

REVOLVING LOAN APPLICATION

Business incentives to support industrial, commercial and retail success
for those operating or looking to operate business in Red Bud, IL

Loan Application
for the City of
Red Bud

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Foreword

The Red Bud Economic Development Commission is an advisory body serving the Red Bud City Council. It was established under Ordinance 817 and approved on June 6, 1995. Its stated mission is to “study the current status of economic development within the City of Red Bud, to propose strategies to the City Council for retaining existing business and for attracting new industry and retail business, and to suggest policies which would help promote general economic development.”

This packet contains all necessary forms needed to apply for one of the City’s loan programs. Most of the requested information can be easily obtained from your accountant or tax adviser.

The City of Red Bud offers the following loan programs:

- (1) **Micro-Loan:** The intent of this program is to provide low-interest rate loans to small businesses for small projects such as roof replacement, HVAC replacement, small expansion projects, and operating expenses. Maximum loan amount is \$50,000.
- (2) **Revolving Loan:** This loan program is designed to provide gap funding for projects that exceed \$50,000. The City’s goal is to be a financing partner together with your equity and a conventional (primary) lending institution. Maximum loan amount is \$500,000.

The following stipulations apply to all loan programs for the City of Red Bud:

- (1) You must be a business owner or prospective business owner whose business is or will be located in Red Bud, Illinois.
- (2) Businesses must select either a Revolving Loan or a Micro-Loan during the application process. Loan programs may not be combined simultaneously.
- (3) The interest rate is established by the Economic Development Commission and the Red Bud City Council. Interest rates are subject to change.
- (4) Matching funds of at least one dollar of private funds for each dollar of program funds must be obtained.
- (5) Funds will be expended on a first come, first served basis and only if revolving loan fund balances are sufficient to entertain meaningful credit applications.

Upon completion, loan applications will be reviewed by the Red Bud Economic Development Commission. The Economic Development Commission will send a recommendation to the Red Bud City Council for further review. All loans must have City Council approval before a loan agreement is established and funds are distributed.

If you have any questions while completing the application, please call Red Bud’s Administrative Officer at (618) 282-2315 or email administration@cityofredbud.org.

Section I - General Provisions

1.1 Title

These regulations shall hereafter be known, cited and referred to as the Red Bud Revolving Loan Fund Policies and Procedures for the City of Red Bud Economic Development Commission.

1.2 Purpose

These regulations have been established to govern economic development activities assisted with funds made available through the Red Bud Revolving Loan Fund (hereinafter referred to as the program).

1.3 Objectives

Economic development activities assisted with funds made available through the program are intended to improve the quality of life for all Red Bud citizens by meeting the following objectives:

- (1) To maintain and promote a diverse mix of employment opportunities.
- (2) To encourage the creation and retention of permanent jobs, which represent a range of wage scales appropriate to the skills and experience of the area labor force.
- (3) To encourage the leveraging of new private investment in the city.
- (4) To maintain a positive business climate which encourages the retention, expansion and/or attraction of business and industry.
- (5) To encourage the development of modern technology, green practices, and to promote safe, healthy work environments.

1.4 Types of Revolving Loan Fund Assistance

- (1) FINANCING GAP – This argument will demonstrate that a business can raise only a portion of the financing necessary to complete the project. Reference the documentation within the application which supports this argument.
- (2) RATE OF RETURN – This assumes that full financing is available, but the rate of return is insufficient to induce development. Provide the rationale and cite supporting documentation.
- (3) LOCATIONAL (Revolving Loan Fund Only—Micro Loan does not apply) – This argument is used when the firm is considering multi-state location options. RLF funds are needed to equalize cost factor variations between sites. This requires disclosures for each site under consideration. The application must contain this supporting documentation.

1.5 Amendments

The Red Bud Economic Development Commission is supervised by the Red Bud City Council. The Council may from time to time amend these regulations.

Section 2 – Administration

2.1 Program Roles

- (1) The Administrative Officer is responsible for providing loan program information to interested applicants and distributing application materials
- (2) Applications will be reviewed as follows:
 - A. The application will be reviewed by the Red Bud Economic Development Commission. The Commission will then make a recommendation to the Red Bud City Council.
 - B. The City Council will make the final approval of the application.
- (3) The City Council's legal counsel shall review all loan agreements, review all promissory notes and mortgages or lien instruments.
- (4) If approved, applicant will work with the Financial Officer to execute loan payments and requirements for the term of the loan.

