

CITY OF MONMOUTH, ILLINOIS

**COMMUNITY DEVELOPMENT ASSISTANCE
PROGRAM (CDAP)**

REVOLVING FUND (RF) GUIDELINES

AND

APPLICATION FORMS

REVOLVING LOAN FUND RECAPTURE GUIDELINES

THE CITY OF MONMOUTH

Revolving Fund Goals and Objectives

The Revolving Fund was established to provide financial assistance to new or expanding businesses in Monmouth and to secure public benefit for the residents of Monmouth by developing a stronger economic base and expanded job opportunities. Use of the funds is governed by a variety of rules and regulations mandated by the State and Federal agencies that provided the original grants to the City of Monmouth as well as policies adopted by the City of Monmouth. The missions of the Revolving Fund are as follows:

To assist short-term economic development by supporting projects which create and retain jobs.

To encourage growth and involvement of area financial institutions through joint efforts to make feasible projects which would otherwise not be undertaken (through written agreements with participating institutions).

To assist long term economic development by supporting projects which protect the existing tax base and which seek to expand it.

To insure the financial and political security for the Revolving Fund through appropriate due diligence in the use of funds.

A. Revolving Fund Guidelines - Generally

The following guidelines describe the way in which the Revolving Fund will achieve its stated goals:

1. Eligible Borrowers

Any Business and/or Property Owners who are locating or expanding in the Monmouth area. The City of Monmouth is also an eligible of borrower, but only for infrastructure improvements (i.e., water, sewer, and roads) which will assist a business to retain or create jobs.

2. **Eligible Uses of Funds.**

- a. site development/infrastructure extension costs;
- b. construction of new facility or additions;
- c. renovation of existing facilities;
- d. leasehold improvements;
- e. purchase of new or used machinery and equipment
- f. working capital.

Projects of a speculative nature are ineligible for funding. Also the transfer of firms and jobs from a location within the State of Illinois using City of Monmouth RF proceeds is prohibited unless it can be shown that proposed jobs/job opportunities will be lost to another state or country.

3. **Minimum/Maximum Loan Amount**

The minimum City of Monmouth RF Program Loan amount shall be \$10,000 and the maximum City of Monmouth RF Program Loan amount shall be \$80,000. The City of Monmouth RF Program Loans will be made on a matching basis. The RF Committee may waive these limits at its sole discretion. The match may be in the form of owner equity, bank loans or supplier financing. All matching funds shall be financial contributions (cash). Funds spent prior to approval of the RF application will not count as match. A match of 2:1 will generally be required. The 2:1 match may be waived by the RF Committee, but in no case will the match be less than 1:1. A match of 1:1 will be allowed if the City of Monmouth RF Loan request is under \$10,000. Therefore, the City of Monmouth participation will, generally speaking, be limited to 1/3 of the project.

4. **Demonstration of Financial Need**

The City of Monmouth utilizing recaptured Community Development Assistance Program (CDAP) dollars from the State of Illinois, may participate with any lending institution and/or source of equity in making City of Monmouth RF Program Loans. Applicant firms and participating lenders must demonstrate a financial need for local CDAP-RF funds. Financial need can be demonstrated by meeting one or more of the following financial need criteria:

- a. CDAP funds are needed to "fill the gap" between the estimated project cost and what lenders are able and willing to lend.

- b. The estimated return on investment (ROI) exceeds the bank-determined, industry-wide standard.
- c. The banks determine there is insufficient collateral without CDAP revolving fund participation.
- d. CDAP-RF financing is needed to keep the firm in the community (applicant must furnish the bank with detailed incentive letters from other states and detailed cost information/explanations on how CDAP-RF funds equalize the costs between the community site and the out-of-state site, CDAP-RF funds cannot be used to relocate firms from one part of the State of Illinois to another part of the state).

This need will be demonstrated by a lender and community CDAP-RF committee review of applicant firm's financials (see application at end of document for financial information requirements).

5. Geographic Area

Recaptured funds will be expended for projects which are located within 1 1/2 miles of the corporate limits of the City of Monmouth or which are determined to principally benefit residents of the City of Monmouth.

6. Interest Rates and Terms

A minimum fixed-rate (currently 3 percent) shall be charged on a City of Monmouth RF program loan. The participating lender and the applicant/borrower may negotiate any mutually acceptable loan terms. The term of a City of Monmouth RF program loan shall generally be determined by the following classifications:

<u>Purpose</u>	<u>Maximum Term</u>
Infrastructure (water, sewer, roads)	15 years
Land and/or Building Acquisition	20 years
New Construction	20 years
Purchase of Machinery and/or Equipment	10 years
Leasehold Improvements	7 years
Building Rehab or Renovation	7 years
Purchase of Inventory	7 years
Working Capital	7 years

(NOTE: In no event shall City of Monmouth RF participation exceed the term granted by the participating lender for the same class of asset.)

7. Collateral Requirements

The participating lender shall have the primary responsibility for determining the applicant's credit risk and, if it requires, shall be entitled to the senior lien or security interest on any collateral given as security. In the case where the local government secures the RF loan with identical collateral, its lien or security interest shall be subordinated to the participating lender. In addition, the local government will generally require a PERSONAL GUARANTY on City of Monmouth RF Program Loans.

8. Loan Disbursements

All loan disbursements and payments shall be made by the City of Monmouth

9. Origination Fee

An origination fee of up to one percent of the amount requested may be charged by the City of Monmouth RF administrative entity and is payable at closing. In addition, the City of Monmouth may charge a \$100 fee to cover application costs (which include addressing state/federal mandates).

