



## Bastrop Economic Development Corporation Revolving Loan Fund Program Policy

### I. GENERAL POLICY

The Bastrop Revolving Loan Fund (RLF) Program provides businesses with direct loans. As the RLF receives the principal and interest from outstanding loans, the money is made available to another borrower. This recycling of funds makes RLFs particularly valuable for small businesses and entrepreneurs that lack the equity typically required by financial institutions to start or grow their business. This RLF program provides a financial guarantee for low interest financing to assist with business start-ups and the expansion of existing businesses for the purposes of creating jobs, increasing sales tax producing revenue, and enhancing private capital investment within the City of Bastrop, Texas by partnering with local lenders such as banks or credit unions who will originate the loan.

### II. ECONOMIC OBJECTIVES

The Bastrop Economic Development Corporation (BEDC) will consider guaranteeing applications for the RLF, which demonstrate the achievement of one or more of the following objectives:

1. Enhance the City's economic base through property tax and sales tax.
2. Assist businesses that provide permanent employment opportunities.
3. Stimulate private sector investment in commercial opportunities.
4. Encourage site improvements and redevelopment of commercial and industrial areas, blighted properties and vacant land.

### III. DEFINITIONS

As used in this Policy, the following words or phrases shall have the stated meanings:

1. "Applicant" – Business or person applying for the loan
2. "BEDC" – Bastrop Economic Development Corporation
3. "BEDC Board" – BEDC Board of Directors
4. "RLF" – Bastrop Revolving Loan Fund Program
5. "RLF Committee," or "Committee" – loan committee comprised of a maximum of three BEDC Board members and additional members as determined by the BEDC Board through appointment at a scheduled board meeting.

6. "Lender" – BEDC or established BEDC bank or lending institution
7. "Loan" – (aka microloan or small business loan) amount not to exceed \$10,000
8. "Recipient" – Business or person approved for a loan

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#### **IV. ELIGIBLE BUSINESSES**

All RLF Applicants must meet the following criteria. The business must:

1. Be a for-profit business in the industrial, commercial, retail or service sector.
2. Be a private business (dba, LLC, LLP, PC, C, or S corporation).
3. Have a physical address within the City of Bastrop city limits. Proof of address shall be required when applying.
4. Be an allowed use through zoning of the property or be a legally non-conforming use.
5. Not have delinquent taxes, bills, or charges due to the City.
6. Not have any outstanding violations with the City of Bastrop unless working to come into compliance by utilizing the RLF.

Any participant in the RLF must be in good standing with the BEDC and the City of Bastrop (e.g., not in litigation against the BEDC or City or owing monies for utilities, judgements, fines, having unresolved code enforcement issues, etc.) and may only carry one revolving loan at a time.

#### **V. ELIGIBLE USES OF THE REVOLVING LOAN FUND**

1. Land and building acquisition
2. Property improvements
3. New building construction
4. Building renovation and modernization
5. Machinery, equipment & fixtures
6. Inventory
7. Working capital
8. Information technology

#### **VI. INELIGIBLE USES OF THE REVOLVING LOAN FUND**

1. Debt refinancing
2. Residential real estate, public buildings or infrastructure, speculative buildings, or any project not located within the city limits of Bastrop, Texas.
3. Investments, payments on current loans, or refinancing of existing debt.
4. Loans used as a loan guarantee or as a substitute for private capital.
5. Taxes
6. Gambling, religious, political or adult/pornographic businesses
7. Loans which would create a potential conflict of interest for any BEDC staff member, elected or appointed official, or members of the Committee.

#### **VII. AMOUNT AVAILABLE**

Applications will be accepted for loan amount requests ranging from \$3,000 up to \$10,000. Loans will be considered on a first come first served basis each fiscal year, which is October 1 to September 30. Once budgeted funds are exhausted, then the BEDC Board must approve additional funding during the fiscal year or applicants will need to reapply in a subsequent term.

**VIII. ADMINISTRATION**

Application forms are available online at [www.bastropedc.org](http://www.bastropedc.org).

Applicant should allow a minimum of six to eight weeks for processing once the completed application and all required documentation are submitted.