2.2 Meetings

Meetings shall be held on an as-needed basis. All Economic Development Commission members shall be given prior notice of each meeting. All regular meeting rules including those relative to a quorum will be in effect.

2.3 Records

Written records of all program activities shall be maintained by the City of Red Bud and by the lending institution.

2.4 Administrative Costs

Revolving Loan income may be used for direct loan administration costs, including the following:

- (1) Legal filing fees for loan agreements.
- (2) Consulting fees to review business plans and/or provide technical assistance with applications.
- (3) Other direct, out-of-pocket expenses and staff costs.
- (4) Credit reports.

Section 3 - Eligibility

3.1 Applicants

- (1) Applications may be submitted by the majority shareholder or proprietor of any business or industry wishing to expand an existing operation or establish a new operation in the City of Red Bud. Applicants should be defined as a private business, with no buying or selling on the stock market with less than \$1 million gross income, minus cost of goods sold.

- (2) If any member of the Red Bud Economic Development Commission or the Red Bud City Council, their family, or their employer applies for financial assistance under this program, that Commission or Council member must resign their office or their family member must sell their interest in the applying business. Otherwise, all such applications will be denied.

3.2 Eligible Activities

Program loans shall be available to eligible applicants for the following activities:

- (1) The acquisition of land, buildings, equipment and other fixed assets.
- (2) The construction, expansion or remodeling of buildings.

3.3 Ineligible Activities

Program loans shall not be available for the following activities:

- (1) Refinancing.
- (2) Acquisition of rolling stock.
- (3) Soft costs such as design, promotional activities and legal fees.

3.4 Minimum Requirements

To be eligible for funding the proposed project must meet the following minimum requirements:

- (1) Private Funds Leveraged - The applicant must leverage a minimum of one dollar of private funds for every one dollar of loan funds requested. There must also be one dollar of working capital funds for every dollar of working capital funds requested. Private or public financing must account for a minimum of 50% of the project costs (cash or equity in the business assets). The City of Red Bud cannot loan more than 50% of the cost of a given project. Investments or loans given to the business prior to the city's loan program are not eligible and will not be considered in the 50% minimum funding requirement.
- (2) Demonstration of Need - The applicant must present a viable demonstration of need.
- (3) Equity - Applicant must have reasonable equity in the project.
- (4) Financial Feasibility - The applicant must demonstrate the proposed project is viable and the business will have the ability to repay the funds.
- (5) Location - Activities financed under this program must be located within the corporate limits of Red Bud, Illinois.

Section 4 - Revolving Loan Program

4.1 Definition

Direct loans made on a tandem basis with private financing are available to eligible applicants meeting all the minimum program requirements. Funds will be expended only if the Revolving Loan Fund balances are sufficient to entertain meaningful credit applications.

4.2 Conditions

Loan proposals should be based on need and ability to repay. Minimum standards include the following:

- (1) Loan Amount - Loan amounts are subject to the availability of funds, the scope of the proposed project and the discretion of the Economic Development Commission.
 - A. Micro-Loan: Maximum loan will be \$50,000 to any one applicant.
 - B. Revolving Loan: The maximum loan will be \$500,000 to any one applicant. Twenty-five thousand dollars will be loaned for each full-time equivalent job that is created or retained as part of the project.
- (2) Interest Rate – The interest rate will be established by the Economic Development Commission and the City Council but shall remain 3% lower than prime lending rate with a minimum of 3%.
- (3) Term –
 - A. Micro-Loan: The term of the loan shall be no longer than five (5) years.
 - B. Revolving Loan: The term of the loan shall be no longer than ten (10) years.
- (4) Period of Payment - The repayment schedule shall be set up for monthly payments.
- (5) Amount of Payment - Interest and principal shall be collected for all of the term to maturity. However, the following may apply:
 - A. Micro-Loan: interest and/or principal may be deferred for up to 6 months if justified in the loan proposal.
 - B. Revolving Loan: interest and/or principal may be deferred for up to 12 months if justified in the loan proposal.
- (6) Prepayment - There shall be no penalty for prepayment of loans.
- (7) Collateral - Reasonable security will be required. Collateral shall consist of liens on all assets to be purchased along with additional existing assets as necessary. Personal guarantees may be required of the Principal Owner(s).

