

## **Eligibility and Application Guidelines for the Low Interest Loan Program for the Downtown Historic District and Certain Historic Commercial Properties**

**GOAL:** To attract new businesses and investors, to provide private property owners access to funds to spur economic revitalization, and business growth and development in the Downtown Historic District (DHD) and the historic commercial area of 1400 to 1600 North Austin Street with an end result of decreasing retail leakage, aiding in local sales tax revenue collection, increasing the ad valorem tax base due to improvements made to the historic properties, and improving the quality of life in Seguin.

**RATIONALE:** Historic properties are more difficult to develop than areas in newer sections of Seguin. Developers must address environmental issues, parking limitations, handicap accessibility, and the challenge of bringing historic structures into compliance with modern-day building codes.

**CITY COMMITMENT:** The City of Seguin has committed monies from the Utility Fund for the development of a low interest loan pool.

### **ELIGIBLE LOAN USES AND REQUIREMENTS**

-All projects must be located in the Seguin Downtown Historic District (DHD) or within the 1400, 1500, and 1600 blocks of North Austin Street.

-Renovations to an existing structure including life safety code compliance, fire suppression and tenant separation, asbestos survey and abatement, lead paint mediation, handicap accessibility, historic storefront restoration, signage, landscaping, HVAC, electrical, and infrastructure technology and utility upgrades, parking lot or sidewalk improvements, and other approved improvements to the interior or exterior of the building.

-All improvements funded with this loan are subject to review by the Historic Design Review Committee regardless of whether they are made to the interior or exterior.

-Loans shall include a lien on the underlying property. If property is sold the balance of the loan remaining at time of sale shall be paid from the proceeds of the sale. Loans resulting in a second lien will be considered based on the financial profile of the applicant and must be approved as a second lien by the primary lender.

-Applicant must be current, and remain current for duration of the loan, on all ad valorem taxes, utility bills, and have no unpaid debt to the city. Failure to do so may result in a penalty being assessed based on the amount of the loan and the risk involved

- Loan amount is based, in part, on funds available in the loan pool at the time of application.

-A schedule for the release of funds will be developed on a case-by-case basis.

-A \$100.00 Processing Fee payable to the City of Seguin will be assessed for each loan application.

-Loan applications will be considered on a monthly basis, with applications received by the last business day of each month, during regular business hours, 8 am to 5 pm, M-F, at the Municipal Building Annex, 211 N. River Street in Seguin, or by mailing the application to the City of Seguin Main Street Program, PO Box 591, Seguin, TX 78155.

#### **PREFERENCE WILL BE GIVEN TO**

-Projects for the purpose of renovating a building that has been vacant five or more years.

-Projects that develop space for first floor use for restaurant, retail, or tourism-related businesses.

-Projects that propose conversion of vacant upper floor space for use for housing.

-Projects that address life safety requirements and install a fire suppression system.

-Projects that propose a historic façade restoration rather than a remodel.

-Projects leveraged with a cash match.

-Projects with collateral that provides a more solid investment risk.

-Projects with a greater positive visual impact on downtown.

-Projects that provide handicap access.

#### **INELIGIBLE LOAN EXPENSES**

The following shall not be used from loan proceeds:

-Purchase of the property.

-Attorney certificates.

-Financing costs.

-Architectural and engineering fees.

-Financials certified by accountant.

- Incorporation and organizational expenses.
- Refinancing existing debt.
- Appraisals.
- Surveys.
- Title report and policy.
- Property with pending city, county, state, mechanic and/or contractor liens.
- Title and lien searches may be conducted at the expense of the applicant.
- Non-fixed improvements (like office equipment, furniture, phone systems, electronics, vehicles or computers) *with the exception of approved HVAC, electrical, infrastructure technology, and utility upgrades.*
- Business purchase, business operating expenses, or business start-up costs.
- Impact fees for utility service.
- Payment for "Sweat" equity or any Employee/Payroll expense.
- Work started or completed prior to loan approval.
- Work for any property or business not located in the DHD or on 1400-1600 North Austin Street.
- Work related to a business use not allowed by code in the DHD.
- Any loan closing costs including attorney fees.

## **PROJECT TIMELINE**

- Project must begin within 90-days of notification of approval of loan.
- A project completion date will be set for each loan, but cannot exceed 18-months from the date of the approval of the loan.
- A loan repayment term will be set for each loan, but in no case shall the term of repayment exceed 15-years.
- During the loan term, it is expected the property will be owner occupied or available for lease at current market rates, maintained and occupied. Failure to do so may result in a penalty based on the amount of the loan and the risk involved

**INTEREST RATE** Interest rates are correlated with the current market rate for the 10-year U.S. Treasury issue at the time the completed application is received by the City of Seguin and will not be below 2%.

**LOAN AMOUNT**

- Minimum loan amount is \$20,000. An application for a lesser amount of \$10,000-\$20,000 can be submitted but the Preferences List will be given priority during the review process.
- Maximum loan amount is based on funds available in the loan pool at the time of application.
- Loan amount will be based on the quality of the application, amount of collateral, and projects that provide a more solid investment risk.
- A plan for the distribution of funds for each approved application will be developed which may include issuing draws, reimbursement upon proof of payment to contractors and sub-contractors, inspection reports, and lump sum allocations.
- Payment will be made to the applicant only, and not to contractors or subs.
- There is no penalty for early repayment.
- Any payment received more than five (5) days after the due date will be assessed a penalty. After 90 days, the loan will be considered in default and scheduled for foreclosure.

**APPLICANTS MAY BE REQUIRED TO PROVIDE ADDITIONAL INFORMATION INCLUDING BUT NOT LIMITED TO:**

- Additional insurance to protect the City's investment.
- Have assets and/or collateral equal to the value of the loan.
- Provide authorization for credit checks.
- Provide proof of cash on deposit and personal and business assets.
- Show proof that local taxes and utilities fees are current.
- Provide Federal tax returns from previous three (3) years.
- Provide organizational business papers for incorporations, etc.

- Provide a Certificate of Good Standing from the Texas Comptroller's Office.
- Prove ownership of property.
- Complete a Personal Financial Statement.
- Additional information as deemed necessary may be required on a case-by-case basis.