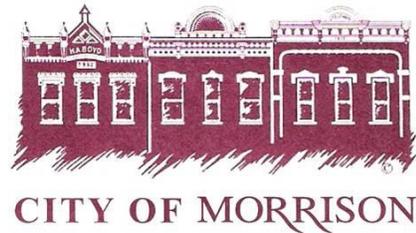


**COMMUNITY DEVELOPMENT  
ASSISTANCE PROGRAM (CDAP)  
REVOLVING FUND (RF)  
PROGRAM SUMMARY**



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Revolving Funds were originally acquired by the City of Morrison as a result of the receipt of Community Development Assistance Program (CDAP) Economic Development Grant from the Illinois Department of Commerce and Economic Opportunity (DCEO). When the City of Morrison makes a loan from the CDAP Revolving Fund (RF), it must do so in conformity with federal and state laws and regulations. Compliance with these laws and regulations is also required of loan recipients.

The specific guidelines and policies of the program are outlined as follows:

**Purpose:** The purpose of the RF is to encourage the expansion and development of viable business/industrial activity in Morrison, Illinois. Priority will be given to proposals that will provide employment or retraining opportunities for persons displaced by the shutdown of area manufacturers. The RF will be targeted to those businesses and industries that cannot obtain economically feasible financing because of conventional interest rates and lending/exposure limits applied by local lending institutions. The RF program is intended to provide the funds that make the project viable by filling the financing gap created by these conditions. Other financial commitments must be in place at the time of application. No loan shall be made from the program where there is reasonable doubt as to the ability of the borrower to repay the loan.

**Geographic Area:** The geographic area served by the fund will be for projects which are located within 1 1/2 miles of the corporate limits of the City of Morrison, Illinois or which are determined to principally benefit the residents of the City of Morrison, Illinois.

**Use of Loan Funds:** Loans may be made to for-profit or not-for-profit businesses for fixed assets including land, buildings, machinery and equipment (including new construction or renovation of facilities) and to provide working capital. RF loans cannot be used to refinance existing debts, finance the relocation of a business from one part of the State to another, or to finance speculative activities. Working capital loans will not exceed 50 percent of the RF portfolio. Units of Local Government may use funds for Public Infrastructure improvement projects when the activities will directly result in the creation and/or retention of jobs by a specifically identified for-profit or not-for-profit business.

**Job Targeting Criteria:** 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.

**Job Creation/Retention Requirements:** The basis for use of monies from the Revolving Fund is job creation. For every \$15,000 of Revolving Funds provided, one full-time equivalent (FTE) job should be created or retained. (FTE jobs are positions consisting of a minimum of 1,950 hours worked a year). In addition, job creation/retention should take place within 12 months after

the money is disbursed from the fund. At least 51% of all jobs created/retained shall benefit persons from low-moderate income households based upon Federal HUD (Section 8) Income Guidelines. Employee certifications and quarterly reports on the creation/retention of jobs must be documented by the completion of forms provided by the City, and the results must be reported quarterly to the City once the loan is approved.

**Private or Other Public Financing Also Required:** Financing from individuals, financial institutions and/or other public sources must account for at least one-half of the project's funding. Investments made into the business prior to the approval of the RF loan are not counted toward the private or other public financing requirement. No funds shall be advanced from the loan fund if sufficient funds are available for other sources at terms, which will permit the project to operate with satisfactory income and cash flow to sustain the business in a profitable manner. The loan will be the minimum amount necessary to assure project success. The applicant will be required to document, by financial projections and/or loan denial letters, that they cannot otherwise finance the amount requested by the RF.

**Equity and Collateral Requirements:** The borrower will be required to provide a minimum of 10 percent equity into the project. All loans shall be secured by collateral in an amount at least equal to the face value of the loans. Collateral requirements may vary as a function of amount, equity, and purpose. A first position lien on fixed assets and property is preferred security, but a secured subordinate position to another lender may be permitted. Assets other than cash that are used for collateral must be documented by appraisals or other appropriate valuation techniques. In projects involving direct working capital loans, the RF will obtain collateral such as liens on inventories, receivables, fixed assets, and/or other available assets of the borrowers. Such liens shall be subordinate only to existing liens of record and other loans involved in the project. When appropriate, the borrower will be required to provide life insurance, fire hazard, or normal business insurance on all assets for the term and in the amount of the loan. Where required, the borrower shall also obtain flood insurance on property assigned as collateral.

