

# BOARD OF ALDERMEN

ITEM NO. (2)

## AGENDA ITEM ABSTRACT

MEETING DATE: April 10, 2007

**TITLE: Presentation and Overview of the Carrboro Revolving Loan Fund**

<b>DEPARTMENT:</b> Community and Economic Development	<b>PUBLIC HEARING:</b> YES ___ NO <u>x</u>
<b>ATTACHMENTS:</b> A – Resolution B – Revolving Loan Fund Criteria C – Loan Summary	<b>FOR INFORMATION CONTACT:</b> James Harris 918-7319

### PURPOSE

The purpose of this item is to provide the Board of Aldermen with an overview of the Revolving Loan Fund and review the process and criteria used by the fund to start or expand businesses in Carrboro.

### INFORMATION

#### Creation

In 1986, the North Carolina Department of Natural Resources and Community Development (NRCD) determined that Community Development Block Grant (CDBG) income could be used to establish a revolving loan fund to provide communities with a source of financing to undertake economic development activities. In that same year the Town of Carrboro created a Revolving Loan Fund (RLF) for projects resulting in the creation or retention of jobs (particularly jobs held by low and moderate income persons).

#### Source of Funds

The funds used to establish the Carrboro Revolving Loan Fund came from the state in the form of three initial economic development loans to assist Rogers Triem, Cleora Sterling and Norina/Jade Palace. Per our agreement with the state, those loans were paid back to the Town instead of the state and became the financial basis for the RLF. The RLF now receives all principle and interest payment from loan repayments to the loan pool. No general funds are added to this pool.

#### Use of Funds

Loans from the fund are made (subject to availability at the time of application) to private non-profit and for-profit firms for projects such as construction or renovation of a building, purchasing existing buildings, the acquisition of equipment or new inventory, and the extension of utilities or streets to new sites or parking lots. Other potential projects are explored with applicants as long as it can be shown that new employees will be hired or employees who would otherwise lose their jobs will be retained. The project must be located in the Town's planning jurisdiction. Priority will be given to projects located in the downtown business district.

The Town has a contract with the Small Business Development Technology Center (SBTDC) to provide loan-packaging services to the Town. The cost of this service is paid out of the loan proceeds at the time of closing. The Town is responsible for loan initiation, disbursements, loan collection and loan agreements. The Town has an excellent reciprocal relationship with the SBTDC where we make referrals to training programs delivered to businesses in Carrboro and surrounding areas. The Community &

Economic Development Director also serves on the Board of Directors of the SBTDC and works with regional SBTDC partners.

Every applicant is required to complete an application which goes through a formal review process. The application is reviewed first by the Economic Sustainability Commission (ESC) and, if approved, by the Board of Aldermen. The amount of the loan and the interest rate charged will be based on cash flow projections and other measures of documented need. All loans will be secured through an agreement (lien) conveying to the Town a financial interest in property owned by the applicant.

**FISCAL IMPACT**

None

**RECOMMENDATION**

The recommendation is that the Board receive the report.