

RURAL ECONOMIC DEVELOPMENT (R.E.D.) REVOLVING LOAN PROGRAM

The Washington State Legislature passed House Bill 2260 establishing an Electric Utility Rural Economic Development Revolving Fund Program which the Governor signed into law in 1999.



The Blaine City Council established the Rural Economic Development (R.E.D.) Revolving Fund and a board of directors in August 1999.

PURPOSE

The purpose of this program is to establish and offer loans at zero interest rate to existing businesses and to encourage new business start-ups in the City of Blaine. The source of funds for this loan program is a contribution from the City of Blaine Electric Utility and a Public Utility tax credit authorized by EHSB2260 and enacted by Blaine City Council Ordinance No. 99-2430.

GOALS

The goals of this program are to:

- 1) Achieve job creation or business retention;
- 2) Add or upgrade non-electrical infrastructure;
- 3) Add or upgrade health and safety facilities;
- 4) Accomplish energy and water use efficiency improvements;
- 5) Add or upgrade emergency services.

Since that time, the R.E.D. Fund has loaned out over \$560,000 in small business interest-free loans. These loans have been used for job creation, purchase of inventory, building renovations inside and out, and successful implementation of the City's downtown core turn-of-the-century guidelines.

ELIGIBILITY

All property owners, owners of businesses or individuals whose business is located within the city limits of the City of Blaine are eligible to submit a loan application for purposes that meet the goals of the program as stated above.

LOAN PROCESS

Loan application is initially made through the City of Blaine. The actual loan is provided by Sterling Savings Bank. Call the City of Blaine at (360) 332-8311 for more information.

HELPFUL CONTACTS

The Small Business Development Center has a representative that is in Blaine by appointment. The contact information is:

Small Business Development Center
115 Unity Street, Suite 101
Bellingham, WA 98225
(360) 778-1762
Email: Jennifer.Shelton@wwu.edu
Web: www.wsbdc.org

CITY OF BLAINE, WASHINGTON
RURAL ECONOMIC DEVELOPMENT (RED) REVOLVING FUND

PURPOSE

The purpose of this program is to establish and offer loans at below market interest rates to existing businesses and to encourage new business start-ups in the City of Blaine. The source of funds for this loan program is a contribution from the City of Blaine Electric Utility and a Public Utility tax credit authorized by EHSB2260 and enacted by Blaine City Council Ordinance No. 99-2430.

GOALS

The goals of this program are to:

- 1) Achieve job creation or business retention;
- 2) Add or upgrade nonelectrical infrastructure;
- 3) Add or upgrade health and safety facilities;
- 4) Accomplish energy and water use efficiency improvements;
- 5) Add or upgrade emergency services.

ELIGIBILITY

All property owners, owners of businesses or individuals, whose business is located within the city limits of the City of Blaine or whose business is a customer of City of Blaine Electric Utility, are eligible to submit a loan application for purposes that meet the goals of the program as stated above.

REVOLVING LOAN FUND

The RED Funds will be used to leverage additional matching funds from the lending institution. The funds will be issued as loans to eligible businesses at below market rates for the purpose of stimulating economic development and revitalization of existing businesses and the start-up of new businesses.

These RED Funds will be used for the purposes of guaranteeing a conventional loan at below market interest rates. No interest will be received on these guaranteed funds in order to buy down the interest rate for this loan program. All loans will be made through the lending institution, under standard loan procedures of the lending institution.

TERMS

Terms are flexible based upon the need of the business.

LOAN REQUIREMENTS

With all loans there will be requirements for compliance with City and State regulations.

DEFAULT

The lending institution will obtain adequate security on all loans, enforceable in the case of default on the part of the borrower. Per the loan agreement, all costs associated with collection will be charged to the borrower.

LOAN APPLICATION

The following documents will be required for all loan requests, unless it is determined that a particular item is not required.

