

City of Danville's

SMALL BUSINESS REVOLVING LOAN PROGRAM

Danville, Illinois

Contains information about:

General Revolving Loan Program Guidelines

Façade Grant Program Element

Façade Deferred Loan Program Element

Façade Loan Program Element

Historic Landmark Loan Program Element

Special Projects Loan Program Element

Slipcover Removal Grant Program

Application Form

Procedures for making application

For information call:

Danville Department of Public Development
(217) 431-2320

May 2, 2006

TABLE OF CONTENTS

	Page
<u>OVERALL PROGRAM GUIDELINES</u>	3
A. Purpose of the Small Business Revolving Loan Program	3
B. Eligible Applicants/Areas	3
C. Eligible Costs	3
D. Standards for Projects Involving Rehabilitation	4
E. Length of Loan Term	4
F. Interest Rates	5
G. General Loan Conditions	5
H. Application and Submission Requirements	5
<u>SEPARATE AND UNIQUE GUIDELINES FOR OTHER SPECIFIC PROGRAM ELEMENTS</u>	6
A. Downtown Revitalization Façade Grant Program Element.	6
B. Downtown Façade Deferred Loan Program Element	6
C. Facade Loan Program Element.	7
D. Landmark Loan Program Element.	7
E. Downtown Special Projects Program	7-8
F. Slipcover Removal Grant	8
<u>GENERAL PROCEDURES</u>	9
<u>LOAN APPLICATION</u>	10-12
<u>CERTIFICATION</u> <u>Non-Discrimination/Low/Mod Benefit</u>	13
<u>APPENDIX</u>	14
A. Current Interpretations and Administrative Rules	14
B. Maps	15-17

OVERALL PROGRAM GUIDELINES

A. Purpose of the Small Business Revolving Loan Program

The Danville Small Business Loan Program hereinafter referred to as the “Program” is a combined effort of the City of Danville and four (4) lending institutions (First Midwest Bank, First National Bank, Central Illinois Bank, Iroquois Federal Savings & Loan Association and Old National Bank) hereinafter referred to as “Lender(s)”. The City through its State-funded Community Development Assistance Program allocated \$132,073 to fund this program in the early 1980’s. Additionally, each of the participating lenders has agreed to provide loan funds for this program. Loan payment proceeds from the public portion of each loan are used to replenish the loan fund; thus the term “revolving loan fund”. This Program involves Participation Loans based upon the approval of one of the four participating lenders. The City’s involvement allows for a blended interest rate that is lower than the borrower might otherwise be able to obtain.

The purpose of the Program is to assist local for-profit business entities in expanding existing operations and assisting new firms pursuing new business opportunities. The Program provides financing at a lower interest rate with a variable term up to nine (9) years. Final loan terms are determined based on discussions between the lender selected by the borrower, the applicant and the City's Department of Public Development staff, hereinafter referred to as the “Department”.

This loan program has two (2) primary elements. There are traditional loans for various activities, and there are small matching grants to improve the facade of a particular building. Each “program element” must comply with the general guidelines described here, unless specifically indicated otherwise in the section describing the particular element in question.

B. Eligible Applicants/Areas

Applicants, for the purpose of this document shall hereinafter be referred to as “Borrower(s)”. Any for-profit property owner, tenant or purchaser of a property that employs fewer than 100 people, is eligible to participate in the Small Business Revolving Loan Program. Exceptions may be made, relative to the size of the applicant, when a significant opportunity to create new jobs in the City is presented. Proposals will be considered from eligible applicants located within the Central Business Community, (CBC) of the City of Danville, as defined on the latest official Land Use Development Plan. Industrial projects located outside of the CBC may be considered. The term “industrial” includes large back-office operations such as Blue Cross/Blue Shield, or Walgreen's Data Processing Center. In such cases, the land use proposed and its compatibility with existing zoning as verified by Department will determine eligibility. The Lender shall make recommendations related to the financial aspects of the project. City elected officials and other City employees who, by reason of their position with the City, can influence the decision on any particular loan, are ineligible. (***Note: Some other Program Elements have other “target area” limitations.***)

