

ORDINANCE NO. 90-

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CALHOUN COUNTY  
FILED FOR RECORD

90-724

AN ORDINANCE IMPLEMENTING THE DEPARTMENT OF COMMUNITY AFFAIRS REVOLVING LOAN FUND PURPOSE; BACKGROUND; PROGRAM OVERVIEW; GOALS AND OBJECTIVES; ELIGIBILITY REQUIREMENTS; SPECULATION ACTIVITIES; LOAN ADMINISTRATION BOARD; LOAN SELECTION APPROVAL AND SERVICING PROCESS; CIVIL RIGHTS; ENVIRONMENTAL CONSIDERATIONS; RELOCATION; FLOOD HAZARD INSURANCE; ACCESS FOR THE HANDICAPPED.

WHEREAS, the Board of County Commissioners of Calhoun County, Florida, is in the process of building and establishing an Agricultural Industrial Park, and

WHEREAS, a portion of the monies used to build the Agricultural Industrial Park and its anchor industry is coming from the Department of Community Affairs Revolving Loan Fund, and

WHEREAS, the Board of County Commissioners of Calhoun County, Florida are desirous of implementing guidelines for the reissuance of said fund;

NOW THEREFORE BE IT ORDAINED by the Board Of County Commissioners Of Calhoun County, Florida, that:

1. Section 1. Purpose.

This plan provides policy and program guidance for the implementation of the Calhoun County Revolving Loan Fund Program.

2. Section 2. Background.

A. The Florida Department of Community Affairs in furtherance of its duties under Public Law 93-383, as amended and Sections 290.0401 - 290.049, Florida Statutes, determined on April 4, 1989, that Calhoun County qualified for a grant under the Florida Community Development Block Grant (CDBG) Small Cities Program.

B. Under the Community Development Block Grant (CDBG) Small Cities Program, Calhoun County was awarded \$562,500. According to the mandates and the requirements of the Grant Agreement, the Calhoun County Board of County Commissioners will utilize the grant to construct a catfish processing facility within the Apalachee River Agricultural Park. The

Florida Aquaculture Processors Cooperative, Inc., will serve as the anchor industry and will enter into a lease-option purchase agreement with the Board of County Commissioners. The Board of County Commissioners will then be able to use these funds to loan other industries in Calhoun County, Florida.

C. The funds referred to as Program Income including interest earned is subject to the requirements of the Housing and Community Development Act of 1974 as amended (the ACT); OMB Circular A-102; 24 CFR 570; 9B-43.012, Florida Administrative Code; HUD Policy Index Memorandums 3-15, 3-18, 3-31, and 3-33; and HUD CPD Notice 89-42. Furthermore, that program income that is received after participation in Contract Number 89 DB-49-02-17-01-E01 has closed out is not subject to the Act, notwithstanding any subsequent participation in any other CDBG grant or any other CDBG grant which may be in effect at the time.

### Section 3. Program Overview.

A. The Calhoun County Revolving Loan Fund is a pool of money to be used by the Board of County Commissioners to achieve economic benefits. The money is returned to the RLF Fund to make other loans. In that manner, the RLF Fund becomes an on-going "revolving" financial tool.

B. The Calhoun County Revolving Loan Fund is not a substitute for conventional lending sources. Given the small size of the County RLF program, this program is available to fill gaps in existing local financial markets, provide and attract additional capital which otherwise would not be available for local economic development.

C. As part of the County RLF program, the County requires that RLF dollars be allocated in accordance with this Revolving Loan Fund Plan. The RLF Plan defines specific objectives and operating procedures, including standards and selection criteria.

### Section 4. Goals and Objectives.



A. One of the major problems in Calhoun County as regards economic development and a significant contributing factor to local economic distress is the problem of credit availability. Even when available, the cost and terms of the credit may prevent firms from expanding or starting up. In addition, within Calhoun County a program aimed at broadening the economic base and one that encourages local entrepreneurs is needed. The establishment of the Calhoun County Revolving Loan Fund is an effort to address the above mentioned problems, as well as to attract additional capital to the community which otherwise would not be available for local economic development.

B. The primary program objective is private sector job creation and capital formation. Projects are expected to support specific economic development activities planned or underway\* in the community. These may include but are not limited to the following types of projects:

\*To qualify a project as underway in the community the applicant must demonstrate that new jobs will be created as defined by 9B-43.012(1).

1. Small business development, including the start up or expansion of locally owned businesses.

2. Redevelopment of blighted and vacant facilities for productive use is eligible only if the redevelopment of the vacant facilities is completed as part of an eligible activity (demolishing structures and clearing land is eligible only as part of an activity to immediately put the land to use for an eligible purpose.)

3. Development of businesses owned and operated by minorities, women and other economically disadvantaged groups.

4. Funds may be used as the required local match for other federal grants-in-aid programs. (In this situation, all CDBG restrictions placed upon the original funds remain binding.) A 1 to 1 leveraging of private funds whenever program income is used as matching funds is required.

5. Up to 15% of the RLF portfolio may be used to establish a child care center. This is an eligible activity for use of CDBG funds under economic development only if the child care is being undertaken by a for-profit business and a loan is being made on the same terms as any other loan utilizing CDBG funds.

