

ORDINANCE NO. 21-1

**AN ORDINANCE ESTABLISHING
A REVOLVING LOAN PROGRAM FOR THE CTIY OF SULLIVAN, ILLINOIS**

WHEREAS, there exists within the Municipality a recognized need to provide incentives to commercial businesses in order to promote, attract and stimulate commerce within the City; and

WHEREAS, the Mayor and Commissioners of the City (the "Council") hereby find and determine that it is necessary and desirable and will provide for and promote the public health, safety and welfare of the citizens of the City to establish and implement a micro-loan program (the "Program") and to provide financing to commercial and industrial businesses within the City (the "Program loans") in order to create a favorable climate for new and improved job opportunities for its citizens, to increase the tax base of the City and to alleviate vacancies and conditions leading to deterioration and blight; and

WHEREAS, in order to provide for the Program and related Program Loans, it is necessary for the Council to authorize and approve, in substantially the form presented at this meeting, the Loan Administration Agreement, as more particularly described in Section 5 hereof, (the "Administration Agreement")

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COMMISSIONERS OF THE CITY OF SULLIVAN, ILLINOIS, as follows:

Section 1: Declaration of Public Purpose. It is hereby found, determined and declared that the purpose of this Ordinance is to take steps designed to reduce the cost of and to provide financing for the acquisition, construction, installation, renovation, repair or other improvement of real estate, buildings and accessory structures for commercial or industrial use in the city limits of the City, including any tangible personal property in connection therewith (the "Project") in order to provide incentives to promote, attract and stimulate commerce within such areas. It is further hereby found, determined and declared that such financing will provide for and promote the public health, safety, morals and welfare, maintain and foster the increase of commercial activity and economic development, preserve and increase the tax base of the City and its environs and alleviate vacancies and conditions leading to deterioration and blight. The foregoing are hereby declared and determined to be public purposes and functions pertaining to the government and affairs of the City.

Section 2: Definitions. All words and phrases not otherwise defined herein shall have the respective meanings set forth in the Administrative Agreement approved hereunder (as amended from time to time), unless a different meaning clearly appears in context.

Section 3: Establishment of Program.

- (a) There is hereby established and implemented the Program for the purpose of providing Program Loans. The Program Loans shall be made to Borrowers only for approved Projects within the Program Area of the City.
- (b) The Program Loans shall be in the principal amount of not less than \$10,000 and not more than \$200,000, and shall bear interest at the rate established in paragraph 4(a) of the Administration Agreement and shall be payable in accordance with the loan terms established in paragraph 6(a) of the Administration Agreement.
- (c) Program Loans shall be made only for projects within the Program Area which conform with or will upon completion conform to all applicable requirements of the City's building codes and ordinances as well as federal and state laws.
- (d) Program Loans shall not be made to any borrower who, at the time of application, is delinquent in the payment of any monies owed to the City.
- (e) Program Loans may be made in conjunction with any other federal, state or local financing program or any loan or loans by any commercial lending institution, provided, however, that the Program Board may determine to reject any otherwise eligible loan application for a Program Loan because such Program Loan would be subordinate to the lien or liens of any such other loans and not provide adequate security for the Program Loan.

Section 4: The Program Board. For the purpose of providing general supervision and administration of the Program, there is hereby created and established a Program Board which shall consist of five (5) members as follows:

- (a) The Mayor
- (b) The Commissioner of Accounts and Finance
- (c) The City Treasurer
- (d) The City Administrator
- (e) A resident of the City appointed by the Mayor and approved by the City Council

The Program Board shall have such duties and responsibilities as prescribed by this Ordinance and the related Administration Agreement for Program Loans. A simple majority of the members of the Program Board shall constitute a quorum. The approval of any Loan Application for a Program Loan shall require the affirmative vote of not less than three (3) members, at least one of whom shall be the Mayor or Commissioner of Accounts and Finance.

Section 5: Administration Agreement. For the purpose of administering the details of the Program and to provide for the processing of loan applications, the closing of Program Loans, the disbursement of loan proceeds and the servicing of Program Loans, the form, terms and provisions of the proposed Administration Agreement, before this meeting be, and they hereby are, in all respects authorized and approved,

and the Mayor and City Clerk of the City be, and they hereby are, authorized and empowered to execute and deliver the Administration Agreement in the name and on behalf of the City, with such insertions, changes and revisions in the form of such Administration Agreement as may be approved by the Program Board, such execution thereof to constitute conclusive approval of any and all such insertions, changes and revisions therein from the form of the Administration Agreement now before the meeting of the City Council at which this Ordinance is adopted. From and after the effective date of this Ordinance, the Program Board and the other officials, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Administration Agreement (as amended from time to time).

Section 6: Authorization for Administrator. Any lending institution located in the City is hereby authorized to serve in the capacity of the Administrator under and pursuant to the terms of the Administration Agreement, however the City Council may freely determine to self-administer the Loan Program through the office of the City Treasurer.

