



## CDAP Revolving Loan Fund

### PROGRAM SUMMARY

The City of Carbondale has available a Revolving Loan Fund which can be used for the establishment or expansion of businesses within the City of Carbondale. The initial funds originated from the federal government's Community Development Block Grant Program, which is administered by the Illinois Department of Commerce and Economic Opportunity. When the City of Carbondale makes a loan from the CDAP Revolving Loan Fund (RLF), it must do so in conformity with federal and state laws and regulations. Compliance with these laws and regulations is also required of loan recipients.

The Loan Application Process: The City of Carbondale has prepared a standard loan application form. This form is to be completed and the required attachments prepared. The application provides for identification of the applicant, the project description, statements of economic interest in the project, project cost/funding, information on job creation/retention and a justification for Revolving Loan Fund assistance. Among the required attachments are a history of the business, market information and a marketing plan, financial statements of the business and persons associated with it, lists of machinery or equipment to be acquired, sources of leveraging (i.e. financing other than the Revolving Loan Fund), information on job creation/retention, and a projected cash flow on a monthly basis for the first year and annually for the first three years. The application is to be submitted to the Economic Development Coordinator of the City of Carbondale. The application is reviewed by a staff committee and when complete, referred to the Loan and Grant Review Board. The Board is comprised of persons who are familiar with business practices and financing. The Board reviews the application and makes a recommendation on its approval or denial to the City Manager. The City Manager makes the final decision. If approval is granted, then the loan documents are drafted and environmental reviews are performed. If there are no complications the loan processing time is not more than 45 days.

Uses of Loan Funds: Loans may be made to for-profit or not-for-profit businesses for fixed assets including land, buildings, machinery and equipment (including new construction or renovation of facilities) and to provide working capital. RLF loans cannot be used to refinance existing debts, finance the relocation of a business from one part of the State to another, or to finance speculative activities. The business and the facilities financed must be located within the city limits of the City of Carbondale.

Private or Other Public Financing Also Required: Financing from individuals, financial institutions and/or other public sources must account for at least one-half of the project's funding. Investments made into the business prior to the approval of the RLF loan are not counted toward the private or other public financing requirement.

Maximum Loan Amount: There is a state requirement that at least one full time equivalent job must be created or retained for each \$15,000 of RLF funds invested in a project.

Interest Rate: The RLF loan interest rate will be no lower than necessary to facilitate the business project. Loans will be made for no less than a 3% interest rate.

Loan Security: All RLF loans must be secured with a mortgage, security agreement, promissory note, financing statement or other assignment of rights of the assets of the assisted business. The City of Carbondale may require personal guarantees of the owners of the business.

Justification for RLF Assistance: RLF loans generally participate in project financing as secondary lenders. The primary lender has the responsibility to determine if additional financing is needed to "fill the gap" between project cost and what the bank is willing to lend. Under federal regulations a RLF loan can only be made if one of the following circumstances exists and has been verified: 1) The loan

applicant can raise only a portion of the necessary funding from private or other public sources. 2) The business is considering multi-state location options and RLF funds are needed to equalize cost variation between states. 3) Full financing is available from private or other public sources, but the rate of return is insufficient to induce the development to proceed.

**Job Creation:** The purpose of the loan program is to create jobs for low and moderate income persons. As noted above, at least one full time equivalent job must be created for each \$15,000 of RLF funds invested in a project. At least 51% of all jobs created or retained as a result of a RLF loan must go to low or moderate income persons. The loan application contains an attachment which lists the income figures to qualify as low or moderate income. The results of job creation/retention must be documented by the completion of forms provided by the City, and the results must be reported quarterly to the City once the loan is approved.

**Other State/Federal Requirements:** Several laws must be complied with by businesses receiving RLF loans. Among them are the following:

*Fair Labor Standards/Davis-Bacon Act.* This law requires construction workers building or remodeling facilities financed with RLF funds to be paid the "prevailing wage" if the construction cost exceeds \$2,500. This is generally union scale. Cost estimates prepared for RLF projects should be calculated using prevailing wages, if RLF funds are going to be involved in the construction. It may be possible to structure a project so that RLF funds are not involved in the actual construction work (such as purchasing equipment or inventory or providing operating capital) and thus avoid triggering Davis-Bacon. These situations are decided on a case by case basis in consultation with the State.

*Civil Rights Laws and Equal Employment Opportunity.* All Federal and State Civil Rights and Equal Employment Opportunity laws must be followed. Discrimination will not be permitted.

"Section 3". To the greatest extent feasible, opportunities for training and employment and contracts must be given to lower income residents of the project area.

*Environmental Protection:* As noted above, an environmental review is required for RLF projects. City staff will prepare the necessary forms; however, the applicant must cooperate by providing requested information and, if necessary, paying for needed technical studies. Projects in existing buildings that are not historic in nature, which do not involve water or air or other pollution, which have no significant impact on wetlands or floodplains or threatened and endangered species, and which do not significantly alter traffic patterns require a brief environmental review. Projects that do not meet the above criteria may require extensive, time consuming environmental reviews.

**Application Form Availability, Program Information, and Submission of Applications:** RLF application forms and information are available from Steven Mitchell, Economic Development Director, City Hall Room 226, 200 South Illinois Avenue, P.O. Box 2047, Carbondale, IL 62902-2047, phone (618) 457-3286. Completed applications are to be returned to the address above.

The City of Carbondale recognizes that there are some requirements imposed on the CDAP revolving loan program which may make it seem unattractive to small businesses. The City has no discretion to waive these requirements; however, the City will work with applicants to facilitate compliance with the requirements. Potential applicants must also realize that this is a loan program, not a grant program. In making the loan the City of Carbondale must ensure that there is a reasonable prospect that the business will succeed and the loan will be repaid. If loans are not repaid, funds will not be available to make future loans from the Revolving Loan Fund. Persons interested in applying for a CDAP RLF loan are encouraged to contact Steven Mitchell at (618) 457-3286 or email [steven.mitchell@explorecarbondale.com](mailto:steven.mitchell@explorecarbondale.com)