

# **City of Litchfield Downtown Development Authority Revolving Loan Program**

Revolving Loan Fund... What is it? A revolving loan fund (RLF) is a source of money from which loans are made to businesses that generally don't qualify for traditional financing. The revolving loan fund is able to grow and provide more money to more businesses as principle and interest are paid back on existing loans while encouraging economic growth and community revitalization efforts.

The City of Litchfield Downtown Development Authority (DDA) seeks to strengthen the City of Litchfield's economy by fostering the creation and growth of businesses within the DDA's district.

The DDA desires to provide financing/credit at reasonable rates through a Revolving Loan Fund (RLF) to small and medium size businesses as a lender of last resort for the purpose of purchasing and operating a business in an existing building within the DDA's district.

The program shall be administered by the City of Litchfield DDA. The DDA shall serve as an intermediary between downtown business occupancy projects and investors. The DDA will borrow money from private investors, secured only by the specific project's revenues rather than the DDA's full faith and credit. Interest shall accrue on mortgages issued by the DDA to a private company or person. The DDA shall collect and retain a 1% administration fee from interest revenue earned on mortgages issued by the DDA. The remaining interest revenue shall be paid proportionate to the investment amount of the specific project investors on an annual basis.

## **Objectives**

Loans are for purchase and occupancy of a City of Litchfield downtown building for the purpose of operating a business. Funding is intended for redevelopment of blighted and/or vacant facilities and job creation. Eligible borrowers include current or potential business owners in the commercial and service sectors unable to obtain financing from a financial institution.

## **Loan Characteristics**

Real estate mortgage loan durations may last up to 10 years.

Loan amounts can vary up to \$99,999 although the maximum loan amount is dependent on the fund balance.

## **Capitalization of Loans**

Initial funding, or capitalization, of each loan will come from a combination of local grants and private investor loans.

### **Standards and Results**

The DDA and investors understand that they are taking on projects with above average risk. Borrowers shall be held to standard financial requirements in loan security. Before a loan is issued, a business or prospective business may be required to supply the following documentation:

- Business experience and management information
- Credit history and financial statements
- Sufficient collateral to repay loan
- Other personal or corporate guarantees on the project
- Cash flow projections
- Any additional documents/requirements requested by the DDA Board or Revolving Loan Committee

As a public investment instrument, loan funds are expected to result in public goods – namely projects contributing to economic growth and community revitalization. Borrowers therefore, may be required to address performance measures established by the DDA Board or Revolving Loan Committee such as:

- Number and type of jobs created or retained
- Increase in tax revenue
- Private funding relative to public investment
- Benefits to low and moderate-income citizens, from business ownership to job opportunities.

### **Administration**

The City of Litchfield DDA Board takes responsibility for reviewing and approving/denying loan proposals as well as monitoring, disbursing funds, and reporting as required by contract and/or law.

### **Eligibility**

- Business must be located in the City of Litchfield DDA district
- Business must be a for-profit entity
- Business applicant must demonstrate a need for financial assistance by being turned down by two financial institutions
- Business must identify additional sources of private funding, if applicable

### **Proceeds**

Proceeds may be used for:

- Purchase of buildings and land for prospect operations.
- Construction, repair, and renovations of buildings.

Disallowed Expenditures:

- Refinancing of existing debt.
- Payment of taxes.
- Buyout

**Terms and Conditions**

- Minimum loan amount \$5,000 – Maximum loan amount \$99,999
- Loan terms will be negotiable with a maximum of 10 years for real estate unless otherwise approved by the DDA loan review Board.
- Interest rate to be determined by the DDA loan review committee, fixed at closing
- Loans will be secured with sufficient collateral and personal guarantees from owners
- Legal fees for document preparation incurred by the DDA will be the responsibility of the borrower at closing.
- Equity Participation: The applicant must invest 10% equity into the project.

**Procedure**

An application package is available from the City of Litchfield DDA, 221 Jonesville Street, Litchfield, Michigan, 49252. When complete, the application package is submitted to the DDA Loan Committee. The DDA Loan Committee will review the application package and may request additional information in order to make a recommendation to the entire DDA Board. A decision is made at the next DDA Board meeting. Funding is immediate at closing.

**CITY OF LITCHFIELD DOWNTOWN DEVELOPMENT AUTHORITY (DDA)  
REVOLVING LOAN FUND (RLF)  
APPLICATION**

Applicant: \_\_\_\_\_  
RLF amount requested: \_\_\_\_\_ Total project cost: \_\_\_\_\_  
How long do you want/need to repay the loan? \_\_\_\_\_  
Applicant's equity participation (minimum of 10% of total project): \_\_\_\_\_  
Collateral offered (address of Litchfield downtown building property/project): \_\_\_\_\_  
\_\_\_\_\_

**BUSINESS INFORMATION**

Business name: \_\_\_\_\_  
Current address: \_\_\_\_\_  
Proposed address: \_\_\_\_\_  
Telephone number: \_\_\_\_\_  
Tax ID number(s): \_\_\_\_\_  
Date business established: \_\_\_\_\_  
Organization type: \_\_\_ Sole proprietor \_\_\_ Partnership \_\_\_ LLC \_\_\_ c Corp \_\_\_ Sub-S Corp  
Do you have a business plan? \_\_\_ Yes \_\_\_ No  
Brief explanation & history of your business: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**TOTAL PROJECT COST**

Real estate acquisition: \_\_\_\_\_ % of total: \_\_\_\_\_  
Renovation/construction: \_\_\_\_\_ % of total: \_\_\_\_\_  
TOTAL: \_\_\_\_\_ % of total: \_\_\_\_\_

Detailed description of the project, the use of loan proceeds, including written estimates of proposed costs from suppliers and contractors and the projects anticipated completion date

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ATTACH THE FOLLOWING DOCUMENTATION**

1. Letter of loan denial from two financial institutions
2. Any additional information relevant to the project you want to be taken into consideration
3. Any documents requested by the City of Litchfield DDA or Revolving Loan Committee

**APPLICANT'S CERTIFICATION**

I certify that all information in this application and all information furnished in support of this application are true and complete to the best of my knowledge and belief. Verification may be obtained from any source, and I agree to submit to personal and business credit check. I understand that I am not guaranteed financing by the City of Litchfield DDA. If my loan application is approved, I agree to be responsible for all costs associated with document preparation and real estate closing in connection to this loan.

Signature \_\_\_\_\_ Date \_\_\_\_\_