

COUNTY COUNCIL OF CECIL COUNTY, MARYLAND
LEGISLATIVE SESSION DAY - 2017-21
RESOLUTION NO. 56-2017

Title of Resolution: Approval - Revolving Loan Fund – Governing Policies - Cecil Catalyst

Synopsis: A Resolution to amend the Department of Economic Development’s Revolving Loan Fund governing policies to change the name of the Fund to Cecil Catalyst, revise loan making authority, restructure the governing board, expand uses for which Fund loans can be used, and to provide a streamlined application process for “micro” loans.

Introduced by: Council President on behalf of the County Executive

Introduced and ordered posted on: November 7, 2017

Public Hearing scheduled on: December 5, 2017 at 7:00 p.m.

Scheduled for consideration on: December 19, 2017

By: _____
Council Manager

PUBLIC HEARING

Notice of time and place of public hearing and title of Resolution, having been posted by ___ at the County Administration Building, 200 Chesapeake Blvd., Elkton, and having been published according to the Charter on ___, a public hearing was held on ___ and concluded on ___.

By: _____
Council Manager

EXPLANATION:

CAPITALS INDICATE LANGUAGE ADDED TO EXISTING RESOLUTION

~~Strike through~~ indicates language deleted from existing Resolution

Underlining indicates language added to Resolution by Amendment

~~Double Strike~~ Through indicates language stricken out of Resolution by Amendment.

1 **WHEREAS**, Cecil County government is committed to economic development initiatives that result
2 in the expansion of the local industrial tax base and an increased number of employment opportunities
3 for County residents, and ultimately, improve the economic conditions in the County; and

4 **WHEREAS**, the County’s commitment to such economic development initiatives includes small
5 industrial and commercial business expanding in or relocating to the County, particularly within the Route
6 40 growth corridor and within municipalities that are working diligently to revitalize their downtown
7 business areas; and

8 **WHEREAS**, some of these businesses will need financing assistance to undertake and complete
9 their projects in order to generate new economic impact for the County and the municipalities; and

10 **WHEREAS**, loan repayments to the Economic Development Department’s Revolving Loan Fund
11 (the “RLF”) are designated as "program income" and Maryland Department of Commerce has previously
12 approved the first \$400,000 in program income to be used by Cecil County government to establish the
13 local RLF; and,

14 **WHEREAS**, a copy of the current enabling Resolution is attached as Exhibit 1 hereto; and,

15 **WHEREAS**, the County Executive proposes, and the County Council by this Resolution hereby
16 adopts, the following amendments to the RLF governing policies.

17 **NOW THEREFORE, BE IT HEREBY RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY,**
18 **MARYLAND**, that the Department of Economic Development’s Revolving Loan Fund governing policies are
19 amended as follows:

20 1. The Resolution approved by the Board of County Commissioners of Cecil County on
21 October 17, 2000 is hereby stricken in its entirety, and replaced with the provisions of the instant
22 Resolution, as more fully set forth herein.

23 2. There is established a Revolving Loan Fund which shall be called the Cecil Catalyst.

24 3. The Cecil Catalyst shall be for use by new and existing businesses in Cecil County and its
25 municipalities, generally in accordance with the terms of this Resolution.

26 4. Purpose. The purpose of the Cecil Catalyst is to promote job growth in Cecil County by
27 providing funds to credit worthy businesses and/or individuals that may have difficulty obtaining financing
28 through traditional sources due to limited equity, collateral or marginal cash flow. The target market is
29 small businesses, including start-up businesses, located in Cecil County.

30 5. Loan Proceeds. Loan proceeds may be used for any legitimate business purpose approved
31 by the Cecil Catalyst Loan Review Committee (the “Committee”) to include: Leasehold improvements,
32 acquisition of real property, construction, renovation and rehabilitation, machinery and equipment,
33 and/or working capital. Applicants for loans to acquire real property must occupy a minimum of 51% of
34 the improvement(s) situated on the subject parcel(s). Financing for working capital may be used toward
35 loan fees imposed by third party lenders.

36 6. Loan Terms.

37 a. Amount. Loans may be made in a minimum amount of \$5,000 up to a maximum
38 amount of \$75,000, provided, however, that the loan maximum may be increased by the Committee upon
39 submission of documentation by the applicant demonstrating a level of capitalization, which meets loan
40 underwriting standards for the type of loan requested.

41 b. Interest Rate. The interest rate on all Cecil Catalyst loans will be the Prime Rate as
42 published in the Wall Street Journal on the date of loan application plus 2%. The interest rate on Cecil
43 Catalyst loans will be fixed for a period of up to 5 years; the interest rate on loans for which repayment
44 exceeds 5 years will be adjusted with a new fixed interest rate based on the Prime Rate as published in
45 the Wall Street Journal on the first day of the 59th month of the loan, plus 2%, being applied beginning
46 with the 61st monthly payment.

