

# **SALISH AND KOOTENAI HOUSING AUTHORITY**

## **SMALL CONTRACTOR GUARANTEE POLICY**

**This Small Contractor Guarantee Policy was adopted by the Salish and Kootenai Housing Authority Board of Commissioners on the 22<sup>nd</sup> day of August, 2022.**

**The Policy was revised to clarify the process. It was approved by the Board on the 7<sup>th</sup> day of February 2023.**

# Small Contractor Guarantee Policy

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# **SECTION 1**

## **POLICY STATEMENT**

The Board of Commissioners (Board) of the Salish and Kootenai Housing Authority (Housing Authority) recognizes that it is necessary to adopt and implement this policy to support Small Contractors. Small Contractors provide repair work that is vital to maintaining Housing Authority dwelling units. The number of Small Contractors bidding on Housing Authority jobs has been steadily declining over the past few years. One reason Small Contractors do not bid on Housing Authority jobs is they do not have access to adequate capital needed to purchase the materials required for the job. The Housing Authority is partnering with Sovereign Leasing & Financing Inc. to bridge this financial gap. Access to this capital will allow subcontractors to progress into general contractors, resulting in increased bidding competition, lower job prices, and quicker unit turnaround.

The Board also recognizes the importance of partnering with Confederated Salish and Kootenai Tribal entities to invest in our people and communities as we build a self-sufficient society and economy. This new partnership with Sovereign Leasing & Financing Inc. will promote startup companies that will enter the Small Contractor pool and bid on Housing Authority jobs. Without such policies, the Housing Authority risks a reduction in contractor competition, which increases job costs and lost economic development opportunities.

# SECTION 2

## LINE OF CREDIT

This section is for Contractors who need to obtain working capital in order to bid on Housing Authority jobs.

- 2.1. **Loan Provider** – Sovereign Leasing & Financing Inc. will provide a loan for materials to approved Contractors.
- 2.2. **Loan Guarantee** – The Housing Authority will assume 100% of the unpaid debt obligation for each promissory note.
- 2.3. **Application** – The Contractor must complete the Sovereign Leasing & Financing Inc. loan application and attach it to their bid. An estimate for the materials must also be attached to the loan application.
- 2.4. **Application Review** – The Small Contract Committee consisting of the Finance Manager, Maintenance Manager, and Procurement Officer (or their designee) will approve or deny the loan guarantee request.
- 2.5. **Promissory Note** – The Housing Authority will submit a promissory note to the Sovereign Leasing and Financing President for each approved line of credit.
- 2.6. **Assignment Agreement** – An assignment agreement must be executed prior to issuing the Notice to Proceed.
- 2.7. **Number of Applications** – Contractors may apply for this guaranteed line of credit for a maximum of five (5) contracts.

# SECTION 3

## LOAN TERMS

This section describes the loan terms for Contractors who have been approved for a line of credit loan through Sovereign Leasing & Financing Inc.

- 3.1. **Term Length** – The term length will depend upon the contract (CPO document) between the Contractor and the Housing Authority which specifies contract begin and end dates for the project. In addition, the line of credit loan must be paid in full by the Contractor before a final payment from the Housing Authority to the Contractor can be made.
- 3.2. **Interest Rate** – Sovereign Leasing & Financing Inc. will set the interest rate for the loan.
- 3.3. **Credit Limit** – The line of credit loan will not exceed \$15,000.
- 3.4. **Loan Amount** – The loan amount will not exceed the estimated cost of materials for the associated bid or \$15,000.00, whichever is smaller.
- 3.5. **Collateral** – The materials purchased with the line of credit will be the collateral.
- 3.6. **Other** – Sovereign Leasing & Financing Inc. will pay the suppliers directly.

# SECTION 4

## PAYMENTS

This section describes the payment process to Contractors who have a current line of credit loan with Sovereign Leasing & Financing Inc.

- 4.1. **Loan Payments** – The Contractor shall make loan payments directly to Sovereign Leasing & Financing Inc. until the loan is paid in full.
- 4.2. **Payments made to Contractor** – The Contractor and Sovereign Leasing & Financing Inc. will be listed as payees on the checks the Housing Authority issues to the Contractor until the loan is paid in full.
- 4.3. **Loan Satisfaction** – Sovereign Leasing & Financing Inc. will notify the Housing Authority when the loan is paid in full.
- 4.3. **Assignment Removal** – The Housing Authority will remove Sovereign Leasing & Financing Inc. as a payee when notification of loan satisfaction is received.

# SECTION 5

## DEFAULT

In the event of default by the Contractor on the line of credit loan the following section describes the process to collect the outstanding amount owed on the line of credit loan.

- 5.1. **Default** – In the event the Contractor does not satisfy the loan within the terms of the agreement, Sovereign Leasing & Financing Inc. will invoice the Housing Authority for the outstanding debt.
- 5.2. **Program Exclusion** – Contractors who enter into default status are not eligible for future loans through this program.
- 5.3. **Bidding Exclusion** – The Housing Authority will not accept bids from any Contractor who is in default status with Sovereign Leasing & Financing Inc. through this program. The debt must be paid in full before bids will be accepted from the Contractor.
- 5.4. **Debt Collection** – In the case of default by a Contractor, Sovereign Leasing & Financing Inc. will pursue debt collection, proceed with court filings, and schedule appearances as necessary in accordance with the provisions of the contract between the parties and applicable Sovereign Leasing & Financing Inc. policies. All associated court fees, including, but not limited to attorney's fees, and any other applicable fees incurred due to the Contractor's default will be charged to the Contractor.