



Huntsville, Alabama

308 Fountain Circle
Huntsville, AL 35801

Cover Memo

Meeting Type: City Council Regular Meeting **Meeting Date:** 8/24/2023

File ID: TMP-3263

Department: Community Development

Subject:

Type of Action: Approval/Action

Resolution authorizing the Mayor to enter into an agreement between the City of Huntsville, Alabama and First Stop, Inc. to extend a line of credit with the use of UDAG funds.

Resolution No.

Finance Information:

Account Number: 515520

City Cost Amount: \$ 0

Total Cost: \$ 0

Special Circumstances:

Grant Funded: \$ 600,000.00

Grant Title - CFDA or granting Agency: UDAG

Resolution #: NA

Location: (list below)

Address: 206 Stokes Street NW, Huntsville, AL 35805

District: District 1 ☐ District 2 ☐ District 3 ☐ District 4 ☒ District 5 ☐

Additional Comments: Agreement with First Stop, Inc. to provide a line of credit using UDAG funds for the Homeless Rehabilitation Project.

Resolution No. 23-_____

Whereas, the City of Huntsville, Alabama received federal grant funds under the Urban Development Action Grant (UDAG) program; and,

Whereas, the City is responsible for the use of UDAG funds to increase programs and facilities that benefit the low to moderate income population; and

Whereas, First Stop Inc., an Alabama non-profit corporation, with a mission to encounter the homeless where they are, connect them to critical services and support, and empower them toward independent sustainable living; and

Whereas, First Stop Inc. has requested a short-term loan to be utilized as bridge financing for the Homeless Facility Rehabilitation Project; and

Whereas, the City desires to extend a line of credit with the use of UDAG funds to First Stop, Inc. for the Homeless Rehabilitation Project.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Huntsville, Alabama, that the Mayor is hereby authorized, requested and directed to enter into an agreement with First Stop Inc., said contract being substantially similar in words and figures to that document identified as “Agreement between the City of Huntsville, Alabama and First Stop, Inc.” consisting of seven (7) pages, and the date of August 24, 2023, appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk of the City of Huntsville, Alabama.

ADOPTED this the 24th day of August, 2023.

President of the City Council of the
City of Huntsville, Alabama

APPROVED this the 24th day of August, 2023.

Mayor of the City of Huntsville, Alabama

**AGREEMENT BETWEEN THE CITY OF HUNTSVILLE, ALABAMA AND
FIRST STOP, INC.**

This Loan Agreement (the “Agreement”) is made and entered into this 24th day of August, 2023, (the “Effective Date”) by and between The City of Huntsville, Alabama, a municipal corporation (the “Lender”) and First Stop, Inc., an Alabama non-profit corporation (the “Borrower”).

1. LOAN AMOUNT

Subject to the terms and conditions set forth in this Agreement and the Promissory Note executed simultaneously herewith, Lender hereby agrees to extend a line of credit to the Borrower the principal sum of SIX HUNDRED THOUSAND AND NO/100 DOLLARS (\$600,000.00) (the “Loan”).

2. LOAN PURPOSE

The Loan shall be used to provide bridge financing for the Homeless Facility Rehabilitation Project. Interest or other income earned from the Loan may be used for any of the Borrower’s corporate purposes or needs to include but not limited to administrative or operating expenses, debt service or capital expenses.

3. NOTE

The obligation of the Borrower to repay advances under the Loan shall be evidenced by a Promissory Note (the “Note”) executed simultaneously herewith.

4. LINE OF CREDIT

The Lender hereby establishes the loan term for a period of twelve (12) months from the Effective Date (the “Maturity Date”) a revolving line of credit (the “Credit Line”) for the Borrower in the principal amount of SIX HUNDRED THOUSAND DOLLARS (\$600,000.00) (the “Credit Limit”) which indebtedness shall be evidenced by and repaid in accordance with the terms of one or more promissory notes for the amount of the Credit Limit in substantially the form attached hereto as Exhibit A (each a “Promissory Note”). All sums advanced on the Credit Line or pursuant to the terms of this Agreement (each an “Advance”) shall become part of the principal of the applicable Promissory Note.

