

Commercial Revolving Loan Fund

Loans shall be limited to 50% of the total improved market value of the property with a cap of **\$25,000**. Loans will have a term of **seven years** at a **4% interest rate**. Early payoff of loans is encouraged and will not be penalized. Borrowers have 9 months to make all draws and then loan repayment begins.

Eligibility Requirements

Project funds shall only be used for permanent improvements that will add value to the property:

- Exterior improvements
- Sidewalk and driveway repairs/replacement
- Landscaping
- Architectural design
- Foundation repairs/replacement
- Interior renovations/repairs
- Property acquisition (secondary financing)
- Roof repairs

- Only work begun *after* approval by the FDC board will be eligible for a grant.

- All work must comply with the Architectural Design Guidelines as adopted by the Franklin Development Corporation.

- The project cost must exceed \$5,000 to be considered for a revolving loan.

- The property must be used primarily for commercial purposes. Mixed use properties and 3+ residential units are eligible.

- The property must be located within or immediately adjacent to the eligible area, as defined by the FDC board. See Exhibit A.

- Routine maintenance such as painting, masonry, fencing, and lighting has to be part of a larger renovation project.

- If a property is vacant or contributing to a blighting effect on the area or neighborhood, it will take priority over other projects.

- If a property is on a major thoroughfare it will take priority over other projects.

- Applications that demonstrate major historical restoration will take precedence over smaller projects.

- Applicants should demonstrate the ability to increase the quality of materials used in the project through the assistance of this program.

- Projects with a larger total private investment being made in the entire property will be given higher consideration.

- Applications shall demonstrate how this program will deliver a higher quality project than otherwise possible.

- Projects will be funded in order of priority as compared to other applications received and based on current program funding available. Projects that meet all eligibility requirements will not automatically receive funding.

- The first draw will not be issued until all necessary permits have been obtained.

Purpose:

The Commercial Revolving Loan Fund (CRLF) program is a low-interest loan fund designed to encourage business owners and commercial property owners to invest in commercial properties in Franklin's historic downtown and within the Integrated Economic Development Area. As property owners improve their buildings, additional businesses will choose to relocate to the downtown area, and residents will choose to purchase homes in the downtown area to be nearer to these businesses. Together, the Commercial Revolving Loan Fund and Commercial Façade Matching Grant programs have generated additional investment from property owners and potential property owners. Some property owners may not be able to get a loan approval from traditional lending sources. Therefore, this program is designed to fill in this gap. The FDC will not provide financing to borrowers who have no reasonable ability to repay the loan. It is not the FDC's intent to cause a borrower to lose his/her property due to an improvement project. So a prudent, but generous approach will be taken with respect to underwriting guidelines. Property owners are only eligible for one commercial loan at a time.

The Commercial Revolving Loan Fund is funded by the Franklin Redevelopment Commission. This program is limited to commercial structures located within the Integrated Economic Development Area (See Exhibit A). Loan proceeds may be used for property acquisition (secondary financing only), facade renovation, and interior build-out which adds value to the property. The Corporation encourages applicants to partner with local sources as much as possible to complete each project. Projects must adhere to the Corporation's architectural design guidelines.

Parameters:

Loan Limits: Loans will be limited to 50% of the Total Improved Market Value of the property with a cap of **\$25,000**. Fair Market Value of a property prior to improvement, for lending purposes, will be considered to be 100% of the prior year's Assessed Value. If the property has been appraised and/or purchased within 12 months of the application the purchase price or appraisal amount can be used for the fair market value instead of the prior year's assessed value.

Projects financed by the FDC will have a **term of seven years at a 4% interest rate**. Early payoff of loans is encouraged and will not be penalized. Borrowers must submit copies of their most recent year's personal and business tax returns. Business loans will be secured by personal guarantee(s). Loan repayment does not commence until the project is complete and all draws have been made. Monthly loan payments will be made to Horizon Bank. Interest paid on the loan may be tax deductible to the borrower. Borrowers should consult with their tax advisor.

Underwriting Criteria: Maximum Debt/Income limit will be 60% (gross) provided credit score is 680 or above. Debt/Income limit will be 50% for borrowers with a credit score between 600 and 679. Debt/Income limit will be 40% for borrowers with a credit score between 550 and 599. For applicants with credit scores below 550, an alternative program will be considered.

Compliance: The Corporation will comply with all applicable Federal, State and local lending laws. The Borrower is responsible for following all codes and standards held for buildings in the district, and shall provide proof of compliance when requested.

Partners:

The Franklin Development Corporation (FDC) will maintain an approved list of partners that borrowers may choose from to complete the project. Approved partners will know and understand the architectural

design guidelines and will be able to assist borrowers in preparing plans to be submitted to FDC for approval. All contractors, historic preservation groups, and developers are welcome to submit qualifications to FDC for consideration as an approved partner. Local partners will be given greater consideration. A list of qualification criteria with point values will be supplied by the FDC. An applicant for the Approved Contractor List must score 95 out of a possible 120 points to be accepted. Program participants who want to use a contractor not listed on the Approved Contractor List may ask the FDC to consider that contractor for acceptance to the Approved Contractor List. Applicants who can demonstrate ability may complete their project on their own.