47 c. Term of Repayment. Cecil Catalyst loans will be paid in accordance with the
48 following terms:

49 i. Real Estate: 120 month maximum term with 20-year amortization, and balloon
50 payment of all outstanding principal and interest at 120th month.

51 ii. Equipment: 36 to 120 month term, depending on the useful life of the
52 equipment.

53 iii. Working Capital: 12 month term (interest only payment) with balloon payment
54 of all outstanding interest and principal at 12th month, with an option to extend the interest only payment
55 for a period of two additional 12 month periods (at the Committee’s discretion).

56 iv. Physical Improvements to Real Property (including build-out): Maximum term
57 of 60 months.

58 7. Fees. The Borrower will pay a one-time/non-refundable application fee of \$100, at time of
59 submission of the application package. The Borrower will be responsible for all applicable customary

60 settlement costs, to include (but be limited to) title and lien searches, recordation fees, taxes if any, and
61 legal fees. All fees will be due at time of settlement.

62 8. Application Package. The Committee, in coordination with the Economic Development
63 Department and underwriter, will establish an application that will be submitted for each Catalyst Loan.
64 Examples of information that may be required of applicants includes, but may not be limited to:

65 a. Completed Catalyst Loan Credit Application

66 b. For loans in excess of \$10,000, the following information will be provided:

67 i. Business Plan, which will typically include the following:

68 1. Business description (purpose, type of entity, state of formation,
69 documentation of active registration to do business in Maryland if formed in another jurisdiction, valid
70 Cecil County business license if required by Cecil County Code, etc.).

71 2. Products or services offered.

72 3. Market analysis.

73 4. Approach to selling products or offering services.

74 5. Production process.

75 6. Board members, management personnel, and staff, together with
76 organizational chart.

77 7. Financial data (profit and loss statements for prior four quarters –
78 existing businesses only).

79 8. Summary and conclusions.

80 9. Appendices and supporting documents as required by the
81 Committee.

82 c. Historical financial information, which may include:

83 i. Prior three years' fiscal year-end income statements and balance sheets.

84 ii. Most recent interim financial statements.

85 iii. Personal and corporate tax returns for the prior three years (existing
86 businesses only).

87 iv. Three to five years of income projections, expenses and cash flow.

88 v. Aging of accounts receivable and payable dated within sixty days (existing
89 businesses only).

- 90 vi. Current personal financial statements for all owners and/or principals; use
91 of a participating bank’s form is acceptable.
- 92 vii. Appraisals.
- 93 viii. Description of collateral, including (but not necessarily limited to) the year,
94 make, model and serial number, if applicable, or if real estate, a copy of the deed, deed of trust, note, and
95 amortization schedule.
- 96 ix. Schedule all debts (including rates and terms – existing businesses only).
- 97 x. Executed copy of any lease(s).
- 98 xi. Amount of investment by owner and/or documents demonstrating
99 principal/owner loans.
- 100 xii. Personal resumes of principal(s)/owner(s).

101 9. Collateral.

- 102 a. Loans may be unsecured or secured, subject to the Committee’s discretion based
103 upon review of the application package and sound underwriting standards.
- 104 b. All loans will require the personal guaranty of the applicant business’s
105 principle(s)/owner(s), with the exception of limited partners in a limited liability partnership.

106 10. Underwriting. The applicant will be required to demonstrate credit worthiness and a debt
107 to income ration that demonstrates the ability to timely repay the loan in full. All applications will be
108 reviewed by a qualified underwriter of the Committee’s choosing.

109 11. Cecil Catalyst Loan Review Committee. There shall be a Cecil Catalyst Loan Review
110 Committee, which shall be comprised of five (5) members to serve staggered three (3) year terms.
111 Committee members will be appointed by the County Executive, with the advice of the Director of the
112 Cecil County Economic Development Department. The Director of the Cecil County Economic
113 Development Department will serve as a member of the Committee for the duration of his/her
114 employment in such capacity with Cecil County, Maryland. The County Executive will be required to
115 approve any loan in excess of \$75,000. The Committee shall:

- 116 a. Determine applicant eligibility.
- 117 b. Adopt policies, guidelines and underwriting criteria for the Cecil Catalyst program,
118 subject to approval of the County Executive and implementation by Department of Economic
119 Development staff.

120 c. Review each loan package and underwriting decision, and approve or disapprove
121 loan applications, subject to County Executive approval of loans in excess of \$75,000.

122 d. Submit an annual report to the County Executive no later than August 31st of each
123 year, outlining the status of the Catalyst Fund and of each transaction approved thereunder.

124 **AND BE IT FURTHER RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY** that this Resolution
125 shall take effect on the date of its passage.

INTRODUCED:

ADOPTED: _____

President of the Council

ATTEST:

Council Manager