requirements/regulations.

Eligible Uses:

Costs directly related to repair or upgrade of water/sewer laterals or installation of grease traps/backflow preventers serving commercial property, and compliance with health department/Department of Environmental Conservation requirements/regulations

Requirements:

- a. Repair/upgrade or installation must meet by City water/sewer department(s) specifications/requirements
- b. Must provide a written estimate from a contractor.
- c. Loan amount will be 100% of the submitted estimate.
- d. Any costs above the estimate are owners' expense and loan amount cannot be adjusted post closing.
- e. Costs cannot be incurred prior to closing.

Terms:

- a. Zero percent (0%) interest
- b. Maximum loan is \$7,500
- c. Thirty-six (36) month payment period
- d. Loan does not require Loan Review Committee or Council approval
- e. Loan can be approved by Director of Planning and Economic Development with the concurrence of the City Manager

G. Residential Water/Sewer Service Lateral Line Loans:

Objective: To assist resident property owners to repair or upgrade water/sewer lateral lines.

Eligible Uses:

Costs directly related to repair or upgrade of water/sewer laterals serving residential property and owned by the applicant.

Requirements:

- a. Repair/upgrade must be completed to City water/sewer department(s) specifications.
- b. Must provide a written estimate from a contractor.
- c. Loan amount will be 100% of the submitted estimate.
- d. Any costs above the estimate are ~~owner's~~ owner's expense and loan amount cannot be adjusted post closing.
- e. Costs cannot be incurred prior to closing.

Terms:

- a. Zero percent (0%) interest
- b. Maximum loan of \$2,500 for water or sewer; \$4,500 for both
- c. Twenty-four (24) month payment period.
- d. Loan does not require Loan Review Committee or Council approval
- f. Loan can be approved by Director of Planning and Economic Development with the concurrence of the City Manager

Section 3.0 Collateralization:

Loans will be secured by mortgages against real property and/or liens/assignments against other assets serving as collateral. Proposed collateral must be acceptable to the Loan Review Committee and City Council. City mortgages on real property or fixed assets may be made junior to bank loans or other private loans.

Equipment and inventory are not acceptable collateral.

Section 4.0 Payment Schedules/Loan Terms:

A. Payment Schedules:

Principal will be repaid in equal installments spread over the term of the loan. Principal and interest will be due and payable monthly.

Date of the first payment of principal and interest will be arranged for each project.

Unless otherwise provided, the date of the first payment will be the first of the month following the final disbursement of funds

Alternative payment schedules can be provided on a case-by-case basis. Any such alternative schedules must be specified at the time of Loan Committee Review and City Council approval.

B. Loan Terms:

The Loan Review Committee, on a case-by-case basis, may grant a payment moratorium for up to 90 days for financial hardship. A moratorium can be granted only once per thirty-six months of the loan term. If a moratorium is granted, the loan will be extended to provide for payment of all amounts due. The original loan terms remain in effect.

Except for a Loan Committee approved moratorium, loan payment schedules/terms cannot be changed post Council approval except by recommendation of the Loan Review Committee and approval by City Council.

Section 5.0 Submission of Applications:

An applicant is required to meet with the Director of Planning and Economic Development to review the proposed project and to review loan eligibility requirements. The applicant must submit an application and supporting documents as approved by the Loan Review Committee. The applicant must also consent to an independent credit history. The Committee reserves the right to request additional information as needed to evaluate the application.

At the time of application filing, a non-refundable fee must be submitted, as per the following schedule:

- a. Fifty dollars (\$50.00) for loans under \$20,000
- b. One hundred dollars (\$100.00) for loans of \$20,000 to \$50,000
- c. One hundred, fifty dollars (\$150.00) for loans greater than \$50,000

The applicant will be responsible for payment of any legal fees incurred by the City during review of the application. The applicant will be informed in advance of any

such fees and provided an estimate. Any such fees must be paid in full prior to closing.

Any appraisal costs will be an applicant expense.

