

**ECONOMIC  
DEVELOPMENT REVOLVING LOAN FUND  
PROGRAM GUIDELINES**

**By**

**The Community Development Fund of Galena, Inc.**

**GUIDELINES  
for the USE and OPERATION  
of the  
CITY OF GALENA'S  
ECONOMIC DEVELOPMENT  
REVOLVING LOAN FUND**

**operated in conjunction with  
THE COMMUNITY DEVELOPMENT FUND OF GALENA, INC.**

## **I. DESCRIPTION**

The Economic Development Revolving Loan Program is a competitive loan program administered by the City of Galena staff and the Community Development Fund of Galena, Inc., a local not-for-profit development corporation. Decisions regarding project approval require concurrence by the Galena City Council.

## **II. ELIGIBLE PROJECTS**

Revolving Loan Funds were originally acquired by the City through the Illinois Department of Commerce and Community Affairs (DCCA) in the form of an Economic Development Grant. All funded projects must meet the requirements set out by DCCA, including, but not limited to a 51% benefit to low/moderate income individuals. If this benefit requirement is not met, the entire loan or a portion of the loan may be recalled.

Projects located within the City of Galena and the surrounding one and one-half mile area are eligible for this program. Those projects located outside of the City limits must agree to annex into the City if the property ever becomes contiguous with the City limits.

## **III. PURPOSE**

The primary purpose of the Economic Development Revolving Loan Fund is to attract investment and create jobs. This can be done through the following approaches:

1. Target those projects with the greatest impact on economic development in Galena.
2. Provide incentives to stimulate economic development which otherwise would not occur or which would otherwise be delayed longer than is expedient for the best advantage to the community as a whole.
3. Provide a source of funding for projects not eligible for other forms of economic development incentives for any of the following reasons:
  - A. Timing
  - B. Project Size -- amount needed too small to justify application costs for other types of assistance.
4. Providing funding in support of promotional activities designed to attract new retail, commercial and industrial businesses presently lacking in the Galena area.

#### **IV. LEVEL OF PARTICIPATION**

All projects financed thru the use of Economic Development Revolving Loan Funds shall involve the participation of a conventional lending institution. Economic Development Revolving Loan Fund participation shall be limited to a maximum of 50% of the total project costs including Conventional Bank Financing, Equity, any Public Financing such as State Community Development Assistance Program or any other financing. Participation shall also be limited to a maximum of \$10,000 per job being created. A minimum of 10% equity shall be required. This may be in the form of land or buildings. Documentation of value by an acceptable appraisal firm may be required.

#### **V. USES OF ECONOMIC DEVELOPMENT REVOLVING LOAN FUNDS**

Economic Development Revolving Loan Funds may be used for the following:

1. Real Estate
2. Site Improvements
3. Machinery and Equipment, and
4. Working Capital (in special cases)

Revolving Loan Funds shall not be used to refinance existing debt.

#### **VI. USES OF ECONOMIC DEVELOPMENT REVOLVING LOAN FUNDS**

Applicants having eligible projects which meet the intent of the program as stated in the Section III of these guidelines may request revolving loan funds for any of the following uses:

1. Rate Subsidy
2. Increase of Term
3. Deferral of Principle, or
4. A combination of the Above

A. **Rate Subsidy:** Economic Development Revolving Loan Funds shall carry an interest rate ranging from 3% to 8%, the actual rate to be determined by the Community Development Fund of Galena, Inc. Board of Directors.

Community Development Fund of Galena, Inc. Board of Directors reserves the right to deepen this subsidy on a case by case basis with appropriate documentation of need.

B. **Terms:** The term for loans made from the Revolving Loan Fund shall vary depending on use:

1. Land and Building -- Not to exceed 20 years
2. Machinery and Equipment -- Not to exceed 7 years
3. Working Capital -- 1 to 3 years

The above stated terms are to be used as a guideline and can be increased if the financing package includes an earlier balloon payment. Generally it will be most convenient to assume the same terms as the bank which is providing financing for the project.

C. **Deferment of Principle:** Economic Development Revolving Loan Funds can be used to reduce the burden on cash flow in the early years of a start up project. This would be done by deferring principle payments up to 10 years.

D. **Combinations:** Applicants may request a combination of rate subsidy, increased term and principle deferment. Such combinations shall be reviewed for financial feasibility on a case by case basis.

E. **Collateral:** The applicant must provide collateral acceptable to both the lending institution involved and the CDFG Board of Directors sufficient to secure the full value of the loan.