**Loan Security:** All RF loans must be secured with a mortgage, security agreement, promissory note, financing statement or other assignment of rights of the assets of the assisted business. The City of Morrison may require personal guarantees by any principal owning 20% or more of the company. Additionally, if 75% or more of the applicant's net worth is in homeowner equity and a loan in excess of \$50,000.00 is sought, the Revolving Loan Committee, in its discretion, may require a second mortgage on homestead as additional security for the loan.

**Minimum/Maximum Loan Amount:** The minimum RF Loan amount shall be \$30,000 and the maximum RF Loan amount shall be \$300,000. The RF Committee may waive these limits at its sole discretion. RF Loans will be made on a matching basis. The match may be in the form of owner equity, bank loans or supplier financing. No loan shall exceed the outstanding balance of the RF account. Except in the case where there is clearly a public benefit (i.e. jobs created) a borrower may only carry one revolving loan at a time.

**Interest Rate:** The interest rate on loans made from the Morrison Revolving Fund shall be 4 points below the prime rate; however the rate shall not be lower than 3%. The interest rate may vary as a function of the amount, equity, security, and purpose of the loan. Additional consideration will be given toward exceeding job creation goals, the hiring of displaced workers, women, minorities, and handicapped, long-term unemployed and underemployed, and/or low and moderate-income people in the establishment of the interest rate.

**Loan Terms:** The maximum terms for loans made from the Revolving Fund shall vary depending on use:

- Infrastructure (water, sewer, roads) 15 years
- Land and or Building Acquisition 20 years
- New Construction 20 years
- Machinery and Equipment 10 years
- Leasehold Improvements 7 years
- Building Rehab or Renovation 7 years
- Working Capital 5 years

**Loan Disbursements:** All loan disbursements and payments shall be made by the City of Morrison.

**Justification for RF Assistance:** Under federal regulations a RF loan can only be made if one of the following circumstances exists and has been verified: 1) RF are needed to “fill the gap” between the estimated project cost and what lenders are able and willing to lend. 2) The banks determine there is insufficient collateral without RF participation 3) RF financing is needed to keep the firm in the community (applicant must furnish the bank with detailed incentive letters from other states and detailed costs information/explanations on how RF financing equalize the costs between the community site and the out-of-state site.)

**Origination Fee:** An origination fee of up to one percent of the amount requested may be charged by the City of Morrison RF administrative entity and is payable at closing. In addition, the City of Morrison may charge a \$100 fee to cover application costs (which include addressing state/federal mandates).

**Loan Call Provisions:** Failure to abide by City of Morrison RF program guidelines or administrative guidelines or administrative procedures can result in calling of the RF loan at the RF committee's request.

**State/Federal Regulations:** All borrowers must comply with federal and state laws relating to fair labor standards, Davis-Bacon Act, civil rights, environmental protection, equal opportunity employment, flood protection, access for the physically handicapped, affirmative action, historic sites, monthly employment reporting, and other regulations and assurances as required.

*Federal Davis-Bacon and Related Acts require that prevailing wage be paid for all construction activities.*

**Other Benefit Standards:** A ten percent portion of the total loan program (\$50,000) will be set aside to be targeted toward use by a minority or women owned/created business enterprise. These funds will be set aside for a period of one year or until fully utilized by minority or women owned business(es), whichever comes first.

CDAP Revolving Fund application forms and information are available from:

Morrison City Administrator  
200 W. Main Street  
Morrison, IL 61270  
(815) 772-7657

Completed applications as well as required attachments are to be returned to the address above.

The City of Morrison recognizes that there are some requirements imposed on the CDAP revolving loan program which may make it seem unattractive to small businesses. The City has no discretion to waive these requirements; however, the City Administrator will work with applicants to facilitate compliance with the requirements. Potential applicants must also realize that this is a loan program, not a grant program. In making the loan, the City of Morrison must ensure that there is a reasonable prospect that the business will succeed and the loan will be repaid. If loans are not repaid, funds will not be available to make future loans from the Revolving Fund.