JACKSON COUNTY NORTH CAROLINA
REVOLVING LOAN PROGRAM

The Jackson County Board of Commissioners, otherwise referenced as The County, hereby establish a Revolving Loan Fund (RLF) by virtue of General Statute 153A-376, which specifically authorizes counties to undertake community development activities, including programs concerned with employment and economic development. The County adopted a resolution authorizing this program on May 20, 1993.

SECTION 1: PURPOSE.

The purposes of the Revolving Loan Fund program are:

1. The creation of new job opportunities and the retention of existing jobs within the county's planning jurisdiction, with emphasis on persons of low to moderate income (LMI);
2. To further new business development and/or existing business expansion within the planning jurisdiction of the county, with an emphasis on small business development, the retention of existing jobs, and support for place-based and high-growth industries; and
3. To enable private business development to occur within the county's planning jurisdiction that would not occur without loan assistance from the Revolving Loan Fund.

The Revolving Loan Fund program works in alignment with other community and economic development programs of the Office of Economic Development and the Board of Commissioners. Revolving Loan funds shall be administered in accordance with all applicable State and Federal guidelines.

SECTION 2: REVOLVING LOAN REVENUES.

The Revolving Loan Fund shall be funded from program income for the county's Community Development Block Grant (CDBG) activities, from principal and interest payments from loans made through this program, and from interest earned on unspent Revolving Loan Fund funds. No loan may be made unless there are sufficient funds in the Revolving Loan Fund account to fund the loan.

SECTION 3: ELIGIBLE APPLICANTS.

All Revolving Loan Fund funded activities must be eligible activities permitted under Title 12 of the Housing & Community Development Act of 1974, as amended. The minimum standards of eligibility are listed below. The meeting of these standards will enable the business to apply, but in no way does this constitute a guarantee of a loan from the program. Where competition exists for funds, loan(s) will be selected according to the stated criteria. In addition, all loan applicants must satisfy the credit underwriting criteria, as set forth in Section 8, Credit Underwriting Standards.

All loans are subject to review by the Revolving Loan Review Committee and The County. The County is not obligated to make any particular loan. Since no policy can be written to cover unforeseen circumstances, the Revolving Loan Review Committee and The County reserve the right to reject any loan for any reason whatsoever, regardless of the satisfaction of any or all criteria listed herein.

A. Minimum Eligibility Requirements for Projects.

1. The project must be located within the planning jurisdiction of Jackson County.
2. The project must be a private development project creating or retaining at least three (3) new permanent full-time jobs. Temporary jobs, such as construction on a site with a time-restricted employment will not be included in the job creation standard. All references in this policy to jobs created or retained shall mean permanent full-time employment.
    a. The intention of all applicants will be to meet or exceed a threshold of 51% for the establishment of permanent jobs created (or existing jobs retained) by the project that shall be provided to low-and moderate-income persons. A low- or moderate-income person is defined as a person who is a member of a family whose gross family income does not exceed 80%/ of the median family income for the respective family size as established by the federal Department of Housing and Urban Development (HUD) for Jackson County.
3. The date when the person's income is determined is the most recent twelve months from the date the person submits an application for employment. (In case of job retention projects, income shall be the gross income of families to which the employee belongs at the time of the Revolving Loan Fund application). A family is defined as one or more related persons living in the same household.
    a. Job retention projects will only be considered if the applicant clearly demonstrates that jobs will be lost without assistance from the Revolving Loan Fund program and the applicant has set a schedule for layoffs.
4. Applicants must clearly demonstrate that the project cannot and will not take place as described within the eligible area without Revolving Loan Fund program participation (i.e., "*but for* participation by the Revolving Loan Fund program this project cannot take place in the eligible area"). This policy exists to meet the needs of those projects which cannot secure other financing. Examples of demonstration of need include:

    a. Project pro-forma shows that the project will not have sufficient income to pay total debt service projected at current market rates or equity investors do not receive a reasonable return on investments.

    b. Applicant can document that maximum available private lending combined with available equity financing is not sufficient for the project.
    c. Applicant can demonstrate that without Revolving Loan Fund participation, the project will not be located within Jackson County.
5. The amount of the Revolving Loan Fund loan requested must be reasonable and shall account for no more than what is unavailable from other lending sources at rates which can economically accommodate the needs of the project. Loans for more than 40% of project capital costs shall not be made except under unusual circumstances.
6. The project must be in conformance with local, state and federal laws.
7. The applicant must be a corporation in good standing and eligible to do business in North Carolina, a partnership of same qualifications, or a sole proprietorship.

