

**City of Concord**

**Revolving Loan Fund**

**Program Income Reuse Plan**

**Adopted by City Council, June 2009**  
**Revised by CDAC, April 2015**  
**Approved by City Council, June 2015**

## **BACKGROUND**

The City of Concord's Revolving Loan Fund (RLF) was established in 1984 with program income generated from the Community Development Block Grant (CDBG) program, which funded Housing Rehabilitation Loan programs.

The intent of the RLF program is to establish a continuous and renewable source of income to further the City's community development efforts. The underlying premise is that if community development funds are lent at below market interest rates, then upon repayment of the loan by the borrower these funds could be lent to a new borrower and additional program benefits could be realized. This is seen as being particularly critical in light of the decline in federal and state funding programs and the increased competition for community development funding under the state's CDBG program.

The Program Income Reuse Plan (PIRP) describes the RLF program and how the income generated will be expended. Any funds received from the prepayment and monthly payments on outstanding loans will be allocated into the RLF annually, as recommended by the Community Development Advisory Committee (CDAC) and approved by City Council.

The PIRP is based on a citywide assessment of community development needs and is consistent with Concord's Housing and Community Development Plan.

The PIRP is prepared by CDAC in conjunction with City staff, and approved by City Council, following a public hearing.

## **STRUCTURE**

City staff, or a third party consultant as authorized by the City Manager, shall administer the RLF Program. Staff shall ensure submitted proposals are complete and in compliance with all program requirements prior to submission to CDAC for consideration. All loans shall be secured with a recorded mortgage deed and a corresponding promissory note. The completed loan package will be submitted to CDAC for loan terms, repayment requirements, and approval.

The City of Concord, or a vendor of its choice, shall service loans made from the RLF. All recaptured funds (principal, interest, late charges, and fees, as well as interest earned on the undesignated portion of the RLF account) shall be retained by the RLF for future loans and administrative expenses. Staff will use best reasonable efforts in collecting on delinquent loans and will advise CDAC if further action is required.

## **PROGRAM DESCRIPTION**

Eligible activities of the RLF are those included under Title 1 of the Housing and Community Development Act of 1974, as amended; 24 CRF Part 570, Final Rule November 9, 1992, as amended; New Hampshire Community Development Finance Authority regulations; various U.S. Department of Housing and Urban Development criteria; and CDAC policy that may be promulgated from time to time.

### *National Objectives:*

The RLF meets the following National Objectives:

- The proposed activities principally benefit low income individuals and/or families
- The eligibility requirements for social services components, including child care, require that at least 51 percent of program beneficiaries are low income
- The proposed activities will eliminate slums and blight

*State Priorities:*

The RLF meets many of the following State Priorities:

- Provides direct benefit to low income individuals and/or families in the form of improved housing and public facilities
- Provides financing for activities for which funding through other sources is not available or makes the project infeasible
- Preserves and promotes existing neighborhoods and community centers
- Protects and preserves historically and culturally valuable structures through rehabilitation as opposed to demolition and new construction
- Eliminates slums and blight
- Presents innovative and transferable solutions to community development problems
- Leverages matching funds from other sources
- Is part of a long range community development strategy and conforms to Concord's Master Plan, ordinances, and the City's Housing and Community Development Plan

*Types of Financing Assistance:*

Financing assistance is available for the following eight categories:

- Housing - Single family housing rehabilitation for health and safety improvements
- Housing - Investor-owned multifamily housing projects including acquisition and development of such housing
- Housing - Replacement of manufactured homes when the rehabilitation costs of health and safety issues exceed the value of the home
- Social services facilities rehabilitation and acquisition
- Child care facilities rehabilitation and expansion
- Planning
- Economic development projects
- Emergency grants

**MISCELLANEOUS PROVISIONS**

*Conflict of Interest:*

As a general rule, employees of the City of Concord shall not have any private interest, direct or indirect, in any loan application. CDAC may make an exception and approve a loan, with prior written disclosure from an employee of the City who is not involved with the direct administration of the RLF program.

