

# **DOWNTOWN REVITALIZATION REVOLVING LOAN FUND INSTRUCTIONS**

## **SUMMARY**

The Downtown Revitalization Revolving Loan Fund is jointly administered by BUILD, Inc., and local financial institutions. Loans may be extended to eligible borrowers at rates below current market rates. Borrowers must meet normal underwriting criteria. Loans may be extended to eligible, fixed-improvement projects.

## **GOALS**

1. To encourage physical improvements which combat deterioration, arrest blight, and enhance the economic life of existing structures.
2. To promote visual improvements through the restoration and rehabilitation of exteriors.
3. To expand business and employment opportunities in existing and deteriorated structures through interior code improvements and redesigns.

## **CAPITALIZATION**

The City has committed \$150,000 (from the Community Development Block Grant program) for the Downtown Revitalization Revolving Loan Fund. This public commitment forms the Revolving Loan Fund. We do not necessarily have \$150,000 in the Revolving Loan Fund account.

## **ELIGIBLE PROJECTS**

1. Existing commercial, residential, or mixed-use properties within the Downtown Revitalization Revolving Loan Fund target area. The four boundary lines of this target area are roughly Main, Neches, Broadway, and College. The Board of Directors reserves the right to extend the boundaries if the situation is extraordinary.
2. Exterior façade improvements, including removal of existing façades, renovations, cleaning, repairs, windows, and awnings. At least 15% of the total package must be used for façade improvements.
3. Up to 85% of the total loan may be used for interior improvements, including finish-out, rehabilitation and code-related improvements.

## **EXTERIOR IMPROVEMENT GUIDELINES**

1. Every reasonable effort shall be made to provide a compatible use for a property which requires minimal alteration of the building, structure, or site and its environment, or to use a property for its originally intended purpose.
2. The distinguishing original qualities or character of a building, structure, or site and its environment, shall not be destroyed. The removal or alteration of any historic material or distinctive architectural features should be avoided when possible.
3. All buildings, structures, and site shall be recognized as products of their own time. Alterations that have no historical basis and which seek to create an earlier appearance shall be discouraged.
4. Changes, which may have taken place in the course of time, are evidence of the history and development of a building, structure, or site and its environment. These changes may have acquired significance in their own right, and this significance shall be recognized and respected.
5. Distinctive stylistic features or examples of skilled craftsmanship which characterize a building, structure, or site shall be treated with sensitivity.
6. Deteriorated architectural features shall be repaired rather than replaced, wherever possible. In the event replacement is necessary, the new material should match the material being replaced in composition, design, color, texture, and other visual qualities. Repair or replacement of missing architectural features should be based on accurate duplications of features, substantiated by historic, physical, or pictorial evidence, rather than on conjectural designs or the availability of different architectural elements from other buildings or structure.
7. The surface cleaning of structures shall be undertaken with the gentlest means possible. Sandblasting and other cleaning methods that will damage the historic building materials shall not be undertaken.
8. Every reasonable effort shall be made to protect and preserve archeological resources affected by, or adjacent to, any project.
9. Contemporary design for alterations and additions to existing properties shall not be discouraged when such alterations and additions do not destroy significant historical, architectural or cultural material, and such design is compatible with the size, scale, color, material, and character of the property, neighborhood or environment.
10. Wherever possible, new additions or alterations to structures shall be done in such a manner that if such additions or alterations were to be removed in the future, the essential form and integrity of the structure would be unimpaired.

**\*The applicant must submit a detailed scope of work of the proposed design improvements to the property. (Include specifics about windows, masonry, paint, doors and awnings.)**

## **ELIGIBLE EXPENSES**

The following **may be** included as eligible expenses in the interest-bearing portion of the loan:

- Title report and policy
- Attorney certificates
- Recording and other fees
- Appraisals
- Advertising and printing
- Surveys
- Architect and engineering (Limit: Not to exceed 10% of project costs)
- Bank qualification of borrower (commitment fee)

## **INELIGIBLE EXPENSES**

The following are ineligible expenses and **may not be** used from loan proceeds:

- Incorporation and organizational expenses
- Refinancing existing debt
- Application fees or cost of loan packaging
- Non-fixed improvement except mechanical and electric with useful life greater than loan maturity
- Speculative real estate investment
- “Sweat” equity (applicant’s)
- Work started or completed prior to loan approval
- Loan closing costs, other than attorney

## **ELIGIBLE APPLICANTS**

1. The applicant must be a member of Beaumont Main Street and must be a qualified borrower by a local financial institution. Documentation from this institution must be presented with application.
2. The applicant’s project must be eligible.
3. The applicant, as owner, must have sufficient title to the property, adequate to satisfy the lender.
4. An applicant, as tenant, must have leasehold and must meet certain terms and conditions, as determined by the private lender. The tenant must have a primary lease term or option to renew the lease for the period of the loan to enable orderly retirement of debt.
5. An applicant may not be, or have been, an Officer or Board Member of BUILD, Inc., within six (6) months of date of application.

## **COLLATERAL REQUIREMENTS**

Revolving Loan Fund loans may be secured by subordinate positions on collateral required by the participating private lender.

Collateral may include:

- Interest in land, buildings, machinery and/or equipment
- Assignment of contracts and contract proceeds
- Assignment of current receivables
- Personal and/or corporate guarantees

Tenant collateral on leasehold improvements may include personal assets, with the exception of the homestead. Other acceptable tenant collateral may include:

- Other real estate
- Surrender value of life insurance policies
- Assignable contracts
- Negotiable instruments
- Machinery, equipment, furniture and fixtures
- Accounts and notes receivable

## **TERMS**

The loan period for loans made from the Revolving Loan Fund shall not exceed ten (10) years. Shorter terms are preferred.

## **MATCHING**

Revolving Loan Fund loans must be matched by the applicant or a private lender at a ratio of not less than 1:1 or be offset by equity in the premises not to exceed 75% of agreed value, if owned, or in the event of a leasehold interest not to exceed 50% of agreed value. These factors are to be considered the sole discretion of BUILD, Inc.

## **LOAN SIZE**

The Revolving Loan Fund may extend loans of any size or may be limited by BUILD's requirements/qualifications.

## **INTEREST RATES**

The interest rate will be the Prime Rate as determined and fixed at time of loan. The rate will be graduated, based on term of loan:

1 – 2 years	0%
3 – 4 years	¼ of the Prime Rate
5 – 6 years	½ of the Prime Rate
7 – 8 years	¾ of the Prime Rate
9 – 10 years	Prime Rate

## **PROJECT STATUS**

Work on this project must commence within 90 days of notification of loan. A construction document must be presented to the Executive Director within the 90-day period.

## **PROCESSING**

Loan applications shall be submitted to the Executive Director of BUILD, Inc. The loan application shall be reviewed by and recommended on by the Design Review Committee and the Finance Committee to the Board of Directors of BUILD, Inc. The Board shall act within 30 days of receipt of a completed application.

Preference shall be given to projects that:

- Expend a higher percentage of the loan on exterior restoration
- Perform restoration versus remodeling
- Leverage more private or lender's money as compared to BUILD's commitment
- Are for members with a longer history of membership in BUILD
- Will result in a greater impact on the development of downtown in the judgment of the Board
- Support an applicant with a greater financial need in the Board's judgment

## **ADMINISTRATION AND LOAN SERVICE**

Beaumont Main Street will screen loan applicants. Beaumont Main Street will approve commitment of matching funds. Loans will be serviced directly to the BUILD office. Loan repayments will be placed in a separate program account.

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