

Johnson Revolving Loan Fund (JRLF)

In 2013, the Town of Johnson was awarded a \$509,000 grant from the Vermont Community Development Program. The Town used the grant to make a loan to Johnson's Sterling Market LLC to open a grocery store in downtown Johnson. While the Town has an obligation to return a half of the loan paybacks to the Vermont Community Development Program, the other half of the loan payments will remain in town and capitalize Johnson's Revolving Loan Fund (JRLF).

Johnson Selectboard intends to begin re-lending the funds accumulated in the Johnson's Revolving Loan Fund to Johnson residents and businesses in January 2017 when the expected amount of loan paybacks by the Sterling Market reaches the amount of 7,500.

Johnson Selectboard prepared the following guidelines for the use of the resources accumulated in Johnson's Revolving Loan Fund.

JRLF Guidelines

The Town of Johnson's revolving loan fund is designed to increase the vitality of the community through the creation and/or expansion of businesses within town limits and the improvement of residential housing stock in the Village of Johnson.

The program provides favorable interest rates and flexible payback options. Loan applications are reviewed by the Revolving Loan Fund Committee. The Committee makes funding recommendations to the Selectboard which has ultimate authority over the approval of any loan.

The revolving loan fund will be used to fund:

- Business projects for start-up and expansion, and geared toward job creation, support of economic development and provision of goods and services that benefit the community.
- Purchase of machinery, equipment, furnishings and fixtures for business projects.
- Exterior real property improvements to commercial and residential buildings: improvements with high public exposure, historic/architectural restoration and handicapped accessibility.
- Interior permanent improvements to commercial and residential buildings: repair/upgrade of code violations; energy efficiency improvements, handicapped accessibility improvements

All improvements should result in an improved quality of housing or an improved economic development condition.

Loan terms:

Minimum loan amount: \$1,000
Maximum loan amount \$5,000*
Interest rate: ½ of prime interest rate
Term: 2 years**

*Loan requests exceeding \$5,000 that are aimed at job creation will be considered, provided the availability of funds currently held in the revolving loan program.

** Alterations to the duration of the loan term will be considered.

Collateral:

Applicants are required to identify collateral that can be applied against the loan amount. Successful applicants will be required to execute appropriate loan documents, identifying collateral and pledging it to the Town of Johnson as a security interest and defining the security interest position of the Town.

Equipment and/or machinery that are used as collateral will be assessed at 75% of the current market value to account for depreciation (Collateral should equal 133% of the loan amount)

Fees:

A non-refundable fee of \$10 per \$1,000 loaned will be paid to the Town upon formal submission of a request for financial assistance.

Other Provisions:

The applicant and Town will execute legally binding loan agreements to assure that the purposes of the program are followed and that the loan is adequately secured. These documents will be recorded with the Johnson Town Clerk. All loan funds will be placed in escrow for disbursement to the borrower.

Loan rejection:

The Town of Johnson reserves the right to deny any application based on the following criteria.

- a. The applicant has not met the necessary requirements prescribed in the application process
- b. The applicant has not presented a substantial case for how a loan would benefit their business, and thus, the community
- c. The applicant, or any of the principles is not in good standing with the Town (i.e. property tax delinquency, prior or current health and safety violations, and/or police problems)
- d. The implied risk of supporting such a business is deemed too high, and is considered an unsound investment opportunity

Loan termination:

Loans under this program may be terminated and all outstanding balances become due if:

- The business relocates out of the Town of Johnson or out of the premises for which the loan assistance was given
- The business fails to complete the improvements within the time specified in the loan agreements
- The business is in persistent violation of state and local building codes or ordinances
- The business fails to obtain the necessary permits for the project funded with Town loan proceeds
- The business defaults on two or more monthly loan payments (unless arrangements for deferral have been agreed to in writing by the Town)

Loan close out:

Upon repayment of the full amount for the original loan, the Loan Administrator will close out the loan and issue a Notice of Repayment to the applicant.

For additional information contact:

Community & Economic Development Coordinator

Town of Johnson

P.O. Box 383,

Johnson, VT 05656

802-635-2611

For a digital copy of this document visit www.townofjohnson.com

Passed this 19th day of January, 2015.

LEGISLATIVE BODY, SIGNED:

Eric Osgood

Eric Osgood

Howard Romero

Doug Molde

Doug Molde

Kathy Black

Kathy Black

Nat Kinney

The above resolution is a true and correct copy of the resolution as adopted at a meeting of the Legislative Body held on the 19 day of January, 15, and duly filed in my office.

IN WITNESS WHEREOF, I hereunto set my hand this 19 day of January, 2015.

Rosemary Audibert
Town Clerk