The program shall adhere to the City of Concord's Code of Ethics for CDBG Administration, adopted on September 12, 2005; reaffirmed and readopted by the Concord City Council on March 14, 2011.

*Reporting Requirements:*

City staff shall provide status reports to CDAC that include, at a minimum, account balances and loan receivable summaries.

*Nondiscrimination Statement:*

No applicant will be denied a RLF loan on the basis of race, color, national origin, age, disability, sex, gender identity, religion, marital status, familial or parental status, sexual orientation, or whether all or part of an individual's income is derived from any public assistance program. Furthermore, anyone who has filed a claim under the Consumer Credit Protection Act may not be denied a loan based on information pertaining to the claim.

*Housing and Community Development Plan:*

The RLF program is consistent with the City of Concord's Housing and Community Development Plan, which calls for the rehabilitation of substandard housing, including manufactured housing, within the City of Concord. Rehabilitation efforts are to help eliminate slums and blight and to assist low income households upgrade substandard housing units that are in violation of codes and life safety standards. The Housing and Community Development Plan specifically refers to the RLF as a means by which the City may continue its housing efforts.

The Housing and Community Development Plan also recommends continued assistance to social services agencies serving low income clients, to assist those agencies in upgrading substandard conditions, correcting life safety, building, and energy code violations, and bringing structures into compliance with accessibility requirements.

**LOAN POLICY GUIDELINES**

Applications will be accepted from eligible applicants as long as there are loan funds available. Eligible applicants shall be owners of residential, commercial, or mixed-use real estate, as well as social services agencies, child care providers, or for-profit businesses, provided RLF funds will be used exclusively at facilities located within the City of Concord and will benefit low income individuals. Should an application be denied, there shall be a 12-month waiting period before the applicant can reapply, unless otherwise waived by CDAC.

No application fees are charged when applying for a loan or emergency grant.

*Credit, Tax, and Insurance Requirements:*

Applicants must possess a credit history that reflects the ability to successfully meet and a willingness to repay their financial obligations. Typically, an applicant should have no outstanding collection accounts, judgments, or past due accounts within the previous 12 months. A summary of the applicant's credit history shall be provided to CDAC during the approval process.

The City of Concord will obtain a credit report, including credit scores, from a major credit repository. Unless otherwise waived by CDAC, applicants shall have a minimum credit score of 620 to be eligible for a loan.

Applicants with a limited credit history and/or no credit score must be able to demonstrate a satisfactory repayment history through other sources if possible, such as utility and insurance payment histories.

CDAC may consider an application for a loan in which an applicant has been discharged in bankruptcy if it was at least two years prior to the date of the application and there has been a demonstrated ability to manage financial obligations and re-establish satisfactory credit standing after the bankruptcy. Additional information and documentation from the applicant may be required.

Applicants who currently participate in consumer credit counseling repayment plans may apply for a loan after successfully completing 12 months in the repayment plan. CDAC, at its discretion, may adjust this time period based on the total amount of debt and the length of the repayment plan.

An applicant who has received a notice of foreclosure or a notice of intent to foreclose will not be considered for a loan.

Unless otherwise waived by CDAC, applicants shall have a minimum of twenty percent (20%) equity in their homes, less existing liens at the time of application. Equity shall be determined by using the assessed value of the home as reported by the City of Concord Assessing Department.

Unless otherwise waived by CDAC, applicants must be current with payment of their real estate taxes for all owned property within the City of Concord in order to be eligible to participate in the RLF program.

Applicants must provide proof of property and liability insurances, with the City of Concord listed as mortgagee and loss payee on the policies for the term of the loan.

*Income Eligibility:*

For individual consumer applicants, low income eligibility is determined by using eligible household income by combining the income for all members of the household. Household income includes, but is not limited to the following:

- Wages, salaries, tips, commissions, including overtime, if it is likely to continue
- Self-employment income
- Interest, dividends, net rental income
- Income from estates and trusts
- Social Security disability and retirement benefits
- Pensions
- TANF and any other public assistance
- Child support and other income to minors
- Alimony and separate maintenance payments
- Veterans Administration benefits
- Unemployment benefits
- Any other income

Income will be verified using employment verification, payroll remittance forms, public assistance verification, deposit information, and the three most recent years of income tax returns.