Consideration for approval will be based on but not limited to the following:

1. Business plan for the proposed business or project
2. Assessment of business capacity to operate successfully based on current market conditions

Business Status	Personal Credit Score	Business Annual Revenues	Years in Business	Business Plan	Articles of Org/Incorp/EIN	3 Months Personal Bank Statements	3 Months Business Bank Statements
Existing	>600	\$50,000	>1 Year	Yes	Yes	No	Yes
Start-Up	>700	N/A	N/A	Yes	Yes	Yes	No

3. Analysis of personal credit score
4. Cash flow analysis
5. Other financial documents as requested
6. The following minimum criteria will be used in assessing candidacy for a loan:

7. If minimum criteria are met for securing a loan, then the loan committee will analyze and score the loan applicants based on their potential risk in the categories noted in the table below. Risk will be assigned as low (1), medium (2), or high (3). A total risk score will be calculated and used in the final evaluation of the loan application.

	Applicant Credit Score	Current Economic Conditions/ Communication (Business Plan)	Repayment Capacity (Bank Statements)	Total Score	Risk Score Average (Total Score/3)
Risk Score:					
1 - Low					

2 - Medium					
3 - High					

An initial meeting with the Applicant and BEDC staff will be set up to review the request. If the application meets the initial policy guidelines and the application is deemed complete, BEDC staff shall prepare a loan summary to be submitted to the BEDC RLF Committee for consideration in making a recommendation to the BEDC Board. A copy of the loan summary and application will be sent to the Committee at least 72 hours prior to the meeting. Information in the loan summary will include:

1. Project description and use of funds
2. Type of business
3. Number of jobs created or retained
4. Source and use of personal or other funds
5. Staff recommendation for loan application
6. Estimated economic benefits to the City

Incomplete applications will be returned to the Applicant.

The RLF Committee shall meet on an as-needed basis to review applications for financial feasibility, security and ability to satisfy the purposes and priorities of the program. The Applicant will be invited to the meeting to present to the committee. Applications shall require a majority vote of the Committee for recommendation to proceed to the BEDC Board. During the next regularly scheduled BEDC Board meeting, the Board will formally approve/deny the application. If an application is denied, BEDC staff shall have the option to continue assisting the Applicant in gathering additional information for resubmittal.

Nothing in this Policy shall require the BEDC to make a loan to a business that meets the requirements of the Policy. The BEDC is not required to make a loan or provide any financial assistance to a business that meets the requirements of this Policy unless the BEDC in its sole discretion determines that it is in the BEDC and City of Bastrop’s best interest to make a loan. Each application will be reviewed on a case-by-case basis.

*NOTE: Information that the Applicant believes to be confidential should be clearly marked “Confidential” on each page containing confidential information. The BEDC shall take every precaution allowed by law to maintain confidentiality. Application materials may be subject to public disclosure.*

**IX. LOAN TERMS AND GUIDELINES**

1. Minimum amount of loans – \$3,000
2. Maximum amount of loans – \$10,000

3. Loan term will be five (5) years.
4. Loan origination fees will be incurred by the BEDC.
5. The interest rate of all approved loans will be a fixed rate, established at the time of loan approval, and set to 75% of the Wall Street Journal prime rate.
6. Recipients ~~may~~will be required to maintain property insurance on buildings and contents for full replacement value. If required, insurance policies shall name the BEDC as a Lender Loss Payee.

**X. LOAN PAYMENT TERMS AND GUIDELINES**

1. Initial payment may be deferred up to three (3) months after closing.
2. Loan payment shall be made monthly to the City of Bastrop Finance Department by any means authorized by the department.
3. Payments more than thirty (30) days delinquent will be assessed a five (5) percent penalty. Payments first go towards any accrued penalties, then towards accrued interest, and lastly to reduce the balance of the principal.
4. The Recipient may repay the loan without incurring a prepayment penalty, to encourage early repayment of loans.
5. The Applicant will authorize the BEDC to obtain verification of any applicable records, including assets, employment records, and consumer credit reports.
6. BEDC will review RLF agreements annually.

**XI. LOAN PROCEDURES**

Prior to releasing RLFs, the following documentation as applicable, and any other documentation required by the BEDC, must be provided:

1. **Notice of Award** – The BEDC has reviewed and approved a complete application for an eligible Applicant.
2. **Loan Agreement** – A RLF agreement shall be executed by the BEDC Chair and the principal owner(s) or officer(s) of the business. The agreement must be dated, state the agreement between the BEDC and the business and specify the amount and terms of the loan funds delivered.
3. **Loan Security** – If RLF security is required, any mortgage or lien instruments must be executed at the time of the loan closing. The BEDC may take a security interest position in any equipment, real estate, or other collateral being financed. Subordinate lien position loans will be accepted.
4. **Amortization Schedule** – An amortization schedule shall be prepared by BEDC Staff with a copy provided to the borrower.
5. **Evidence of Permits** – Documentation must be provided by the Applicant.
6. **Other Documentation** – The Applicant may be asked to provide other types of documentation.

