



TOWN OF WARTACE
P.O. BOX 158
WARTRACE, TN 37183

The Urban Development Action Grant (UDAG) was a U.S. government program that provided federal funds to local governments or private investors for urban redevelopment projects. The federal UDAG program, begun in 1977, provided \$5 billion over eleven years revitalizing severely distressed urban places through the encouragement of private sector investment. After more than four decades of careful fiduciary management, the Town of Wartrace still has funds available for kick-starting a new business or remodeling and restructuring existing businesses. Although the process is highly detailed and reviewed by a panel of banking and financial experts, loans remain available for businesses operating in Wartrace.

No initial operating capital shall be provided through the loan program, however, the following loan categories are available to applicants requesting loans from the Town of Wartrace.

Eligibility Requirements to Applicants Requesting Loans from the Town of Wartrace.

Any person(s) or corporation can apply for an Economic Development Loan. At minimum, the request for consideration should be in writing with a brief explanation of the purpose of the loan and activities to be undertaken. Letter shall require signature(s) of principal.

Briefing information to applicants requesting loan from the Town of Wartrace.

The following instruments shall be submitted for evaluation:

1. Letter of type of loan requested signed by principals.
2. Type of repayment.
3. Three (3) Credit References
(May include banks)
4. Applicant required fund minimum of ten percent (10%) of loan.
5. Personal financial statement.
6. Two (2) years income tax return – copy.
7. Profit/loss statement – Last quarter/year.
8. Balance Sheet (Pro-Forma).
9. Firm bid from construction company for proposed building/or remodeling.
10. Firm bid from suppliers for equipment.
11. Loan Securities.

Proof of insurance upon closing of loan.

POLICY STATEMENTS
ECONOMIC DEVELOPMENT LOAN ACTIVITIES
WARTRACE, TENNESSEE

Goal. To provide economic assistance to established industry and businesses in Wartrace through a loan assistance program and to provide job opportunities for local residents by providing loan assistance to new industry and business wishing to locate in Wartrace and hire local residents. This loan program will be administered by the Wartrace Board of Mayor and Aldermen with assistance by a Loan Screening Committee which will be appointed by the Board.

Policies. The following policies have been established as a guide to provide assistance in the administration of the local economic development program. They are designed to outline the general provisions of the program and are in no way absolute and/or inclusive. It is realized that circumstances and special needs will exist and it is the intent of the Wartrace Board of Mayor and Alderman to carefully weigh each request on its own merits. In each loan consideration, the betterment of the Town will prevail in any decisions.

1. Types of Loan. The following categories of loan types will apply:
 - a. Remodeling for purpose of safety, customer convenience, growth needs, etc.
 - b. Purchase of an existing ongoing business.
 - c. Purchase of an existing building with a definite purpose in mind.
 - d. Purchase new equipment for expansion and/or modernization.
 - e. New construction for an industry or business.
 - f. Renovation of business/commercial facades with emphasis in the downtown area.

No initial operating capital will be provided through the program.

2. Length of Loan. The following limits on the lengths of loans will generally apply but can be modified if extenuating circumstances can be shown.
 - a. Remodeling 5 years
 - b. Purchase existing business 10 years
 - c. Purchase existing building 10 years
 - d. Purchase new equipment 7 years
 - e. New construction 10 years
 - f. Renovation of façade 5 years

3. Interest. The Town of Wartrace will require a qualified Applicant to repay the loan over the designated time period at the following rates of interests:

Existing Business/Industry

Years 1-3 - 3%

Years 4-5 - 5%

Years 6-10 - New York Prime Rate to be modified annually on the anniversary date of the loan.

New Business/Industry

Years 1-5 - 5%

Years 6-10 - New York Prime Rate to be modified annually on the anniversary date of the loan.

Interest is to be figured on a yearly basis on the unpaid balance figured on simple interest.

The purchase of an existing business or industry will be considered an existing business/industry which will permit the lower interest terms to apply.

4. Loan Payment. Payments on the principal are to be paid either on a monthly or quarterly basis.

Interest payments are to be paid at minimum on a semi-annual basis on the amount due or can be figured into the principal payments.

5. Early Loan Retirement. Loans can be repaid to Wartrace at any time without penalty.

6. Eligibility. Any corporation, business, industry or individual can qualify for a loan subject to review by the Loan Screening Committee and subsequent loan recommendation. Preference will be given to Town residents and existing establishments in the Town. Loans will not be made to an Applicant should the project be located outside the corporate limits unless it can be clearly demonstrated that Wartrace resident will benefit.

7. Loan Amounts. Each Applicant will identify a total amount needed to meet his/her project plans. Costs are to be documented for easy verification of overall need. Applicants are eligible for up to a ninety percent (90%) project loan.

Loan amounts for building remodeling and/or business façade should not exceed fifty percent (50%) of the valuation of the building. The Loan Screening Committee may request evidence of the value of the building. Value shall not include existing or proposed equipment not permanently affixed to the structure.

In general, loans of any type are not to exceed \$200,000 unless satisfactory justification and need can be shown the Board.

