

Macoupin County Economic Development
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Macoupin County Revolving Fund Policy

The Macoupin County Board maintains a Revolving Fund (MCRF) to provide financial assistance to new or expanding businesses within Macoupin County in order to strengthen the county and its communities' economic development through the retention and creation of jobs, stimulating private investment within the county and strengthening the tax base. Loans can be made to projects which show a significant positive impact on local employment.

The funds used to establish the MCRF are to be appropriated from Macoupin County reserve funds. Money recaptured from existing or new loans is deposited in an MCRF account by the Macoupin County Economic Development office through the Macoupin County Clerk and County Treasurer's offices.

The MCRF shall be administered by the Macoupin County Economic Development Coordinator with questions of policy to be considered by the Macoupin County Economic Development Committee and the MCRF Review Committee for recommendation and submission to the Macoupin County Board for final approval.

The Macoupin County Board Chairman shall appoint members as needed to MCRF Review Committee. The committee shall consist of, but not be limited to, members of the Macoupin County Economic Development Committee, a representative from the State Attorney's Office, the Macoupin County Economic Development Coordinator, and a minimum of two experienced area financial institution commercial lenders. The committee will have expertise in financial analysis and packaging. The committee will meet with the applicant, meet with the representative of the participating lending institution, visit the site if necessary, negotiate terms, length, and security of the financial assistance and ensure compliance with the MCRF goals and objectives. A recommendation will be prepared for the Macoupin County Board'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 will be kept confidential.

Mission:

The mission of the MCRF is as follows:

- 1 Stimulate economic growth in Macoupin County by assisting with the retention and growth of the existing industrial and commercial base, providing needed equity to start-up businesses, encouraging the development of minority and female-owned businesses and providing an incentive for established businesses to

- relocate to Macoupin County.
- 2 Assist new or existing Macoupin County businesses to create and retain jobs.
 - 3 To encourage growth and involvement of area financial institutions through joint efforts to make feasible projects which otherwise would not be undertaken.
 - 4 To assist long-term economic development by supporting projects which protect the existing property and sales tax base and which seek to expand it.
 - 5 To insure the financial and political security for the MCRF through appropriate due diligence in the use of funds.
 - 6 Ensure that jobs created or retained by MCRF business applicants benefit a minimum of 51 percent low-to-moderate income persons in the area.
 - 7 The purpose of the MCRF is to provide gap financing for local business and industry in cooperation with a financial institution, not complete financing, unless otherwise decided by the MCRF Review Committee.

A. Revolving Fund Guidelines-Generally

The following guidelines describe the way in which the MCRF will achieve its stated goals:

1. Eligible Borrowers

Any business and/or property owners who are located **in** or expanding in Macoupin County. The Macoupin County Board is also an eligible borrower, but only for infrastructure improvements (i.e. water, sewer and roads) which will assist a business and/or property owners to retain or create jobs.

2. Eligible Uses of Funds

- a. Site development/infrastructure extension costs.
- b. Building construction, renovation, acquisition or improvement.
- c. Leasehold improvements
- d. Purchase of new or used machinery and equipment
- e. Working capital
- f. Land and/or building acquisition.
- g. Purchase of software, consultation, engineering

3. Ineligible Uses of Funds/Limitations

- a. Projects of a speculative nature are ineligible for funding.
- b. Refinancing of existing or private debt is ineligible for funding.

- c. Federal Davis-Bacon and Related Acts require that prevailing wage be paid for all construction activities.
- d. Loans to start-up businesses will require 20 percent equity unless waived by the Macoupin County Board.

4. Maximum Loan Agreement

The maximum Macoupin County RF loan amount shall be \$100,000 or 25% of the project, whichever is less, subject to the availability of funds, unless waived by the Macoupin County Board. Macoupin County RF loans preferably will be made on a matching basis, but the MCRF Review Committee may waive the match and limits. Matching funds preferably will be in the form of a bank loan, but owner equity or supplier financing may be allowed at the discretion of the MCRF Review Committee. All matching funds shall be financial contributions (cash). Funds spent prior to approval of the MCRF application will not count as a match. A match of 1:1 will generally be required.

