

**TOWN OF WINDSOR LOCKS
DOWNTOWN TIF DISTRICT
MICROENTERPRISE LOAN PROGRAM**

I. Introduction - Program Goals

The Town of Windsor Locks has created a Microenterprise Revolving Loan Fund to promote economic development in the Downtown Tax Increment Financing (TIF) District. The program, which will be funded through Downtown TIF District Revenue, is designed to stimulate business activity by making low-interest loans to start, expand or improve businesses within the TIF District (see Appendix A) that demonstrate the need for assistance. The primary goals of the program are:

- A. To provide financing to microenterprises who without the loan would not be able to start or expand.
- B. To strengthen and diversify the Town's economic base.
- C. To stimulate private investment in the Town's economy.
- D. To provide additional tax revenues.

II. Program Design

- A. Eligible Applicants: Any business located within, or planning to be located within, the Downtown TIF district whose project demonstrates a public benefit is eligible to apply for a loan. The eligibility of the applicant is determined by Section IV – Selection Criteria in conjunction with the financial information provided in this loan application. Failure to submit full and accurate information for committee review will result in delays.
- B. Definitions: For the purposes of this program a microenterprise is a venture that:
 - 1. Has less than five employees and is often a self-employment venture for the owner(s).

2. Generally does not have commercial bank financing and has relatively small credit needs.
 3. May be the sole source of income for the entrepreneur or a part-time enterprise to supplement wages from a job.
 4. Has less than \$500,000 in annual gross sales.
- C. Owner Contribution: At least 25% of start-up costs shall be provided by the owner directly or via other financing.
- D. Loan Amount: Loan amounts are flexible up to a maximum of \$20,000.
- E. Loan Terms: The interest rate on the loan will be 3.00% APR. Details of the loan and term will be established by the loan administrator.
- F. Collateral: Loans must be secured with collateral of an amount equal to the loan. The following are examples of acceptable collateral:
- Automobile
 - Business equipment and machinery
 - Real estate
- When completing a description of collateral please provide all relevant information such as year, make, condition, appraised value, etc. If property is involved as collateral, the Loan Review Committee will be advised of the lien position and value so that the equity can be determined.
- G. Individual Obligation and Credit Check: At least one person with ownership in the business shall be personally obligated to repay the loan. The loan committee may review the credit report for each individual who will be obligated on this loan.

H. Business Plan: A business plan will be required of all applicants which includes:

1. Name of Borrower
 2. Description of the business
 3. Nature of the product or service
 4. Market/pricing/competition
 5. Management and background
 6. Specific uses of loan and repayment sources
 7. Financial statements and projections
- I. Uses of Loan Funds: Project(s) may include, but are not limited to: code compliance, site improvement, remodeling of existing building, purchase or repair of machinery or equipment, purchase of furniture or fixtures, consulting services, marketing, e-marketing or similar activities, one-time relocation expenses, and working capital.

III. Loan Committee and Loan Program Administrator

The Loan Program Administrator shall be selected by the EIDC with the Board of Selectmen. The members of the Windsor Locks Economic and Industrial Development Commission plus the Loan Program Administrator shall constitute the Loan Review Committee. The Loan Review Committee shall conduct a final and impartial review of applications and to determine the amount and terms of the loan. They are responsible for applying the selection criteria and evaluating applications and weighing all of the information contained in the application.

The Loan Program Administrator shall administer the loan program, and whose functions shall include but not be limited to deposit of loan program funds, disbursement of loan funds, collection of loan payments, recordkeeping, billing and tax reporting.

IV. Selection Criteria

The Community benefit resulting from the loan will be reviewed in the selection process. This benefit will constitute the basis for evaluating a proposal's potential for producing the maximum economic impact for the Town of Windsor Locks. The main selection criteria are:

- A. The long-term viability and potential of the venture involved.
- B. The amount of private dollars invested as a result of the low-interest loan.
- C. The proposals conformity with the Town's Plan of Conservation and Development, the Main Street Overlay Zone, and overall benefit to the community.
- D. Ability of the project to be implemented with a twelve-month period.
- E. The capacity of the business to repay the debt.
- F. The economic conditions in which the business will operate.

V. Monitoring of Project Completion

Loan recipients must provide the Loan Review Committee with a written update upon project completion. For projects with a time horizon beyond 12 months, an update should be provided at 12 months and again at project completion.

VI. Default

The following shall constitute default on the conditions of the loan:

- A. Failure to pay any amount when due.
- B. Fraud or misrepresentation of any information contained in the loan application, closing documents, and any other reports required to be filed with the Loan Review Committee.
- C. Failure to properly ensure or otherwise protect collateralized property.
- D. If any property you have given us as collateral is repossessed or seized by someone else, or if anything happens that significantly affects the value of the property or our security interest in it.

The business owner shall be given written notice of default at least thirty (30) days prior to the commencement of any collection activity and the opportunity to cure the default during that time period. Such notice shall be issued by the Loan Administrator.

Appendix A – Downtown TIF District Map