C. The effectiveness of the Calhoun County Revolving Loan Fund as a development tool will depend on its lending policies and financing techniques. These include but are not limited to:

1. Modifications in repayment terms, such as deferral of initial principal or interest payments;
2. Taking greater risk than banks are prepared to take, when substantial economic development benefits will result if the borrower succeeds;
3. Providing below market interest rates;
4. Utilizing other state and federal programs in conjunction with the RLF Program in order to maintain maximum dollars within the RLF pool.

D. All proceeds from interest payments will be utilized in the following manner:

1. Utilization to cover administrative cost related to the RLF Program.
2. Returned to the RLF to provide funds for additional loans.

The County will utilize other state and federal programs to the maximum extent feasible either in lieu of or in conjunction with the RLF Program in an effort to attain the maximum economic benefits to the RLF Program.

#### Section 5. Eligibility Requirements.

A. Eligible borrowers/applicants for RLF assistance with the Calhoun County include:

1. Any legal entity, individual, public and private organizations, and federally recognized Indian tribal groups.



2. Applicants/borrowers will be considered without regard to race, color, religion, sex, national origin, age, handicapping condition, or marital status.

3. All RLF borrowers/applicants must show that the project to be financed will result in private sector jobs creation or retention and contributes to the economic development efforts of the County.

4. All RLF borrowers/applicants must show that the request is "Necessary or Appropriate." (Exhibit 1-A must be completed and submitted with all the applications.)

5. All RLF borrowers/applicants must show that requirements relating to NATIONAL OBJECTIVES will be met. (Exhibit 1-B must be completed and submitted with all applications.)

B. Eligible loan/project development activities for RLF assistance within Calhoun County include:

1. Required matching funds to utilize other state and federal programs in conjunction with the County RLF.

2. Acquisition, construction or rehabilitation of commercial and industrial buildings and structures.

3. Purchase of machinery and equipment with a useful life of at least 5 years.

4. Financing the development of child care facilities.

5. Loan activities will normally emphasize direct job creation/retention.

C. Ineligible loan/project development activities for RLF assistance within Calhoun County include:

1. Speculation activities, such as land banking and the construction of speculative buildings, since they do not normally result in near-term job creation or retention.

2. Loans which assist the relocation of jobs from another labor area.

3. Loans for the purpose of investing in high interest accounts, certification of deposits or other investments not related to job creation.

4. Loans which would create a potential conflict-of-interest for any officer or employee of the County or any current or former member of the County's Loan Administration board or staff who reviews, approves or otherwise participates in decisions on RLF loans.

D. Eligible debt finance mechanisms: Calhoun County RLF capital may be used for debt financing through direct loans. RLF capital cannot be used to:

1. Purchase or finance equity in private businesses;
2. Subsidize interest payments on existing loans;
3. Refinance loans made by other lenders.

E. Calhoun County RLF Program is available to make loans to eligible borrowers at interest rates and under conditions determined by the County to be most appropriate in achieving the goals of the RLF.

1. The interest rate may be from 3 to 5.5 percent below the prime interest rate on the date of loan closing, but in no case may the interest rate be less than 2 percent.

2. Where necessary, RLF financing should be designated to assist borrowers with special credit problems, and therefore, may involve greater risks and more lenient terms rather than conventional financing.

3. The Revolving Loan Fund income will not be commingled with other County funds or with program income from other CDBG non-development activities. Separate checking accounts, one for interest income and one for principal income, will be established for this purpose.

F. In the determination of collateral requirements, the County shall consider the merits and potential economic benefits of each request. When appropriate and practical, RLF



financing shall be secured by liens or assignments of rights in assets of assisted firms as follows:

1. The lien position of the RLF may be subordinate and made inferior to lien or liens securing other loans made in connection with the project.

2. In addition to the above types of security, the RLF may also require security in the form of assignment of patents and licenses, the acquisition of hazard and other forms of insurance, and such other additional security as the grantee determines is necessary to support the RLF's exposure.

3. RLF loan requests submitted by closely held corporations, partnerships or proprietorships dependent for their continuing success on certain individuals will ordinarily be expected to provide and assign to the RLF life insurance on these key persons. Personal guarantees may also be required from principal owners, as appropriate.

G. The ratio of the total dollar amount of all private funds to RLF funds shall be at least 1:1. Applicants shall include documentation that all funds used to meet the leverage requirement are directly linked to the proposed project.

Section 6. Loan Administration Board:

The Calhoun County Industrial Development Authority will serve as the RLF Administrative Board. The Board consists of nine (9) members representing a cross section of business leaders, minorities and the banking community. This board will make recommendations on approval or rejection of applicants and RLF management procedures to the Calhoun County Board of County Commissioners. The duties of the Loan Administration Board will be as follows:

A. Review all loan applications submitted for funding, establishing that each loan request has sufficient collateral, financial feasibility, and sound management practices.

B. Recommend approval or rejection of applicants to the Calhoun Board of County Commissioners. (All loans receiving

approval recommendations will be in compliance with the goals, policies, and procedures as set forth in this Revolving Loan Fund Plan.)