- 1) Applicant's name and address.
- 2) Names, addresses, resumes, references of owners, investors or management of business.
- 3) Articles of Incorporation, By-Laws, Trade Name Affidavit or Franchise Agreements.
- 4) A business plan which contains information regarding the products or services to be offered; methods of accounting, financing, marketing, sales, merchandising and other disciplines proposed to be used for business growth and expansion.
- 5) Letters of commitment from other funding sources.
- 6) Current balance sheet.
- 7) Up to three years of historical balance sheets, cash flow statements and income statements and federal tax returns.
- 8) Pro-forma balance sheets, cash flow statements and income statements for term of the loan but not less than three years.
- 9) Corporate resolution authorizing certain officers to borrow on behalf of the corporation.
- 10) Certificate of good standing from the Secretary of State.
- 11) If personal assets are required as collateral, an appraisal and title insurance may be required.
- 12) Previous two years of tax returns on the business.
- 13) Personal financial statement (an audit report may also be obtained).
- 14) A detailed, itemized description of the use of the loan proceeds, date project will commence, completion date.
- 15) A business plan which describes how the business will repay the loan.

LOAN AGREEMENT

In addition to a promissory note, disclosure statement, and confession of judgment agreement, the borrower will be required to sign a loan agreement that incorporates the following information.

- 1) Project description and scope of work;
- 2) Project schedule and completion date;
- 3) Total project funding, including a description of the amounts, sources, and uses of non-RED and RED funds;
- 4) Bids, invoices or architectural renderings;
- 5) Number of jobs expected to be created;
- 6) Due and payable clauses for business sale or reason;
- 7) Causes and actions in cases of default;
- 8) Repayment clause if the business moves from the community;
- 9) Time of performance provision;
- 10) Explanation of the borrower's reporting requirements;
- 11) Names and addresses of all involved parties.

DISCLOSURE

Financial information on the individual business and their owners will be kept confidential. Only the RED review committee and the City of Blaine staff will have access to these records. The terms, amounts and actual contracts between the RED, City of Blaine and the borrowers will be public record and will be made available upon request.

REVIEW PROCESS

The applicant will submit the information requested by the loan application initially to the City of Blaine. The City's RED Loan Committee will review the loan application and the applicant's credit history. (The applicant may be contacted to meet with the RED Committee if further clarification is needed.) The RED Committee will then issue a written recommendation in respect to the application submitted. The applicant, based upon the RED Committee comments, will then seek final loan qualification and approval from the lending institution.

REAPPLICATION

Should an applicant be denied funding, he/she may reapply in order to address the reasons or condition for which the loan was denied. No provision for appeal to a higher authority exists within this program.

RED LOAN COMMITTEE

The RED Loan Committee will be composed of members from the following groups:

- 1) City Council Member
- 2) Blaine Improvement Group or Chamber of Commerce Member

- 3) Ex-Officio Member from the lending institution. (This member does not have voting privileges and serves to provide lending expertise to the Board.)
- 4) City of Blaine Staff Member
- 5) Banking Institution Member

FUNDING

The R.E.D. Fund has a total amount of \$50,000 in funds on an annual basis or until the State of Washington discontinues this program.

**CITY OF BLAINE LOAN AGREEMENT FOR
RURAL ECONOMIC DEVELOPMENT (RED) REVOLVING FUND**

THIS LOAN AGREEMENT is made and entered into this _____ day of _____, _____, by and between the City of Blaine, WA a Municipal Corporation, hereinafter called "CITY", and _____ (name of loan applicant),

WITNESSETH:

WHEREAS, the CITY has instituted a RED loan program in the City of Blaine in order to assist existing businesses in the City of Blaine, and to encourage new businesses to organize and locate in the City of Blaine by facilitating loans to such businesses at below market interest rates, and

WHEREAS, the CITY has entered into a loan agreement with Sterling Bank to provide for loans to eligible applicants pursuant to such loan program, and

WHEREAS, the APPLICANT desires to apply for a loan for such purposes and to comply with all requirements, rules and regulations for the submission of an application for such loan, and

WHEREAS, the parties hereto to set to writing their agreements in regards to such loan application pursuant to the RED Loan Program of the CITY.