There will be a dollar cap per project and in aggregate if the MCRF is providing go-it-alone financing. If the MCRF is providing go-it-alone financing, instead of gap financing for a project, then no more than \$15,000 will be loaned to each borrower. No more than \$50,000 or 20% of the total MCRF monies shall be loaned as go-it-alone financing.

If the borrower is asking for go-it-alone financing, the MCRF requires that he/she produce at least two declination letters from local financial institutions. All borrowers must provide sufficient evidence of repayment capacity (historical and reasonably expected future capacity) such as financial statements, a guarantor, or the ability to collateralize the loan.

The borrower, unless waived by the RF Review Committee, should have a loan approved by a financial institution, preferably within Macoupin County and a letter on the institution's letterhead must be submitted with the application. Borrowers must allow the MCRF representative to council with the borrower's financial institution.

5. Demonstration of Financial Need

The Macoupin County Board when utilizing recaptured Macoupin County RF dollars may participate with any lending institution and/or source of equity in making Macoupin County RF loans. Applicant firm and participating lenders must demonstrate a financial need for local MCRF funds. Financial need can be demonstrated by meeting one or

more of the following financial need criteria:

- a. MCRF funds are needed to “fill the gap” between the estimated project cost and what lenders are able and willing to lend.
- b. The estimated return on investment (ROI) exceeds the bank-determined, industry-wide standard.
- c. The financial institution determines that there is insufficient collateral without revolving fund participation.
- d. MCRF financing is needed to keep the firm in the community (applicant must furnish detailed incentive letters from other states and detailed cost information/explanations on how MCRF funds equalize the costs between the community site and the out-of-state site.

6. Geographic Area

Recaptured funds will be expended for projects which are **totally** located within Macoupin County.

7. Interest Rates and Terms

A minimum fixed-rate (currently 3%) shall be charged on Macoupin County RF program loans. The participating lender and the applicant/borrower may negotiate any mutually acceptable loan terms. Macoupin County reserves the right to negotiate all interest rates, loan terms, and loan amounts. Macoupin County shall have the option of participation in the financing package through a linked deposited interest rate buy down. In such a loan, the linked deposited funds would have no position in the security agreement between the financial institution and the applicant. The term of a Macoupin County RF program loan shall generally be determined by the following classifications:

Purpose	Maximum Term
Infrastructure	(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
Working Capital	(7) years

(NOTE: In no event shall Macoupin County Revolving Fund participation exceed the term granted by the participating lender for the same class of asset. If the MCRF is included in a financial package involving DCEO, SBA or other government agencies or financial

institutions, the MCRF shall not exceed fifteen (15) years to coincide with the length of the other loans in the package.

8. Collateral Requirements

The participating lender shall have the responsibility for determining the applicant's credit risk for their loan and the Macoupin County RF Review Committee shall make an independent assessment of the applicant's credit risk. If the participating lender requires, it shall be entitled to the senior lien or security interest on any collateral given as security. In the case where Macoupin County secures the MCRF loan with identical collateral, its lien or security interest shall be subordinated to the participating lender. Macoupin County will require security at a minimum in the form of a secondary lien position on all land, buildings, machinery and other tangible assets. In addition, Macoupin County will generally require PERSONAL GUARANTY on Macoupin County RF loans.

9. Loan Disbursements

All loan disbursements and payment shall be made by the Macoupin County Board. The financial assistance agreements, including commitment agreements, liens, title policies, security recordings, transfer tax declarations, amortization schedules and security releases, shall be obtained and completed by the Macoupin County State's Attorney Office. The Macoupin County Economic Development Coordinator shall monitor repayments of the financial assistance agreements, and monitor other special conditions required by the financial assistance agreement. No prepayment penalty will be charged on the Macoupin County portion of the loan.