### *Loan Underwriting:*

For loan underwriting purposes, the total monthly housing costs (principal, interest, taxes, homeowner's insurance, private mortgage insurance, and condominium or association fees) plus any outstanding monthly debt payments (with more than ten months' remaining duration) including the monthly payment for the proposed RLF loan, as well as monthly payments for alimony, child support, and separate maintenance should not exceed 45 percent of verified monthly gross income of the loan applicant(s). CDAC, at its discretion, may choose to include debts with less than ten months' remaining duration if it is believed that this debt would adversely affect the applicant's ability to repay the RLF loan.

If the debt to income ratio is greater than 45 percent, CDAC, at its discretion, may approve the loan based on the following mitigating factors:

- The applicant has demonstrated a responsible use of credit and an ability to accumulate savings
- The applicant has substantial equity in the property
- There is a strong credit history; a credit score of 700 or more

### *Interest Rates and Late Payment Fees:*

Effective November 2013, interest rates for the RLF are computed using simple daily interest.

Interest rates shall be set by CDAC with input from City staff. Factors affecting the interest rate shall include, but not be limited to, the purpose of the loan, the applicant's financial situation, level of risk, as well as the current market interest rates as published in the Wall Street Journal (i.e. WSJ Prime Rate).

A five percent (5%) late fee shall be charged on loan payments, or portions thereof, which remain unpaid ten calendar days after the payment due date, unless otherwise waived by CDAC. The applicant must request a waiver of the late fee in writing, within 30 days of the late fee being assessed.

### *Submitting the Application:*

Applications are submitted to the City of Concord, Community Development Department, 41 Green Street, Concord, NH 03301.

The following items should be included in the application package:

- Completed and signed application form
- Copies of the four most recent pay stubs for all loan applicants
- Copies of the three most recent signed income tax returns
- A written description of the proposed project
- Three written estimates of the proposed work

Additional submittal requirements for each of the six categories of loans are outlined in the *Summary* for that particular category below.

*Approval and Distribution of Funds:*

Loans are approved at the discretion of CDAC, with recommendations provided by City staff. Complete applications will be processed within 60 days of submission. Applicants shall be notified in writing of the approval/denial of their loan application within three business days of the decision by CDAC. Upon approval by CDAC, the applicant must close the loan within 90 days or the approval will become null and void. Extensions may be granted due to extenuating circumstances, at the discretion of CDAC.

*Subordination:*

RLF loans will be subordinated to existing mortgage debts on the subject property at the time of loan approval. The City may also, in its sole discretion, grant requests to subordinate the City's mortgage when 1) existing debt is refinanced or 2) additional debt is added to the property. One of the factors that the City will consider when requested to change the lien position of the City's debt is the borrower's payment history for said loan.

*Waiver of PIRP Requirements:*

The Community Development Advisory Committee shall have the ability to waive any requirement set forth herein whenever the CDAC believes that:

- Unnecessary hardship may result from strict compliance with the requirements of this program, or
- The specific circumstances associated with an applicant warrant flexibility with respect to these requirements, while simultaneously preserving the spirit and intent of the RLF program.

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City of Concord  
Community Development Department  
41 Green Street, 2<sup>nd</sup> Floor  
Concord, NH 03301  
603-225-8595  
[communitydevelopment@concordnh.gov](mailto:communitydevelopment@concordnh.gov)

# LOAN PROGRAM SUMMARIES

## **1. Housing Loan Program**

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- Single family housing rehabilitation for health and safety improvements
  - Investor-owned multifamily housing projects including acquisition and development of such housing
  - Replacement of manufactured homes when the rehabilitation costs of health and safety issues exceed the value of the home
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The primary objective of the Housing Loan Program is to improve the quality and quantity of housing for low income individuals and families within the City of Concord, including those units in manufactured home parks. Loans are available to qualifying property owners for improvements to housing units in which low income individuals and families reside. Property can be owner occupied, investor owned, or a combination thereof.