## **XII. POST-APPROVAL OF RLF RECIPIENT**

In addition to the terms and conditions of the RLF, all Recipients must agree to comply with the following:

- To use RLF money only to pay the cost of services and materials necessary to complete the project or activity, or purchase the equipment for which the loan was awarded.
- To permit inspections by persons authorized by the BEDC of all projects and properties assisted with RLFs. Related project materials shall also be open to inspections which include but may not be limited to materials and equipment. Requests for inspection shall be complied with by the Recipient.
- To maintain records on the projects as may be requested by the BEDC. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.
- The business must maintain an actual physical presence within the city limits of Bastrop, Texas, for 5 years.

## **XIII. POST-CLOSING AND MONITORING OF RLFs**

### **General Procedures**

1. When the loan closing is completed and the funds are disbursed, the Lender will establish a loan servicing file to contain:
  - 1) All closing documents.
  - 2) A log of all conversations and correspondence relating to the loan.
  - 3) A master follow-up file to ensure loan monitoring functions are performed on a timely basis.
2. The calculation of principal and interest and monthly payment reports will be executed at the time of the loan closing by the Lender.
3. Fund management services will be provided by the Lender. The BEDC may assist with loan packaging, underwriting, and related marketing services for the Fund.

### **Monitoring**

Lender will be responsible for collecting and maintaining evidence of ongoing compliance with any loan requirements, insurance, financial reporting, and any special conditions of the original agreement. An annual report of projects financed through this program will be provided to the BEDC and BEDC Board each year.

## **XIV. DEFAULT**

In the event the Recipient is in default on any of the terms and conditions of the RLF agreement, all sums due and owing, including penalties, shall, at the BEDC's option, become due and

payable. To exercise this option, the BEDC Attorney shall prepare a written notice to the Recipient. The notice shall specify the following:

1. The default.
2. The action required to cure the default.
3. A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other corrective action.
4. Any penalties incurred as a result of the default.

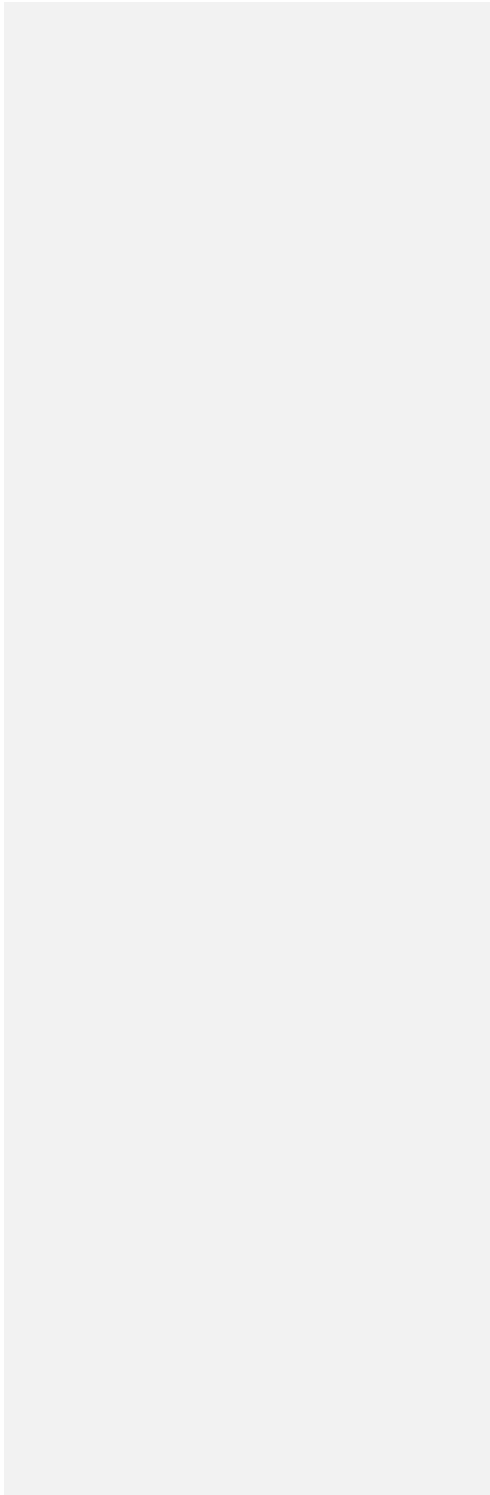
**XV. USE OF LOAN REPAYMENTS AND REPORTING**

Repaid loans shall be redeposited in the RLF account and used in a manner consistent with these policies and procedures. A separate accounting record for each loan shall be kept to account for all funds loaned.