C. Eligible Costs

While the Program will provide funding for a wide variety of activities, some constraints will be imposed since CDBG funds will be involved in each project. Basically, it is the responsibility of the Department to demonstrate that projects assisted by this program address the statutory objectives of the federal Community Development Block Grant Program (CDBG) which is the funding source for

the Program. In this regard, the Program will generally provide funding for real property improvements (interior and exterior) and equipment which will facilitate the retention or creation of jobs for low to moderate incomes. Examples could include the rehabilitation and renovation of an existing storefront and interior business space, updating existing electrical and plumbing systems, or the purchase of manufacturing equipment. Proceeds from the basic loan Program can even be used to finance the purchase of inventory or operating capital. The purchase of land, equipment to be leased to others will be discouraged, and debt refinancing is prohibited.

In the initial screening of proposals, the Department will determine if one or both of the following statutory objectives are addressed:

1. Creation and retention of jobs which benefit low and moderate income persons
(The program must provide at least 51 percent to low/moderate income persons.)
2. Provision of public infrastructure improvements in support of specific job creation or retention activities.

For example, a project which creates new employment opportunities for unemployed persons would address benefit to low and moderate income persons. Special emphasis will be placed on projects which create expanded employment opportunities for low and moderate income persons. Businesses that accept a loan through this Program must agree to make a strong effort to hire low/moderate income employees, and to provide data about their employment to the Department semiannually.

The Department shall not expend more than 10 percent of the revolving loan funds to cover their administrative expenses for the program management.

D. Standards for Projects Involving Rehabilitation

All improvements funded under this program will be made in accordance with local building and zoning requirements. In certain instances as determined by the Department and/or Lender, a project may require the submission of plans and specifications in order that building code compliance and costs may be reviewed.

Whenever a property assisted by this Program is determined to be on, or eligible for inclusion in, the National Register of Historic Places due to its historic and/or architectural significance, the Secretary of Interior's Standards for Rehabilitation will govern the proposed improvements. The Department will consult with the Danville Historic Preservation Commission to determine if such properties are eligible for or listed on the National Register, or designated as a local Landmark. In accordance with the above, the Department will assist applicants and provide the information needed to comply with these standards. Note: In some instances, an Environmental Assessment may be required for certain projects. When applicable, this process must be completed by the Department prior to the disbursement of the Program's loan funds.

Unless exempted under federal law, construction workers paid for with Program loan funds are subject to the Davis Bacon Prevailing Wage laws.

E. Length of Loan Term

The most common maximum period for a loan issued under this program shall be nine (9) years. The Program's funds must be repaid within this term. Terms of each loan will be negotiated on an individual basis. Commonly, in the case of tenant businesses, the term of the loan will not exceed the

period of the lease; however in some cases, the loan term may be tied to an option period on a property.

F. Interest Rate

The blended (Program/Lender loans) interest rate for this program will be equivalent to the current prime interest rate charged by the Continental Bank of Illinois. The effective interest rate for an application will be established at the time the Department determines Borrower and project activity eligibility. The interest rate will remain fixed for a period of three (3) years at which time it will be re-negotiated (to the then current prime rate at the Continental Bank) for another three (3) years, etc. until the term of the loan expires. The Department and the participating Lender reserve the right to negotiate an effective interest rate below the Continental Bank prime rate in cases involving significant new job creation or investment for the City.

G. General Loan Conditions

Loan conditions shall be negotiated on a case-by-case basis, including but not necessarily limited to:

- Applicants documentation must demonstrate that he/she has a positive net worth. Equity and collateral requirements will be determined by the Department and Lender on a case-by-case basis.
- A current personal financial statement along with a business income and expense statement. Such information shall be submitted with the attached application form to the Department.
- For loans involving financing for fixed assets, an appraisal and title search.
- Documentation of fire and extended insurance coverage in favor of the Lender.
- The minimum combined (City/Lender) loan amount for this program shall be \$12,000 and the maximum \$100,000. The maximum may be exceeded when investments that will create a significant number of new jobs for the City are eminent. If all parties agree, the minimum may also be adjusted.
- The Department may charge interest on its portion of the loan, and the Lender would normally charge their conventional commercial rates for their portion of the loan. The Lender may loan up to 80% of the total project costs. Priority will be given to projects with borrower equity.
- The Department will approve no loan without the participation of an approved Lender.

