



COMMERCIAL/INDUSTRIAL REVOLVING LOAN FUND

APPLICATION AND PROGRAM GUIDELINES

The CIRLF Loan Committee reviews requests the first Thursday of the month. Applications are due the Monday prior to the meeting date. Current interest rate is 4%. Typical term is five years.

***Community & Economic Development Department
City of Rock Island***

COMMERCIAL/INDUSTRIAL REVOLVING LOAN FUND (CIRLF)

PURPOSES AND MISSION STATEMENT

The City of Rock Island, under contract with the United States Department of Housing and Urban Development, has established the Commercial/Industrial Revolving Loan Fund (CIRLF) which is intended to assist in the expansion of new and existing businesses in the City. The purposes stated below have been identified by the City Council and will be used in the review of proposals submitted for funding to the appointed CIRLF Committee, as established below.

- A. Retain and attract businesses that provide permanent jobs principally benefiting persons of low and moderate incomes as outlined in the Community Development Block Grant (CDBG) regulations.
- B. Support potential gains in property taxes and sales taxes within the City.
- C. Maximize and stimulate private lending institution investment within the City.
- D. Redevelop and recycle blighted or vacant land and facilities within the City.
- E. Provide financial assistance to those businesses that can reasonably document the need for public assistance or where the use of these funds may be the determining factor in a City of Rock Island location.

ELIGIBLE USES OF CIRLF

- A. Funds advanced from the CIRLF must be used in a manner which will further the purposes of the program.
- B. Funds advanced from the CIRLF shall only be utilized for facilities located or to be located within the City of Rock Island, and no portion of the funds shall be utilized for facilities outside the City of Rock Island.
- C. The CIRLF must be used in a manner which will maximize the leverage of the lending institutions and private investments, and minimize the amount to be provided from the CIRLF. At a minimum, 50% of each project that is financed in part by the CIRLF must come from sources other than the CIRLF. This “private” portion may include such financial sources as the applicant’s equity, loans from conventional lenders, industrial development bonds, individuals, or other public or quasi-public funding sources.

APPLICATION REQUIREMENTS

Application

The City of Rock Island, in cooperation with the Bi-State Regional Commission and other local lending agencies, uses the uniform Bi-State Application format.

Application Approval Process

- A. When the application is deemed substantially completed by the City staff, it shall be presented to the CIRLF Committee.
- B. The Committee shall be appointed by the Mayor and approved by the City Council and shall consist of five members. The Committee membership shall include:
 1. Mayor or city Council member;
 2. A representative of a local lending institution;
 3. A commercial real state broker or developer;
 4. An established business owner; and
 5. One of the following:
 - a) Citizen Advisory Committee member;
 - b) Rock Island Economic Growth Corporation representative; or
 - c) Citizen representative.
- C. The CIRLF Committee will, in accordance with Section 10 of the Application and at its sole discretion, determine if participation in the project is “appropriate” according to the following:
 1. Reasonableness of Proposed Project Costs

The CIRLF Committee will review each project cost element and determine that the cost is reasonable and consistent with third-party, fair market prices for the cost element. The general principle is that the level of CIRLF assistance cannot be adequately determined if the project costs are understated or inflated. The provision of CIRLF assistance beyond the true cost of the project would be inappropriate.
 2. Commitment of Other Sources of Funds

The CIRLF Committee will review all projected sources of funds necessary to complete the project. The CIRLF Committee will verify that all sources (in particular, private debt and equity financing) have been firmly committed and are available to be invested in the project.

3. No Substitution of CDBG Funds for Private Sources of Funds

The CIRLF Committee shall financially underwrite the project and ensure that CDBG funds are not being substituted for available private debt financing or equity capital. The analysis will be tailored to the type of project being assisted, i.e., real estate, user project, capital equipment, working capital, etc. Real estate projects require different financial analysis than do working capital or machinery and equipment projects.