Multi-family building owner applicants are required to provide clear records of the building's rental history including copies of leases, rent rolls, and utility bills. The City may interview and/or survey tenants to determine their income eligibility. Loan applicants must be able to demonstrate that 51 percent (50 percent in the case of a duplex) of the units benefiting from the loan are rented to low income individuals or families. Failure to provide this documentation shall be cause for rejection of the loan application.

For multi-family properties occupied by both low income households and non-income eligible households, the property owner shall be obligated to expend the City's loan funds on only those units occupied by low income households as defined by US Department of Housing and Urban Development. In cases where improvements are to the entire building, e.g. roofing, siding, foundation, 51 percent (or 50 percent in the case of a duplex) of the occupants of the building must meet income eligibility requirements.

For residential units in a mixed use building, the use of City loan funds shall be restricted to the residential portion of the property, unless otherwise approved by CDAC. The owner must provide private financing for the prorated share of any improvements that directly or indirectly benefit the nonresidential portions of the structure.

Loans are available to assist in improving substandard housing conditions, including, but not limited to, the following:

- Correcting code violations
- Structural repairs
- Implementing life safety improvements
- Energy efficiency improvements
- Handicap accessibility improvements
- Correcting conditions that may develop into health and/or safety problems if otherwise left unattended

Proposals for the acquisition of land or buildings for the purpose of creating new units of affordable housing may be considered by CDAC, depending on the availability of funds.



The maximum loan amount for residential projects shall be equivalent to \$25,000 per dwelling unit, with a maximum cap of \$250,000 per property, unless otherwise waived by CDAC. Loan requests exceeding the \$25,000 per dwelling unit cap may be reviewed and approved by the CDAC when loans shall be used to acquire real estate for the purpose of creating new units of affordable housing, subject to available funds. Please contact the City of Concord for additional information before submitting an application.

Rents charged for those units in which loan assistance has been provided shall not exceed 80 percent of the fair market rent for the area for the entire term of the loan. Fair market rents are determined by the U.S. Department of Housing and Urban Development on an annual basis. At least 51 percent (50 percent in the case of a duplex) of the housing units must be occupied by low income tenants for the entire term of the loan. In the event that a property is not solely owner occupied and the loan is prepaid, the property owner shall be required to maintain that portion of the property not owner occupied as affordable to low income tenants for the entire length of the original loan term, notwithstanding the loan payoff. Prepayment penalties shall be calculated using the following formula:

$$1.5 \% \times \text{years remaining on loan term} \times \text{original loan amount} = \text{penalty}$$

In addition to the applicable documentation required in the *Submitting the Application* section of this document, the following information is also needed for investor-owned properties:

- Copies of leases, rent rolls, and utility bills, if applicable
- Information regarding additional funding that may be used to complete the project
- Any other documentation that may assist CDAC and/or City staff in their review of the application package

## LOAN PROGRAM SUMMARIES

### **2. Social Services Facilities Rehabilitation and Acquisition Loan Program**

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The primary objective of Social Services Facilities Rehabilitation and Acquisition Loan Program is to provide loan assistance to nonprofit social services agencies serving low income clients, to upgrade their facilities to correct health, life safety, building, and energy code violations and to bring structures into compliance with accessibility requirements. Loans may also be available to acquire or expand facilities or purchase equipment. Funds cannot be used to provide direct services or for operating costs. Maximum loan amounts will be \$250,000, unless otherwise waived by CDAC.

The agency must be a community-based organization addressing local needs, with facilities located in the City of Concord. At least 51 percent of the clients served by the agency must have incomes that qualify as low. The social services agency must be incorporated and not-for-profit with Internal Revenue Service tax-exempt status or Section 501(c)(3) registration.

Documentation of financial need for the project, with a demonstrated commitment of its own funding resources to maintain the facility after rehabilitation, is necessary for the agency to apply for a RLF loan.

