

# BOARD OF ALDERMEN

ITEM NO. D(3)

## AGENDA ITEM ABSTRACT

MEETING DATE: June 5, 2012

### TITLE: Update Criteria for Revolving Loan Fund and Application Form

<b>DEPARTMENT: Economic and Community Development</b>	<b>PUBLIC HEARING: NO</b>
<b>ATTACHMENTS:</b> A. Resolution B. Proposed New BRLF Criteria and Application Form	<b>FOR INFORMATION CONTACT:</b> <b>Annette D. Stone, AICP</b> <b>Economic and Community Development Director</b>

#### PURPOSE:

The purpose of this agenda item is for the Board of Aldermen to consider revised criteria for the Town's Business Revolving Loan Fund and to update the application form based on the proposed criteria.

#### INFORMATION:

The Business Revolving Loan Fund was established in 1986 utilizing CDBG program income and has generated \$2,175,955 in investment in the Town of Carrboro Business community since that time. The proposed new criteria reflect current business trends, Carrboro's economic development philosophies and the information that is needed by the ESC and the Board of Aldermen in making loan decisions. Generally, the proposed criterion simplifies the language and makes the requirements more streamlined and user-friendly. Some of the more notable changes are the loan to job loan amount requirements. The existing standards require one job per \$10,000 in loan funds, the proposed new criteria would allow for one full-time job per \$25,000 in loan funds. This revision is consistent with the NC Department of Commerce standards for CDBG programs that require job creation or retention. Some of the other changes and requirements address more recent issues dealing with records confidentiality, collateral requirements, business planning and financial forecasting requirements, identification of other forms of capital, etc. Updating the criteria may have the effect of encouraging more applicants due to the stream-lined, user friendly process, thereby continuing to build the fund.

In February 2012, the Board of Aldermen requested that the criteria go back to the ESC for discussion one more time in regards to a micro-loan fund proposal. The ESC's new recommendation was to remove the micro-loan provision from the CDBG revolving loan criteria. In addition, the ESC recommended that the Board consider establishing a separate fund for micro-loans to address some small capital/cash needs for businesses. A separate fund has been proposed in the Town's FY 2012-2013 budget.

#### FISCAL IMPACT:

None

#### RECOMMENDATION:

The staff recommends the Board of Aldermen consider updating the criteria as proposed.