The Economic Development Revolving Loan Fund shall share the collateral position with the lending institution. Priorities shall be determined on a case by case basis.

## VII. **APPLICATION PROCEDURES**

The local lending institutions shall be informed of, and regularly updated on, the Revolving Loan Fund Program so that they may direct potential applicants to the City Administrator. The Administrator shall provide potential applicants with preapplication forms. Initial contact for application may also be done by phone or in person with other members of the Community Development Fund of Galena, Inc. Board of Directors (See list of Board Members Attached - Appendix A).

Preapplications will be reviewed by the City Administrator. If the project appears to be eligible, the applicant shall be invited, in writing, to submit a final application. The Administrator may suggest, in some cases, that preapplications also be examined by a Review Committee composed of the Administrator and the President and Vice-President of the Community Development fund of Galena, Inc. In all cases, this committee shall review final applications for eligibility.

Final applications approved by the Review Committee shall be presented at regularly scheduled board meetings, or at such meetings as scheduled by the President. If approved by the Board of Directors of the CDFG, Inc., the application shall then be submitted to the Galena City Council for final approval.

The Board of Directors of the CDFG, Inc. may solicit proposals for projects determined to be of crucial importance to the economic development of the Galena area.

Throughout the negotiations for financing through the Economic Development Revolving Loan Fund, the Community Development Fund of Galena, Inc. Board of Directors shall work closely with both the primary lending institutions and the applicant. All credit and collateral decisions shall be based on the recommendations of the lending institution involved.

All loan agreements for the use of Economic Development Revolving Loan Funds shall include a non-arbitrage clause. The lending institutions shall handle all servicing of Economic Development Revolving Loans. Bank service charges shall not exceed 1% of the Economic Development Revolving Loan amount.

#### **VIII. CONFLICT OF INTEREST**

Members of the governing Board of the Community Development Fund of Galena, Inc., the City Council of the City of Galena or any officials, employees, or agents of either body, who exercise policy or decision-making functions or responsibilities in connection with the planning and implementation of the Economic Development Revolving Loan Fund program, shall not directly or indirectly be eligible for this program. This prohibition shall continue for one year after an individual's relationship with Board/Council ends.

#### **IX. AMENDMENT OF ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GUIDELINES**

The Board of Directors may amend these Economic Development Revolving Loan Fund Guidelines thru simple majority of elected voting members of the Board.

## APPENDIX A

### COMMUNITY DEVELOPMENT FUND OF GALENA, INC. - BOARD MEMBERS

<u>MEMBER</u>	<u>POSITION</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>
P. Carter Newton	President	P.O. Box 309 Galena, IL	(815) 777-0019 (O)
Jerry Murdock	Treasurer	1005 Campbell St. Galena, IL	(815) 777-0649 (H)
Robert Roth	Secretary	P.O. Box 334 Galena, IL	(815) 777-0533 (O)
Glenn Karpinske	Director	McDonald's U.S. Hwy 20 Galena, IL	(815) 777-2600 (O)
Joel Holland	Director	First Comm. Bank 10997 US Route 20 Galena, IL	(815) 777-2480 (O)
Scott Lawler	Director	Galena Cellars 515 South Main Galena, IL	(815) 777-3330 (O)
Drew Townsend	Director	Galena State Bank 971 Gear Street Galena, IL	(815) 777-0663 (O)
Larry Weidenheft	Director	9316 Saturn Lane Galena, IL	
Terry Renner	Mayor, ex-officio member	City Hall 312 1/2 N. Main Galena, IL	(815) 777-1050 (O)
Mark Moran	City Administrator, ex-officio member	City Hall 312 1/2 N. Main Galena, IL	(815) 777-1050 (O) <a href="mailto:mmoran@cityofgalena.org">mmoran@cityofgalena.org</a>

HOME = (H)  
OFFICE = (O)

**CITY OF GALENA**  
**ECONOMIC DEVELOPMENT REVOLVING LOAN FUND**  
**PREAPPLICATION**

\_\_\_\_\_  
Applicant (Firm Name)

\_\_\_\_\_  
Date of Request

\_\_\_\_\_  
Firm Address

\_\_\_\_\_  
Firm Telephone

\_\_\_\_\_  
Firm Contact Person

\_\_\_\_\_  
Contact Telephone No.