C. Periodically review and update the RLF management procedures and the RLF Plan.

Section 7. Loan Selection, Approval and Servicing Process:

A. Over the longer term, the effective management of the RLF capital will be important to the achievement of the overall goals of this RLF. The Calhoun County Industrial Development Authority will be responsible for publicizing the availability of the Revolving Loan Program. The IDA will also be responsible for reviewing and recommending approval of loans to the Calhoun County Board of County Commissioners.

IDA staff will also be responsible for facilitating the loan packaging process which will include the following:

1. Meeting and interviewing the applicants to gain an understanding of the project and its parameters, the principals and the potential structure of the deal. The goals of this initial interview are to give the applicant specific information about the RLF Program, to determine if the proposed project is feasible, and to determine whether the proposed project meets goals of the RLF Program.

2. Technical and Management Assistance. Technical and management assistance will be provided by various federal, state and local government agencies, university centers and other groups composed of persons familiar with the effective administration of the funding process. These agencies will provide assistance in referring applicants to additional appropriate sources of funding, in developing market feasibility studies, conducting labor and resource surveys, making environmental impact assessments, and referring applicants to qualified advisors (Bankers, accountants, etc.).



B. Applicants determined eligible for RLF assistance are requested to furnish financial statements and other information necessary to complete the RLF application form. The application form and process allow the staff to determine the feasibility of the project.

1. Completed RLF applications packages are submitted to Calhoun County Industrial Development Authority. All loan applications, with recommendations from the IDA attached, will be referred to the Calhoun County Board of County Commissioners with funding recommendations.

Section 8. Other Requirements.

CIVIL RIGHTS. That assurance of equal opportunity in lending will be put into effect by the following means; loan opportunities will be advertised through an outreach program including release of information through any special contracts made with existing minority businessmen in the area, and dissemination of information through any local minority-oriented development groups and their assistance in locating potential minority participants will be requested. In addition, local banks will be informed about the availability of the RLF Program and its guidelines.

The IDA will insure that borrowers do not discriminate against employees or applicants for employment by including in each applicant a statement of compliance with all applicable state and federal laws and regulations.

The Loan Administration Board will monitor the employment practices of approved borrowers, at least annually. Periodic checks may be made to ensure that job opportunities as duly advertised and that an affirmative action plan is being followed.

No applicant will be denied a loan on basis of race, color, national origin, religion, age, handicap or sex.

ENVIRONMENTAL CONSIDERATIONS. The Loan Administration Board will be appraised of state and federal statutes

concerning environmental impact of the proposed projects. All construction projects will require approval from the State Historic Preservation Office to assure that no historic properties or archeological factors are affected. Projects which have potential liquid or harmful waste will be required to obtain a letter of approval from the Department of Natural Resources. In addition, all construction projects will be checked to ascertain location in relation to floodplains or wetlands. In such locations a letter of approval will be required from the Department of Community Affairs. No project will be approved which produces an insurmountable, harmful alteration of the natural environment.

RELOCATION. No portion of the RLF funds shall be used any way to assist in a transfer of jobs relocating from one labor market area to another.

FLOOD HAZARD INSURANCE. Prior to approval of any RLF project in a designated flood hazard area, the proposed borrower will be required to obtain Flood Hazard Insurance. This insurance must be approved prior to disbursement of Revolving Loan Funds.

ACCESS FOR THE HANDICAPPED. If the proposed RLF borrower requests financing for a construction project which will have public access, he must provide assurance for accessibility to the handicapped.

ADOPTED in Regular Session this 20<sup>th</sup> day of March, 1990.

BOARD OF COUNTY COMMISSIONERS  
OF CALHOUN COUNTY, FLORIDA

W. Donnell K. Halperin  
CHAIRMAN

ATTEST:

W. Donnell K. Halperin  
CLERK



EXHIBIT 1-A  
NECESSARY OR APPROPRIATE

Private for-profit businesses:

I. To document the needs of the business to make the project financially feasible include the following:

	Documentation Page Number
A. A five year projected profit and loss statement using 100% private financing;	_____
B. A five year projected profit and loss statement with RLF funding;	_____
C. Cost estimates for project;	_____
D. Terms of loan;	_____
E. Financial statements for each principal;	_____
F. Description of business organization	_____
G. Letters of commitment for each participating party;	_____
H. Independently prepared market feasibility study;	_____
I. Business Plan;	_____
J. For Developer projects only, all lease commitments signed to date;	_____
K. source and use of all funds.	_____

EXHIBIT 1-B

Achievement of National Objectives. An applicant shall demonstrate that each of the activities in its proposed program meets at least one of the following three National Objectives. Describe below how the project, if funded, will achieve one of the National Objectives below.

1. Benefit to low and moderate income persons, when at least 51 percent of those who benefit from any activity are low and moderate income persons and at least 60 percent of the funds requested for each activity shall benefit low and moderate income persons.

2. Aid in the prevention or elimination of slums or blight.

3. Meet urgent community development needs where there is a serious and immediate threat to the health and welfare of the community, which are of recent origin or recently became urgent and where other financial resources are not available.