



Department of City Development
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MEMORANDUM

TO: John Dickert, Mayor

FROM: Jeff Vitton, Housing and Community Development Manager

SUBJECT: SBD RLF Quick Facts

The Small Business Development Revolving Loan Fund is a tool to help businesses create and retain jobs in the corporate limits of the City of Racine by providing business financing for businesses that cannot get conventional bank financing. Per CDBG regulations the maximum we may provide is \$35,000 per job create or retained, and 51% of more of those jobs must be for low and/or moderate income residents.

The following additional underwriting terms were developed in consultation with WWBIC and RCEDC:

- Minimum Loan: \$25,000
- Maximum Loan: \$250,000

A. Financing Methods

- 1) Upon proof of owner's 10% share (equity) including existing investment, CD-RLF dollars will not to exceed 90 percent of the project's total cost.
- 2) Funds should be disbursed on a pro rata basis with other finances provided to the project.

B. Terms

- 1) The interest rate will be determined based on need and/or on the beneficial impacts of the project.
- 2) Deferral of principal and/or interest payments may be allowed based only on special circumstances.
- 3) The maximum loan term on real estate shall be 15 years, on machinery and equipment shall not exceed the reasonable durable use period or 10 years, and working capital five years.
- 4) A loan-to-value (LTV) ratio of no more than 90 percent (for real estate).
- 5) A debt coverage ratio (DCR) of at least 1.15-1.25 over the life of the loan based upon reasonable projections.

C. Collateral

- 1) The City of Racine shall have a first position lien on real property and/or machinery and equipment financed by the SBD-RLF unless the need to subordinate to another lender is demonstrated.
- 2) If need is shown for the city to take a subordinated position on assets that it is financing with the SBD-RLF, the City of Racine shall have a first position lien on other assets of the business if needed.
- 3) Personal and/or corporate guarantees are required on all loans.
- 4) Other conditions or performance standards or penalties may be required depending on the circumstances of the proposed project