The analysis will determine the need for CIRLF financial assistance, the amount of CDBG financial assistance needed and the likelihood of the project's success. For example, a business' need for CDBG assistance may be based upon a lack of sufficient capital and access to standard sources of credit or the additional location costs and risks of locating in a lower income neighborhood, which without CDBG assistance, would result in an unsatisfactory rate of return on equity. Note that there may become limited circumstances in which there is no provision for a cash equity investment in the project. Such situations may include a business owner who has little or no financial net worth and has no available personal funds to invest in the business or a business owner who already owns an asset, such as land, a building or equipment that will be invested in the project in lieu of cash equity. In these case, the Committee will assess the inability of the business to make an equity investment (based upon the conclusions of its financial underwriting discussed above) and establish appropriate CDBG financing terms (see paragraph number 4 below) to ensure that the business owner is not unduly enriched.

The CIRLF Committee will carry out these reviews consistent with generally recognized industry standards for the type of project involved, the rates of return on equity investment and level of risk. Again, the general principles are: It would be inappropriate to substitute CIRLF funds for available private debt financing or equity; and it would be inappropriate to assist a project which has no likelihood or success regardless of the amount of assistance.

Front-end analysis especially is critical in cases where CIRLF funds are spent for "upfront" costs such as land acquisition or construction of speculative buildings. The CIRLF Committee will ensure that both a significant equity commitment by the for-profit business exists, and that the level of certainty of the end use of the property or project is sufficient to ensure the achievement of national objectives within a reasonable period of time.

4. Establishing CIRLF Financing Terms

The amount of CIRLF assistance provided to a for-profit business should be limited to the amount, with appropriate repayment terms, sufficient to allow the project to go forward without substituting CIRLF funds for available private debt or cash equity.

- D. A project is eligible for consideration for a loan through the CIRLF program if it consists of activities that do one or more of the following:
1. Creates or retains jobs for low and moderate income persons (note that a project which meets the national objective of principally benefiting low and moderate income persons by creating or retaining jobs, fifty-one percent (51%) of which are for low and moderate income persons, will be deemed to have met this criterion without any additional documentation);

2. Prevents or eliminates slums and blight (note that a project which meets the national objective of aiding in the prevention or elimination of slums or blight on an area basis will be deemed to have met this criterion without any additional documentation);
3. Meets urgent needs (note that a project which meets the national objective of meeting community development needs of a particular urgency and will be deemed to have met this criterion without any additional documentation);
4. Creates or retains businesses owned by community residents; and
5. Assists businesses that provide goods or services needed by and affordable to low and moderate income residents.

Note that a recipient may choose to document that either at least 51 percent (51%) of the jobs will be available to low and moderate income persons or that at least 51 percent (51%) of the jobs will be held by low and moderate income persons.

- E. The CIRLF Committee currently meets on the first Thursday of every month, subject to holidays and quorums. In order to be included on monthly agenda, completed applications must be received by the City by the Monday of the week prior to the meeting date. Please contact staff in advance to confirm a meeting date.

APPROVAL WITH TERMS AND CONDITIONS

The CIRLF Committee will, at its sole discretion, set the terms and conditions for each loan approved, which shall be based on a majority of those members voting. The following are general guidelines and policies historically followed by the CIRLF Committee:

1. The amount of any single loan from the CIRLF shall not exceed a note face value of \$100,000 nor be less than \$10,000.
2. The loan may be used in a subordinate position to another lender.
3. The minimum requirement is to create one full-time job for each \$10,000 borrowed.
4. Fifty-one percent (51%) of the permanent jobs created or retained must be available to low and moderate income persons.
5. The interest rate will generally be one-half of the prime rate but no less than 4%.

Finally, the CIRLF committee or the City Manager, within the applicable laws and regulations, are empowered to make all decisions with regard to the Program. The City Manager, or his designee, is authorized and directed to sign documents on behalf of the City.

DUE DILIGENCE PROCESS
(Mainly Referring to Section Number 9 of the Application)

A general review addressing some or all of the following areas, (as applicable for the project) will be made by the City staff, Community and Economic Development Director, and the CIRLF Committee.

Products and Markets

A. Products

1. Description of product lines and products
2. Comparison of product quality with competitors
3. Product prices compared to competitive items
4. Patents involved with products
5. Special packaging or shipping requirements
6. Are technical sales or after sales service required?
7. List product obsolescence or aging factors
8. Any new products not yet being sold?
9. Profitability of individual products
10. Product's safety (existing claims and insurance coverage)

B. Competition

1. Who manufactures or sells competitive products?
2. What are competitors' capacities and significance
3. What is customer opinion of competitors and their products?
4. What other products compete in the same market and what are their advantages and disadvantages vis a vis your firm's products?