\_\_\_\_\_  
Contact Address

**I. Project**

1. Briefly describe the activities in the proposed project:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Is the project: \_\_\_\_ a new business? \_\_\_\_ an expansion? or a relocation from \_\_\_\_\_

3. By category, estimate the number of jobs to be created and/or retained as a result of the project:

<b><u>Category</u></b>	<b><u>No. Retained</u></b>	<b><u>Salaries</u></b>	<b><u>No. Created</u></b>	<b><u>Salaries</u></b>
Management	_____	_____	_____	_____
Skilled	_____	_____	_____	_____
Unskilled	_____	_____	_____	_____

4. Number of jobs that can be created with JTPA eligible individuals through job service: \_\_\_\_\_

5. Proposed location of project: \_\_\_\_\_

**II. Loan Request**

1. Estimated Total Cost of Project: \_\_\_\_\_

2. Revolving Loan Fund Amount Requested: \_\_\_\_\_

III. **Type of Business**

1. Is the firm an industrial, commercial or not-for-profit operation? \_\_\_\_\_

2. Indicate the product produced, material or service offered: \_\_\_\_\_

\_\_\_\_\_

3. Indicate estimated date to start proposed project: \_\_\_\_\_

\_\_\_\_\_

**CITY OF GALENA**  
**ECONOMIC DEVELOPMENT**  
**REVOLVING LOAN FUND APPLICATION**

\_\_\_\_\_  
Applicant (Firm Name)

\_\_\_\_\_  
Date of Request

\_\_\_\_\_  
Firm Address

\_\_\_\_\_  
Firm Telephone

\_\_\_\_\_  
Firm Contact Person

\_\_\_\_\_  
Contact Telephone No.

\_\_\_\_\_  
Contact Address

**I. Loan Request**

1. Total cost of the project: \$ \_\_\_\_\_

2. Amount obtained through conventional loan: \$ \_\_\_\_\_

A. Percent of total project cost : \_\_\_\_\_ %

**TERMS:** Rate: \_\_\_\_\_ %

Years: \_\_\_\_\_

Bank Involved: \_\_\_\_\_

Bank Contact: \_\_\_\_\_

3. Amount finance with Company funds: \$ \_\_\_\_\_

A. Percent of total project cost : \_\_\_\_\_ %

4. Amount requested through the Galena Revolving Loan Program:

\$ \_\_\_\_\_

5. Financial break down of the project:

Amount for the land \$ \_\_\_\_\_

Building Cost (new construction) \$ \_\_\_\_\_

Amount for renovation \$ \_\_\_\_\_

Amount for equipment \$ \_\_\_\_\_

List other costs:

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
**TOTAL PROJECT COST** \$ \_\_\_\_\_

6. The financial institution shown above is taking collateral on: \_\_\_\_\_  
 \_\_\_\_\_

What position: \_\_\_\_\_

7. Collateral to support Revolving Loan Request: \_\_\_\_\_  
 \_\_\_\_\_

8. Name of Co-signer of loan, if request by the City:  
 Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone: \_\_\_\_\_

**II. Project**

1. Briefly describe the activities in the proposed project:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

2. By category, estimate the number of jobs to be created and/or retained as a result of the project:

<u>Category</u>	<u>No. Retained</u>	<u>Salaries</u>	<u>No. Created</u>	<u>Salaries</u>
Management				
Skilled				
Unskilled				

3. Number of jobs that can be created with JTPA eligible individuals through job service: \_\_\_\_\_

4. Proposed location of project: \_\_\_\_\_

Size of site: \_\_\_\_\_

Size of building: \_\_\_\_\_ No. Of Stories: \_\_\_\_\_

Purchase price: \_\_\_\_\_ Rent: \_\_\_\_\_

Estimate Market Value: \_\_\_\_\_

III. **Firm History**

1. How many years has the company been in business? \_\_\_\_\_
2. How many years at current location? \_\_\_\_\_
3. How many years in Galena? \_\_\_\_\_

IV. **Type of Business**

1. Is the firm an industrial or commercial operation? \_\_\_\_\_
  2. Indicate the product produced, material sold, or service offered:  
\_\_\_\_\_
  3. If new business, indicate estimated date to start operation: \_\_\_\_\_
- 
- 

**FOR OFFICE USE ONLY:**

1. **Benefit to low/moderate income?** Yes \_\_\_ No \_\_\_ How many individuals? \_\_\_

2. <b><u>Information Submitted:</u></b>	<b><u>Yes</u></b>	<b><u>No</u></b>
3 year Historical Financial Statement	___	___
Personal Financial Statement	___	___
2 Year Projected Balance Sheet/Profit and Loss Statement	___	___
One year pro forma balance sheet	___	___
One month cash flow	___	___
Business Plan	___	___

**OTHER NOTES:**