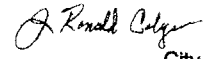


DEC 07 2009

ORDINANCE NO. 2755


City Clerk

AN ORDINANCE ADOPTING A REVISED RECAPTURE STRATEGY FOR COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM (CDAP) REVOLVING FUNDS FOR THE CITY OF COLUMBIA, ILLINOIS

WHEREAS, the City of Columbia, Illinois (the “City”) has been the recipient of a grant from the Community Development Assistance Program from the Illinois Department of Community & Economic Opportunity (“DCEO”); and,

WHEREAS, the conditions of said grant require the City to recapture funds in a revolving loan program; and,

WHEREAS, the requirements of said grant further stipulate that the City must administer the program by means of a Recapture Strategy adopted by the City Council and approved by DCEO; and,

WHEREAS, the City has established a Revolving Loan Committee to oversee the program and assigned the Director of Community & Economic Development to serve as its Administrator; and,

WHEREAS, it is necessary and appropriate that the Recapture Strategy be periodically updated and revised to reflect changes in state and federal regulations.


NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Columbia, Illinois, as follows:

Section 1. The City Council of Columbia, Illinois hereby adopts the attached Revolving Loan Fund Recapture Strategy.

Section 2. All ordinances or resolutions in conflict herewith, to the extent of such conflict, are hereby repealed.

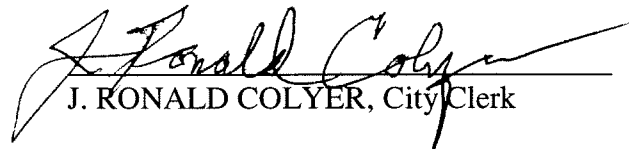
Section 3. This ordinance shall be in full force and effect from and after its passage, as provided by law and subject only to final approval by DCEO.

PASSED by the City Council and APPROVED by the Mayor this 7th day of December, 2009.



KEVIN B. HUTCHINSON, Mayor

ATTEST:



J. RONALD COLYER, City Clerk

(SEAL)

Revolving Loan Fund (RLF)

Recapture Strategy

A. GOALS AND OBJECTIVES

1. To stimulate and enhance economic growth in the City of Columbia (hereinafter "the City") by:
 - Assisting with the retention, growth, and diversification of the local industrial, commercial, and retail base;
 - Providing needed equity to start-up businesses;
 - Leveraging loans to businesses from local financial institutions;
 - Encouraging the development of minority and female-owned businesses;
 - Preparing and providing necessary infrastructure improvements that result in direct job retention or creation;
 - Providing businesses with the opportunity to expand;
 - Promoting capital improvements and building preservation to maintain and enhance property values;
 - Providing an incentive for established businesses to relocate to Columbia within the guidelines of the Illinois Department of Commerce & Economic Opportunity (hereinafter "DCEO");
 - To assist new or existing businesses to create and retain jobs.
2. To ensure that a minimum of 51% of the jobs created or retained by business applicants benefit low-to-moderate income persons (earning less than 80% of the median income for the St. Louis metropolitan area as identified in the most recently-posted Income Limits Documentation System for the federal Housing & Urban Development Department).
3. To increase the City's property and sales tax base.
4. To effectively manage, maintain, and grow the revolving loan fund to ensure that the other goals and objectives continue to be met.

B. REVOLVING LOAN STRATEGY

1. Eligible uses of funds:
 - Site development or infrastructure extension costs;
 - Construction of a new facility or addition to an existing one;
 - Building renovation;
 - Purchase of machinery or equipment; or
 - Working capital.
2. Ineligible uses of funds:
 - Projects of a speculative nature;
 - Loan refinancing;
 - Financing relocation of a business from one area of the state to another without prior approval of DCEO;
 - Marketing activities;
 - Preparation of a revolving loan application.
3. Funds will be targeted to assist with the retention, growth, and diversification of the local industrial, commercial, and retail base. Special consideration will be given to retention and expansion of existing businesses, new start-ups, female & minority-owned firms, projects located on Main Street, and projects demonstrating a high potential for job creation.

4. The geographic area served by the fund will be the corporate boundaries of the City. In the event that a loan recipient removes its operations from the City, the remaining balance of the loan shall immediately become due.
5. For every \$15,000 of revolving loan funds provided, one full time equivalent (FTE) position (1950 hours worked per year) must be created or retained.
6. Applicants shall provide no less than 10% of the equity to the total project to demonstrate serious commitment and intent to succeed.
7. The minimum amount loaned will be \$15,000 and the maximum \$150,000, subject to the availability of loan funds.
8. The loan interest will generally be 3% below the prime rate as published in the Wall Street Journal at time of closing, but will not be less than 3% per annum.
9. Conventional financing obtained must be of a permanent nature, and bank lines of credit are ineligible to be used as the conventional financing match.
10. A minimum leverage ratio of \$1 non-revolving loan funds to \$1 of revolving loan funds must be obtained for each project and revolving loan funds may not comprise more than 50% of the total project costs.
11. The maximum loan term will be: 15 years in cases of real property acquisition & renovation; 10 years for equipment, machinery, & fixtures; and 7 years for working capital; but in no case will the term exceed the economic life of the assets pledged as security.

