



**CDAP SUBCOMMITTEE OF THE EXECUTIVE COMMITTEE  
AGENDA**

Room 400, Government Center  
Tuesday, September 12, 2017  
3:30 p.m.

1. Call to Order – Chairman Soeldner
2. Approval of Minutes – July 12, 2017
3. Appearance by Members of the Public and County Employees
4. Discussion of the CDAP Revolving Loan Program
5. Other Business and Communication
6. Adjournment

2-7



**OFFICE OF THE ADMINISTRATOR**  
(309) 888-5110 FAX (309) 888-5111  
115 E. Washington, Room 401

P.O. Box 2400

Bloomington, Illinois 61702-2400

---

## **MEMORANDUM**

**TO:** CDAP Committee Members

**FROM:** Bill Wasson, County Administrator

**DATE:** September 7, 2017

**RE:** Loan Program Information

At the July 12th meeting, the Committee requested further information on the loan program. Attached please find information, provided in part by the Economic Development Council, which reviews the history of the McLean County Revolving Loan Program, what other communities are doing and a review of the Micro Loan Fund.

Please feel free to contact me with any questions you might have.

Thank you.

## **MCLEAN COUNTY REVOLVING LOAN FUND-Gap Financing**

### **HISTORY:**

In 1987, the county of McLean received a Federal Grant in the amount of \$500,000. These funds were loaned to Edwards Warren Tire Company. The full amount of the loan was paid off in addition to accrued interest of \$146,024. The amount recovered allowed the County to establish the Revolving Loan Fund to provide financial assistance to new or expanding businesses in McLean County and to secure public benefit for the residents of Mclean county by developing a stronger economic base and expanded job opportunities. The use of the fund is governed by a variety of rules and regulations mandated by the State and Federal agencies that provided the original grants to McLean County as well as policies adopted by McLean County. Currently there is about \$950,000 available in the fund.

### **ADMINISTRATION:**

The Economic Development Council of Bloomington-Normal-McLean County is the administrator of the CDAP (Community Development Assistance Program) Revolving Loan Fund. The McLean County Treasurer receives all payments, reconciles the fun, reports quarterly to the Finance Committee, and reports semi-annually to the State of Illinois Department of Commerce and Economic Opportunity.

Borrowers must comply with the following guidelines and McLean County's CDAP RLF Recapture Strategy:

- Project Location=McLean County, Illinois
- Eligible Use of Funds
- Meet the minimum and maximum loan amount.
- Demonstrate financial need and provide a description of the project, project costs, and financial details showing that there is a financing gap.
- Minimum interest rate of 3%. Terms determined by type of project.
- Job creation and/or retention. One FTE must be created or retained for each \$15,000 of RLF funds borrowed. At least 51% of the jobs created/retained must benefit low-to-moderate income persons.

### **Former Applicant Process** (Under Community Development Assistance Program CDAP):

- Applicant meets with bank and determines if gap in financing has occurred.
- Applicant gets referred to the EDC by the bank.
- Applicant and banking representatives meet with the EDC and a pre-application review of the project will be made.
- Review and recommendations by the RLF review committee.
- Review and be approved by the McLean County Board's Finance committee

- Review and be approved by the McLean County Board

#### EDC Improvements to RLF Under CDAP:

- Streamlined the application
- Added a date schedule to assist applicants with the process
- Re-acquainting banks with the program
- Beginning discussions with DCEO staff about possibilities of increasing loan amount to job creation/retained ratio (\$15,000 loaned to 1 FTE job)

#### Program Barriers Under CDAP:

- 1 FTE job created/retained requirement per \$15,000 of funds loaned has not been updated since the program began in the 1980's despite rising costs for a businesses to support and employee. It therefore becomes more costly to borrow the funds with the burden of creating/retaining the FTE.
- Interest rates are low. This program is not as attractive at a few points below prime as it was 20 years ago when interest rate was in the double digits. Many deals can be funded, at a faster pace, with other programs.