NOW THEREFORE, it is agreed between the CITY and the APPLICANT as follows:

1. Eligibility. The APPLICANT certifies that the purpose for making application for such loan is one or more of the following indicated by a check mark.

- _____ a) Achieve job creation or business retention.
- _____ b) To add or upgrade a nonelectrical infrastructure.
- _____ c) To add or upgrade health and safety facilities.
- _____ d) To accomplish energy and water use efficiency improvements.
- _____ e) To add or upgrade emergency services.

2. Loan Application and Closing. APPLICANT agrees to forthwith submit a loan application to Sterling Bank and to comply with the requirements of Sterling Bank for such loan based upon the standard criteria and procedures of Sterling Bank including the execution and delivery of all loan documents and documents regulating the disbursement of funds from loan proceeds.

3. Project Description and Scope of Work. APPLICANT agrees to use the loan proceeds for the purposes indicated in paragraph 1 above for the business located at _____(address of business). The description of the project for which the loan proceeds are to be used, the schedule and completion date for the project are set forth on attached Exhibit "A".

4. Project Funding. The APPLICANT certifies that the subject project is to be funded as follows:

- a) Funds borrowed from _____ pursuant to the RED Loan Program. _____
- b) Funds contributed from other sources. _____
- TOTAL _____

The source of funds identified above as "other sources" is:

5. Bids, Invoices or Architectural Renderings. The bids, invoices or architectural renderings, as applicable, for the subject project are attached hereto as Exhibit "B".

6. Due and Payable Clause. APPLICANT agrees that the security documents given by the APPLICANT as security for any loan made with _____ pursuant to this agreement shall contain the following restrictions on the sale of the business which is the subject of such loan:

"If the businesses or any interest therein, which is the subject of a loan made pursuant to the Blaine RED Loan Program, is sold or transferred by the APPLICANT without the CITY'S written consent, excluding (a) the creation of a lien or encumbrance subordinate to the security document given to _____ for such loan, (b) a transfer by devise, descent or by operation of law upon the death of a joint owner, or (c) the grant of any leasehold interest of three (3) years or less not containing an option to purchase, the CITY may at CITY'S option, declare all sums secured by the security document to be immediately due and payable. Furthermore, if the said business or any interest therein is removed from the City of Blaine without the CITY'S prior consent, the CITY may, at the CITY'S option, declare all sums secured by the security document to be immediately due and payable."

7. Default. APPLICANT agrees that the security documents given by the APPLICANT as security for any loan made with Sterling Bank pursuant to this

agreement shall contain provision for notice to the APPLICANT in the event of default, default interest rate, foreclosure and repossession of business assets in the event of failure by the APPLICANT to cure the default and provisions for collection of the principal loan proceeds plus accrued interest, legal fees and all cost of collection.

8. Time of Performance. APPLICANT agrees to forthwith apply to Sterling Bank for the loan contemplated by this agreement within fifteen (15) days from the date of this agreement, and failure to do so shall cause this agreement to terminate and be of no further force and effect.

9. Reporting Requirements. The APPLICANT shall report in writing to the CITY in thirty-day intervals the progress the APPLICANT makes in the acquisition of its loan pursuant to this agreement and shall make a final written report to the CITY upon receipt of such loan.

10. Names and Addresses of Involved Parties. The APPLICANT agrees to furnish to CITY the names and addresses of all persons having an ownership interest or financial interest in the project funded by loan proceeds acquired pursuant to this agreement.

11. Binding Effect of Agreement. This agreement shall be binding upon and shall insure to the benefit of the parties hereto and the heirs, personal representatives and approved assigns of the APPLICANT.

