

WATERTOWN ECONOMIC DEVELOPMENT AUTHORITY BUILDING FAÇADE IMPROVEMENT LOAN AND GRANT PROGRAM

PURPOSE

The purpose of this document is to establish guidelines for the application and administration of the City of Watertown Economic Development Authority Building Façade Improvement Loan and Grant Fund Program (the “BFIBFI Program”).

POLICY STATEMENT

The City of Watertown recognizes the need to stimulate private sector investment in facilities and equipment in order to create/retain jobs for local residents and to upgrade facilities to maintain competitiveness and/or boost productivity. The BFI Program is established to provide affordable loans and grants to enhance the exterior façade or building envelope enhancements in order to maintain and enhance the economic viability within the commercial and industrial sectors of Watertown.

PROJECT ELIGIBILITY

Loan proceeds obtained through the BFI Program can be used for:

1. Building envelope and façade improvements consistent with the Downtown Design Standards, State Building Code, and City Zoning Regulations.
2. Eligible businesses must be within the city limits of Watertown and in commercial or industrial zoned districts as defined by the City’s approved Land Use Map.

BFI Program loan proceeds cannot be used for:

1. Construction and/or renovation of residential units.
2. Acquisition, installation or repair of furnishings or trade fixtures.
3. Acquisition, installation or repair of building mechanical systems.
4. Speculative investment purposes.

LOAN AMOUNT

1. The maximum loan request considered is \$5,000. The EDA will loan funds are borrowed on a 2:1 ration to applicant investment.
2. The interest rate for any loan shall be 3%.
3. The repayment schedule for loan funds shall not exceed a term of 5 years. There is no penalty for pre-payment.
4. Repayment will normally commence the first day of the month after closing of the loan and be due the first day of each month for the duration of the loan. Monthly loan payments will be automatically deducted from the applicants authorized checking account using the Watertown direct payment program. Repayment authorization form(s) will be completed at closing of the loan.

GRANT AMOUNT

1. In addition to loan funds the EDA makes available up to \$2,500 in grant funds that can be applied toward eligible projects. This grant is available independently of any borrowed funds at a 2:1 ratio of investment by the applicant.

Example A:	Example B:	Example C:
\$15,000 owner investment	\$5,000 owner investment	\$10,000 owner investment
\$5,000 BFI loan	\$2,500 BFI loan (or)	\$2,500 BFI loan
\$2,500 BFI grant	\$2,500 BFI grant	\$2,500 BFI grant

REGULATIONS FOR IMPROVEMENTS

All building construction or renovation is to be in conformance with the current adopted Uniform Building Code, Downtown Design Guidelines, and other City Codes and policies. Repairs or improvements may include, but are not limited to, the following building façade systems:

- a. Window/Door Replacement
- b. Exterior Painting
- c. Tuck Pointing
- d. Awning Replacement or Installation
- e. Sign Replacement or Installation
- f. Streetscape Improvements

Projects specifically in-eligible include, but are not limited to:

- a. Structural Upgrades
- b. HVAC Improvements
- c. Accessibility Improvements
- d. Interior or fixture improvements

LOAN SECURITY

1. For loans up to \$5,000 the City may consider a mortgage, letter of credit or a UCC-1 filing as security on the loan.
2. Applicant must demonstrate to the City that he or she possesses the financial means to repay the loan(s).
3. The applicant must demonstrate that the mortgaged property is insured for its full insurable value.

TIMING OF PROJECT EXPENSES

Building construction may not commence until all required permits are secured. All costs incurred by the loan applicant before the loan application has been approved, and any costs associated with the loan application or execution of the loan documents as required by the City, are not eligible expenditures.

PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL

1. Any interested applicant should meet with the Watertown City Administrator to obtain information about the BFI Loan Program and to discuss the proposed project and obtain application forms.
2. A completed application form, together with a processing fee of \$50 loan must be submitted to the City of Watertown two weeks prior to review and consideration of the application by the Watertown Economic Development Authority. The fee will be used to cover City expenses for processing the application and is nonrefundable. An additional fee of 1% of the loan amount requested will be charged and payable at loan closing if the applicant fails to provide complete project information within thirty (30) days after the original application is submitted.
3. The application is reviewed by City Staff to determine if it conforms to the requirements of this Program, and all other City Codes, policies, ordinances, and regulations.
4. City staff will request an Owners & Encumbrance Report upon the property to be mortgaged to help determine whether the BFI program requirements are met if a mortgage is used as loan security.

