

PROGRAM GUIDELINES -- CITY OF MARSEILLES

I. PURPOSE

To make available needed, reasonable term loans at an attractive blended interest rate to existing and potential business/property owners to invest in the City of Marseilles with the result of job creation and/or retention for low to moderate income persons.

II. LOAN TERMS & CONDITIONS

A. Participating Lenders

The City of Marseilles, 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 Marseilles-Revolving Fund Program Loans.

B. Matching Requirement

Marseilles-Revolving Fund Program Loans will be made on a matching basis. A match of 2:1 will generally be required. Therefore, the City of Marseilles participation will be limited to 50% of the project. The Revolving Fund Committee may waive the 2:1 match, but in no case will the match be less than 1:1. A maximum participation will be \$100,000. 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 Revolving Fund application will not count as match.

C. Demonstration of Financial Need

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:

1. CDAP funds are needed to "plug the gap" between the estimated project cost and what lenders are able and willing to lend.
2. The estimated return on investment (ROI) exceeds the bank-determined industry wide standard.
3. The bank determines there is insufficient collateral without CDAP revolving loan participation.
4. CDAP Revolving Fund 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).

The lender and community CDAP RF committee will determine need based on a review of the applicant firm's financials (see application at end of document for financial information requirements).

D. Minimum/Maximum Loan Amount

The minimum Marseilles RF Program Loan shall be \$20,000 and the maximum Marseilles-RF Program Loan shall be \$100,000. The Marseilles-RF Committee may waive this. Given the match requirement, the minimum loan requirement will necessitate a total project of not less than \$60,000 unless unusual circumstances exist. The Revolving Fund committee shall make a decision based on the goals of this strategy in the event of a lower loan request. City participation will not exceed 50% or \$100,000 of total project cost.

E. Interest Rates & Terms

A Fixed Rate of 5% (negotiable) shall be charged on a Marseilles RF Program Loan. The Participating Lender and the Applicant/Borrower may negotiate any mutually acceptable loan terms. The term of a Marseilles 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 (including training)	7 years

(Note: In no event shall Marseilles-RF participation exceed the term granted by the Participating Lender for the same class of asset.)

F. 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 City secures the RF loan with identical collateral, its lien or security interest shall be subordinated to the Participating Lender. In addition, the City will generally require a PERSONAL GUARANTY on Marseilles RF Program Loans.

G. Loan Disbursements

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

H. Application Fee

The City of Marseilles charges a \$100.00 fee to cover application costs (which includes addressing state/federal mandates).

I. Loan Call Provisions

Failure to abide by Marseilles-RF Program Guidelines or administrative guidelines or administrative procedures can result in calling of the RF loan at the RF Committee's request. Also, the City 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) bankruptcy or insolvency of the Borrower; 3) cessation of the conduct of active trade or business in the City of Marseilles by the Borrower for any reason, including, but not limited to, fire or other 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.

J. Penalties

Failure to repay loan monies on time according to the terms of the loan agreement will result in fines and/ or legal action. The City of Marseilles will take the following actions to collect loan monies when a borrower has defaulted on payment.

1. Contact loan borrower via phone after 7 working days to determine why payment has not been made.
2. After 14 days, a written notice will be sent to borrower a.) Notifying borrower that loan disbursements have been suspended b.) Ordering payments to be made within 90 days and assessing a late-fee fine of 3% of the total loan balance c.) Notifying borrower that the City will take possession of any or all collateral that was given as security if payment is not made.
3. If after 90 days payment has not been made, the City of Marseilles will take legal action to collect the proceeds of delinquent loans.
4. The Marseilles City Council must approve any actions to remedy a default.

III. ELIGIBILITY CRITERIA

A. Eligible Borrowers

Eligible borrowers are business and/or property owners who are locating, expanding, or currently operating in Marseilles. The City of Marseilles is also an eligible borrower but only for infrastructure improvements (i.e. water, sewer & roads), which will assist a business to retain or create jobs.

B. Applicants

1. An Applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the participating lender.
2. An Applicant's property must conform to use under the City of Marseilles Zoning Ordinance.
3. Upon completion of any construction activities, the Applicant's property must comply with all applicable code, permit and license requirements of the City of Marseilles.
4. Applicant must make adequate progress toward loan closing as determined by the Administrative Entity. Failure to do so can result in a revocation of loan authorization by the RF Committee or City Council.

C. Use of Proceeds

Marseilles 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; working capital (which includes training); infrastructure (i.e. water sewer & roads) and training. Loans to start-up businesses will require 20% Equity. Marseilles RF Program loan proceeds cannot be used to re-finance existing debt of any kind. In rare instances, grants may be given to private borrowers (for real property, equipment, working capital) or the City (for infrastructure only) to facilitate private investments, which will retain or create a significant amount of jobs. (Federal Davis-Bacon requires that prevailing wage be paid for all construction activities. In the State of Illinois, prevailing wage is set very close to union wage rates).

D. Job Creation/Retention

One (1) Full-Time Equivalent (FTE) Job must be created/retained for every \$15,000 in low interest city RF funds. At least fifty-one (51%) of those jobs created/retained must benefit low to moderate-income persons. Businesses must agree to work with the local IL Department of Employment Security Office, Job Training Partnership Act (JTPA) service providers, BEST, Inc., Illinois Employment and Training Centers and the Regional Dislocated Workers Center (Illinois Valley Community College) to place economically disadvantaged persons in the new positions created through the Marseilles RF Program. First preference in hiring must be given to the unemployed and those eligible economically disadvantaged persons as defined by Federal guidelines.

E. Activities Completed Prior to Loan Closing

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

IV. REQUIRED DOCUMENTATION

A. Sign-Off Sheet (attached)

B. RF Application and Related Documents and Application Fee (\$100.00)

C. Lender Commitment Letter

- Statement of Loan approval by an 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
- Commitment is contingent on Marseilles RF approval

D. Borrower Commitment Letter

- Description of the Project
- Total Project Cost