

**CITY OF SPRING VALLEY**  
**LOCAL REVOLVING FUND**

**GUIDELINES**

**Adopted August 2017**

**LOCAL REVOLVING FUND (RF) PROGRAM**  
**PROGRAM GUIDELINES -- CITY OF SPRING VALLEY**

**I. PURPOSE**

To make available needed, reasonable term loans at an attractive blended interest rate to existing and potential business/property owners to invest in the City of Spring Valley with the result of job creation and/or retention.

**II. LOAN TERMS & CONDITIONS**

**A. Participating Lenders**

The City of Spring Valley, may participate with any Lending Institution and/or Source of Equity in making Spring Valley-RF Program Loans.

**B. Matching Requirement**

Spring Valley-RF Program Loans will be made on a matching basis. A match of 2:1 will generally be required. The 2:1 match may be waived by the RF Committee, but in no case will the match be less than 1:1. Therefore, the City of Spring Valley participation will be limited to 50% of the project. A maximum participation will be determined on funds available. The match may be in the form of owner equity, bank loans or supplier financing. All matching funds shall be financial contributions (cash). Funds spent prior to approval of the RF application may count as match only at the discretion of the SV Revolving Loan Committee.

**C. Demonstration of Financial Need**

Applicant firms and participating lenders must demonstrate a financial need for local RF funds. Financial need can be demonstrated by meeting one or more of the following financial need criteria:

1. RF funds are needed to "plug the gap" between the estimated project cost and what lenders are able and willing to lend.
2. The estimated return on investment (ROI) exceeds the bank determined industry wide standard.
3. The bank determines there is insufficient collateral without CDAP revolving loan participation.
4. 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 cost information/explanations on how RF funds "equalize" the costs between the "community site" and the "out of state" site, RF funds cannot be used to relocate firms from one part of the State of Illinois to another part of the state).

This need will be demonstrated by a lender and community RF committee review of applicant firm's financials (see application at end of document for financial information requirements).

**D. Minimum/Maximum Loan Amount**

The minimum Spring Valley-RF Program Loan shall be \$5,000 and the maximum Spring Valley-RF Program Loan shall be determined on funds availability. This may be waived by the Spring Valley-RF Committee. The RF committee shall make a decision based on the goals of this strategy in the event of a lower loan request. City participation will not exceed 50% of the total project cost.

**E. Interest Rates & Terms**

An Interest Rate to an applicant will be determined based upon commercial loan rates being charged by a financial institution within a 25 or 50 mile radius of the City of Spring Valley. The Participating Lender and the Applicant/Borrower may negotiate any mutually acceptable loan terms. The term of a Spring Valley-RF Program Loan shall generally be determined by the following classifications:

<u>Purpose</u>	<u>Maximum Term</u>
Infrastructure (water, sewer, roads)	15 years
Land and/or Building Acquisition	20 years
New Construction	20 years
Purchase of Machinery and/or Equipment	10 years
Leasehold Improvements	7 years
Building Rehab or Renovation	7 years
Purchase of Inventory	7 years
Working Capital (including training)	7 years

(Note: In no event shall Spring Valley-RF participation exceed the term granted by the Participating Lender for the same class of asset.)

**F. Collateral Requirements**

The Participating Lender shall have the primary responsibility for determining the applicant's credit risk and, if it requires, shall be entitled to the senior lien or security interest on any collateral given as security. In the case where the City secures the RF loan with identical collateral, its lien or security interest shall be subordinated to the Participating Lender. In addition, the City will generally require a PERSONAL GUARANTY on Spring Valley-RF Program Loans.

**G. Loan Disbursements**

All loan disbursements and payments shall be made by the City of Spring Valley.

**H. Fees**

The addition the City may charge a \$100.00 fee to cover application costs.