Delinquent loan repayment strategy:

- a. 10 days past due-the Economic Development Coordinator will make a telephone call to remind borrower that a payment is past due.
- b. 30 days past due-the Economic Development Coordinator will send a written request for payment to the borrower.
- c. 45 days past due-the Economic Development Coordinator will turn the account over to the Macoupin County State's Attorney office. All legal rights will be exercised by Macoupin County to reclaim the funds.

10. Origination Fee

An origination fee of up to 1 percent of the amount requested may be charged by Macoupin County and is payable at closing. In addition, the Macoupin County Board may charge a \$100.00 fee to cover application costs.

11. Loan Call Provisions

Failure to abide by Macoupin County RF program policies or administrative guidelines can result in calling of the MCRF loan at the MCRF Review Committee's request. Also, the Macoupin County Board can call the MCRF loan due and payable in the event of: 1.) the transfer of substantially all the borrower's assets to any other (third) party; 2.) bankruptcy or insolvency of the borrower; 3.) cessation of the conduct of active trade or business by the borrower for any reason, including, but not limited, fire and 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 Macoupin County.

B. Other MCRF Program Requirements

12. Applicants

- a. An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the MCRF Review Committee and the participating lender. All loans are subject to financial feasibility.
- b. At all times while the MCRF contract is in effect (Upon completion of any construction activities,) the applicant ('s) (property) must comply with all applicable code, permit and license requirements of the Federal, State and Macoupin County government.
- c. The applicant must make adequate progress toward loan closing as determined by the MCRF Review Committee. Failure to do so can result in a revocation of loan authorization by the MCRF Review Committee.

13. Job Creation/Retention

For every full-time equivalent (FTE) job to be created/retained, no more than \$15,000 of MCRF funds will be allowed. FTE is defined as

1,800 hours a year. At least 51 percent of those jobs created/retained must benefit low-to-moderate income persons.

14. Activities Completed Prior to Loan Closing

All project activities completed prior to loan closing are ineligible for financing through the Macoupin County RF program.

15. Bad Loans

In the event of a bad loan, legal steps will be taken to recover the MCRF funds.

C. Required Documentation/MCRF Processing

16. MCRF Application

17. A minimum of the last three years of financial statements of the borrower and the corresponding income tax returns. Financial statements and income tax returns of individual officers of the business may also be required. The MCRF Review Committee may also require access to the borrower's financial institution for consultation.

18. Lender Commitment Letter containing (unless participation of another lender is waived by the MCRF Review Committee):

- Statement of loan approval and need for MCRF participation by 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

19. A business/project plan detailing:

- Description of the project
- Total project cost
- Number of jobs created/retained and benefit to low/moderate income persons
- Type of jobs to be created/retained and wage scales
- Time frame for job creation
- Name of lender making commitment/or other sources of funding if lender commitment is waived.
- Amount of equity if start-up business
- Statement that borrower can begin project implementation immediately upon Macoupin County RF program approval
- Statement of how the MCRF loan will be utilized within the project

20. Environmental Review Checklist Requirements
(In some cases this may not be applicable.)

21. Credit Report

Applicant agrees to give the MCRF Review Committee permission to access the borrower's credit report/score information.

D. Application will be generated by:

- a. Sending MCRF information to the county's existing businesses as requested.
- b. Including MCRF information in the county's marketing materials and on the county's website.
- c. Providing MCRF information to other economic development groups in the county such as chambers of commerce.
- d. Speaking to local business groups such as Rotary.
- e. Publicizing MCRF success stories with local media.
- f. Providing local lending institutions with information about the RF to inform potential borrowers of fund availability.

E. Application Management:

- a. An application may be acquired from and submitted to the Macoupin County Economic Development office located in the Macoupin County Highway Department building at 21480 B. Rt. 4 Carlinville, IL 62626.
- b. MCRF applications will be reviewed by the Economic Development Coordinator, the Macoupin County Economic Development Committee Review Committee, and all participating financial institutions to determine the project fundable.
- d.. The Macoupin County Board must approve the loan through a resolution of acceptance.

For further information or to receive a Revolving Fund application contact:

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Macoupin County Highway Department
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