H. Application and Submission Requirements

An application form is included in this packet. This form must be completed and accompanied by any relevant support material. In the application, the Borrower shall indicate the Lender participating to process the loan, disburse funds if approved, and to collect loan payments. Each Lender shall establish servicing requirements and fees in accordance with their own normal operating procedures. The Borrower shall make all payments to the Lender, who will submit payment to the Department in accordance with a "Participation Agreement" entered into for each project.

SEPARATE AND UNIQUE GUIDELINES FOR OTHER SPECIFIC PROGRAM ELEMENTS

A. Downtown Facade Grant Program Element.

1. Maximum amount of grants \$7,500.
2. Available only to businesses located, within Downtown Danville Inc.'s Special Service Financing District. (This is generally the unit block and 100 blocks of N. Vermilion St.)
3. The term "business" shall include any structure containing more than 5 housing units or any combination of business and residential uses.
4. Available by formula in grant amounts of one hundred twenty-five dollars (\$125.00) per linear foot of the affected facade, as measured by its breadth.
5. Owner must match the Program's grant at a one-for-one ratio, and must invest his/her dollars first.
6. No bank participation required.
7. Competitive bids or written proposals required.
8. Preference given to locally owned businesses.
9. Design approval by DDI Main Street Design Committee is required. If no decision can be reached within 30 days by the Committee, the Director of the Department of Public Development shall make the final decision on design compatibility.
10. \$40,000 earmarked for this program from within the Revolving Loan Fund on the date of these guidelines. Once \$40,000 is disbursed no additional grants may be made under this Program Element without the specific approval of the City Council.

B. Facade Deferred Loan Program Element.

1. Maximum amount of loans \$5,000.
2. Available only to businesses located, within Downtown Danville Inc.'s Special Service Financing District. (This is generally the unit block and 100 block of N. Vermilion St.)
3. The term "business" shall include any structure containing more than 5 housing units or any combination of business and residential uses.
4. Available to fund front or rear facade work only.
5. Owner must match the Program's loan, and must invest his/her dollars first.
6. No bank participation required.
7. Competitive bids or written proposals required.
8. Preference given to locally owned businesses.
9. Design approval by DDI Main Street Design Committee is required. If no decision can be reached within 30 days by the Committee, the Director of the Department of Public Development shall make the final decision on design compatibility.
10. \$25,000 earmarked for this program from within the Revolving Loan Fund. Once \$25,000 is disbursed no additional loans may be made under this Program Element without the specific approval of the City Council.
11. These loans shall be due upon sale of the property. The Department shall secure the loan by a lien on the property in question.

C. Facade Loan Program Element.

1. For facade improvements only, either front or rear.
2. Target area includes the area bounded by Franklin, Harrison, Jackson and Main Streets provided that each side of Main Street from Gilbert to Bowman is also included.
3. Offers loans below prime rate by banks providing their portion of the loan at “Continental Bank Prime” and the Department their portion at 0% interest.
4. Loan minimum is \$2,500, maximum is \$50,000.
5. Seven year maximum term, but tied to a lease in those cases.
6. Owner equity of 20% preferred.

