

WILMINGTON DOWNTOWN, INC. (WDI) LOAN PROGRAM

OPERATIONS AND REHABILITATION LOAN FUND

<Current as of January 2, 2013>



LOAN PROGRAM APPLICATION, TERMS AND CONDITIONS

**Wilmington Downtown, Inc.
P.O. Box 2235, Wilmington, NC 28402
910-763-7349 – FAX 910-343-6950**



Wilmington Downtown, Inc.

Phone: 910-763-7349 • Fax: 910-343-6950

P. O. Box 2235 • Wilmington, NC 28402

Wilmington Downtown, Inc. (WDI) is a registered 501c3 non-profit corporation founded in 1977 to facilitate and lead the revitalization of the Central Business District (CBD) of Wilmington, North Carolina.

The organization is the outgrowth of a Task Force appointed by the Mayor in 1976. WDI receives both public and private financial support for its administration and programs. It is governed by a 35-member Board of Directors that represents the City, County, downtown stakeholders, as well as at-large members of the community.

WDI's goal is to insure that the physical and economic change in Downtown Wilmington develops in a positive way by serving as a liaison between the public, business and government sectors, and by promoting and developing downtown as a good place to shop, work, live and enjoy. WDI's mission is to promote economic growth and development of downtown Wilmington. The loan program is an important piece of the work program that has helped the organization be successful.

WDI's loan program, developed after analyzing revitalization strategies of other cities and refining them to the local situation, contains all the elements for a successful effort. The program's success depends on the leadership, commitment and coordination of both the public and private sectors. Goals of the program are to encourage the creation of jobs, expand the tax base and preserve historic structures.

WDI's loan program is structured with a loan committee to oversee the application process and final approval of the loan will be made by the executive committee. Once the loan is approved the borrower's application will then be presented to First Bank where the loan will be funded and administered.

STATEMENT OF PURPOSE

To develop and implement a lending program, which will spur the creation or retention of jobs, expand the tax base and preserve historic structures in downtown Wilmington.

Target Audiences

Entrepreneurs and Small Businesses:

To serve strategically located small businesses and entrepreneurs. Many of which have been traditionally underserved by commercial banks in the downtown area of Wilmington, NC.

Large and/or Mixed Use Buildings:

To secure and facilitate large-scale projects that offer a substantially beneficial economic impact through a mix of uses, historic preservation and creation of jobs in the downtown area of Wilmington, NC.

ACCEPTABLE RISK

To preserve and protect the public investment, the lending program is designed to ensure the optimum return on investment and lowest default rate possible, while attempting to serve the needs of the community, by requiring active involvement of the loan committee throughout the lending process. Because the purpose of the Loan Program will often be to close lending gaps in the community, the loan committee will have considerable flexibility, regarding borrower qualifications and loan terms.

LOAN PROGRAMS

Under the City's housing and community development plan, the City works through WDI to concentrate several financial programs in specific areas in order to encourage owners to make comprehensive building repairs and subsequent full use of their structures. These areas are the CBD, North Fourth Street (essentially to the Downtown Redevelopment Area) and Castle Street. The objectives of the plan are:

1. Offer construction, short-term and permanent financing at less than market interest rates to make it more financially feasible and attractive for owners or developers to renovate buildings.
2. Provide technical assistance to owners of buildings in determining the repairs necessary for the building to meet NC Building Code standards and accommodate its intended use. Additionally, WDI will encourage borrowers to take advantage of historic preservation tax credits through preservation when feasible.
3. Cooperate with WDI and other business interests in designing plans and loan programs for the improvement of buildings, provision of business development and job growth in the downtown area of Wilmington, NC.
4. The objectives of the plan are to be achieved by implementation of the programs.

PROGRAMS DESCRIPTIONS

Small Business/Retail Programs:

This loan program is designed to serve new or existing small businesses, located in downtown Wilmington, NC for the purposes of assisting new business startups, creating and/or retaining existing jobs.

The loan is designed to help small/retail business with funds for furniture, fixtures and equipment ("FF&E"), and/or renovation (up-fit). The loan program shall provide up to 100% of renovation (up-fit) up-fit costs for projects not exceeding \$10,000.