C. Market

1. Major customers for each product or line
2. Sales breakdown by customer and product line
3. Approximate market share of major products
4. Geographic distribution of sales
5. Freight considerations
6. Channels of distribution
7. Pricing practices and trend of unit prices
8. Seasonality and cyclically of sales
9. Are there government restrictions to marketing?
10. Will acquisition change customer attitude toward products?
11. Economic factors affecting future product demands
12. Current and average order backlogs

D. Marketing and Sales

1. Means of selling (direct, sales reps, etc.)
2. Organization of sales force including territories covered
3. Method of compensating sales personnel
4. Marketing and advertising expenditures
5. Discounts
6. Extent of market research and sales forecasting
7. Extent of foreign sales.

Production

A. Facilities

1. List of facilities by location and age and square footage
2. Give items produced at each facility and estimated capacity
3. Percent capacity currently being used
4. Describe physical condition of facilities
5. Determine adequacy of utilities and disposal systems
6. Describe any unusual risks such as flood or fire and degree of protection in force
7. Review safety conditions and records
8. Room for future expansion
9. Appraisals, if available
10. Possibility of sale and leaseback
11. Description of equipment value

B. Production Methods and Processes

1. Describe manufacturing processes of each product
2. Quality control methods
3. Cost control systems
4. Cost data and break even level of operation
5. Tool design and repair
6. Disposal of scrap

C. Raw Material

1. List major raw materials and quantities used per year
2. List of sources of raw materials and their reliability and availability
3. Are there possible alternate sources?
4. History of prices and factors influencing prices
5. Buying and quality assurance practices
6. Raw material costs as a percent of sales.
7. Nature and degree of subcontracting
8. How much raw material is kept on hand?

D. Transportation of Facilities

1. Nature of transportation and storage facilities needed for raw and finished products
2. Transportation and storage facilities at each location.
3. Present transportation methods and costs

Management and Industrial Relations

A. General Organization

1. Organization chart
2. Number of employees (direct, indirect labor)
3. Who are the key people in each function of the business?
4. Will they remain active after the acquisition?
5. If not, can they be easily replaced?
6. Describe any bonus arrangements and employment contracts.

B. Shop Labor

1. Union contract status or organization attempts
2. Past union difficulties and present status
3. Wage rates
4. Fringe benefit programs
5. Morale and productivity

Engineering and Technical Service

A. Engineering Personnel

1. Adequacy of product and process engineering
2. Relations with manufacturing and sales
3. Major accomplishments in last five years and benefits to the company
4. What is the engineering component of the product value?

B. Research and Development

1. Historical percent of sales spent on R & D
2. Current projects and status
3. Worth and protection of all patents or trademarks
4. Trade secrets

BUSINESS PLAN

The business plan plays an integral role in the investment review process, so special care should be taken to ensure that the plan is completed in a thorough and professional manner. It is of special importance when the business is a “start-up” and has no record or history of operations.

A well-conceived business plan is not only an excellent way to access the company’s potential, it can also serve as a useful management tool. It can help to organize thoughts and goals in a logical manner and serve as a guidebook from which to monitor and review progress. The scope of any business plan will vary greatly by type of business, but at a minimum, the plan should contain the following:

A. Plan Summary or Executive Summary

The plan summary should highlight key elements of the entire business plan, including:

- Products and services
- Business objectives
- Market potential and assessment of competition
- Management team’s experience
- Projected financial results
- Amount of money needed and how it will be spent
- Jobs to be held by low and moderate income persons

B. **Products**

The City wants to know what distinguishes your products or services and what market needs they will meet. Therefore, this section should include the following information:

Description of Product - Describe the key features of the product or service and its benefit to potential customers and compare them with those of competitive edge as well as limitations. Include photographs or sketches.

Proprietary Position - Describe patent or copyright position, or any other means of protecting the technology.

Other Barriers to Competitors' Entry - Describe other conditions which would discourage competitors from entering field.

Research and Development Activities - State the primary research and development activities that will be required to bring the project to market. Indicate how much it will cost and how long it will take.

Regulatory Requirements - State any underwriters Laboratory, regulatory (FCC, EPA, etc.) or other approval requirements.

C. **Market Analysis**

In this section, evidence should be projected that there is a market need for the product or service and that it can profitably fill that need.

