

# Cohasset Building Improvement Loan Program

## **Purpose:**

The Commercial Building Improvement Loan (CBIL) Program is a revolving loan fund intended primarily to help building owners and leaseholders improve the appearance and function of their existing buildings.

Secondary purposes of the Program include:

- removal of blight, to increase the vitality and competitiveness of small businesses
- strengthen the tax base in the Cohasset commercial districts.

## **Objective:**

The objective of the Commercial Building Improvement Loan Program is to fill the financing gap between project costs and private debt financing and private equity by making direct below market interest loans for certain approved activities in the City of Cohasset.

## **Eligible Locations:**

Any retail/commercial building or building site within the Downtown or Commercial Highway districts shall be eligible to apply for a Commercial Building Improvement Loan, provided the project involves eligible improvements and is submitted by an eligible applicant: (*list eligible zoning areas*).

## **Eligible Applicants:**

The owner of a commercial building may apply for an improvement loan if the owner also owns a business on the property. If a person leasing a commercial building would like to apply for a loan, the property owner must also sign the application, and loan papers. The application must be supported by evidence of property ownership, such as a title insurance policy, title opinion, or copy of a deed.

## **Eligible Improvements:**

Program funds may be used for fixed asset financing such as:

- Energy improvements
- Building renovation, and structural improvements
- Exterior improvements such as landscaping and parking lot improvements
- Rehabilitation of distressed properties
- Signage

These loan funds will be granted for building and site improvement related purposes only. This program is not intended for purposes such as; providing working capital, refinancing of existing loans, marketing and promotion, or inventory acquisition.

## **Application and Review:**

Interested applicants should meet with the City Administrator to obtain information about the CEDA Commercial Building Improvement Loan Program and to discuss the proposed project and obtain application forms.

A completed application form, along with the required submittals must be submitted to the City Administrator prior to review by CEDA.

The application is reviewed by the City Administrator to determine if it conforms to the general requirements of this Program, and all other City ordinances, policies, and regulations.

**Project Review:**

The Cohasset Economic Development Authority (CEDA) Loan Review Committee, which is comprised of two CEDA Commissioners and the City Administrator will review each application in terms of its proposed activities in relation to their impact on the Cohasset economic community. The Committee will make a recommendation to the CEDA concerning funding of the proposed project for final consideration of the application.

The CEDA will evaluate the project application in terms of the following:

- Project Design – Evaluation of project design will include a review of the proposed activities, timelines and capacity to implement.
- Financial Feasibility – Availability of funds, private involvement, financial packaging and cost effectiveness.
- Ratio of private funds to CEDA loan funds.
- Sufficient cash flow to cover proposed debt service.
- Net Worth Test: Applicant to be assisted must show a positive net worth.
- Letter of commitment from applicable business pledging to complete project during proposed duration if loan application is approved.
- Letter of commitment from regulated financial institution stating terms and conditions of their participation in project.
- Sufficient security to cover debt service.
- Project compliance with all City ordinances and policies.
- All applications failing to meet the minimum threshold standards but 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 CEDA. The CEDA reserves the right to waive certain requirements of this program and may request additional information and documentation as deemed necessary.
- The CEDA must review and approve all applications prior to disbursement of loan proceeds.

**Maximum Loan Amount:**

The Commercial Building Improvement Loan program funds may finance 50% to 80% of the project cost, or \$20,000, whichever is less.

**Interest Rate:**

The interest rate for Commercial Building Improvement Loans shall be a sliding scale based upon the percentage of the project secured by the City, and the percent secured by outside funding (see table).

Percent Secured by the City	Interest Rate
80%	6%
70%	5%
60%	4%
50%	3%

Interest will begin accruing on any interim disbursements at the time those payments are approved. The payment of accumulated interest prior to the final disbursement will be factored into the monthly payment schedule at the time of final disbursement. There will be no penalty for early payment.

**Term:**

The maximum term for any improvement loan shall be 5 years. Loans will be amortized over a 10 year period.

**Balance Due:**

All balances will be due and payable if and when the loan recipient refinances/restructures other existing debt associated with the same property. At the time the balance of the original Commercial Building Improvement Loan is paid, as required herein, the loan recipient will have the option of re-applying to CEDA for a new loan under the current terms and objectives of the CBIL Program at that time.

**Payments:**

Payments shall be on a monthly basis unless otherwise approved by the CEDA. If the monthly payment calculated under these terms is less than \$50.00, the loan payment shall be set at \$50.00 per month.

**Security:**

The loan shall be secured by a promissory note and mortgage of the borrower.

**Fee:**

The filing fee for the program shall be \$100. This fee shall be paid when the application is filed.

**Documents:**

Loans shall be subject to whatever agreements and documents as are reasonably necessary to insure that the purpose and intent of this program are met. The application form lists the minimum required submittals. The CEDA reserves the right to waive certain submittal requirements for smaller loan requests.

**Deadline for Improvements:**

The construction for any project funded by the program must be completed within 120 days of the loan closing.

**Disbursement of Loan Proceeds:**

Loan funds will be disbursed upon the City's verification of the completion of the entire project or project element involving an interim disbursement, through a site visit by a City Official. Prior to disbursements of the loan fund, the applicant will also be required to provide an Ownership and Encumbrances Report in a form acceptable to the City Attorney. Accommodations may be made for interim draws when the work being done is part of a large project, subject to interim inspections. If interim disbursements are requested, borrower will furnish proper lien waivers from contractors.

The minimum time interval between requests for interim disbursements is 30 days. The maximum interval between the first and final disbursement shall be 90 days. Interim disbursement amounts will be no greater than 75% of the value of completed construction. At the time of the disbursement request, invoice copies shall be provided as evidence of the cost of completed construction.

**Insurance:**

Applicant shall provide verification that the building is insured at a level equal to its value, with the CEDA listed as additional insured. The applicant shall provide verification of Key Man life insurance in appropriate situations such as a sole proprietorship.

**Availability of Funds:**

Program funds are limited. Loans may be awarded on a first come, first serve basis for eligible projects. Some funds are reserved for projects within the traditional Downtown business district.

**Default Provisions:**

Loans will be considered in default after thirty days (30) days have elapsed past the payment due date. At that time the CEDA will make contact, by written notice, that payment is due. After sixty (60) days have elapsed, the CEDA will discuss the nonpayment and past due balance. A second letter will be sent plus a site visit to the building owner. After ninety (90) days elapse, and if no payment is received, the CEDA may initiate foreclosure proceedings and place a Special Assessment upon the property for the balance owed on the loan, including accrued interest.