Section 6.0 Loan Committee and Council Review:

The Revolving Loan Fund Review Committee shall consist of five members appointed by the Mayor subject to approval of the City Council. Terms of appointment shall be for two years on a staggered basis. At least two members of the board shall have banking or financial services experience and one board member shall be selected from the City Council. A Chairperson shall be selected annually by the Committee from its ranks.

The Committee shall establish loan application(s), review all complete loan applications, consistent with the City's loan guidelines, evaluate loan applications and exercise discretionary judgment based on information provided and through use of financial analysis of the proposed project and applicant. The Committee will forward approved loans to City Council. The Committee shall also be responsible for monitoring the status of the loan portfolio and making recommendations for changes to the loan program.

All loans must be approved by the Committee prior to Council action.

All loans approved by the Committee shall be subject to approval by the City Council.

Section 7. Federal, State and Local Compliance:

a. The borrower shall promptly comply with all requirements of the federal, state, city and other government authorities having jurisdiction or use of the premises in any way and shall not violate any government law, ordinance, rule, regulation or requirement. Failure to comply shall be grounds for default. Use or employment of any illegal aliens on a project funded in whole, in part by a City loan or failure to comply as stated above, is grounds for immediate default and the City Council will take appropriate action.

b. If the Loan review Committee has been informed, and it has been determined by the appropriate governmental agency that the borrower has failed to use the loan for purposes stated in the application, the Loan Review Committee shall recommend to the City Council appropriate action to be taken. This includes, but is not limited to, the calling of the loan in whole or in part, the acceleration of payment of all or part of the principal and accrued interest and/or immediately declaring the same due and payable at any time before the date of completion.

c. The City shall promptly notify the borrower of the reasons for termination and the effective date. Payments made to the lender or recoveries by the City under loans terminated for cause, shall be in accord with the legal rights and liabilities of the parties. Payments and recoveries may include, but are not limited to, payments for costs determined to be in compliance with the loan terms up to the termination date. The borrower shall return to the City all unencumbered funds. Further, any costs previously paid by the City, which are subsequently determined to be unallowable through audit and closeout procedures may be recaptured or deducted from future loans.

d. At the time of application and prior to disbursement, the borrower and any operating company must certify as follows:

“Neither the Borrower nor the Operating Company has been determined by the Secretary of Homeland Security or the Attorney General to have knowingly hired, recruited or referred illegal aliens for employment in the United States.”

Section 8.0 Collection Procedures:

The Finance and Planning/Development Departments will utilize the following notification/collection procedures:

- a. The Finance Department will send a notice to any loan recipient 30 days overdue.
- b. The Planning and Development Department will notify any loan recipient 45 days overdue and give ten business days to contact the Director and arrange for payment.
- c. The Loan Review Committee will approve collection procedures for loans 60 days or more overdue.
- d. At 90 days, the Loan Review Committee, will forward delinquent loans to Council for a foreclosure decision at the next regularly scheduled meeting.

Section 9.0 Financial Management Disbursement:

The Finance Department will service the Revolving Loan Funds by receiving and recording all payments made to the Revolving Loan Fund and report this information to the Revolving Loan Fund Committee as activity dictates.

The Finance Department will also disburse loan funds upon submission of required invoices/documents and with concurrence of the Director of Planning and Economic Development.

Funds will be disbursed on a cost reimbursement basis via submitted invoices. Unless otherwise required, disbursements will be via two party checks (borrower and vender).

Section 10.0 Records Management:

Financial records, supporting documents, statistical records and all other records pertinent to the loan program shall be retained by the City of Corning. All records shall be retained for the time required by the State's records disposition standards.

Section 11.0 Reports to Council:

The Loan Review Committee will report to Council at least semi-annually on the status of the loan fund.

Section 12.0 Special Circumstances:

The Loan Review Committee may consider and recommend loans to City Council for special circumstances, provided such loans are consistent with the loan fund purposes of Section 1.1. The Committee will state the special circumstances and the proposed impact of the project at the time of referral to Council.