10. Loan Call Provisions

Failure to abide by City of Monmouth RF program guidelines or a administrative guidelines or administrative procedures can result in calling of the RF loan at the RF committee's request. Also, the local government can call the RF loan due and payable in the event of:

- 1) the transfer of substantially all the borrower's assets to any third party;
- 2) 2) bankruptcy or insolvency of the borrower;
- 3) cessation of the conduct of active trade or business in the City of Monmouth by the borrower for any reason, including, but not limited to, fire and other City of Monmouth casualty;
- 4) inability to meet the obligations for job creation/retention as originally stated. These provisions are contained in a loan agreement between the borrower and the City of Monmouth.

B. Other RF Program Requirements

1. Applicants

- a. An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the participating lender.
- b. Upon completion of any construction activities, the applicant's property must comply with all applicable code, permit and license requirements of the City of Monmouth.
- c. Applicant must make adequate progress toward loan closing as determined by the RF Committee ("Administrative Entity"). Failure to do so can result in a revocation of loan authorization by the RF Committee.

2. Limitations

City of Monmouth RF Program loan proceeds may be used for any of the following: land and/or building acquisition; new construction; purchase of machinery and/or equipment; leasehold improvement; building rehabilitation or renovation; purchase of inventory.

Federal Davis-Bacon and Related Acts require that prevailing wage be paid for all construction activities.

Loans to start-up businesses will require 20 percent equity. City of Monmouth RF Program loan proceeds cannot be used to refinance existing debt of any kind.

3. Job Creation/Retention

For every full-time equivalent (FTE) job to be created/retained, no more than \$10,000 of RF funds will be allowed. See page 5-2-3 for other dollar limitations on RF loan amount. FTE is defined as 1,950 hours a year (35 hours a week). At least fifty-one percent of those jobs created /retained must benefit low-to-moderate income persons (see income chart). The applicant must agree to work with the local JTPA service delivery area office, and the regional Illinois Employment and Training Centers to place the economically disadvantaged persons in the new positions created through the City of Monmouth RF Program. This requirement may also be addressed by furnishing completed employee certification forms found in the application. First preference in hiring must be given to the unemployed and those eligible economically disadvantaged persons as defined by federal guidelines.

The low-to-moderate income guidelines and how to meet them are part of this handbook:

Excerpt from Page 5-2-3 of the Handbook:

H. Low-to-Moderate Income Determination Compliance Requirements

Both loan applications and loan agreements must address the 51 percent low-to-moderate income (LMI) requirement. For projects involving job creation, the employer can meet the requirement either through JTPA hiring or through using the employee income certification form (See Appendix 5-2-A). For job retention projects, prior to disbursement of RF funds, the employer must submit completed employee certification forms showing that the 51 percent LMI requirement has been met (See Appendix 5-2-B).

4. Activities Completed Prior to Loan Closing

All project activities completed prior to loan closing are ineligible for financing through City of Monmouth RF Program. Also, any lender financing or equity which is disbursed prior to loan closing cannot be counted as match.

5. State/Federal CDAP Program Requirements (Title I)

The RF Program will be operated according to applicable CDAP Program requirements which include, but are not restricted to, environmental review, prevailing wage rate, equal employment opportunity, minority business enterprise, Section 3 ("Local Hire") Provisions, and Persons with Disabilities/Developmentally Disabled provisions.

6. Bad Loans

In the event of a bad loan, legal steps will be taken to recover the RF funds.

C. Required Documentation / RF Processing

1. Sign-off Sheet

2. RF Application and Related Documents

3. Lender Commitment Letter

- Statement of loan approval and need for RF participation by authorized lender officer or committee
- Specified dollar amount of loan
- Specified loan term
- Specified interest rate
- Collateral or security requirements
- Other special conditions of the loan

4. Borrower Commitment Letter

- Description of the project
- Total project cost
- # of jobs created/retained and benefit to low/moderate income persons
- Type of jobs to be created/retained and wage scales

- Time frame for job creation
- Potential use of JTPA training program
- Name of lender making commitment
- Amount of equity if start-up business
- Statement that borrower can begin project implementation immediately upon City of Monmouth RF program approval.

5. Environmental Review Checklist Requirements

In some cases, may not be applicable, please see application for instructions.

MONMOUTH REVOLVING LOAN FUND PROGRAM

PROGRAM GUIDELINES SIGN-OFF SHEET

I, the undersigned, have read and understand the Volume Two documents entitled Monmouth "Revolving Fund (RF) Applicant Guidelines" and all attachments, enclosures and supplements for the Monmouth Revolving Fund, and accept the terms and conditions therein.

I further understand that any inspection or investigation made by the local RF Committee under this program is for purposes of determining the applicant's eligibility under this program and it is not intended to represent or warrant the condition of the business or the premises.

I further understand that completing and submitting the Monmouth Revolving Fund Loan application in no way insures approval of my loan or guarantees funding.

I understand that "APPROVAL" means specific, WRITTEN APPROVAL from BOTH the participating lender and the City of Monmouth.

I understand that any work performed or expenses incurred PRIOR TO SPECIFIC WRITTEN APPROVAL from BOTH the participating lender and the City of Monmouth will be considered ineligible.

Payments on the entire City of Monmouth portion of a RF Program Loan start 30 days from issuance of a City of Monmouth check to the borrower unless otherwise determined by the Local RF Committee.

Signed

Date

Title

Name of Business

This form must be completed and turned in with the Revolving Fund application.