Required Materials for Application:

Application packages must include enough documentation to illustrate the visual impact of the project and its costs. *Failure to provide required documentation will delay the review process.* The items submitted should include:

- A completed application form
- Written permission from the property owner to conduct facade improvements
- Color photographs of existing conditions
- Samples of materials and colors to be used
- Any other documentation necessary to illustrate the visual impact of the proposed project completion schedule
- Detailed proposal from contractor showing the work to be done, the costs, and the project completion schedule. Any contractor from the Approved Contractor List may be used.
- Owners who can demonstrate ability may perform work on their own building; however, they will not be reimbursed for time while acting as contractor and/or installing material. *Material costs and labor of employees are reimbursable; however, documentation must be produced for the number of hours worked on the project by the employees, the rate of pay and the employees' social security numbers, etc.*
- Applications received after the date and time prescribed by the FDC for each round of funding will not be considered until the next eligible round of funding.

Process:

1. The applicant will complete a loan application and submit it to the FDC along with required supplemental financial information. Staff will determine if the application package that is submitted is sufficiently complete to review, and will forward the application to the Loan and Grant Committee. There will be three competitive rounds of funding per year.
2. Upon preliminary underwriting approval by staff, borrowers will select a partner ("Approved Contractor") and will meet with that partner to develop a project plan which includes the project scope and the project timeline. Projects must comply with the Corporation's Architectural Design Guidelines.
3. Interested borrowers meet with the Franklin Development Corporation Loan and Grant Committee and the Discover Downtown Franklin Design Committee to review the project scope (unless the loan is being used for property acquisition). Approval from the Discover Downtown Franklin Design Committee must be received before the loan is closed.

4. The Loan and Grant Committee will again review the application once all written estimates for work have been received. Applications will be scored and ranked by Loan and Grant Committee Members. The Loan and Grant Committee will make recommendations to the Franklin Development Corporation Board for which applications to approve. If the project is approved, the loan will be closed and the project will begin. If the project is not approved, a letter will be sent to the applicant with the reasons for turning down the loan/project. There is a \$300 closing fee due to the Franklin Development Corporation at closing.
5. Draw requests are made as the project progresses. Draw checks will be made directly to the contractor and/or supplier with written approval by the borrower, for projects utilizing a contractor. Checks will be made out for the exact amount of each invoice. If the applicant chooses to pay the contractor and request reimbursement, proof of payment and the invoice must be submitted with each draw request. The first draw will not be issued until all necessary permits have been obtained. Applicants will be provided with an updated draw form after each disbursement has been made. The FDC reserves the right to refuse payment or reimbursement in whole or part for work that does not conform to the architectural design guidelines, is not in conformance with work indicated on submitted proposals from contractors at the time of application, or for work that is not commensurate with the workmanship and cost customary to the industry. FDC staff will inspect work to ensure that it complies with approved plans. Any changes will require a written request from the applicant and will need to be approved by the Loan and Grant Committee.
6. Projects should be complete within 9 months of closing. Partner and/or borrower will confirm project timelines are being met and project is successfully adhering to approved scope and guidelines.
7. Once the project is complete and all draw requests have been made, the final exact total project amount is sent to Horizon Bank to begin repayment. No monthly loan payments are due and no interest will be accrued until after the completion of the project. Projects that are not complete within 9 months require further approval by the Board.
8. Borrower agrees to maintain the property in its improved condition.

2020 Programming Timeline:

Round One: \$100,000

1. Completed applications **due no later than Friday April 3, 2020 at 4:00 p.m.**
2. Staff reviews applications for completion and loan eligibility is determined by loan and grant committee: April 6-17.
3. Site visits are conducted on April 21, 2020.
4. Loan and Grant Committee meets Wednesday, April 29, 2020 to determine loan and grant awards.
5. Loan and grant awards announced at the FDC board meeting on Thursday April 30, 2020 at 8:00 a.m.

Round Two: \$100,000

1. Completed applications **Due Date September 28, 2020 at 4:00 p.m.**
2. Staff reviews applications for completion and loan eligibility is determined by loan and grant committee:
3. Site visits are conducted October 13, 2020
4. Loan and Grant Committee meets to determine loan and grant awards. October 20, 2020
5. Loan and grant awards are announced at the FDC board meeting October 22, 2020

The following types of properties are **not eligible** for the Commercial Revolving Loan Program:

- Tax-delinquent properties
- Property whose owner has any other tax-delinquent property
- Property in litigation
- Properties not located within the Integrated Economic Development Area
- Property whose intended use does not comply with the City of Franklin's zoning ordinances
- Properties known to have environmentally contaminated soil
- Properties whose owner has ANY unresolved municipal code violations within the City of Franklin

Please Note: The FDC Board reserves the right to fund all or part of an application.