President of the City Council of the
City of Huntsville, AL
August 24, 2023

The Loan shall bear interest at 4% annually with quarterly interest only payments required, the entire unpaid principal and interest amount of the Loan shall be due and payable upon the Maturity Date.

5. SECURITY AND GUARANTY

The Loan is unsecured and Lender's only recourse for repayment of the Loan shall be against the Borrower. The Borrower intends to use the proceeds of the Loan to complete the First Stop Homeless Rehabilitation Project at 206 Stokes Street Huntsville, AL. The Borrower has a legal obligation to repay the Loan out of the Borrower's corporate assets. There are no other personal or corporate guarantees.

6. REPORTING

Borrower shall provide Lender with the following reports:

- a. Report with details and invoices on all expenses using the Line of Credit funding.

7. EVENTS OF DEFAULT

Upon an occurrence of default as defined herein that remains uncured at the expiration of any applicable grace period, the Lender may, at its option, declare the principal and any unpaid interest on the Loan to be due and payable immediately by mailing written notice to the Borrower at its principal place of business. Borrower shall, upon declaration of acceleration, pay the outstanding principal balance hereof and any accrued interest thereon immediately. Each of the following shall constitute an "Event of Default":

- a. The failure to pay any sum due under this Agreement when and as the same shall become due and payable, which non-payment shall continue for more than fifteen (15) days after the due date thereof;
- b. The filing by or against the Borrower of any proceeding under the federal bankruptcy laws or other similar statute now or hereafter in effect, or the entry of an order for relief under such laws with respect to the Borrower, which is not dismissed within thirty (30) days;
- c. The appointment of a receiver, trustee, custodian or conservator of any assets of the Borrower;
- d. The insolvency, assignment for the benefit of creditors, failure to pay debts as they mature or admission in writing of the inability to pay debts as they mature, by the Borrower;
- e. Any attachment, garnishment, levy or execution upon a judicial seizure of any assets of the Borrower not dismissed within thirty (30) days;
- f. A material breach of the terms and conditions of this Agreement; or
- g. The Borrower merges with or into any other entity or transfers substantially all of its assets without first obtaining Lender approval unless the resulting or acquiring entity is similarly structured and continues the business of the Borrower in substantially the same manner.

8. WARRANTIES, REPRESENTATIONS AND DISCLOSURES

- a. Borrower is duly organized, validly existing and in good standing under the laws of the state of its organization and has the power and authority to own and operate its assets and to conduct business as now or proposed to be carried on; and is duly qualified, licensed and in good standing to do business in all jurisdictions where the nature of its business requires such qualification or licensing.
- b. Borrower will keep books of record and account in which full and correct entries shall be made of financial transactions and the assets and operations of the Borrower in accordance with generally accepted accounting procedures.
- c. Borrower shall not discriminate on basis of race, color, creed, gender, sexual orientation or national origin.

9. GOVERNING LAW

This Agreement and the Promissory Note are governed by the laws of the State of Alabama and the United States of America, except to the extent such state laws are pre-empted by federal law. In the event of a dispute, the exclusive forum, venue, and place of jurisdiction will be in the State of Alabama, unless otherwise required by law.

10. MISCELLANEOUS

- a. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder ("Notices") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may agree. Without limiting the foregoing, first-class mail, postage prepaid and commercial courier service are hereby agreed to as acceptable methods for giving Notices. In addition, the parties agree that Notices may be sent electronically to any electronic address provided by a party from time to time. Mailing addresses for each party are as follows:

LENDER

City of Huntsville
c/o Community Development Dept
P. O. Box 308
Huntsville, AL 35804
(256) 427-5400

BORROWER

First Stop, Inc.
206 Stokes Street
Huntsville, AL 35805
(256) 533-3391

- b. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

- c. This Agreement may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument.
- d. This Agreement will be binding upon and inure to the benefit of the Borrower and the Lender and their respective heirs, executors, administrators, successors, and assigns; provided, however, that the Borrower may not assign this Agreement in whole or in part without the Lender's prior written consent and the Lender may at any time assign this Agreement in whole or in part.

