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Henry, Mercer and Rock Island Counties, Illinois.

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Memorandum

To: Muscatine City Council
From: Mark D. Hunt, Economic Development Manager, BSRC
Date: August 14, 2012
Re: Mercer-Muscatine County Revolving Loan Fund

Bi-State Regional Commission administers the Mercer-Muscatine County RLF (MMRLF) on behalf of member governments in Mercer and Muscatine Counties. The MMRLF is an economic development financing tool that spurs job creation and retention by partnering with conventional lenders on commercial loans.

In short, the MMRLF fills the gap between available conventional funding and the needs of a business project. MMRLF loans are low interest, low fee, and subordinate to conventional lenders. The program allows banks to reduce risk, while investing in local businesses. Repaid MMRLF loan proceeds are put back into the loan pool and used for future loans. The MMRLF is designed to self fund and exist in perpetuity.

The MMRLF was capitalized in 2010 with a \$750,000 grant from the U.S. Economic Development Administration (EDA). This initial loan pool is to be matched by \$250,000 from local governments, thus creating a \$1 million loan pool. Federal regulations allow local governments to delay providing a match until they have qualified MMRLF projects in their jurisdiction. When a qualified MMRLF project is present, local match of 25% of the proposed loan is required. Local match can come from any source, so long as it is not federally or state-sourced funds, i.e. funds from another federal or state grant program.

Presently, the City of Muscatine has an MMRLF applicant who is requesting \$150,000 in funding from the RLF. The applicant intends to create 15 jobs and invest \$842,000 in a new manufacturing line. This loan would require a local match contribution of \$37,500 to the loan pool prior to disbursement of the loan funds to the business.

Once the MMRLF loan pool is fully drawn from EDA (\$750,000) and locally matched (\$250,000), communities that have provided match to the grant monies are not required to provide additional match when accessing the repaid or revolved monies, so long as any new project in their jurisdiction is not greater than the previous amount loaned. Thus over the course of a few years, the MMRLF can provide communities a very low cost economic development tool that self generates funds.

MDH:sg
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Mercer-Muscatine REVOLVING LOAN FUND SUMMARY REPORT

PCG Powder Coating & Anodizing

Company

City of Muscatine

Submitted by

August 2012

Date

1. Type of proposal: (check one)

| | |
|------------------|-------------------|
| Industrial | <u> X </u> |
| Commercial | <u> </u> |
| Service Industry | <u> </u> |
| Women/Minority | <u> </u> |
| Other | <u> </u> |

2. Reason for request

| | | |
|------------------------------|-------------------|------------------|
| New Business | Yes <u> </u> | No <u> </u> |
| Expansion | Yes <u> X </u> | No <u> </u> |
| Retention | Yes <u> </u> | No <u> </u> |
| Relocation from another area | Yes <u> </u> | No <u> </u> |

3. Total project costs: \$ 842,600.00

Use (please specify) Fixed Assets (FA) Working Cap. (WC) Inventory (INV)

| <u>Source of Funds</u> | <u>Other (specify)</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Status</u> |
|------------------------|------------------------|---------------|----------------------|---------------|
| Bank | | 550,000 | 6.00% | Approved |
| Company Cash | | 92,600 | | |
| Muscatine Chamber | | 50,000 | 3% | Approved |
| MMRLF | | 150,000 | 2.44% | Pending |
| | | | | |

Total Project Cost \$ 842,600

4. Use of RLF funds: Equipment

5. Job Creation/Retention

| | |
|-----------------------------|---------------|
| Current number of Employees | <u> 10 </u> |
| Jobs to be Retained | <u> 10 </u> |
| Jobs to be Created | <u> 15 </u> |

6. Job Cost Ration: (1 job required for each \$7,500 loaned)

| | | | |
|------------------|--------------|---|----------------------|
| RLF | <u> 1 </u> | : | <u> \$ 10,000 </u> |
| Entire Portfolio | <u> 1 </u> | : | <u> \$ 56,173 </u> |

7. Job Creation will/may include the following percentage employment breakdown:

| | |
|---------------------------------|-------------|
| Displaced workers | <u>100%</u> |
| Low and moderate income persons | <u>100%</u> |
| Long term unemployed | <u>100%</u> |
| Other | <u>100%</u> |

8. Does the proposed loan provide employment for persons displaced from area manufacturers?

Yes X No

9. Will the JOB Service and JTPA programs be used in recruiting?

Yes X No

10. What percent is the borrower's equity of the request?
In what form?

11%
Cash

11. What is the RLF position on collateral?

Indicate collateral:

2nd
Equipment, A/R, Inventory, Real Estate

12. Can the applicant obtain economically feasible financing elsewhere?

Yes No X

13. Is the borrower willing to comply with all Federal regulations?

Yes X No

14. Is the borrower carrying more than 1 revolving loan through this RLF program?

Yes No X

15. If applicable, does the loan request exceed 50% of the total portfolio or working capital?

Yes No X

16. Where appropriate, will the borrower agree to secure insurance on:

| | | |
|-----------------|--------------|----------------|
| Life | Yes <u>X</u> | No <u> </u> |
| Fire | Yes <u>X</u> | No <u> </u> |
| Business assets | Yes <u>X</u> | No <u> </u> |
| Flood hazard | Yes <u>X</u> | No <u> </u> |

17. What is the current Prime rate?

3.25%

18. Other Summary Information:

| | |
|---------------------------------------|---|
| Staff recommendation for loan: | |
| Amount: | \$150,000 |
| Loan Term/Amortization: | 5 Years |
| Review: | 2 Years |
| Interest Rate: | 2.44% |
| Monthly Payment: | \$2,658.14 |
| Collateral: | 2nd Building, Equipment, A/R, Inventory |
| Other Conditions: | Personal Guarantee: Douglas Buster |