Section 5 - Application Procedures

5.1 Discussion of Requirements

The applicant must discuss their application with the Administrative Officer for the City of Red Bud prior to submission. All financial information submitted shall be kept confidential.

5.2 Time of Application

Applications may be submitted at any time during the calendar year. The Economic Development Commission reserves the right to deem applications with minimal or no activity inactive after 60 days from the date the application was filed at City Hall.

5.3 Priority

Applications will be evaluated in the order received. Please be advised that the average loan process from the date the application is filed to the closing date of the loan is typically a 120 day process.

5.4 Loan Package

Applicants shall submit a loan package consisting of the following information:

- ☐ Application Form
- ☐ Tax Returns:
 - Balance Sheet & Financial Statements (last 3 fiscal years) of individual applicant
 - Balance Sheet & Financial Statements (last 3 fiscal years) of applicant's business
- ☐ Current Loan Statements for any outstanding loans (current debt)
- ☐ Cash Flow Analysis
- ☐ Business plan and/or financing proposal
- ☐ Management Resumes, if requested
- ☐ Cost estimates and/or quotes to demonstrate need of requested funds
- ☐ List of collateral to secure requested loan amount
- ☐ Commitments from all private financing, if applicable

5.5 Review Process

Specific steps in the review process include the following:

- (1) Preliminary Review – The Economic Development Commission Finance Sub-Committee will review the application and financial documents to determine eligibility and creditworthiness. Terms will be discussed with the applicant. Deficiencies in the application will be brought to the attention of the applicant.
- (2) Loan Application Review - The Red Bud Economic Development Commission will determine if the application meets the goals and intent of the program. Recommended applications will move to City Council for final determination.

- (3) Notice of Award/Denial – The Administrative Officer will communicate formal action taken by the Red Bud Economic Development Commission and City Council.

Section 6 - Distribution of Funds

6.1 Loan Procedures

Prior to the release of funds, the following terms and conditions must be met:

- (1) Loan Agreement – The Financial Officer will be responsible for processing the loan agreement.
- (2) Promissory Note and Security Documents - A standard promissory note and appropriate security agreements shall be executed at the time of closing. Specific terms and conditions will be outlined, and all agreements will be signed by the Chief Executive Officer of the applicant business.
- (3) Repayment Schedule - A repayment schedule shall be provided at the closing.
- (4) Disbursement of Program Funds - Documentation that matching funds have been committed or expended must be provided to the City of Red Bud prior to release of funds.

Section 7 - Performance Monitoring

7.3 Default

Failure by the business to make any payment of principal or interest within 60 days after the payment is due and payable shall be considered a default. Adverse change in the performance of the business, which causes the City of Red Bud to deem itself insecure, shall also be considered a default. For a Revolving Loan: If job creation is specified as a part of the loan agreement, failure to create or retain the specified jobs may be considered a default. (Job creation does not apply to the Micro-Loan program.)

In the event of a default, all sums due and owing to the City of Red Bud shall, at the City's option, become immediately due and payable. To exercise this option, staff shall prepare a written notice to the business. The notice shall specify the following:

- (1) The default.
- (2) The action required to repair the default.
- (3) A date, not less than 60 days from the date of the notice, by which the default must be repaired to avoid foreclosure or other action.

Section 8 - Reuse of Funds

8.1 Active Program

Repaid funds shall be deposited into the Revolving Loan Fund account and used in a manner consistent with the existing Program Policies and Procedures Manual.

8.2 Discontinued Program

If the loan program is discontinued, all funds shall revert to the City of Red Bud's General Fund.

Loan Application

Name: _____

Requested
Loan Amount: _____

Brief Project Description:

Type of Loan (select one)

☐ Micro-Loan (maximum
\$50,000)

☐ Revolving Loan (maximum \$500,000)

Requested Loan Amount: _____

Term of Loan Requested: _____

(Revolving Loan: Max of 10 years)

(Micro-Loan: Max of 5 years)

Please Note: Matching funds of at least one dollar of private funds for each dollar of program funds must be obtained. In addition, there must be one dollar of working capital funds for every dollar of working capital funds requested.