The Parties agree that any form of electronic signature, including but not limited to signatures via facsimile, standing, or electronic mail, may substitute for the original signature and shall have the same legal effect as the original signature.

IN WITNESS WHEREOF, Borrower and Lender have caused this Loan Agreement to be duly and properly executed and delivered as of the date first set forth above.

THE CITY OF HUNTSVILLE

Tommy Battle, Mayor
City of Huntsville, Alabama

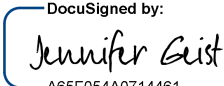
ATTEST:

Shaundrika Edwards, City Clerk
City of Huntsville, Alabama

FIRST STOP, INC.

By: _____
Its Authorizing Official

ATTEST:

By:  _____
First Stop, Inc.

PROMISSORY NOTE

August 24, 2023

FOR VALUE RECEIVED, FIRST STOP, INC., an Alabama non-profit corporation (hereinafter "Promissor") promises to pay to the order of THE CITY OF HUNTSVILLE, ALABAMA, a municipal corporation, its successors and assigns (hereinafter "Holder"), the sum of Six Hundred Thousand and No/100 Dollars (\$600,000.00), or so much thereof as may be advanced and outstanding hereunder (the "Loan"), payable to the Holder at c/o Community Development Department, Post Office Box 308 Huntsville, Alabama 35804 or at such other place as Holder may from time to time designate, in the manner hereinafter set forth.

The Loan shall bear interest at 4% annually with quarterly interest only payments required, the entire unpaid principal and interest amount of the Loan shall be due and payable within twelve (12) months of the date of this agreement, the "Maturity Date."

This Note is payable on DEMAND in the event, but only in the event of a default under any of the Loan Documents, giving consideration to any grace or cure period that may be expressly provided for therein; otherwise, this Promissory Note is payable as described herein.

NONRECOURSE TO MAKER

(a) Except as otherwise provided below, notwithstanding anything to the contrary in this Note, in any action brought to enforce the obligations of the Promissor under this Note or any other instrument or agreement evidencing, securing or relating to the indebtedness evidenced by this Note (collectively the "Loan Documents"), the judgment or decree shall be enforceable against the Promissor only to the extent of its interests in any collateral security for the payment of the Note, and Holder shall not seek any deficiency judgment against the Promissor.

(b) Notwithstanding the foregoing, Promissor shall, however, indemnify, defend, protect, and hold Holder harmless from and against any and all loss, damage, liability, action, cause of action, cost or expense (including, without limitation, reasonable attorney's fees and expenses) incurred by Holder as a result of any (i) fraud or material misrepresentation under or (ii) in connection with the loan or any loan document.

(c) Promissor reserves the right to prepay this debt at any time, in whole or in part without payment of penalty, premium or fee.

In the event the undersigned shall fail to pay any sum herein required to be paid when due and if such failure be subsisting thirty (30) days after the due date described under this Note becomes due and payable, the unpaid principal amount of this note,

together with accrued interest, shall become immediately due and payable, at the option of the Holder, without notice to the undersigned. Failure of the Holder to exercise such option shall not constitute a waiver of such default.

If any scheduled payment is in default more than thirty (30) days, the undersigned shall pay to the Holder a late charge not to exceed five percent (5.0%) per annum of the amount of such scheduled annual payment in default. If said Note be reduced to judgment, such judgment shall bear the statutory interest rate on judgments.

Demand, protest and notice of demand and protest are hereby waived, and the undersigned hereby waives, to the extent authorized by law, any and all homestead and other exemption rights which otherwise would apply to the debt evidenced by this Note.

The terms and conditions of that certain Loan Agreement between CITY OF HUNTSVILLE, ALABAMA and First Stop, Inc. dated August 24, 2023, are incorporated herein as fully and to the same extent as though fully set forth therein.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative.

PROMISSOR:

FIRST STOP, INC.

BY: Tim Davis, ITS: President

Tim Davis, President