Section 7: Appropriation. In anticipation of the creation of the Program and the passage of this Ordinance the City Council has previously appropriated the sum of \$400,000.00 for initial funding of the Program, all or a part of which such sum shall be deposited from time to time into the Program Loan Account created and established with the Administrator under the Administration Agreement to provide funds, as necessary and required, for the principal amount of Program Loans approved by the Program Board. The City Council may elect, but shall not be required to appropriate additional sums and amounts from time to time to provide additional funds for the Program.

Section 8: Severability. The provisions of this Ordinance are hereby declared to be separable, and if any section, phrase or provision shall for any reason be declared to be invalid, such declarations shall not affect the validity of the remainder of the Ordinance.

Section 9: Conflicting Ordinances, Resolutions, etc. All ordinances, resolutions, orders or parts thereof, in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby superseded.

Section 10: Effective Date. This Ordinance shall be in full force and effect upon its passage and approval.

Passed this 8th day of February, 2021, by the City Council of the City of Sullivan, Moultrie County, Illinois, and deposited and filed in the office of the City Clerk of said City on that date.

	AYE	NAY	ABSTAIN	ABSENT	CONFLICT
Glazebrook	✓				
Sherwood	✓				
Fowler	✓				
Woodworth	✓				
Booker	✓				

Carrie Creek

Carrie Creek, City Clerk

Signed by the Mayor of the City of Sullivan, Moultrie County, Illinois, this 8th day of February, 2021.

Richard H. Glazebrook

Richard Glazebrook, Mayor

Attest:

Carrie Creek

Carrie Creek, City Clerk

RLF Administration Agreement

1. Purpose
 - a. The City of Sullivan Revolving Loan Fund was established to provide flexible and continuing source of debt financing for projects deemed of economic or community benefit for the Sullivan area and to its citizens.
2. Eligibility
 - a. Eligible Borrowers/Loans
 - i. Construction/Renovation/repair or other improvements to real estate
 - ii. Purchase of equipment, machinery and/or fixtures (including related costs)
 - iii. Acquisition of land and/or site preparation for industrial or commercial uses (including related costs)
 - iv. Working Capital
 - v. Must have 6 to 18 months of positive operating results for start-up businesses
 - b. Ineligible Borrowers/Loans
 - i. Land banking/real estate investment companies
 - ii. Speculative building and development companies,
 - iii. Passive investment companies
 - iv. Lending institutions
 - v. Land acquisition only
 - vi. Relocation of existing jobs (out of Sullivan area)
 - vii. Purchase of equity in private businesses
 - viii. Subsidizing interest payments on existing loans
 - ix. Refinancing of existing loan from other lenders or debt consolidation
3. Loan Size
 - a. Minimum of \$10K, Maximum Loan \$200K
 - b. Loans over \$50K, funds not to exceed 50% of the total
 - c. All loans will be guaranteed by collateral or personal guarantee
4. Interest Rates
 - a. The minimum interest rate to be charged for an RLF loan will be four percentage points below the current money center prime rate quoted in the Wall Street Journal, not to fall below 2%. If prime rate is below 2%, the minimum interest rate to be charged shall be 75% of current prime interest rate. If the prime interest rate exceeds 14%, the minimum RLF interest rate would not be required to be raised above ten percent 10% if to do so would compromise the ability of the RLF to implement its financing strategy.
5. Lending Policy
 - a. Leveraged Funds
 - i. To induce private participation, the RLF may subordinate their position on the available collateral to that of the private lender and offer more favorable terms for its portion of the financing. The applicant is also required to contribute at minimum 10% toward the total cost of the project, and up to 25% for loans over \$100K.
6. Loan Terms
 - a. Generally, loans shall be repaid in equal monthly installments including the interest and principal amount as set forth in the amortization schedule. However, the borrower

many repay and RLF loan at a time prior to its payoff date without prepayment penalties. Maximum loan repayment terms:

- i. Working Capital: 5 years
- ii. Machinery & Equipment: 10 year or useful life
- iii. Real Estate: 15 years

7. Closing Costs

- a. Below \$50K: 0%
- b. \$51K-\$99K: 1%
- c. \$100k or more: 2%

8. Application Requirements

- a. An application must include documentation supporting the request. Required information prior to funding approval includes:
 - i. A completed RLF pack to including the following
 - ii. A business plan and project description
 - iii. A list of jobs retained or created (if applicable)
 - iv. A balance sheet and operating statements
 - v. Three years of Profit & Loss statements
 - vi. Project pro formas and past tax returns
 - vii. Plans and specs of new equipment purchases
 - viii. A letter from the participating lender stating terms and conditions of their loan (if applicable).

9. Disclaimer

- a. The City of Sullivan RLF Committee may modify the terms under which the RLF financing has been extended to enhance the ability of the RLF to achieve program objectives.