8. The applicant must apply for and obtain all relevant permits from state, local, and federal agencies, and must be current on all property taxes owed to the County.

B. Minimum Eligibility Requirements for Loans.

1. Loans shall be made only for land, buildings, improvements, equipment upgrades, technology upgrades, capital equipment and related development costs.
    a. Revolving Loan Fund loans may not be used to refinance existing debt(s).
    b. Loans may be made for development of commercial property to be leased; however, the following criteria shall apply:
        i. At least 60% of the total floor space must be pre-leased;
        ii. Information from proposed lessees. together with general industry standards, shall be used to project jobs; and
        iii. Lessees must be willing to follow Low and Moderate Income hiring criteria and lessees will attempt to meet all hiring goals relative to Low to Moderate stipulations.
2. Revolving Loan Funds loans must result in the creation of 1 job per every $10,000 in Revolving Loan Funds as awarded.
3. The loan must satisfactorily meet the credit underwriting standards described herein.
4. The application must submit evidence that private sources will provide the funds necessary to fund the portion of the project cost not funded by the Revolving Loan Fund loan. *Firm letters of commitment are required.* The only unsatisfied condition permitted will be approval of the Revolving Loan Fund loan.
5. The applicant must furnish a letter of commitment to carry out the project if the Revolving Loan Fund loan is made.

SECTION 4: LOAN SELECTION CRITERIA.

The following criteria shall be used to determine which loan applications will be recommended to the Board of Commissioners. The project will be evaluated and points will be assigned to assess the strength of the proposed project.

Criteria	**Points**
Number of jobs created or retained	10
Payback Period (shorter period receives higher weight)	8
Project Funding Coordination (multiple financing sources)	7
Positive Community Impact	5
Resulting in increase in county tax base	5
Total Possible Points	**35**

SECTION 5: LOAN FEES.

The loan application package shall be fully completed and submitted to the Economic Development Director. The package may be accompanied by a loan-processing fee of the greater of $250 or one (1%) of the loan amount requested. This fee may be waived upon request. The loan processing fee shall not be refunded once the application has been processed by the Loan Review Committee.

SECTION 6: LOAN REVIEW COMITTEE AND REVIEW PROCESS.

The Economic Development Director shall check the submitted material for completeness and forward the loan package to the review committee.

The Loan Review Committee shall consist of the Economic Development Director of Jackson County and the Finance Director of Jackson County or their approved designees; a representative from the Southwestern Planning Commission; one local business owner or operator with a business based or operating in Jackson County; and a minimum of two local financial representatives whose principal offices are in Jackson County. County staff and Southwestern Planning Commission members are permanent members. Local members are appointed every two years by the Board of Commissioners. The Loan Review Committee shall meet on a quarterly basis to review applications, with no meetings called if no applications have been received. The Loan Review Committee may call a special meeting to consider applications that are determined to have an immediate need for review.

The Loan Review Committee shall review the application for compliance with the standards and criteria set out in Section 3 of this document. If more than one application is submitted at a time for review, the Loan Review Committee shall rate each application as set out in Section 4.

A. Loan Review Committee Actions

1. If further information is needed, the Loan Review Committee shall send the application back to the applicant with a detailed memo requesting further information.

2. If a negative recommendation is forthcoming from the Loan Review Committee, the applicant will be notified and given the opportunity to withdraw the application.

3. If a positive recommendation is granted by the Loan Review Committee, the Economic Development Director shall forward the loan package to the Board of Commissioners for consideration. A written recommendation from the Loan Review Committee shall accompany the loan package.

SECTION 7: BOARD OF COMMISSIONERS REVIEW.

Loan applications will be accepted at any time during normal business hours and the County shall make every effort to process the application as soon as is practical. While grossly incomplete applications cannot be accepted, a request to call a public hearing shall be forwarded to the Board of

Commissioners as soon as completeness is determined.

The County will have up to seven days after receipt of the package to determine its completeness for acceptance. Notwithstanding the above, the County reserves the right to not call a public hearing or delay any loan application for any reasons deemed by the County to be in its best interest.