D. Landmark Loan Program Element.

1. This shall be a three (3) year trial program. On January 1, 2005 this program element shall be terminated, unless an extension is specifically approved by the City Council.
2. Maximum Program contribution shall be \$25,000, unless more is specifically approved by the City Council.
3. Program funds shall be loaned at 0% interest, at negotiated terms.
4. No payments shall be due on the Program’s portion of the loan for 5 years after the project is, in the opinion of the Director of the Department of Public Development, complete.
5. Program’s portion of the loan must be repaid upon the sale or refinancing of the subject property.
6. Total financial package must involve borrowing from a qualified Lender and/or owner equity equal to or greater than the Program’s contribution.
7. Subject structure must be a designated Landmark under the provisions of the Danville Code of Ordinances Chapter 160.04.
8. Program loan funds shall be available only to business uses located within the Central Business Community, as defined herein. The term “business use” shall include residential structures containing more than five units or any combination of business and residential uses.
9. The Danville Historic Preservation Commission shall approve the designs for any exterior improvements to a subject property. The Commission’s Certificate of Appropriateness procedures shall be used for this process.
10. Competitive bidding required.

E. Downtown Special Projects Program

This element of the program will only be available to major new investments. It is intended for new or expanded businesses that project significant numbers of new jobs (50+). It may also be used to help achieve an overall redevelopment plan for the Central Business District.

1. “Project Elements” could include, site acquisition, site preparation, new construction, and renovation of existing structures for either residential (if more than 5 units) uses or business uses, or any combination thereof.
2. Based upon the approval of acceptable designs and business plans by the Department and other related agencies, grants, loans, or combination grant/loans can be made by the Department.
3. Terms and rates are fully negotiable.

4. Requires final approval by the City Council.
5. Property owner must document the true need for special consideration.
6. Preferred projects will include renovation of existing substandard structures, or major new uses which generate a significant number of jobs, and projects that enhance and promote the City's Downtown Revitalization Plans. The City's goal is to create one new job for every \$5000 of City money invested.
7. Lenders will be asked to appropriate funds at rates below their standard commercial rates, to assist the City and the community in this effort.
8. Lenders shall make all decisions about the financial feasibility of a subject project.
9. Other private businesses may be asked to consider making contributions or "loans" also.
10. The Vermilion County Community Development Corporation may be called upon to coordinate some of these projects on behalf of the Department.

F. Slipcover Removal Grant Program

This element is designed to assist in the removal of facade over-lays where the removal of said over-lay is suspected to reveal superior design, materials or workmanship; historic materials, design or workmanship; or where the removal will facilitate the restoration or construction of a façade that will better contribute to the character of the building, its neighbors or the overall downtown streetscape. For the purposes of this program each "grant" refers to any one façade (front, back or side) to be renovated completely in any single construction event. The following terms shall apply;

1. Maximum amount of grants \$1,000.
2. Available only to businesses located, within Downtown Danville Inc.'s Special Service Financing District. (This is generally the unit block and 100 blocks of N. Vermilion St.)
3. The term "business" shall include any structure containing more than 5 housing units or any combination of business and residential uses.
4. Owner must match the Program's grant at a one-for-one ratio, and must invest his/her dollars first.
5. No bank participation required.
6. Competitive bids or written proposals required.
7. Preference given to locally owned businesses.
8. Design approval by DDI Main Street Design Committee is required. If no decision can be reached within 30 days by the Committee, the Director of the Department of Public Development shall make the final decision on design compatibility.
9. \$5,000 earmarked for this program from within the Revolving Loan Fund on the date of these guidelines. Once \$5,000 is disbursed no additional grants may be made under this Program Element without the specific approval of the City Council.

GENERAL PROCEDURES FOR PROJECT APPROVAL

The following procedures represent a recommended path for efficient Program benefits potential determination as well as a checklist for Program loan approval.

1. Prepare a written statement of what you wish to accomplish. This does not need to be a full Business Plan but it could be. This step will cause you to consider the issues involved, and assist you in presenting a consistent message on the development of your ideas.
2. Contact the Small Business Development Center (28 W. North Street 442-7232) if you need assistance in preparing this document, or if you simply want general training or advice on starting a business.
3. After you have your ideas in writing, contact one of the qualified banks previously mentioned in this document. The lender will help refine your plan, and work through the specific project financing.
4. If the Lender likes your idea, but advises that financial assistance from the Program will make your project financially stronger, the Lender, or the Borrower should contact the Department (431-2320) to determine availability of funds and project eligibility.
5. Once the Department determines that your project is eligible, and that funds are available, the Department shall notify the Lender in writing of its preliminary obligation of Program funds.
6. At this point the Program Application herein should be completed and submitted for final review and approval, along with all required exhibits.
7. Upon receipt of a completed and documented application, the Department will determine a loan closing date.
8. Following closing the borrower makes one monthly payment to the Lender, who disburses a check to the Department to cover the repayment of the Program portion of the loan.
9. Each quarter year, the Department will submit a state-mandated employment survey to each Borrower which must be completed to avoid penalties.