C. MANAGEMENT PLAN

1. Applications will be generated by means of the following activities, among others:
 - Sending information to the City's current businesses, business organizations, Realtors, and financial institutions;
 - Including information in all business marketing packages provided by the City;
 - Providing information to entrepreneurial associations, service organizations and other groups representing women or minorities;
 - Posting information and application forms online on the City's website.
2. The Mayor (with the approval of the City Council) shall appoint members as needed to the Business Loan Review Committee. This committee shall consist of, but not be limited to, the Mayor, City Attorney, and four additional members with financial backgrounds representing either the business community in general or a financial institution. The City's Director of Community & Economic Development (hereinafter "Administrator") shall serve as a non-voting advisory member and will administer the loan program.
3. The committee will review all applications after receipt by the Administrator and determine the project's potential and the creditworthiness of the applicant(s).
4. The committee will meet with the applicant(s), representative(s) of the participating lending institution, visit the site (if necessary), recommend terms and length of the loan and the security required, and help ensure compliance with the revolving loan fund's goals and objectives.
5. A recommendation for approval or denial will be prepared for the City Council's review and will include a description of the project, budget, sources of funds, security required, special conditions or considerations, and reasons for recommended approval or denial. All other application information will be kept confidential. The City Council will formally approve or deny the application.

6. Loan documents, including commitment agreements, liens, title policies, security recordings, transfer tax declarations, amortization schedules, and security releases shall be reviewed by the City Attorney.
7. The Administrator shall monitor repayment of the loan(s), job creation/retention, and adherence to special conditions, and shall submit reports as required to DCEO.
8. The City will publicize approved loans and resulting projects through press releases, news conferences, ribbon cuttings, and groundbreakings so as to encourage positive media coverage for the program.

D. REQUIREMENTS FOR BORROWERS

1. Applicants for loan funds must provide the following documentation:
 - a. Business financial statements and all balance sheets for the previous three years of operation or personal information if the business is a new start-up;
 - b. A current credit report, acceptable to the City, for all guarantors for the loan;
 - c. Personal financial statements of all principals owning more than 20% of the firm;
 - d. A one-year monthly cash flow projection;
 - e. A three-year projected income statement and pro forma balance sheet;
 - f. A letter of commitment of permanent financing from the participating lending institution;
 - g. Evidence of the required 10% equity to be injected into the project in the form of cash, real estate, or equipment with clear title;
 - h. A written business plan demonstrating market research and identifying business goals, objectives, and obstacles;
 - i. A statement as to the number, type, and wages of jobs to be created and the plan for filling these positions;
 - j. A statement of commitment to a drug free workplace;
 - k. Other pertinent information such as, pending litigation, judgments, etc.;
 - l. A statement by the applicant that employment certification forms and other business information will be provided to the City as required.
2. Borrowers shall be required to meet the following guidelines:
 - a. Complete, maintain, and provide forms as requested to document meeting the minimum employment goals of creating or retaining one (1) FTE position per \$15,000 of funds loaned within twenty-four (24) months after disbursement of funds (this documentation must also be provided as requested by the City using certification forms from Job Training Partnership Act service providers, Illinois Employment and Training Centers, or DCEO);
 - b. Use the loan funds for the purposes stated in the revolving loan fund application;
 - c. Remit payments per the amortization schedule on a timely basis and contact the Administrator should any problem arise;
 - d. Comply with all local, state, and federal regulations governing said business venture;
 - e. Provide lien waivers from any contractors and other documents to show compliance with environmental, prevailing wage and accessibility regulations as required under state and federal law.
3. In the event a revolving loan becomes delinquent, the following steps will be taken:
 1. At 10 days past due, the borrower will be contacted by phone;
 2. At 30 days past due, the City will send a certified letter requesting payment;
 3. At 45 days past due, the City will send a second certified letter;
 4. At 60 days past due, the loan will be turned-over to the City Attorney for collection or resolution.
4. Delinquent loans will be subject to a higher interest rate.

E. ASSURANCES

1. Not more than 10% of the program revenue received each calendar year shall be used for administration of the revolving loan fund, and said administrative expenses must be documented via receipts, bills, invoices, etc.
2. Assistance provided from the revolving loan fund will result in at least 51% benefit to low-to-moderate income persons, and these benefits must be documented. .
3. The City agrees to report as instructed on the status of the revolving loan fund to DCEO.
4. Any changes to the recapture strategy will be submitted to DCEO for approval.
5. The City will require completion of any environmental reviews (per DCEO guidelines) associated with a project funded through revolving loan funds.
6. The City will require that all contractors pay construction costs at prevailing wages.
7. The City will require that all new construction meets applicable standards of the Americans with Disabilities Act (ADA)
8. In the event of a bad loan, the City will undertake legal action to recover the revolving loan funds.