**XVI. PERFORMANCE ASSESSMENT PROCESS**

The BEDC staff shall annually review the goals and objectives of the RLF to verify it is meeting its objectives. If staff determines the program requires modification, staff will prepare and present any modifications to the Committee for review, with final approval by the BEDC Board.

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## Bastrop Economic Development Corporation Revolving Loan Fund (RLF) Process

### Business Interested in RLF

BEDC staff provide RLF information, process, and application

Business completes application

Business begins to gather materials necessary for application requirements



### Application Submission

Business submits application and required documentation to BEDC

BEDC staff review application and documents for completeness

If incomplete, business is notified of components for correction

If complete, BEDC staff will submit application to the BEDC RLF Committee and schedule a Committee meeting



### Committee Convenes

Committee is provided with all application materials for review (at least 72 hours prior to meeting)

Committee meets to discuss application in which business is advised to make a presentation

If approved, Committee sends recommendation to the BEDC Board for approval

If not approved, Committee may decide to provide recommendations for the business for another application submission



### Application Approval

Application is submitted to BEDC Board for approval

If application is approved, the business is notified of any additional contingencies required by the Board

Loan is awarded to business

*BEDC RLF Committee meets on an as-needed basis. The Committee must have sufficient time for review and presentation of the RLF application before materials are distributed to members, a minimum of 72 hours prior to meeting.*





**Bastrop Economic Development  
Corporation  
Revolving Loan Fund Application Form**

**Applicant Information**

Name of Applicant(s): \_\_\_\_\_  
 Address: \_\_\_\_\_ City, State, Zip Code: \_\_\_\_\_  
 Phone Numbers: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**Information about Your Business**

Name of Business: \_\_\_\_\_  
 Address of Business: \_\_\_\_\_ City, State, Zip Code: \_\_\_\_\_  
 Phone Numbers: \_\_\_\_\_  
 Type of Business: \_\_\_\_\_ Employer ID Number: \_\_\_\_\_  
 Number of Employees: Full-Time: \_\_\_\_\_ Part-Time: \_\_\_\_\_  
 Business Banking Institution: \_\_\_\_\_  
 Products or Services Your Business Provides: \_\_\_\_\_

**Information about the Project**

Brief Description of the Project: \_\_\_\_\_  
 Anticipated Start Date for the Project: \_\_\_\_\_  
 Amount of Loan Funds Requested: \_\_\_\_\_ Requested Loan Term: \_\_\_\_\_

**Sources and Uses of Loan Proceeds**

USES		SOURCES	
Land Acquisition:	_____	BEDC RLF:	_____
New Building Construction:	_____	Financial Institution:	_____
Site Preparation or Demolition:	_____	Owner's equity:	_____
Rehabilitation or Renovation:	_____	Other:	_____
New Machinery and Equipment:	_____	Other:	_____
Inventory and Working Capital:	_____	Other:	_____
Other:	_____	Other:	_____

**Additional Requirements**

Each complete application to be submitted shall include the following items:

1. A cover letter describing the project, explaining the need for Economic Development Loan Funds, and describing the public benefits of the project.
2. A business plan outlining the management, marketing, competition, business history, and future potential.
3. Resumes of the principal borrowers.
4. Financial statements for the preceding three years, including balance sheets, income statements, and the most recent interim statements.
5. A current personal financial statement of any owner with 20% or greater ownership in the business.
6. A project budget showing a breakdown of the total sources and uses of funds for the project.

**Private Financing Information**

If private financing is being requested for this project, complete the following information.

Financial Institution: \_\_\_\_\_

Address: \_\_\_\_\_ City, State, Zip Code: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email Address: \_\_\_\_\_

Loan Amount: \_\_\_\_\_

I hereby authorize the above referenced financial institution to release my financial records to the Bastrop Economic Development Corporation and/or their representatives.

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Date

**Applicant Certification**

I authorize the Bastrop Economic Development Corporation to make inquiries as necessary to verify the accuracy of the information provided and to determine my credit worthiness. I certify the statements contained on this application and the supporting documentation are true and accurate as of the stated dates.

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Date