Approval or denial may occur at any regular or special meeting of the Board of Commissioners; however, no approval/denial shall occur without the County first holding a public hearing. The public hearing shall be advertised at least once, the notice appearing in a newspaper having general circulation in the county. Normally the applicant should time the application submission to at least forty-five (45) days before Board of Commissioners action is needed.

Within fifteen days of each loan approval, the County shall have a public notice in a newspaper having general circulation in the county stating that a loan has been made, the purpose of the loan, the number of jobs created, the anticipated date of job availability, the amount of the loan, the Company to which the loan was made, and other information as appropriate.

A loan application package shall consist of a completed loan application, supporting documentation, private commitment form, credit history form, all attachments and any other documentation the county may determine to be necessary to satisfy the requirements and objectives of the Revolving Loan Fund program.

The County Attorney shall coordinate the closing of each loan and shall review and/or prepare all loan documents for the closing. Attorney fees may be paid from Revolving Loan Fund balances.

SECTION 8: CREDIT UNDERWRITING STANDARDS.

No loan shall be made unless the Board of Commissioners determines that the project and the owner(s) are acceptable credit risks. Customary loan underwriting practices shall be pursued.

However, it is understood that projects applying under this program, by virtue of being appropriate for the Revolving Loan Fund program, may not be appropriate for financing to the extent needed by private sources. For these reasons, underwriting practices for the Revolving Loan Fund program may differ somewhat from bank lending practices. For example, a bank may only provide 70% financing for a particular type of project. The fact that the applicant needs an additional 30% financing from the Revolving Loan Fund program should not preclude the Revolving Loan Fund loan from being made.

The following minimum criteria shall be used in determining the soundness of a loan:

1. Credit history of the company (and/or owners as appropriate).
2. Market feasibility of the project.
3. Experience and past performance of company (and/or owners as appropriate) related to the project.
4. Project pro-forma (showing project's private loan and RLF loan debt service as proposed in the application).
5. Security/Collateral for loan.
6. Applicant’s financial statements.
7. Other factors as may be deemed appropriate.

SECTION 9: SECURITY FOR LOANS.

All loans will be secured by a Note and Deed of Trust on the real property owned by the applicant, with the county listed as the lien holder. There will be adequate collateral to cover the county's loan and to verify this, an appraisal may be required. In addition, if the loan is for capital equipment, a security agreement and Uniform Commercial Code statement shall also be filed.

The County will also require a personal guarantee in addition to security as identified above.

All documents shall be properly recorded. The County may also require a decreasing term life insurance policy in an amount equal to the outstanding loan balance with the county as beneficiary.

The County may require a property title opinion from the American Land Title Association. In addition the County may require Builder's All Risk, flood insurance (if needed), and hazard insurance certificates in favor of the County as lien holder. In most cases, the position of the County's lien will be junior to any private loans made for the project. After a loan is made, the County may require an annual auditor's compilation, review or appraisal.

SECTION 10: MINIMUM AND MAXIMUM AMOUNTS.

The minimum loan amount is $25,000 and the maximum loan amount is $250,000. The County reserves the right to exceed $250,000 under favorable circumstances.

SECTION 11: TERMS.

Due to the nature of this program, flexible loan terms are permitted to the degree needed for the project. Quarterly-level payments of principal and interest on the unpaid balance beginning with the first quarter of the loan term and ending with the last quarter shall be considered the norm. Any deviation from the norm shall be justified by the applicant through the project pro-forma and other supporting documentation. The normal interest rate may be either fixed or variable; if variable then the current prime interest rate will apply.

In order to have an adequate turnaround on loan funds, the following minimum criteria shall be followed except as noted below:

1. No loan shall be made for less than 50% of prime rate.
2. Principal payments shall not be deferred for a period greater than three (3) years.
3. Interest payments shall not be deferred for a period of greater than two (2) years. Any interest deferred shall be added to the principal at the end of the determent period to create a new principal balance.
4. Maximum term for buildings and land shall be 18 years. Maximum term for equipment shall be 10 years. This includes any deferment periods.

SECTION 12: LOAN DOCUMENTS.

