



City of Jacksonville
Revolving Loan Fund Recapture Strategy

Beth Hopkins
RLF Administrator
200 West Douglas
Jacksonville, IL 62650
Phone: 217 479-3511
Fax: 217 243-1457
Email: bhopkins@jacksonvilleil.gov

The City of Jacksonville hereby establishes the Economic Development Revolving Fund (RF) in conjunction with the Department of Commerce and Economic Opportunity (DCEO). All requirements of DCEO must be met for loans and grants (grants are for infrastructure improvements in support of a DCEO RF project).

The term of the loan, the rate and the required collateral will be determined on a case by case basis, according to common accounting practices.

The maximum amount of the RF contribution shall not exceed fifty percent (50%) of the total project cost.

A. Revolving Fund Goals and Objectives

1. Stimulate economic growth in the community by assisting with retention and growth of the existing industrial and commercial base, providing needed capital to new start-up businesses, encouraging the development of minority and female owned businesses.
2. Assist new or existing businesses to create and retain jobs.
3. Ensure that jobs created or retained by business applicants benefit a minimum of fifty-one percent (51%) low-to-moderate income (LMI) persons in the area.
4. Increase the property tax and sales tax base.



5. Provide businesses with the opportunity to expand.
6. Encourage and leverage loans and investments to businesses by area private financial institutions.

B. Revolving Fund Strategy

1. Eligible uses of funds for financial assistance projects:
 - 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 or equipment
 - f. Working capital
 - g. For every \$15,000 of revolving funds provided, one full time equivalent (FTE) job should be created or retained with 51% (LMI) benefit. (FTE jobs are positions consisting of a minimum of 1,950 hours worked a year).
2. Eligible uses of funds for units of local government:
 - a. Public Infrastructure improvement projects when the activities will directly result in the creation and/or retention of jobs by a specifically identified for-profit business.
 - b. Community Development Block Grant (CDBG) eligible activities (public improvements on public property except for buildings where the general conduct of government is held) showing a 51% (LMI) benefit. Must have prior written approval from the Department.



3. Ineligible uses of funds:
 - a. Projects of a speculative nature.
 - b. Forgivable financial assistance projects.
 - c. Refinancing existing, private debt.
4. The geographic area served by the fund will be for projects which are located within 1 ½ miles of the corporate limits of the unit of local government or which are determined to principally benefit the residents of the unit of local government.
5. The funds will be targeted to assist existing industrial and commercial base, start up businesses, female and minority owned firms on a first come, first served basis as the unit of local government expects to receive more applications than available funding will cover. Applications that demonstrate the greatest potential for job creation and meeting the goals and objectives of the fund will be given the highest priority.
6. Applications will be generated by:
 - a. Sending RF information to the community's existing businesses.
 - b. Including RF information in the community's marketing package.
 - c. Provide RF information to area economic development commissions and the chamber of commerce to include in their area marketing information.
 - d. Staff participation in business related seminars or workshops held in the area.
 - e. Provide RF information to local chapter of NAACP, Urban League and other organizations representing minority groups and offer to speak at meetings periodically.



- f. Provide information to area women's entrepreneur associations and women's service organizations.
- g. Publicize approved projects by sending news releases to area media and holding news conferences, ribbon cuttings and ground breakings to encourage media coverage.
- h. Area financial institutions will be provided with information about the RF and asked to inform potential recipients of fund availability.

C. RF Management Plan

1. Members shall be appointed as needed to the Financial Assistance Review Committee. The committee shall consist of, but not be limited to the chief elected official or other representative of the unit of local government, unit of local government's attorney, economic development coordinator/RF administrator. The committee shall review all applications to the revolving fund. The committee may, as appropriate, meet with the applicant, meet with the representative of the participating financial institution, visit the site if necessary, negotiate terms, length, security of the financial assistance agreements and ensure compliance with the RF goals and objectives. A recommendation will be prepared for the unit of local government's review for approval or denial which will include a description of the project, project costs, source of funds, security required, special conditions, and reasons for approval or denial. All other application information is kept confidential. The unit of local government will formally approve or deny the application.
2. The financial assistance documents, including commitment agreements, liens, title policies, security recordings, transfer tax declarations, amortization schedules and security releases, shall be obtained and completed by the unit of local government's attorney. The RF administrator shall monitor repayments of the financial assistance agreements, job creation and/or retention reports required to be provided semi-annually until the commitment is met, monitor other special conditions as required and submit semi-annual reports on the status of the RF to the Department of Commerce and Economic Opportunity.



3. Delinquent loans: When a RF payment becomes 10 days past due, the fund administrator will place a telephone call to the borrower and request payment. At 30 days past due the RF will send a formal letter requesting payment. Should the payment become 45 days past due the matter will be turned over to the city attorney to pursue. All legal rights will be exercised by the RF to reclaim funds. Legal counsel will be consulted during foreclosure and liquidation proceedings if events warrant.
4. Alternatively, the RF may contract with a financial intermediary to conduct as much or as little of the foregoing through a servicing contract as may be desired. Final authority for approving any financial assistance made through the RF shall remain with the unit of local government, unless formally delegated by resolution and outlined in a formal agreement. The RF is responsible for seeing that the financial intermediary follows all state and federal regulations pertaining to the RF program.