LOAN APPLICATION

Small Business Revolving Loan Program Danville, Illinois May 2, 2006

A. General Information.

Applicant Name

Date of Request

Home Address (Street, City, State, Zip)

Home Phone

Address of Business to Be Assisted (Street)

Phone, if any

B. Financial Information.

1. If an existing business, how many years in business? _____
2. How much owner equity do you expect to put into the project? \$ _____
3. Financial breakdown of the Project:
 - Amount requested for land acquisition? \$ _____
 - Amount requested for construction or renovation? \$ _____
 - Amount requested for equipment? \$ _____
 - Amount requested for working capital? \$ _____
 - Other costs (describe)? \$ _____

TOTAL PROJECTED EXPENDITURES => \$ _____

4. Which Revolving Loan Program Element(s) are you requesting?
 - a. General Revolving Loan Program _____
 - b. Facade Grant Program Element * _____
 - c. Facade Deferred Loan Program Element _____
 - d. Facade Loan Program Element _____
 - e. Historic Landmark Loan Program Element _____
 - f. Special Projects Loan Program Element _____
 - g. Slipcover Removal Element _____

*** Linear foot of the affected façade area (measured by its breadth). _____**

C. Type of Business.

1. Industrial, commercial, professional, residential or some combination use? _____
2. If a new business, what is your estimated target date to begin operation? _____

D. Ownership and Management.

1. Is the applicant business a proprietorship, partnership or corporation? _____
2. If a proprietorship, partnership or closed corporation, list the names of the owners and amounts owned.

E. Description of Project.

1. Briefly describe the type of business you hope to operate. Describe the work you intend to do with the loan money if you are approved.

2. By category, estimate the number of jobs to be created and/or retained as a result of this project. Include the owners (if they are going to work) under the management heading.

Category	Number Average Retained	Average Salary	Number Created	Salary
Management	_____	\$ _____	_____	\$ _____
Supervisory	_____	\$ _____	_____	\$ _____
Skilled	_____	\$ _____	_____	\$ _____
Semi-skilled	_____	\$ _____	_____	\$ _____
Unskilled	_____	\$ _____	_____	\$ _____

3. Is a change in existing zoning needed to undertake this development? If so, describe. _____

4. What is your estimated schedule:

Begin work. (date) _____

Complete work. (date) _____

5. Do you understand and agree that any construction work you do must conform to local codes and you must use registered contractors? Yes____ No____

6. Do you plan to own the property or lease it? _____

If lease, what is the anticipated length of your lease? _____

7. Please name any architects or contractors that you expect to use on the project.

G. Required Exhibits.

The following exhibits must be provided, when requested, to the Danville Department of Public Development (17 W. Main Street) before City approval will be granted:

1. Site Plan of the business location, showing the dimensions of the lot, the amount of square footage in any buildings, and the location of any parking on the lot.
2. A Business Plan describing the project.
3. If the project involves improvements to the front of a building, plans showing the new façade must be provided.