Potential Customers - Who are they, why do they buy (because of the price, for convenience) and what are their expectations for price, quality and service.

Market Size and Trends - Describe the current and potential size of the market. Support growth estimates with industry trends, technological developments, changing customer needs, and other market factors. Sources and assumptions should be clearly stated, and they should be realistic.

Competition - Describe the companies that will be the competition and assess their strengths and weaknesses.

D. **Marketing Strategy**

This section should demonstrate understanding of how the market should be segmented and how to market effectively to correct targets.

Target Markets - Identify target market(s).

Estimated Sales and Market Share - Estimate the projected market share and sales volume over the next five years.

- Penetrate the market
- Maintain and increase market share against competition

- Make a profit

Sales Plan - Discuss how and where the company plans to sell and distribute the product or service. Will marketing be by direct sales force or rely on distributors? How will they be compensated?

E. Manufacturing

In this section, describe the plan to manufacture the product or perform the service. Describe the following:

Location - Discuss the location of the business. Consider labor and material costs and availability, transportation, proximity to customers, taxes, local laws, etc.

Facilities and Equipment - Describe the facilities and equipment that will be required. What will these cost? Will they be leased or purchased? Discuss future needs and room for expansion.

Production Operations - Describe the manufacturing process or the method of performing the service including:

- Production or operating process
- Breakdown of cost (fixed and variable costs)
- Production capacity
- Availability of raw materials
- “Make or buy” decisions

F. Management and Organization

One of the major concerns of the city is the strength of the management team. This section will receive a great deal of attention from investors.

Organizational Chart - Explain how the management team is organized and what functions are reported to each team member.

Key Managers - Prepare a synopsis of each key manager, including current duties and responsibilities, educational and background, career, highlights and significant past accomplishments that demonstrate ability for the tasks that will be required in the current job.

Compensation and Ownership - Describe current compensation arrangements (salary, incentive bonus, profit sharing) and what investment each has in the company. Include a list of key stockholders, with the number of shares each owns.

Board Members - Identify and briefly describe board members and their investment in the company.

G. Financial Information

In addition to historical balance sheets and income statements for the past three

years (if available) include projected financial statements for the next five years, including:

- Projected statements of operations
- Cash flow projections
- Pro forma balance sheets

It is important to clearly state the assumptions used in preparing the projections.

Capital Structure - List shareholders, long-term debt and other credit arrangements, outstanding stock options or warrants, etc.

CIRLF/IsI

ECONOMIC DEVELOPMENT LOAN APPLICATION

GENERAL INSTRUCTIONS

Place an "X" by the public financing program(s) to which your business is applying.

- Bettendorf: Revolving Loan Fund
- Bi-State Regional Commission: Revolving Loan Fund
- Davenport: Commercial/Industrial Revolving Community Loan
- East Moline: Revolving Loan Fund
- Eldridge: Revolving Loan Fund
- Milan: Revolving Loan Fund
- Moline: Revolving Loan Fund
- QCREDA: Revolving Loan Fund
- Rock Island: Commercial Industrial Revolving Loan Fund
- Scott County: Loan Program

Applications should be typed or printed. Be concise but complete in your narrative descriptions. Additional pages may be used.

ECONOMIC DEVELOPMENT LOAN APPLICATION FOR REVOLVING LOAN FUND

A. BUSINESS INFORMATION

1. Legal Name and Address of Applicant.

Name			

Address	City	State	Zip Code

Contact Person	Title	Phone No.	Fax No.

2. Proposed Location of Project: _____

Address	City, State	Zip
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3. Type of Business.

4. SIC Code/Category. _____

5. Employer Identification No. _____

DUNS Identification No. _____

6. Is the applicant wholly or partly owned by any other business? If "Yes" name the other companies and their percentage of ownership.

_____ No

_____ Yes - If "Yes" describe other ownership.

7. Credit References.

a) Business References (Name, Address, Account Number)

b) Checking and Savings Account (Show Names of Institutions and Account Number)

8. List the names and other information regarding individuals primarily responsible for the management of the business.

<u>Name</u>	<u>Position</u>	<u>% Ownership</u>	<u>Date Started With Business</u>
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9. Description and History of the Business.