D. Assurances

1. Not more than ten percent (10%) of the annual revenue to the RF will be used for administration of the RF fund.
2. Assistance provided from the RF will result in at least fifty-one percent (51%) benefit to (LMI) persons and these benefits will be documented by utilizing Workforce Investment Act (WIA) service providers, Illinois Employment and Training Centers or the employee certification forms found in the RF Handbook.
3. The RF agrees to report semi-annually on the status of the RF to the Department of Commerce and Economic Opportunity for approval before implementation.
4. Any changes to the recapture strategy will be submitted to the Department of Commerce and Economic Opportunity for approval before implementation.
5. In the event of a financial assistance loss, the circumstances will be reviewed to determine if legal steps are appropriate to recover RF funds and every effort will be made to recover delinquent funds.



6. The RF will assure that there will be one job created or one job retained with 51% (LMI) benefit for every \$15,000 used in a financial assistance project.
7. A minimum leverage ratio of \$1 non-CDAP funds to \$1 CDAP RF funds must be obtained for each project. RF funds may not comprise more than 50% of the financing for any project.
8. The RF will assure that environmental reviews will be completed, as required, for each project funded, as well as prevailing wages paid if applicable.
9. The RF shall remain active on an ongoing basis. The RF will not remain unused or dormant for more than three (3) years.



GUIDE TO PREPARATION OF BORROWER'S LETTER OF COMMITMENT

The Borrower's Letter of Commitment should be on company letterhead and should be signed by the chief executive officer of the company. The purpose of the letter is to acknowledge and to verify the information presented in the loan application and to verify that the project will go forward if the RF loan is approved. The Borrower's letter should:

- Describe the project (plant expansion, open a business, etc.)
- Mention the total project cost.
- Verify the total jobs to be created or retained – the number available to low and moderate income households (at least 51%); the types of jobs to be available; and how low and moderate income benefit will be verified and documented.
- Describe the sources of financing which are committed to the project and mention which commitment letters are attached.
- If applicable, describe the amount of equity or down-payment that the company or its principals are providing. Briefly describe why the borrower or the principals cannot or will not provide additional funds from their own sources (satisfactory reasons include the need to reserve cash for working capital, the exhaustion of resources, an inadequate rate of return, etc.)
- Certify that the project is ready to go and will only go forward if the RF loan is approved. Include the anticipated start and completion dates and a statement that the project is ready to begin.
- Describe collateral/security offered.

GUIDE TO PREPARATION OF FINANCIAL DOCUMENTATION

LOANS FROM FINANCIAL INSTITUTIONS

A firm commitment letter from a financial institution must have the following ingredients:

- Language which indicates that the loan has been approved by individuals or committees empowered to lend the amount committed to in the commitment letter and that the institution will lend subject to certain conditions.
- A specific dollar amount.
- A specific term in years.
- A specific interest rate.



- Specific collateral or security.
- Specific condition attendant loan.

The lender's letter should comment on the reason why it will not provide additional funds to the project.

GUIDELINES FOR 51% LMI EMPLOYEES

All funds received by an applicant from either a CDAP or the City's RF **must** meet the 51% LMI Guidelines as prepared by the State of Illinois.

1. The applicant **must** project the total employment needs for the first year, consisting of retained as well as new employees. Whatever combination of new or retained employees, the total **must** indicate that at least 51% of them meet the income guidelines for Morgan County. Job creation and/or retention must be accomplished within a two year timeframe (from the time funds are awarded). This can be extended within a reasonable time.
2. A semi-annual certification of employees from the recipient is required to indicate positions created/retained. This listing will be checked against the projected employment as indicated in the approved application, and will be included in the semi-annual report as required by the Illinois Department of Commerce and Economic Opportunity (DCEO).
3. If the employer fails to provide said certification, or upon receipt of a certification which shows the employer has fallen short of the job creation/retention projections, a letter will be forwarded to the employer, asking for a written explanation as to why the assurances have not been fulfilled.
4. After receipt of the letter, a meeting may be scheduled with one or more appropriate persons from the employer, at which time the RF Administrator could ask further questions that might arise from the certification and the letter received from the employer.



5. After gathering all this information, a decision will be made by the RF Administrator, the Mayor and the Finance Committee as to whether the City should take some particular action.
6. If the decision is made to take action against the employer, the appropriate action would be for the City to notify the employer that unless the job creation/retention assurances are met within a specific period of time, the City will demand full payment of the outstanding loan balance.
7. If the deadline for job creation/retention and 51% guidelines are not met within the specified period of time, then the matter will be referred to the City Attorney for legal action to collect the debt.