The following exhibits must be signed and returned to the Department before Program funds are disbursed:

1. A letter from the City's Code Enforcement Administrator confirming that the borrower has a general understanding of the code requirements, and has indicated a willingness to comply.
2. A signed Certificate of Non-Discrimination/Low-Mod Benefit
 - a. Federal Labor Standards Provisions. Established guidelines for the payment of wages to laborers and mechanics employed as part of the project. These are commonly referred to as the "Davis-Bacon Act" wage provisions. Not all contractors are subject to these requirements. The Department's Community Development Grants Manager can provide current wage rates and other guidance on these regulations.
 - b. Employment Non-Discrimination. The Borrower must certify that there will be no discrimination related to hiring, employment and firing of employees.
 - c. Low and Moderate Income Benefit. The Borrower certifies that he/she understands that this program is intended to provide at least 51 percent benefit to low and moderate income persons. They agree to make their best effort to work with the Illinois Job Service Bureau to find new employees. Further, they agree to cooperate with the Department in their efforts to monitor this aspect of the project by completing the quarterly employment survey.

Applicant (s) Signature (s)

_____	_____	Date
_____	_____	Date
_____	_____	Date
_____	_____	Witness

CERTIFICATION
Non-Discrimination/Low/Mod Benefit

I (we) the undersigned Borrower (s) do hereby certify that, relative to activities funded in part by a Small Business Loan approved by _____ and _____ (Lender) the City of Danville, Department of Public Development ("Department"), in an amount of _____ on _____, (we) understand and agree to comply with the following requirements:

A. The Borrower (s) will not discriminate against any employee or applicant for employment because of race, creed, color, sex or national origin. Such action will include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower(s) agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Authority setting forth the provisions of this nondiscrimination clause.

B. The Borrower (s) shall, in all solicitations or advertisements for employees placed by or on behalf of the Borrower(s), state that all qualified applicants will receive consideration for employment without regard to race, creed, color, sex or national origin.

C. The Borrower (s) shall cause the foregoing provisions to be inserted in all subcontracts for any work covered by this Small Business Loan so that such provisions will be binding upon each subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

D. The Borrower (s) understand that this loan program is intended to benefit low and moderate income people as much as possible. To this end the Borrower (s) agree to work with the Illinois Department of Employment Security to solicit new employees. Income Certification Forms provided by the Department may be required in order to monitor program performance in this regard.

E. The Borrower (s) agree to provide employment information to the Department as required in order to monitor the success of this program.

Borrower(s) Signature (s)

	Date
	Date
	Date
Date	Witness

APPENDIX

A. Interpretations and Administrative Rules.

1. **Definition of “Project”.** A single planned, coordinated event intended to stabilize, restore, renovate or otherwise improve a structures exterior for the purposes of expanding economic opportunities in the Downtown Area.

2. **Definition of “Façade”.** Façade means the exterior vertical surface of a wall including applied features clearly and entirely visible from an adjoining public street or alley. “*Façade Grants*” and “*Deferred Loans*” may be approved for one or two façade walls, while general “*Façade Loans*”, which involve money from local Lenders, shall be restricted to no more than one wall. Loans and grants can be combined on any qualified building to improve any two walls, i.e. Grants on two walls and a loan on either one of the two. The same building facades may receive more than one grant and/or loan if part of separate and distinct improvement projects extending over an extended period of time, usually years.

3. **Design Review Rules.** Designs for façade improvements must be provided to the Design Committee for review and approval. Said drawings shall be scaled and clearly indicate all proposed alterations. Whenever practical, the following items shall also be included:

- Formal Architectural drawings.
- Photographs of the existing façade.
- Rendered drawings of façade elevations.
- Samples of principal exterior materials to be used.

3. **Design Guidelines.** All designs shall conform to the approved Downtown Danville Design Guidelines and local building codes. Copies of these guidelines are available through DDI or the City of Danville Department of Public Development.

4. **Design Approval – Timing.** Work requiring Design Committee approval that is already completed or in process before final approval of the Committee will not be eligible for funding under any of these programs. The design must be approved before any physical work is initiated.

5. **Recapture Agreement – Projects involving Grants.** Projects receiving any form of Grant shall not be altered without prior approval of the Design Committee. Any changes must conform to the approved design or the current design guidelines. Modifications in violation of this rule shall trigger a recapture provision of Program Funds. Borrowers receiving grants (Façade, Deferred/Façade Loan) shall sign a Recapture Agreement prior to disbursement of any Program Funds.

Maps showing the Target Areas for the Various Program Elements.