**I. Loan Call Provisions**

Failure to abide by Spring Valley-RF Program Guidelines or administrative guidelines or administrative procedures can result in calling of the RF loan at the RF Committee's request. Also, the City can call the RF loan due and payable in the event of: 1) the transfer of substantially all the Borrower's assets to any third party; 2) bankruptcy or insolvency of the Borrower; 3) cessation of the conduct of active trade or business in the City of Spring Valley by the Borrower for any reason, including, but not limited to, fire or other casualty; 4) inability to meet the obligations for job creation/retention as originally stated. These provisions are contained in a loan agreement between the borrower and the City.

**III. ELIGIBILITY CRITERIA**

**A. Eligible Borrowers**

Business and/or Property Owners who are locating or expanding in the Spring Valley Area. The City of Spring Valley is also an eligible borrower but only for infrastructure improvements (i.e. water, sewer & roads), which will assist a business to retain or create jobs.

**B. Applicants**

1. An Applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the participating lender.
2. An Applicant's property must conform to use under the City of Spring Valley Zoning Ordinance.
3. Upon completion of any construction activities, the Applicant's property must comply with all applicable code, permit and license requirements of the City of Spring Valley.
4. Applicant must make adequate progress toward loan closing as determined by the Administrative Entity. Failure to do so can result in a revocation of loan authorization by the RF Committee.

**C. Use of Proceeds**

Spring Valley-RF Program Loan Proceeds may be used for any of the following: land and/or building acquisition; new construction; purchase of machinery and/or equipment; leasehold improvement; building rehabilitation or renovation; purchase of inventory; working capital (which includes training); infrastructure (i.e. water sewer & roads) and training. Loans to start-up businesses will require 20% Equity. Spring Valley-RF Program loan proceeds cannot be used to re-finance existing debt of any kind. In rare instances, grants may be given to private borrowers (for real property, equipment, working capital) or the City (for infrastructure only) to facilitate private investments, which will retain or create a significant amount of jobs. (Federal Davis-Bacon requires that prevailing wage be paid for all construction activities. In the State of Illinois, prevailing wage is set very close to union wage rates).

**D. Job Creation/Retention**

Job creation and retention is a priority to City Officials and the SV Revolving Loan Committee. Employment information will therefore be taken into consideration when reviewing this application. Preference will be given to the applicant's ability to document job growth and/or retention.

**E. Activities Completed Prior to Loan Closing**

All project activities completed prior to loan closing are ineligible for financing through the Spring Valley-RF Program. Also, any lender financing or equity, which is disbursed prior to loan closing, may not be counted as match.

**IV. REQUIRED DOCUMENTATION**

**A. Sign-Off Sheet (attached)**

**B. RF Application and Related Documents and Application Fee (\$100.00)**

**C. Lender Commitment Letter**

- \_ Statement of Loan approval by an authorized Lender Officer or Committee
- \_ Specified Dollar Amount of Loan
- \_ Specified Loan Term
- \_ Specified Interest Rate
- \_ Collateral or Security Requirements
- \_ Other Special Conditions of the Loan

**D. Borrower Commitment Letter**

- \_ Description of the Project
- \_ Total Project Cost
- \_ # of Jobs Created/Retained & Benefit to Low/Mod Income Persons
- \_ Type of Jobs to be Created/Retained & Wage Scales
- \_ Time frame for Job Creation
- \_ Potential use of JTPA Training Program (contact Business Employment Skills Team office)
- \_ Name of Lender making Commitment
- \_ Amount of Equity if Start-Up Business
- \_ Statement that the Borrower can begin Project Implementation immediately upon Spring Valley-RF Program Loan Approval.

**V. SPRING VALLEY\_RF ADMINISTRATIVE ENTITY**

A Spring Valley RF Committee has been named as the Administrative Entity for the Spring Valley-RF by the City of Spring Valley. This Loan Committee, will make recommendations to the Spring Valley City Council concerning the use of Spring Valley-RF monies. It shall be the responsibility of this Loan Committee to ensure that all Program Guidelines have been adhered to.