Purpose of the Loan Request (select all that apply):

- ☐ Property Acquisition
☐ Working Capital

- ☐ Machinery/Equipment Purchase
☐ Other (please explain)

Loan Request is Based Upon:

- ☐ FINANCING GAP – This argument will demonstrate that a business can raise only a portion of the financing necessary to complete the project. Reference the documentation within the application which supports this argument.
- ☐ RATE OF RETURN – This assumes that full financing is available, but the rate of return is insufficient to induce development. Provide the rationale and cite supporting documentation.
- ☐ LOCATIONAL – This argument is used when the firm is considering multi-state location options. Funds are needed to equalize cost factor variations between sites. This requires disclosures for each site under consideration. This application must contain this supporting documentation.

Estimated Project Costs

Provide the total project cost for the following line items, as applicable. Include all personal and private funds in addition to requested loan amount.

Site Acquisition	\$	_____
Site Improvements	\$	_____
New Construction	\$	_____
Building Renovations	\$	_____
Capital Equipment	\$	_____
Inventory/Working Capital	\$	_____
Other Associated Project Costs	\$	_____
TOTAL PROJECT COST	\$	_____

Business Information

Business Name: _____

Business Address: _____

Name of Loan Applicant(s): _____

Primary Contact for Loan Application: _____

Primary Phone: _____ Alternate Phone: _____

Email: _____

Type of Business: _____

Date Established: _____

Current Employees: Total: _____
Full Time: _____ Part Time: _____

Projected # of Employees: (2 years from project completion)
Total: _____
Full Time: _____ Part Time: _____

Principal Owners (those owning 20% or more of business)

Name: _____	Name: _____
Home Address: _____	Home Address: _____
Phone: _____	Phone: _____
Email: _____	Email: _____

Name: _____	Name: _____
Home Address: _____	Home Address: _____
Phone: _____	Phone: _____
Email: _____	Email: _____

1. Have you or any officers of your company ever been involved in bankruptcy or insolvency proceedings? Yes ____ No ____
If so, please provide the details as a separate exhibit.
2. Are you or your business involved in any pending lawsuits? Yes ____ No ____
If yes, please provide the details as a separate exhibit.
3. Does your business, its owners or majority stockholders own or have a controlling interest in other businesses? Yes ____ No ____
If yes, please provide their names and relationship with your company along with a current balance sheet and operating statement for each as a separate exhibit.

Project Financing

Do you have a lending institution? ☐ Yes ☐ No

*If not, please explain below:

Name of Lending Institution: _____

Address: _____

Contact Person: _____

Title: _____ Phone: _____

Email: _____

Please State the Amount, Interest Rate, and Term of the Lender's Loan Commitment.

Agreement

By signing below, applicant agrees to abide by all loan requirements for the City of Red Bud and authorizes the City to run credit reports for the purpose of reviewing loan documents. Applicant attests all statements made in this application are true and made for the purpose of obtaining a loan for the project described herein. As such, verification may be obtained from any source named in this application. Additional information may be requested by the City of Red Bud to review the submitted loan application.

Signature of Applicant

Date

Application Checklist

In addition to the loan application, the following materials must be provided by an applicant before a loan request is submitted to the Economic Development Commission for review.

- ☐ Application Form
- ☐ Tax Returns:
 - ☐ Balance Sheet & Financial Statements (last 3 fiscal years) of individual applicant
 - ☐ Balance Sheet & Financial Statements (last 3 fiscal years) of applicant's business
- ☐ Balance Sheet and Loan Statement for an interim period less than 90 days from date of application
- ☐ Cash Flow analysis on monthly basis for first year of operation
- ☐ Business plan and financing proposal
- ☐ Management Resumes
- ☐ List of equipment to be purchased (if applicable to loan request)
- ☐ Commitments from all private financing

Submission Requirements

Upon completion, please submit via:

Mail:

Administrative Officer
City of Red Bud
200 E Market St
Red Bud, IL 62278

Email:

Administration@cityofredbud.org

Please be advised the average loan process is typically 120-days from submission to closing date of loan.