## What Other Communities are Doing:

- **Peoria County** has a Community Development Assistance Program (CDAP) Revolving Loan Fund (RLF)-Gap Financing Program (1980's). The program is administered by County staff, \$150,000 maximum. Barriers are deal flow, public exposure to businesses information, and fiscally conservative board. They have two additional loan funds that are more flexible that are used more. They have had about 30 projects since originations. Funds have been released by DCEO to the County.
- **Greater Peoria Economic Development Council (GPEDC)** administers the Tazewell and Woodford County RLF programs (1980's). Tazewell County has about 30 outstanding loans since origination but was not recently active and funds will be returned. Woodford's RLF program will continue under CDAP regulations with about 40 outstanding loans since it origination. GPEDC also administers smaller gap loan financing programs for East Peoria, Minonk, Eureka, El Paso, and Metamora. Each County and community focuses or has its own businesses portfolio depending on the community make up, business concentration or targeted industry or redevelopment desire of the community.
- **City of Peoria** administers their own CDAP RLF program funded through Economic Development Administration (EDA). They have City staff that administers the program of \$1.2 million. They have had low deal flow in the past but have recently re-introduced the program with increased business interest. Two new deals have been approved with 5 more in the pipeline within the last few years.
- **Champaign County** has a CDAP RLF gap financing program (1980's) that is administered by the Regional Planning Commission (RPC). Those funds have been released. The RPC will keep all funds for loans and remove certain limits imposed previously under CDAP. Limits to be removed are: Loans can be make inside the city limits of Champaign/Urbana (previously not allowed due to it being an entitlement city), change in board structure, will not need to go through the County Board for loan approval, delete need for job creation only retention (our guidelines did not give this stipulation of job creation only). RPC has 9 outstanding loans worth \$2 million. They have \$1.2 million available to loan. They have two other loan programs. One is a CDC loan program and and Intermediary Relending Program with USDA funds.

- **Decatur Economic Development Council** does not administer a RLF nor does Macon County but there is a small RLF managed by a CDC that does microloans for businesses with a significance to the community.
- **Will County** eliminated their RLF. They use CDBG and CSBG funds for community development projects. When RLF was dissolved funds were converted into program income for maintenance of servicing the outstanding loans. Other income was reallocated by the County for allowable uses under the guidelines of the CDBG which are not exclusively economic development.
- **Winnebago County** (Rockford) and **Stevenson County** (Freeport) in Northwest Illinois have a private not for profit administrator manage their RLF. They manage \$5 million with 150 outstanding loans. They are oversubscribed (are asked for more loans than they can give) 40% of their deals are manufacturing.

## 1) Micro Loan Fund:

What is a microloan?

Microloans are very small commercial loans used to support entrepreneurs or some other legitimate revenue-generating activity. The concept of micro-lending was pioneered in the developing world as a means to eliminate poverty by empowering business owners. Microloans are typically less than \$15,000.

The Community Development Corporation of Bloomington-Normal (hereafter "CDC") would be the oversight/management of the micro-lending fund. The goal of the CDC microloan program is to assist entrepreneurs in McLean County.

Do borrowers have to pay microloan money back?

Yes. Microloans are just like any other loan – borrowers must repay the principal and interest.

Why is the interest rate on microloans so high?

Interest rates on microloans tend to fall just below rates charged by consumer credit cards. The reason for this is two-fold: First, the costs associated with running a microloan program are higher than traditional loan programs because EDC staff must personally screen and coach applicants through the application process. Revenue generated from higher rates on interest helps to defray the staff costs associated with this kind of hands-on service. Even so, few microloan programs in the US actually generate a profit. Secondly, microloans are designed for high-risk projects and business startups. Since there is an increased risk of default with these loans, we charge a higher rate of interest to offset potential losses. All prospective borrowers are encouraged to seek out conventional financing before pursuing a microloan.

What do I need to apply?

Before any prospective microloan is considered, the entrepreneur must submit a completed business plan with financial documents, projections and personal tax returns. Funding will not be considered until all of these items are given to CDC staff.

There are a number of organizations in the Bloomington-Normal Area that can assist with the creation of these documents. The CDC highly encourages prospective borrowers to work with the Small Business Development Center at Illinois Wesleyan, or SCORE to create a strong business plan.

What kind of collateral will I need?

Generally, microloans will be collateralized with the assets they are used to purchase. If the microloan funds are not used to purchase a hard asset, the loan will need to be backed by other forms of collateral. Examples include real property, motor vehicles or other items of significant value. All loans require a personal guaranty.

How are microloans prioritized?

Microloan funds are limited and available on a first-come, first-serve basis.