At or before closing, the following executed documents will be required for each loan:

1. Completed loan application and supporting documentation.
2. Documentation of the County's approval of loan.
3. Evidence that other funds needed to complete the project has been provided and are currently available for project use.
4. Evidence that all state and local permits have been obtained.
5. Executed loan agreement between the county and borrower (employment criteria, jobs created, and private investment commitments will be included in loan agreement).
6. Promissory Note.
7. Deed of Trust.
8. Security Agreement, UCC statement.
9. Evidence that the borrower's officials and the County officials are authorized to execute (5), (6), (7), and (8).
10. A document checklist and other documents as the County may deem appropriate.

SECTION 13: TECHNICAL ASSISTANCE.

The County may, at its discretion, provide technical assistance to applicants and those interested in the program to further the purposes of the program, to determine that interested applicants are appropriate for the program, to market the program, and to assist applicants in completion of application and supporting documentation.

SECTION 14: PROGRAM MARKETING.

The Revolving Loan Fund program will be marketed through notification to and contact with existing businesses and potential relocation companies in the Jackson County planning jurisdiction and through other means as determined to be appropriate by the County.

SECTION 15: SOURCE AND AMOUNT OF FUNDS.

The funding for the Revolving Loan Fund will be a loan payback from NRCD Grant #C6229 and Grant #84C6877 and certain other monies as designated by the County. Revolving Loan Fund proceeds (principal and interest) will be turned back into the Revolving Loan Fund for making new Revolving Loan Fund loans.

SECTION 16: USE OF FUNDS.

The use of Revolving Loan Fund funds shall be limited to the making of loans to private, for-profit business undertakings for capital investments in accordance with this policy. Revolving Loan Fund funds may also be used for project administration and closing costs not paid by applicant.

SECTION 17: ALTERNATIVE USE OF RLF FUNDS FOR ECONOMIC DEVELOPMENT.

The County may, at its discretion, use funds in the Revolving Loan Fund for public improvements that are necessary for a particular economic development project (i.e., water and sewer extensions or improvements). The improvements must be tied to a specific development project and of capacity reasonably necessary for the project. The County will fund any difference in cost for which improvements are desired by the County, but are over the capacity reasonably necessary for the project. A firm contractual commitment that a job-producing project will take place must exist prior to the use of Revolving Loan Fund funds for economic development.

The project must generate new jobs, and this requirement must be included in the contractual commitment. No more than $10,000 per new job created shall be spent from Revolving Loan Fund funds on such projects. Improvements serving vacant industrial land or vacant buildings for purely speculative purposes will not be funded.

SECTION 18: MONITORING OF DEVELOPMENT PROJECTS:

All projects will be monitored regularly by the County. This includes Revolving Loan Fund projects and public improvement projects pursuant to Section 16.

During construction and initial hiring phases, the participant will submit quarterly reports on expenditures, project progress, and employment demographics (including gender, income levels, and other characteristics as required).

After construction and initial hiring is completed, annual reports will be required. All hiring requirements will be made a part of the loan agreement. Failure to hire the agreed upon number of full time employees will result in an immediate request to address the deficiency, with the option of calling the Note due if the deficiency is not remedied in a timely manner. The person *initially hired* for each job created shall be used in determining whether hiring goals have been/are being met.

Monitoring shall also be conducted to determine whether the participant has complied with all applicable requirements of Title I of the Housing and Community Development Act of 1974, as amended.

SECTION 19: DISBURSEMENTS.

Evidence of expenditures having been made or invoices due shall be required for any disbursement of Revolving Loan Funds and it is the responsibility of the participant to provide those in a timely manner. Failure of participant to invest in private funds according to the original commitment will result in a reduction in the Revolving Loan Fund loan commensurate with the leveraging ratio (i.e. the ratio of public to private funds). In the event private funds are used in a project disbursement of Revolving Loan Fund Funds to participants shall be on the same basis as the ratio of public to private funds for each particular line item.

SECTION 20: AMENDMENTS.

The Revolving Loan Fund may be amended by the county from time to time. The following procedures will be followed for amendments:

1. Notice of public hearing and nature of amendment.
2. Public hearing on amendment.
3. Adoption of amendment.

SECTION 21: DISCLAIMER.

The applicant understands and agrees that neither this application nor the program under which it is administered creates special privileges or vesting rights which would give cause for appeal or suit if denied. No party to this application has any expectancy of an award or benefit of any kind. The determination by the Loan Review Committee or the County is final, unilateral and it its sole discretion. The applicant waives any opportunity to dispute an unfavorable determination by the Loan Review Committee or the County, whether by administrative process, law or equity.