



## ACEDC POLICY

### BRIDGE LOANS TO ENTITIES APPLYING FOR REIMBURSABLE GRANTS

**Policy:** It is not the function, goal or objective of the Addison County Economic Development Corporation (ACEDC) to monetarily support ongoing operations, events, or fundraising activities of other organizations utilizing the regular budget or reserves of ACEDC. However, ACEDC will consider providing funds to entities in Addison County for the purpose outlined below, using the procedures outlined below, only if the request demonstrates, and the Board finds, that the request conforms with the core values of, and advances the goals and mission of, ACEDC.

**Purpose: Bridge Loans to Support Community Projects.** Often, an organization cannot apply for grant funds because they do not have the capital or reserves to pay the costs of a project up front and wait for the grant reimbursements to flow once the project is accomplished. Therefore, if an Addison County entity is applying for a state, federal, or philanthropic reimbursable grant and, except for the assistance of this bridge funding, would not have the ability to apply for or accomplish the subject project, ACEDC will consider making a short-term bridge loan for the project. The purpose of the funds is to provide funding to bridge the gap between grant approval and project implementation and completion, which triggers disbursement of grant funds to the entity.

#### Internal Considerations:

- Bridge Loans will not be made to support ongoing operations, events, or fundraising activities of entities.
- ACEDC will utilize no more than 30% of available Operating Reserves for this purpose.
- Maximum amount for any one bridge loan is \$20,000.
- Loan amounts will equal, at a maximum, the amount of grant funding the organization is approved to receive from the grantor. Loans will not provide any match required by grantor to be provided by the grantee.
- Funds are limited. Therefore, priority consideration will be given to applications that:
  - demonstrate the least risk;
  - will have the most impact on economic and community development for the region; and
  - most closely align with ACEDC's mission, purpose, and priorities.
- ACEDC has full discretion to approve or deny loans and loans may be denied even if project requirements are met.

#### Borrower and Project Requirements:

- The borrower must be located in Addison County and the project must be located in Addison County or substantially benefit Addison County.
- The borrower must be a for profit or non-profit business that is registered with the Vermont Secretary of State and the IRS.

- The borrower must be able to demonstrate that they have the capacity and experience to administer loan and grant funds.
- The borrower must demonstrate that the project could not be accomplished, except for the bridge loan being provide.
- The borrower must directly fund any match required by grantors and must include costs of the ACEDC Bridge Loan (fees, interest) in their budget submission to the grantor.
- The project must directly or indirectly advance economic and community development in the region and align with ACEDC's mission, purpose, and priorities.

**Process:**

- Prior to applying for the grant, on a timeline that allows for an intervening ACEDC monthly Board meeting to occur, the potential borrower must contact ACEDC in writing to check on the availability of funds and then request the bridge loan, by submitting the following:
  - Brief description of the entity, including mission, purpose, scope of operations, and populations served and impacted.
  - Executive Summary of project, including purpose, expected outcomes, and how the project fits the ADEDC mission, purpose, and priorities and otherwise meets the Bridge Loan policy.
  - Summary of funding source(s) and link(s) to grant program website.
  - Total project budget, including sources and uses.
  - Most recent entity budget and financial statements.
  - Evidence of availability of any match required by grantor.
  - Evidence of organization experience and capacity to administer the grant funds and the ACEDC Bridge Loan.
  - Evidence of good standing with Vermont Secretary of State and IRS designation.
  - Evidence that the project would not occur except for the ACEDC Bridge Loan.
  - Letter from the organization Board containing the request, a statement that the project would not occur except for the Bridge Loan, a commitment to repay the Bridge Loan using grant proceeds, and a commitment to include the costs of the Bridge Loan in the grant application.
- ACEDC staff will present the Bridge Loan request to the ACEDC Board at the next monthly Board meeting.
- The ACEDC Board will make a decision at the Board meeting or request additional information and staff will inform the applicant within 5 business days after a decision.
- If approved, ACEDC staff will provide the organization with a commitment letter containing all terms and conditions within 20 days of the approval. An organization officer shall sign and return the commitment letter within 5 days of receipt.
- When the grant application is submitted by the organization, a copy will be provided to ACEDC.
- If the grant is approved, the grantee will provide a copy of the grant approval to ACEDC within 5 days of receipt and ACEDC will provide the organization with draft Bridge Loan closing documents within 30 days.
- A loan closing will be scheduled within 60 days of the grant approval.

**Fees, Terms, and Conditions:**

- A one-time application fee of \$100.00 or 1% of the grant amount, whichever is higher, shall be paid to ACEDC at the time a grant application is approved by grantor and a copy is submitted to ACEDC.
- The term of the loan will be determined by the expected duration of the project and expected dates of reimbursement by the grantor but shall not be longer than 12 months after the loan closing.

- The loan shall incur simple interest at 3% per annum, paid to ACEDC quarterly.
- The loan principal and remaining interest shall be repaid in one payment when the project is completed or after 12 months, whichever comes first.
- If loan principal and interest balance are not received by the due date, a one-time late fee of \$200.00 will be owed, simple interest of 10% will accumulate until the loan is paid, and the loan will be considered in default.
- Borrower may prepay the loan at any time, in full or in part, without premium or penalty.
- If the borrower defaults on the loan and such default is not cured within twenty (20) days after the mailing of notice by ACEDC to the borrower, ACEDC may declare the entire amount of the Note due and payable and undertake such remedies as may be provided by law.
- If the borrower defaults on the loan, the borrower agrees to reimburse ACEDC for all reasonable attorney's fees and expenses and all other reasonable fees and expenses incurred by ACEDC in connection with the default, including any legal action taken by ACEDC to protect its rights.
- ACEDC reserves the right to include any other provisions allowed by law in the loan agreement.

Approved and Adopted by the ACEDC Board: January 16, 2020