12. Time of the Essence. Time is of the essence in the performance of the terms and conditions of this agreement and in the event the APPLICANT shall fail to comply in a timely manner with all the terms and provisions of this agreement, the CITY may terminate this agreement upon giving ten (10) days advance written notice thereof to the APPLICANT and failure to cure such default within the said ten (10) days, shall be cause for the termination of this agreement.

13. Notice. All notices herein provided for shall be given by personal delivery or by certified mail, return receipt requested, postage prepaid at the address given below.

DATED effective the day and year first above written.

CITY:

City of Blaine, WA.

BY: _____

City Manager
344 H Street
Blaine, WA 98230

APPLICANT:

Signature

Name: _____

Address: _____

Telephone: _____

APPLICANT:

Signature

Name: _____

Address: _____

Telephone: _____

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**IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF WHATCOM**

CITY OF BLAINE,)
) No.
 Plaintiff,)
)
 vs.) CONFESSIO OF JUDGMENT
)
 _____,)
)
 Defendant.)
 _____)

JUDGMENT SUMMARY

Creditor: City of Blaine
Debtor: _____
Principal Judgment: \$ _____
Interest on Principal Amount -
_____ @ ____%: \$ _____
Attorneys' Fees: \$ _____
Less Amounts Paid by Defendants: \$ _____
Total Judgment Amount: \$ _____
Total Judgment shall bear
interest at the rate of: _____% per annum
Attorneys for Judgment
Creditor: Jonathan K. Sitkin
Chmelik Sitkin & Davis P.S.
Attorney for Judgment
Debtors: _____

1 **1. Facts Supporting Confession of Judgment.** This Confession of
2 Judgment is entered into by Defendant _____ (“Defendant”) as a result of
3 a Rural Economic Development loan (“RED Loan”) from the City of Blaine (“Plaintiff”) to
4 Defendant, whereby Plaintiff loaned to Defendant the principal sum of
5 _____, and a loan agreement (the “Loan Agreement”) was
6 executed by Defendant and is attached hereto as Exhibit “A” and is incorporated by this
7 reference.

8 **2. Confession of Judgment.** Defendant hereby confesses judgment in favor of
9 Plaintiff for the sum of \$ _____, plus \$ _____, representing
10 reasonable costs and attorneys’ fees incurred subsequent to the date of execution of this
11 document, plus \$ _____, representing interest from _____, until entry of
12 this Confession of Judgment minus \$ _____, representing payments made by
13 Defendant after execution of this Confession of Judgment by Defendant. I hereby
14 authorize the City of Blaine to fill in the foregoing amounts and to submit this to the Court,
15 without notice upon my default under the Loan Agreement, provided that the amounts are
16 substantiated by an affidavit filed contemporaneously by the City of Blaine attesting to such
17 amounts.

18 **3. Effect of Confession of Judgment.** This statement confessing and authorizing
19 the entry of judgment is being left in the possession of Chmelik Sitkin & Davis P.S., for
20 entry with the Whatcom County Superior Court, if Defendant defaults under the Loan
21 Agreement. Plaintiff is entitled to judgment under and by virtue of the foregoing, in
22 accordance with the provisions of RCW 4.60. Defendant agrees that venue is appropriate
23 in Whatcom County, Washington.
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Print Name: _____
NOTARY PUBLIC in and for the State of
Washington, residing at _____.

1 I, JONATHAN K. SITKIN, attorney for Plaintiff the City of Blaine in the above
2 entitled action, hereby state that the interest has been calculated at the rate of 12% per
3 annum and acknowledge that payments have been received from Defendants after the
4 date of the foregoing document in the amount of \$_____, which payments have
5 been credited to Defendants' account and hereby accepted on behalf of Plaintiff, with
6 respect to the judgment as confessed and authorized by Defendants.

7
8 DATED this _____ day of _____, 20_____.

9
10 _____
11 JONATHAN K. SITKIN, WSBA #17604

12 F:\BLAINE\FINANCE\Red Loan Bigelow\Confession of Judgment.doc