5. City Staff will review each application and the project information supplied in terms of its proposed activities in relation to their impact on the Watertown economic community. City Staff will make a recommendation concerning funding of the proposed project to the Watertown Economic Development Authority for final consideration of the application.
6. The Watertown Economic Development Authority will evaluate the project application in terms of the following:
 - a. Project Design - Evaluation of project design will include review of proposed activities, timelines and capacity to implement.
 - b. Financial Feasibility - Availability of funds, private involvement, financial packaging and cost effectiveness.
 - c. Loan applicant provides information that shows they are able to pay the projected ratio of owner investment of the total project from a source other than BFI Loan proceeds.
 - d. Sufficient cash flow and security to cover proposed debt service.
 - e. Net Worth Test: Applicant (and/or its principal) must show a positive net worth. Owners with a 20% or greater ownership in the property or premises to be improved shall personally guarantee the proposed debt service.
 - f. Notarized letter of approval and willingness to accept a mortgage as loan security from building owner if property or premises to be improved is leased by the applicant.
 - g. Letter of commitment from applicable business pledging to complete project during proposed project duration if loan application is approved.
 - h. Letter of commitment from applicable business pledging to remain in the eligible geographic area during the duration of the loan period or be subject to acceleration and immediate loan balance repayment.
 - i. Letter of commitment from regulated financial institution stating terms and conditions of their participation in project, if any.
 - j. Project compliance with all City Codes and policies.
7. All applications failing to meet the minimum threshold standards, but that are able to show sufficient documentation of ability to cover the expected debt service, may be reviewed on a case by case basis by the Watertown Economic Development Authority.
8. The Watertown Economic Development Authority reserves the right to waive certain requirements of this Program and may request additional information and documentation as deemed necessary.
9. The Watertown Economic Development Authority must review and approve all applications prior to the disbursement of loan proceeds.

LOAN CLOSING

1. BFI Program loan documents will be executed by the applicant at closing, which may include any or all of the following as determined by the Watertown Economic Development Authority and City Staff:
 - a. Promissory Note; and
 - b. Mortgage on real property; and
 - c. Assignment of Leases and Rents; and
 - d. Security Agreement and/or Financing Statement; and
 - e. Personal Guaranty; and
 - f. Direct Payment Authorization Form.

2. Additional fees must be paid by the applicant at closing, which may include any or all of the following:
 - a. Mortgage Registry Tax charged by County; and
 - b. Additional administrative or appraisal fees.

ONGOING REPORTING

1. Twelve months after the closing of the loan, the applicant is required to submit a summary of how the EDA's BFI loan funds were used..

2. Failure to report may be considered a default on the loan, subject to the provisions provided in the BFI Program.

DEFAULT AND REMEDY PROVISIONS

1. Each of the following would be considered a default upon a BFI Program loan (a "Default"):
 - a. Any required payment is not paid within 30 days of the date due;
 - b. Any other indebtedness of the borrower to the EDA is not paid when due;
 - c. Failure to pay real estate taxes or insurance upon the mortgaged property;
 - d. The property given as security for the loan, or any interest in said property is sold or transferred without the EDA's prior written consent (other than sales from inventory in the ordinary course of business, if applicable);
 - e. The borrower, or its principal, becomes a debtor in a bankruptcy proceeding or the subject of a similar state court proceeding, becomes the subject of a receivership, or makes an assignment for the benefit of creditors;
 - f. Failure to provide ongoing reporting as required in the BFI Program;
 - g. Any other defaults set forth in any of the loan documents.
2. The EDA will comply with any notice provisions to be provided to the borrower upon the occurrence of a Default as set forth in the loan documents. If a Default occurs, the loan may be accelerated with all principal and interest being due and payable in full. The EDA's remedies to a Default will also include the right to set off foreclosure of the mortgaged property and any other collection proceedings available pursuant to the loan documents or applicable law. Loans in default may be subject to penalties equal to ten percent (10%) of the past due balance. If the EDA determines collection proceedings are necessary, including but not limited to foreclosure, the borrower will be provided with written notice identifying the public meeting where the loan will be considered and action determined.

Established: September 2015