In addition to the applicable documentation required in the *Submitting the Application* section of this document, the following information is also needed:

- Information regarding additional funding that may be used to complete the project
- Documentation showing the determination that at least 51 percent of the beneficiaries are low income
- Financial statements for the past three years (audited or unaudited)
- Copies of bank statements for the preceding 6 months
- Two business credit references
- Proof of IRS Section 501(c)(3) status
- Federal Form 990 for the past three years
- Any other documentation that may assist CDAC and/or City staff in their review of the application package

## LOAN PROGRAM SUMMARIES

### **3. Child Care Facilities Rehabilitation and Expansion Loan Program**

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The Child Care Facilities Rehabilitation and Expansion Loan Program has two main objectives: (1) provide loan assistance to child care organizations to develop new or to expand existing child care facilities to increase the supply of child care; and (2) provide loan assistance to small, unlicensed child care providers to upgrade their facility, with the requirement that the applicant will become a licensed child care provider. Maximum loan amounts will be \$250,000, unless otherwise waived by CDAC.

Financing may be used for the acquisition, demolition, site development, rehabilitation, and related architectural and engineering services, as well as the purchase of equipment for use in the child care facility. Site work such as landscaping, paving, drainage improvements, and the replacement or installation of utilities is permitted. Direct services and operating expenses are not eligible under this program.

The facility must be located in Concord and serve primarily Concord residents, as well as meet all applicable federal, state, and local laws, regulations, and child care licensing requirements.

At least 51 percent of the children served by the child care facility must come from low income households.

In addition to the applicable documentation required in the *Submitting the Application* section of this document, the following information is also needed:

- Proof of licensing through the State of New Hampshire
- A written description of the proposed project
- Information regarding additional funding that may be used to complete the project
- Documentation showing the determination that at least 51 percent of the beneficiaries are low income
- Financial statements for the three most recent years (audited or unaudited)
- Copies of bank statements for the preceding six months
- Two business credit references
- Proof of IRS Section 501(c)(3) status, if applicable
- Any other documentation that may assist CDAC and/or City staff in their review of the application package

## LOAN PROGRAM SUMMARIES

### **4. Planning Loan Program**

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The purpose of the Planning Loan Program is to provide loans for feasibility studies, needs assessments, or other due diligence during the predevelopment phase for housing, social services, child care, or economic development projects. Maximum loan amounts will be \$25,000, unless otherwise waived by CDAC.

Contact the City of Concord to discuss the project and the submittal requirements.

## LOAN PROGRAM SUMMARIES

### **5. Economic Development Loan Program**

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The objectives of the Economic Development Loan Program are to assist with the retention and expansion of existing businesses or the attraction of new business ventures to the City of Concord, which will generate permanent employment opportunities, stimulate the local economy, and provide long-term benefit to low income individuals.

A minimum of 51 percent of the jobs created or retained should be filled by low income individuals. However, job creation shall not be required for loans involving renovation of real estate, including elimination of slums and blight.

When applicable, loan amounts shall be equivalent to \$25,000 per FTE job created or retained, with a maximum cap of \$250,000 per business/debtor per project, unless otherwise waived by CDAC. City RLF loans may not constitute more than 50 percent of a project's total financing, nor can the funds be used to refinance existing debt.

Eligible projects or uses of the loan funds are as follows:

- Purchase of real estate
- Renovation of real estate, including elimination of slums and blight
- Site development, including tenant fit-up
- Relocation costs incurred in construction and occupancy of the facility
- Rehabilitation of an existing building
- Machinery and equipment acquisitions
- Training for employees to fill the newly created jobs
- Loan participation with other private lenders for eligible activities

Loan commitments shall be made in writing and only after all program requirements have been met.

Applicants with an open or previous RLF loan must have successfully completed the initial project, reached its job creation commitment, and demonstrated compliance with all other terms of the RLF loan agreement in order to be eligible for additional RLF funding, unless otherwise waived by CDAC.

The terms of the loan can be flexible and appropriate to the needs of the project, as determined by CDAC. Loan terms for machinery and equipment shall correspond to the useful life of the equipment.

Effective November 2013, interest rates for the RLF are computed using simple daily interest. Recommended by City staff and approved by CDAC, interest rates for economic development loans are normally not less than five percent. CDAC may recommend an initial period of interest-only when a project involves substantial capital investments. Deferral of the principal repayment is available to assist businesses undergoing significant projects and to ease their cash flow needs at the onset of the project.