Loan Term:

Amount: Amounts between \$5,000 and \$25,000 (loan amounts are exclusive of loan closing costs.)

Terms: Five (5) year balloon, with monthly payment based on a 20 year amortization.

Interest Rates: A fixed rate at no more than 4% interest.

Loan Fees: At closing, the borrower will be responsible for paying a loan Origination fee of 1.00% of the loan amount

Building Improvement Program:

To encourage the development of commercial and residential uses in the CBD, WDI offers a program that will provide for utilization of upper floors of buildings and contribute to the redevelopment of offices and retail shops on the ground floors. The maximum loan amount is \$100,000 and the money can be used for general building renovations.

Loan Terms:

Amount: Maximum loan of \$100,000

Terms: A maximum of Five (5) year balloon, with monthly payment based on a maximum 20 year amortization in order to lower the monthly payment. This will be determined by the WDI Loan Committee and each case is considered separately.

Interest Rates: A fixed rate at no more than 4% interest.

Loan Fees: At closing, the borrower will be responsible for paying a loan Origination fee of 1.00% of the loan amount

Financial Institution:

The loans are funded by First Bank with each loan secured by a First Bank certificate of deposit in the name of WDI. This certificate of deposit (CD) will carry a minimum term of 36 months. Each request will have the commercial guaranty of WDI. These requests will also require the additional security of a UCC lien on furniture, fixtures and equipment to protect the value of the certificate of deposit used to secure each loan.

Upon loan approval by the WDI Loan Committee, First Bank will submit the loan request to its Business Centralized Underwriting Department for review. Once approved, First Bank will prepare the loan closing documents, close and fund the individual loans. These documents will be standard First Bank documents.

WDI will require the borrower and its principals (all holders of 20% or more ownership interests in the borrower) to deliver the following to WDI at loan closing: (i) a reimbursement agreement wherein the borrower and its principals agree to reimburse WDI for, and indemnify and hold harmless WDI from, any and all liabilities, losses, costs and expenses (including legal fees) WDI may incur with respect to the loan and WDI's guaranty (collectively, "Loan Liabilities"); (ii) a security agreement granting to WDI a first priority (except any lien required to be granted by the borrower to the bank as security for the loan) security interest in all of the personal property of the borrower (including, without limitation, furniture, fixtures and equipment) as collateral security for the Loan Liabilities, together with such financing statements as WDI may require to perfect its interest in the personal property collateral; (iii) if applicable, a deed of trust granting to WDI a first priority lien (except any lien required to be granted by the borrower to the bank as security for the loan) in the real property of the borrower as collateral security for the Loan Liabilities; (iv) proof of property and casualty insurance naming WDI as loss payee, together with such other insurance as WDI may require; and (v) such other documents, instruments and agreements as WDI may require to evidence and/or secure the obligation of the borrower and its principals to reimburse WDI for, and to indemnify and hold harmless WDI harmless from, and all Loan Liabilities.

Prior to closing, all loan documents will be reviewed by a representative of the WDI Executive Committee and Executive Director. If these documents do not conform to the agreed upon terms between and First Bank; the closing will be postponed until all documents are corrected and the WDI Executive Committee is satisfied.

LOAN APPLICATION PROCESS:

1. Loan application, completed and signed by applicant(s)
2. Credit check authorization
3. \$100 non-refundable application fee made payable to WDI
4. Copies of Articles of Incorporation and Bylaws Partnership Agreements, Business Licenses, or Fictitious Business Name Statement, as applicable
5. Statement of purpose and itemized use of funds. A detailed list of paid expenses to be reimbursed with the loan funds (what is/was being done and why).
6. Current financial statements of business
7. Personal financial statements of all borrowers

8. Tax returns for prior 2 years, personal and business
9. Three year cash flow projections and pro-forma balance sheet with projected profit and loss statements are required on loans greater than \$10,000
10. If new business, a business plan is required with background information on the company; history and description of the industry; market analysis and strategy.
11. Resumes of key people
12. Business references

LOAN PROCESS:

Once Loan Is Approved

1. Proof of casualty insurance coverage with WDI named as loss payee
2. Proof of liability insurance in the amount of \$5,000,000 or more naming WDI as additionally insured
3. Title insurance policy naming WDI as a "mortgagee"
4. If applicant is not owner, a waiver from landlord must be signed
5. Promissory note
6. Deed of trust (on real or personal property)
7. Security agreement (blanket lien on equipment, accounts and inventory)
8. All ownership of 20% or more are required to be a personal guaranty on the loan
9. Reimbursement Agreement

THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

The Secretary of the Interior is responsible for establishing standards for all programs under Departmental authority and for advising Federal agencies on the preservation of historic properties listed or eligible for listing in the National Register of Historic Places. In partial fulfillment of this responsibility, the Secretary of the Interior's Standards for Historic Preservation Projects have been developed to direct work undertaken on historic buildings.

Initially used by the Secretary of the Interior in determining the applicability of proposed project work on registered properties within the Historic Preservation Projects have received extensive testing over the years-more than 6,000 acquisition and development projects were approved for a variety of work treatments. In addition, the Standards have been used by Federal agencies in carrying out their historic preservation responsibilities for properties in Federal ownership or control; and by State and local officials in the review of both Federal and nonfederal rehabilitation proposals. They have also been adopted by a number of historic district and planning commissions across the country.

The Standards for Rehabilitation (36 CFR 67) comprise that section of the overall historic preservation project standards addressing the most prevalent treatment today: Rehabilitation. "Rehabilitation" is defined as the process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values.

The Standards for Rehabilitation are as follows:

SECRETARY OF THE INTERIOR'S NEW STANDARDS FOR REHABILITATION

- (1) A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
- (2) The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall not be avoided.
- (3) Each property shall be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
- (4) Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
- (5) Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
- (6) Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and where possible materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.

(7) Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

(8) Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.

(9) New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

(10) New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

LOAN PROGRAM APPLICATION CHECKLIST

- _____ Loan application, completed and signed by applicant(s)
- _____ Credit check authorization
- _____ \$100 non-refundable application fee made payable to WDI
- _____ Copies of Articles of Incorporation and Bylaws Partnership Agreements, Business Licenses, or Fictitious Business Name Statement, as applicable
- _____ Statement of purpose and itemized use of funds. (what is being done and why)
- _____ Current financial statements of business
- _____ Personal financial statements of all borrowers
- _____ Tax returns for prior 2 years, personal and business
- _____ Three year cash flow projections and pro-forma balance sheet with projected profit and loss statements are required on loans greater than \$10,000
- _____ If new business, a business plan is required with background information on the company; history and description of the industry; market analysis and strategy
- _____ Resumes of key people
- _____ Business references

NOTE: All of the documentation listed above **MUST** be submitted with the loan application before the loan request can be reviewed by the WDI Loan Committee

If you have any questions please call 910-763-7349.



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WILMINGTON DOWNTOWN, INC.
Loan Application Wilmington Downtown, Inc.

Loan Amount Requested _____ Date of Application _____

Operations _____ Rehabilitation _____
Loan Applicant(s) and Address (es)

Are you the owner of this property? Yes _____ No _____

If not the owner, please provide the following information of the landlord:

Name _____

Address _____

Telephone Number (____) _____

Please attach a copy of the current lease.

Social Security # _____ or Tax Identification #

Phone # (____) _____

Date of Birth _____

Project Address and Description: _____

Type of Use: (Residential, Commercial, Mixed Use) _____

Total estimate of project (including work not funded by Wilmington Downtown, Inc.
loan) _____

Have You Submitted Financial Statements on all Owners? _____

Have You Submitted Detailed Plans and Specifications? _____

Owners Name: _____

Owners Address: _____

Owner's Phone Number: _____

Certification and Authorization

The signer(s) certifies that he/she is authorized to execute the application for the business named above, and that the information in this application and any other documents submitted in connection with the application are true, correct and complete. The signer(s) authorizes the loan committee to verify the information and to obtain personal, customer and/or business credit reports. The signer(s) further agree

to provide additional information upon request and to notify the Loan Committee via Wilmington Downtown, Inc. promptly of any material change in the information provided in this application.

Applicant(s) Signature: _____ Signature: _____

Date: _____ Date: _____

Applicant(s) Signature: _____ Signature: _____

Date: _____ Date: _____