

Chatham-Kent Bridge Financing Policy

Bridge Financing Policy

1.0 Policy Statement and Purpose

A policy governing the use of bridge financing for not-for-profit community organizations. This policy establishes the criteria in which community organizations must meet and/or obtain to be eligible for consideration for the use of a Municipality of Chatham-Kent bridge financing loan. Requests brought forward from not-for-profit community groups to administration will be brought to Council's attention to determine if a review of the request is merited. Bridge loan requests that are brought forward by Council will be directed to administration to complete analysis of the request to ensure objectives of the bridge financing policy have been met and reported back to Council.

2.0 Scope

Bridge loans are short-term loans used until a not-for-profit community group is able to secure permanent financing, receive approved grants or collect pledged donations. Bridge loans allow not-for-profit community groups to meet current obligations by providing immediate cash flow. This bridge financing policy shall cover:

1. Percentage of funding committed prior to approval of bridge financing
2. Loan agreements
3. Loan security
4. Repayment terms

The intent of this policy is to acknowledge the merit and community benefit that each of these projects create, while minimizing the financial risks to the Municipality that these loans create.

3.0 Objectives of Bridge Financing

The primary objectives of bridge financing is to provide the residents of Chatham-Kent with services and/or facilities which would otherwise not be provided by the Municipality while protecting the municipal funds invested. As a result, each of the below conditions should be met in order for Council to consider a bridge financing request.

- a) 75% of the funding to be received or firmly committed prior to granting any bridge financing. This funding may be made up of any or all of either grants, donations, committed donations but should not include loans from other organizations or persons;
- b) Full financial disclosure by the organization to the Chief Financial Officer to assess the financial viability of the organization. Full financial disclosure should include audited financial statements, business plan and detailed project expenditure breakdown;
- c) The organization enter into a loan agreement with the Municipality satisfactory to the Chief Financial Officer and Chief Legal Officer;

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- d) Security be provided (mortgages) in any real estate owned by the organization (not less than first priority) and proof be provided that the real estate assets have value exceeding the value of the loan. If security on any real estate cannot be provided to, or is not desired by the Municipality, personal guarantees by the community group's Board of Directors would be an acceptable substitute;
- e) Loan repayment terms should not be longer than five years. Bridge financing is a short-term financing option to bridge the gap between cash outlay and cash receipt, and a term greater than five years is not considered short-term;
- f) Interest on bridge loans should be charged at a minimum rate of the Municipality's opportunity costs. This is the rate that the Municipality would receive if the funds were to continue to be held within the Municipality's financial institution bank account.

Glossary of Terms	
Municipality	Refers to the Municipality of Chatham-Kent, its Boards and Subsidiaries.
Bridge Loan	Short-term loans used until a community group is able to secure permanent financing, receive approved grants or collect pledged donations.
First Priority Mortgage	Refers to a mortgage in a first lien position on the property that secures the mortgage. A first mortgage has priority over all other liens or claims on a property in the event of default.
Community Organization	Activities at the community level aimed at bringing about desired improvement in the social well-being of individuals, groups and neighborhoods.
Personal Guarantees	A written promise from a Board Director guaranteeing payment on a bridge loan in the event the community organization does not pay. A personal guarantee is secured to an asset owned by the Director such as a house or other asset and not tied to a specific asset of the community group requesting the bridge loan.
Opportunity Cost	Refers to the interest that the Municipality would have received on the funds bridge loaned to a community organization if these funds were to have remained in the Municipality's financial institution bank account.