All loans must be secured by an adequate amount of assets generally calculated at liquidation value. The loans can either share a first lien position with a conventional lender or accept a subordinate position depending on the funding source and its underwriting criteria.

Applicants submitting proposals for funding must include the following:

### **Summary Page**

- a. Name of applicant, address, telephone, and email address
- b. Type of business, date of establishment, and Federal I.D. number
- c. Project cost
  - Land
  - Land improvements
  - Building
  - Machinery and equipment
  - Professional fees (lawyer, accountants, architects, etc.)
  - Other (contingency, construction interest, etc.)
  - Total
- d. Amount and source of funds (include terms and interest rates of loans)
  - Bank
  - RLF Program
  - Agency (Small Business Administration, etc.)
  - Local development corporations
  - Equity
  - Total
- e. Brief project description
- f. Available collateral other than project assets
- g. Employment, job creation and retention
  - Before project
  - After project
- h. Name, title, phone number, and email address of individual who prepared the application
- i. Name and address of registered agent (legal representative for notification purposes)
- j. Signature and title of applicant; date of application

### **Principals**

- a. Names of principals in the business and their addresses, phone numbers, email addresses, titles, social security numbers, and percent of ownership
- b. Personal resumes of all principals and/or officers outlining education and employment history, particularly as it pertains to the project

### **Project Description**

Description of what is to be purchased or built with funds borrowed

- a. Legal description of land and building, physical description with diagrams and/or blueprints, and any required rezoning or variances. Include sales agreement for land and/or building purchase, if applicable, and/or construction estimates

- b. Description of machinery to be purchased. Include manufacturer's name and model number, price quotations, etc.
- c. Appraisal of existing building and used equipment to be purchased
- d. Appraisal of other assets offered as collateral

### **Financial Plan**

- a. Audited financial statements for the most recent three years. Include profit and loss statements, sources and uses of funds, and balance sheets
- b. Pro forma financial statements for three years forward
  - Profit and loss statements, cash flow statements, and balance sheets as well as monthly forecast for the first year
  - All officer compensation for applicant
  - Assumptions underlying pro forma financial statements, including the production forecast
- c. Personal financial statements for all principals with ownership equal to or greater than 15 percent
- d. Interest rates, terms, conditions, and amount of interim financing, if any

### **Project Timetable**

- a. Timetable for completion of project

### **Benefits to Local Area**

- a. Amount of local property tax paid by borrower prior to project and expected taxes on completion of project
- b. Prospective local suppliers and type of supplies
- c. List any additional benefits to the local area

### **Bankruptcy/Litigation**

Details of any bankruptcy, receivership, compromises with creditors, any pending litigation, criminal charges or criminal convictions other than minor motor vehicle violations, against the applicant, company, officers, directors, or principal stockholders. If none, include a statement to that effect.

### **Lender Commitments**

Include letters of commitment from all other participating lenders or guarantors, including banks and other institutions, local development corporations, and U. S. government agencies. Include copies of appropriate resolutions of boards or committees, certified by the custodians of these documents.

### **Authority to do Business in New Hampshire**

Submit a Certificate of Authority to do business in New Hampshire, if applicant is an out-of-state company.

## LOAN PROGRAM SUMMARIES

### **6. Emergency Grant Program**

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Occasionally, the RLF program has funds available to make grants for projects benefiting low income individuals and families. CDAC may, at its discretion, offer emergency grant funds in cases where there are no other viable funding sources.

In the case of an emergency situation whereby grant funds are urgently required to address an imminent threat to health or safety, the City Manager, or his designee, may award emergency grant funds up to \$5,000. City staff shall keep CDAC informed of such grants through regular reporting at CDAC meetings.

All emergency grants shall be considered loans with no monthly payments and no interest charged; the principal shall be repaid when the property is conveyed to a new owner or the applicant refinances any prior liens on the property. A mortgage lien shall be recorded on the property.

Applicants applying for an emergency grant will complete the RLF income eligibility form and loan application and submit the same documentation required under the Housing Loan Program. Contact the City of Concord for additional information.