

# CDBG Revolving Loan Fund

## Purpose

The Ottawa CDBG Revolving Loan Fund (CRLF) will be used to stimulate private investment and create or retain permanent jobs, with an emphasis on assisting low to moderate-income (LMI) persons. CRLF is intended to assist enterprises that are unable to obtain complete financing from commercial sources.

The borrower/business must:

- be located in the City of Ottawa;
- demonstrate that the revolving loan funds will create or retain, within 2 years, one permanent full-time equivalent (FTE) job for every \$35,000.00 of revolving loan funds requested, and that 51% of those jobs will benefit persons in the low to moderate income families;
- show that a lending institution has declined to loan, or stating that a lending institution desires revolving loan participation in the project and the amount that a lending institution is willing to loan;
- demonstrate that the project is or can be economically viable and sustainable;
- demonstrate that the revolving loan funds will not be used to facilitate the relocation of industrial or commercial plants or facilities within Kansas.
- demonstrate that the project is being developed in an area that is or can be properly zoned for the project, that does not adversely affect a designated historical building or district, and is not located in a flood hazard area;
- demonstrate that any permits or licenses required for the enterprise are obtainable.



## Types of financing

All loans from the revolving loan fund must generate a rate of return of no less than 2 1/2% below prime rate without written approval by KDOC&H. The security position may be inferior to that of other lenders. For start-up enterprises or projects involving new construction or remodeling, a moratorium on principal payments of up to eighteen months is permitted. The revolving loan fund may enter into agreements to guarantee loans from banks or enter into direct loans to a borrower. Terms of guarantee agreements or direct loans may vary and will be negotiated with the borrower.

### Direct loan program

Direct loans from the revolving loan fund will be documented with a promissory note, a security agreement and financing statement and/or a mortgage on the collateral, all with appropriate default provisions, and other appropriate documentation as required by the city.

### Guarantee program

Revolving loan funds advanced in the form of a guarantee will be deposited with the lender in the form of a certificate of deposit in an amount equal to the loan guarantee.

## Application requirements

Each application for financing from the revolving loan fund will be considered on its own merits. Other than the eligibility requirements described above, there are no other preset requirements concerning the type of enterprise, the amount of private investment or owner equity required, the uses of funds, or the structure of the enterprise. There are no minimum or maximum loan limits. Amount of financing is limited to the funds available in the revolving loan fund. There are no application deadlines. All applications are considered when submitted. Applicants should be aware that applications with little or no private investment or owner equity are less likely to be considered viable.

Applications for funding by the revolving loan fund must provide sufficient documentation of the nature and purpose of the project to enable the city to assess whether the project will be consistent with the purposes of the revolving loan program and will meet the eligibility requirements for the program. Applicants must submit a standard CRLF application form or a standard loan application package used by a lending institution involved in the project. An application for financing must include:

- a commitment letter stating that the project will go forward if the requested CRLF financing is approved;
- a detailed description of the project in business plan format;
- specific projections of the number of total jobs that will be retained or created within the first twenty-four months of operation and such documentation of LMI job creation as is required by KDOC&H;
- itemized listing of the sources and uses of funding for the enterprise, including the equity contributions of the participants and all bank loans or other outside funding, with commitment letters from commercial lenders where appropriate;
- the planned uses of the funds;
- assets of the enterprise that will be available as collateral to secure the revolving loan funds;
- written permission for a credit check on all owners of the enterprise;
- personal financial statements, current within 90 days, of the owners of the enterprise;
- a projected profit/ loss analysis for the enterprise, including a description of the assumptions used in the calculation of the analysis;
- commercial real estate appraisal or most current market value real estate appraisal from the Franklin County Appraiser;
- if real estate is being purchased, a completed environmental questionnaire showing no adverse information;
- any other information provided to a commercial lender who will participate in the financing of the enterprise;
- such additional information as may be required by the loan committee.

