

# Q-FUND

## A. INTRODUCTION

The Quincy Economic Development Revolving Loan Fund (Q-FUND) offers public financing to businesses that are already working with private sector lenders. Businesses can spend these public funds on projects including, but not limited to, job creation and/or retention, business expansion, and investments in real estate, machinery, or equipment.

## B. Q-FUND PROGRAM HISTORY

The funding for the city's Q-FUND comes from previously recaptured state and federal funds. Quincy was awarded a \$6.7-million UDAG in 1983 to assist the Cummins Engine Company in the purchase of the 700,000 square foot Motorola facility. After the funds were awarded to the city, Cummins scaled back its expansion plans and repaid the UDAG loan to the City. The city was also able to recapture State CDAP funds in the 1980's that were granted to the city and provided as loans to local businesses.

In December 2016, the Illinois Department of Commerce and Economic Opportunity determined the city's revolving loan fund no longer holds federal or state identity, allowing the funds to be expended in any manner deemed appropriate by the city. The city's financial assistance must complement (rather than compete) with financial assistance provided to a business by a private financial institution.

## C. GOALS AND OBJECTIVES

1. Stimulate economic growth
2. Increase the City's Property Tax Base
3. Increase the City's Sales Tax Base
4. Increase employment opportunities
5. Attract new residents to Quincy through new jobs/business expansions

## D. REVOLVING LOAN FUND MANAGEMENT

1. Loan Committee: The Q-FUND Committee will consist of a seven-member board of community leaders, appointed by the mayor. Two of the seven members will be members of the Quincy City Council. The Q-FUND Committee will meet as needed to review and approve/deny loan applications. The committee has the sole authority to approve/deny loans from the Fund.
2. Loan Application Review: Loan applications will be prepared by the private sector lender working with the borrower to secure City participation. Applications will be provided the Department of Planning & Development, which will package them to dissemination to the Q-FUND Committee. The committee shall review all applications to the revolving loan fund and meet with the applicant and the private sector lender to discuss the loan application, the lender's credit memorandum, rates, terms, securities on loans, personal guarantees and compliance with the goals and objectives of the Q-FUND. Upon approval by the committee, a loan agreement and note would then be executed between the City and the borrower specifying the purpose for which loan proceeds could be used, the loan repayment terms, the collateral for securing the loan, etc. The lender would service the participation loan and forward the city the debt service payments as well as the associated service fee.

3. Loan Documentation, Monitoring and Reporting: The loan documents, including agreements, liens, title policies, security recordings, amortization schedules and security releases, shall be obtained by and completed by the city. The city's Q-FUND Administrator, in consultation with the city Treasurer, shall monitor repayments of the loan, job creation and/or job retention reports as required along with any other special conditions.
4. ED-RLF Staff: The City of Quincy's Department of Planning and Development will provide administrative staff to support the Q-FUND program.
5. Delinquent Loans: The city's administrative staff will send a Notice of Default and Demand to Cure to the borrower when the payment is 10-30 days late. After 30 days past-due, the matter will be turned over to the city's Legal counsel to pursue. All legal rights will be exercised by the City to reclaim past-due funds.

## **E. REVOLING LOAN FUND STRATEGY**

1. Targeting of Funds: The Q-FUND dollars will support:
  - a. Existing Industrial, Commercial, or Service-Related Business located in Quincy
  - b. Existing Businesses located outside of Quincy that are considering relocating to Quincy
  - c. Business Start-Ups considering locating in Quincy
  - d. New or existing Minority-owned Businesses
  - e. New or existing Female-owned Businesses
2. Criteria for Consideration: Projects must present:
  - a. Sizable private investment in addition to Q-FUND revenue
  - b. Solid commitment to creating and/or retaining permanent jobs
  - c. Financial Feasibility for Use of the Q-FUND revenue
  - d. Significant Tax Revenue (in lieu of job creation/retention)
  - e. Value of jobs created and or retained
  - f. Evidence the project could not occur without Q-FUND involvement
  - g. Preference given based on ability to attract revenue from customers outside of Quincy.
3. Eligible Use of Funds
  - a. Land or Building Acquisition.
  - b. Site Development/Infrastructure Extension Cost
  - c. Construction of New Facility
  - d. Construction of Addition to Existing Facility
  - e. Renovation of Existing Facilities
  - f. Leasehold improvements
  - g. Public Infrastructure Improvements (based on significant private investment)
  - h. Purchase of inventory, supplies, machinery, furniture or fixtures and technology/automation equipment
4. Ineligible Uses of Funds
  - a. Refinancing existing debt
  - b. Financing of a speculative project (commercial/retail development w/out executed lease agreement)
  - c. Conducting general marketing activities
  - d. Forgiveness of existing loans

5. Interest Rate: Q-FUND loan rates are determined on a case-by-case basis based on an agreement between the participating lender and the City of Quincy. The loans are structured to provide the borrower a lower blended rate. Historically the interest rate for City loans has been 3 percent.
6. Term of Loan: Q-FUND loan terms are determined on a case-by-case basis based on an agreement between the participating lender and the City of Quincy. Loan terms are generally determined by the following classifications:

<b>Purpose</b>	<b>Maximum Term</b>
Leasehold Improvements	Seven Years
Building Renovations or Rehabilitations	Seven Years
Purchase of Machinery and/or Equipment	Ten Years
Infrastructure (Water, Sewer, Roads)	15 Years
New Construction	20 Years
Land and/or Building Acquisition	20 Years
Purchase of Inventory	Under Certain Conditions