Should a project be scaled back and monetary needs reduced during the course of the project, the loan amount is to be reduced accordingly.

8. Applicant's Contribution. Each Applicant is required to contribute ten percent (10%) of the total project cost to the full implementation of the plan. Evidence of the ability to contribute this amount to the project should be provided with the initial application.

In general, the Applicant contribution should be expended at the start of the project. The Town of Wartrace has the authority under this program to require the Applicant to provide evidence that this money has been expended for an eligible activity.

9. Project Cost Verification. Each recipient of loan funds will be required to maintain a record of all costs associated with the project as presented to the Loan Screening Committee and Board. At any point during the course of the project and upon completion, the Board may request evidence of the overall cost to justify the loan amount. Such records shall be in accordance with generally accepted principles of good accounting practices.

The Applicant is not to benefit in any manner from loan funds by "in-kind services". Money not actually expended is to be retained by the the Town or to be repaid immediately upon request.

10. Insurance Requirements. The Applicant will be required to maintain proper insurance on the property for the length of the loan and will provide this verification to the Town with said policy containing a loss payable clause to the Town of Wartrace.

11. Loan Screening Committee. The Loan Screening Committee will be appointed by the Board of Mayor and Alderman for the purpose of reviewing loan request. This committee will be composed of, at minimum, three individuals knowledgeable of various aspects of industrial/commercial development, i.e. banking, accounting, construction, industrial development, commercial operations, etc. This group will act in an advisory capacity to the Board for the purpose of determining the feasibility of a project and the credit risks/security involved in a project. The Committee will generally have the following functions:

- a. Credit checks.
- b. Determination of the amount of loan need and eligible.
- c. Review plans.
- d. Review financial records, pro forma and other information submitted for review.
- e. Type of loan security.
- f. Final recommendation.

The Loan Screening Committee will possess the authority to request any pertinent information necessary to review the qualifications of the Applicant and the overall project.

The conclusion of the investigation and any loan recommendations/restrictions should be submitted to the Board in writing. Should the Loan Screening Committee suggest that a loan be denied, facts should be documented and reasons for the recommendation so stated.

Any personal information submitted to the Committee will be treated in strictest confidence and not made public, except as otherwise required by law. If an application is initially rejected, then information of a personal nature shall be returned to the applicant after the expiration of the ninety (90) day review period described in Section 13 provided that no reconsideration is requested within that time period. The personal information shall not be copied or reproduced without written consent of the applicant. In the event that the loan application is accepted and a loan made, then the Loan Screening Committee shall preserve the financial information during the period of the payback of the loan.

A statement shall accompany all loan requests indicating project shall benefit one of the following area:

- g. Low and Moderate Income Families
- h. Blighted or slum Area
- i. Imminent Threat

The Loan Screening Committee will have the authority to review, study and report to the Board on any matter which the latter shall so request.

12. Applying For a Loan. Any person(s) or corporation can apply for an economic development loan. At minimum, the request for consideration should be in writing with a brief explanation of the purpose of the loan and activities to be undertaken. This information should be submitted to the Town Hall.

The Loan Screening Committee will be notified of the request and will meet to review materials submitted. Once eligibility is determined, the Applicant will be informed as to other information needed to evaluate the request further. The Committee may request that the Applicant attend the meeting to provide further clarification.

13. Reconsideration. Any Applicant whose application has been acted upon adversely by the Board may, within ninety (90) days, apply in writing to the Board for reconsideration by the Board. A hearing will be held by the Board for the Applicant and new or additional evidence may be considered by the Board. At the request of either the Applicant or any two members of the Board (including the Mayor), the Loan Screening Committee may be asked to consider any new or additional evidence and make a supplemental recommendation to the Board. The members of the Loan Screening Committee are encouraged to attend the Board meetings on the reconsideration.

These meetings can be closed to the public, consistent with current State Law, if it is determined that information and circumstances of a confidential nature on the part of the Applicant is to be discussed.

Nothing in these policy statements shall be construed to prevent an Applicant from filing a new application for a loan at any later date. Any application made after ninety (90) days following and adverse decision by the Board shall be considered a new application and not a request for reconsideration.

14. Multiple Loans. A single entity can apply for more than one type of loan, i.e. new construction and equipment.
15. Loan Agreement. The Applicant will be required to sign a Loan Agreement with the Town before funds are obligated to the project. This will be a legal and binding agreement prepared by the Town Attorney and will provide that Wartrace receive full restitution and/or priority in case of any foreclosure/bankruptcy proceedings.
16. Ownership Change. The borrower will not permit ownership change without the consent of Wartrace. Should the Board feel that an ownership change would jeopardize the loan, the entire unpaid principle shall be due immediately upon demand of the Town.
17. Discrimination. No person, business, industry or Applicant shall be denied equal consideration under this program because of race, color, religion, sex or national origin.
18. The Applicant will be responsible for all close-out costs relevant to his/her loan.
19. Any business with an outstanding loan balance that moves his/her business out of the corporate limits of Wartrace may have the remaining balance immediately called for payment.