History and background information should include: date established, dates of major changes in business, employee and sales growth, dates new products/service lines were established and other major influences on the products produced or services provided.

10. Experience of Applicant/Business

Provide a brief description of education, technical and business experience/background as it relates to your ability to successfully operate your proposed activity. If corporate members have related experience, please describe their credentials.

B. PROJECT INFORMATION

11. Project Description.

Describe all elements of the proposed project, including land and/or building acquisition, building acquisition, building construction and/or renovation, equipment purchases and installation, etc. Give estimated project time schedule and project location. Include any changes in business activity, what operations will be initiated or expanded, how this relates to existing operations, evidence of the financial feasibility of the project, changes in products or services offered, etc.

12. Creation/Retention (Full-Time Equivalents)

NOTE: Jobs creation numbers are monitored for two years.

_____ Current number of employees.

_____ Number of permanent jobs retained as a result of the project.

_____ Number of permanent jobs to be created within 24 months of loan.

Types of Jobs Created

Average Rate of Compensation

Types of Jobs Retained

Average Rate of Compensation

13. Has any Portion of the Project been Started?

_____ No

_____ Yes (If "Yes" please describe)

14. Fixed Business Obligations.

Provide information on all installment debts, contracts, notes and mortgages payable.
(Present balance should agree with latest balance sheet submitted.)

To Whom Payable	Original Amount	Original Date	Present Balance	Interest Rate	Maturity Date	Monthly Payments	Security

15. Description of Collateral.

List present market value of collateral and what will be offered to secure requested loan.

Present Market Value

- A. Land and Building _____
- B. Inventory _____
- C. Accounts Receivable _____
- D. Machinery and Equipment _____
- E. Furniture and Fixtures _____
- F. Other _____

16. In what form is the business contribution to this project?

C. SOURCE AND USE OF FUNDS

17. Summary of Project Costs.

Land Acquisition	\$ _____	_____ %
Building Acquisition	\$ _____	_____ %
Building Renovations	\$ _____	_____ %
New Construction	\$ _____	_____ %
New Machinery & Equipment	\$ _____	_____ %
Used Machinery & Equipment	\$ _____	_____ %
Architectural & Engineering	\$ _____	_____ %
Inventory	\$ _____	_____ %
Working Capital	\$ _____	_____ %
Other	\$ _____	_____ %
Total Project Costs	\$ _____	_____ %

18. Source of Funds.

	Amount	Term	Rate	Status
Private Financing				
Bank	\$ _____	_____	_____	_____
Company Cash Injection/Equity	_____	_____	_____	_____
Other	_____	_____	_____	_____
Public Financing				
_____	\$ _____	_____	_____	_____
_____	_____	_____	_____	_____
Total Source of Funds	\$ _____			

19. Justification for Public Financing.

Provide a justification for the need for public financing. Include a letter from the participating conventional lender stating the reasons why it will not provide additional funds for the project.

Please see attached letter of commitment.

D. ASSURANCES

All information in this application and the attached narratives are true and complete to the best of my/our knowledge. I/We agree to pay or reimburse the County/City for the cost of any surveys, title or mortgage examinations, appraisals, etc.

I/We, the undersigned, authorize the County/City to obtain verification of any information contained in the application from any source named herein.

If Applicant is a Corporation:

President

Corporate Secretary

Applicant's Signature

Date of Birth

Typed Name of Applicant

SUBMITTAL CHECKLIST

In order to assist you in submitting your application, please use the following checklist. The items listed below must be included in your application packet.

- _____ A completed signed application.
- _____ Business balance sheet for the last three years, dated within 90 days of application.
- _____ Business income statement for the last three years, dated within 90 days of application.
- _____ Income and expense projections for at least two years.
- _____ Aging of Accounts Receivable and Payable.
- _____ Personal balance sheet for each principal(s) owning more than 20 percent of company, dated within 90 days of application.
- _____ Must also provide two years worth of **personal income tax** returns and two years of **corporate income tax** returns (if existing business) .
- _____ Cost estimates must be provided for all the expenses related to the entire project, including machinery and equipment purchases and new construction and/or renovation expenses.
- _____ An appraisal must be provided for the purchase of a building and/or land. Copy of the sale agreement between buyer and seller must also be included with application.
- _____ Copy of business plan for project.
- _____ HUD Certification of Categorical Exclusion Form (staff)