

NEW BUSINESS LOAN PROGRAM

GUIDELINES

The Elgin Economic Development Authority Commercial Loan Program provides financial assistance to **new businesses** in the City of Elgin.

The purpose of the program is to provide capability and incentive for owners to upgrade the appearance, structural condition and operating efficiency of their place of business, retain existing businesses and retain and expand job opportunities. Limited funding is available and projects will be considered on a first-come-first-served basis.

A. Program details

- a. Maximum loan will be \$10,000.00 for projects from \$100,000 up to \$300,000.
 - i. Monthly Loan payments will be amortized over 60 months.
- b. Maximum loan will be \$20,000.00 for projects \$300,000.00 and over.
 - i. Monthly loan payments will be amortized over 120 months.
- c. Repayment of 75% of the loan amount to begin in 30 days of signing.
- d. The remaining 25% of the loan amount including interest will be forgiven at the end of the loan contract providing that:
 - i. The first 75% of the loan and interest has been paid in full as agreed.
 - ii. All utilities and taxes are current.
 - iii. The business is still operating within the Commercial or Industrial Zoned limits of the City.
- e. Project is required to start within 6 months of approval and be complete within 12 months of approval.
- f. If the business ceases operation within the City of Elgin within the life of the loan, the loan will be considered in default and the remaining balance is due in full within 30 days.
- g. Interest rate over the life of the loan will be a fixed rate of 5%.
- h. Collateral is required
 - i. Mortgage and/or sufficient collateral to secure loan as determined by the EDA.
 - ii. All filing fees, collateral liens and loan document fees associated with this transaction will be at the borrower's expense.

- i. No work may begin prior to EDA approval.

B. Eligibility

- a. Property must be located within the Commercial or Industrial zoned limits of the City of Elgin.
- b. Applicants/business must be deed holder of property.
- c. Applicants' property must conform to City Zoning Ordinances.
- d. Applicant must obtain City building permits required prior to disbursement of funds.
- e. Applicants' property must pass all required health, safety and building inspections.
- f. Applicants must authorize EDA to obtain personal and business credit reports and provide any other financial information requested by the EDA.
- g. Applicant must be an acceptable credit risk as determined by the EDA.
- h. Funds must be used for business related projects including, but not limited to the following: upgrade the appearance, structural condition and operating efficiency of their place of business. For more information on eligible expenses see Attachment A
- i. The EDA is the final decision making authority on the approval or disapproval of loan applications. The EDA reserves the right to treat each loan application on its own merits and reserves the right to discontinue this program without notice.
- j. Upon full loan repayment, the applicant has the right to apply for an additional Commercial Loan, however the EDA makes the ultimate decision and has the right of approval or disapproval of any application.

C. Application Process:

1. Applicant must submit the Loan Application Form (see attachment) with appropriate documentation that includes the following:
 - a. Before pictures of proposed project
 - b. Valid cost estimates of the entire project
 - c. Business projections
 - d. Any other document the EDA deems necessary
2. Materials will be presented at the following EDA meeting. Business owner may or may not be asked to attend the EDA meeting.
3. The EDA reviews the request and will make their ultimate decision.
4. The applicant will be contacted and relay the decision and if approved will arrange for the signing of required documents.

5. Applicant makes improvements.
6. Applicant submits applicable documentation of work completed in accordance with the approved plans and specifications and provides receipts of work completed including pictures of the improvements that have been made. If applicant is unable or unwilling to do so the loan will be considered in default.

ATTACHMENT A: Eligible & Ineligible Expenses

Eligible Expenses:

1. Exterior improvements
 - a. Work in front & side of building facing public streets
 - b. Masonry repairs
 - c. Repairs to doors, windows, entrances, awnings
 - d. Roofing
 - e. Handicap access
2. Corrections to health & safety code deficiencies
3. Energy efficiency
4. Interior improvements
 - a. Almost all repairs and improvements including: repair of walls, ceilings & floors, lighting, windows and doors
5. New Construction
 - a. Construction of building
 - b. Purchase and install fixed building assets
6. Production equipment
 - a. New equipment or machinery that will increase the productivity of the business
 - b. Replacement of equipment will not be considered an eligible purchase unless it will increase job opportunities.
7. Existing Structures
 - a. Funds may be used for the purchase of an existing structure
 - b. Demolition of existing structures are not included.

Ineligible Use of Loan Funds:

Includes but not limited to the following-

1. Refinancing
2. Working capital
3. Inventory
4. Payment for personal labor
5. Startup costs

Revised: 2023