

# WASHINGTON COUNTY REVOLVING LOAN FUND PROGRAM

## WHAT IT IS

The Wisconsin Community Development Block Grant (CDBG) Program, administered by the Wisconsin Department of Commerce, provides local government with funds to use for economic development, more specifically, for business start-ups and expansion. These funds, received from the U.S. Department of Housing and Urban Development, are used to provide grants to local units of government that use the funds to loan to a business. The business, in return for use of the public funds, provides private investment towards the assisted activity and most importantly creates job opportunities, principally for the benefit of low and moderate persons.

When a business repays the community the loan (principal and interest payments), these funds are used to capitalize a local revolving loan fund (RLF). With the RLF, the community can make additional loans to businesses wishing to expand or locate in the community. These loans typically are smaller loans (\$20,000-\$100,000). When successfully administered, the community's revolving loan fund can expand the amount in its RLF to an amount in excess of the original amount it was able to retain. This happens when the community exercises due diligence by performing a thorough credit analysis to determine business viability and adequately securing and servicing the loan. In administering a RLF, a Community becomes a "bank" and accepts all of the responsibilities of a commercial lender when it makes a CDBG or RLF loan to a business.

## WHO CAN APPLY:

- ★ Authorized representatives of any manufacturing and related distribution businesses and service businesses that wish to establish a new operation or expand an existing operation in the County. Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability as defined in § 51.01(5), sexual orientation or national origin

## WHO CANNOT APPLY:

- ★ No member of the County Board of Supervisors; the Revolving Loan Fund Committee; or any other official, employee, or agent of the County who exercises decision-making functions or responsibilities in connection with the implementation of the RLF program is eligible for financial assistance under this program. In addition, no RLF loans shall be made which are in conflict with Section 946.13 of the Wisconsin Statutes (Private Interest in Public Contract Prohibited).
- ★ Speculative investment companies.
- ★ Real estate investment companies.
- ★ Lending institutions.
- ★ Gambling operations.
- ★ Non-public recreation facilities.
- ★ Other businesses not serving the interests of the County.

## ELIGIBLE ACTIVITIES:

- ★ The acquisition of land, buildings, and/or fixed equipment.
- ★ Site preparation, the construction and/or reconstruction of buildings, the rehabilitation of buildings including leasehold improvements, and/or the installation of fixed equipment.
- ★ Clearance, demolition, and/or the removal of structures.
- ★ Working capital.
- ★ Buyouts by purchase of assets or stock.

## INELIGIBLE ACTIVITIES:

- ★ Refinancing or consolidating existing debt.
- ★ Reimbursement for expenditures prior to loan approval.
- ★ Specialized equipment that is not essential to the business operation.
- ★ Residential building construction and/or reconstruction (unless such reconstruction is intended to convert the building to a business use).
- ★ Routine maintenance.
- ★ Professional services such as feasibility and marketing studies, accounting, management services, and other similar services.
- ★ Other activities that the County may identify as inappropriate for the RLF program.

## MINIMUM REQUIREMENTS:

To be eligible for funding, a proposed project shall meet all of the following minimum requirements:

- ★ **Private Funds Leveraged.** One dollar of private sector investment shall be provided for each dollar of RLF investment. Private sector investment is defined as financing from a private lending institution, public sector business loan programs other than the CDBG program, or new equity that is injected into the business as a part of the expansion project.
- ★ **Cost Per Job.** A minimum of one full-time equivalent (FTE) job shall be created or retained for each \$20,000 of RLF funds requested.

- ★ **Financial Feasibility and Business Viability.** The applicant shall demonstrate that the proposed project is viable and that the business has the economic ability to repay the funds.
- ★ **Low-and Moderate-Income (LMI) Benefit.** At least 51 percent of the jobs created or retained shall be made available persons who reside in low-and moderate-income households.
- ★ **Compliance with Applicable Laws.** Applicants shall comply with all applicable local, State and Federal laws and codes.
- ★ **Project Completion.** All projects shall be completed, all funds expended, and all jobs created and/or retained within 24 months from the date of the RLF loan approval. All jobs shall be maintained for a minimum of 12 months.

**TERMS AND CONDITIONS:**

Loan terms and conditions shall be structured on the basis of need and ability to repay. Minimum standards include the following:

- ★ **Loan Amount.** The amount of funds available for any single business enterprise shall range from a minimum of \$20,000 to a maximum of \$100,000. Requests for loan amounts in excess of \$100,000 will be negotiated on a case-by-case basis.
- ★ **Interest Rate.** The interest rate on each loan shall be determined on a case-by-case basis by the Revolving Loan Fund Committee, and shall range from a minimum of 4 percent to a maximum of the prime rate of interest – as published in the Midwest Edition of the Wall Street Journal. The interest rate shall be fixed for the term of the RLF loan.
- ★ **Loan Term.** Standard terms for RLF loans shall be as follows: a) machinery, equipment, and fixtures – 5 to 10 years; b) buildings and land – 5 to 12 years; and c) working capital – 2 to 7 years. Amortization periods that exceed the loan term may be provided where appropriate. The specific term and amortization period for an individual borrower shall be based on the useful life of the asset, as well as the terms offered by the private sector financial institution participating in the project. EDWC retains the right to adjust individual loan terms in order to facilitate a successful RLF project.
- ★ **Repayment.** Deferral of principal payments may be provided for a maximum period of one year from the date of the first disbursement of RLF funds. Interest only payments during this period shall be required.
- ★ **Prepayment.** There are no prepayment penalties.
- ★ **Collateral.** Collateral requirements shall be determined on an individual basis by the Revolving Loan Fund Committee and may include: mortgages on land and buildings, liens on machinery and equipment, liens on accounts receivable and inventory, and/or liens on the corporate assets of affiliated businesses, where appropriate. This collateral may be subordinated to private sector financial institutions participating in the RLF project, if required. Unlimited personal guarantees from the principals of the business who have 20 percent ownership or more shall be required, along with junior mortgages on personal residences. In addition, limited personal guarantees may be required for the owners of the business who have less than 20 percent ownership.
- ★ **Insurance Requirements.** Businesses receiving loans for fixed assets shall be required to obtain property-casualty insurance for the appraised value of the property being financed, and businesses receiving construction loans shall be required to have builder's risk insurance for the amount of the debt financing attendant to the project. EDWC shall be listed as an additional insured on all such insurance policies.
- ★ **Equity Requirements.** The RLF program may require an equity injection for each RLF loan, when appropriate. Consideration will be given for individuals that have made substantial equity commitments to the applicant business, as well as to the individuals who do not have sufficient financial resources to contribute to the RLF project.

**FEES:**

- ★ **Loan Application Fee:** \$250 to be paid at the time of loan application
- ★ **Loan Origination Fees:** One percent (1.00%) of the RLF loan amount, plus payment of all legal fees and costs incurred by EDWC for the RLF loan closing. The fees may be added to the principal amount of the loan and paid with RLF funds.

**TO APPLY:**

Call, write or email:



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