7. Loan Structure/Resource Leveraging: The borrower must provide a minimum financial match of 1:1 to receive a loan through the Q-FUND. All matching funds shall be financial contributions (cash). The match can be in the form of owner equity, a bank loan, or a supplier financing. Funds spent prior to the approval of the Q-FUND application cannot be counted toward the match. The city will accept a subordinate collateral position to the bank or other investor whom will have first collateral position.
8. Minimum/Maximum Loan Amount: The minimum Q-FUND program loan shall be \$50,000 and the maximum shall be \$500,000. An infrastructure loan will be limited to a maximum of \$300,000. See Section 7 regarding private matches for Q-FUND.
9. Job Creation/Retention: One full-time equivalent (FTE) job must be created or retained for every \$15,000 provided through the Q-FUND. FTE is defined 1,950 hours/year (35 hours/week). Proof of compliance to this requirement may be required by furnishing employee certification forms.
10. Sales Tax Generation: Commercial retail projects generating significant sales tax revenue can be considered for a loan through the Q-FUND (Significant = Annual gross retail sales in excess of \$500,000).
11. Collateral Requirements: The participating lender shall have the primary responsibility for determining the applicant's credit risk and, if it requires, shall be entitled to senior lien or security interest on any collateral given as security. In the case where the city secures the RLF loan with identical collateral, its lien or security interest shall be subordinate to the participating lender. In addition, the city will require a Personal and/or Corporate Guarantee on City Loans, including the Q-FUND program.

The City's loan must be reasonably secured by a second lien on collateral of sufficient value to assure repayment of the City's loan. The following may be acceptable security for the loan:

- A mortgage on land, a building and/or equipment
- Assignment of warehouse receipts for marketable merchandise stored in a satisfactory warehouse

- A lien on chattels
- Personal guarantees and the pledge of personal collateral if available
- Assignment of current receivables (accounts/notes).

Borrowers may also be required to purchase hazard insurance on tangible assets used as collateral and key man life insurance where required.

Collateral requirements will be determined by the committee in consultation with the private lender participating in the loan. To ensure adequate collateral is available, loan applications would list the value of collateral as determined by a qualified appraiser, the present mortgage balance on the collateral, if any, and the cost of the collateral less depreciation

12. Activities Completed Prior to Closing of Loan through Q-FUND: Project activities that are completed prior to the closing of the loan through the Q-FUND may be ineligible for financing. Also any lender financing or equity which is dispersed prior to loan closing may not be counted as match. The Q-FUND Review Committee has the authority to waive these limitations at its discretion.
13. Geographic Area: The geographic area served by the fund will be within the corporate boundaries of the City as well as the one and one-half mile zoning jurisdiction surrounding the corporate city limits.
14. Demonstration of Financial Need: Applicants and participating lenders must demonstrate a financial need for Q-FUND funds. Financial need can be demonstrated by meeting one or more of the following financial need criteria:
  - a. Funds needed to “fill the gap” between estimated project cost and what lenders are willing to lend.
  - b. The estimate return of investment (ROI) exceeds the bank-determined, industry-wide standard.
  - c. The banks determined there is insufficient collateral without Q-FUND participation.
  - d. Q-FUND financing is needed to keep the firm in the community (applicant must furnish detailed incentive letters from other states and detail cost information/explanation on how Q-FUND funds equalize the costs between the city site and an out-of-state site).
15. Origination and Service Fee: An origination fee of 1.5% of the loan principal is due on the date of the loan closing while an annual service fee of 0.5% is assessed on the declining principal outstanding on the anniversary of the loan. These apply to all loans.

The table below illustrates fee revenue from a \$250,000 loan at 3% interest over a ten-year term:

Year	Origination Fee (1.5%)	Principal Balance	Servicing Fee (0.5%)
1	\$3,750	\$228,234	\$1,141
2		\$205,806	\$1,029
3		\$182,696	\$913
4		\$158,883	\$795
5		\$134,346	\$672
6		\$109,063	\$545
7		\$83,010	\$415
8		\$56,165	\$281
9		\$28,503	\$143

10		\$-0-	\$-0-
Total			\$5,934

16. Loan Call Provisions: Failure to abide by Q-FUND program guidelines, administrative guidelines, or administrative procedures can result in the calling of the QED-RFL loan at the request of the Q-FUND Committee. The Committee can call the loan due to and payable in the event of:
- a. The transfer of substantially all the borrower’s assets to any third party;
  - b. Bankruptcy or insolvency of the borrower;
  - c. Cessation of the conduct of business on the community by the borrower for any reason, including, but not limited to, fire and other casualty;
  - d. Inability to meet the obligations for job creation/retention or sales tax generation as originally stated. These provisions are contained in a loan agreement between the borrower and the City.
17. Prevailing Wage: Loan funds are public monies and compliance with the Prevailing Wage Act (820 ILCS 130/0.01 et seq.) of the State of Illinois may be required depending on the use of the funds. Loan funds utilized for construction and renovation may require contractors and/or subcontractors to pay all laborers, workers and mechanics no less than the “prevailing rate of wages” (hourly cash wages plus fringe benefits) for Adams County and to perform certain notice and recordkeeping duties. The borrower is responsible for determining the application of the Prevailing Wage Act to its project.
18. Pre-Application Discussions: The city can provide some assistance before submission of a Q-FUND application. If you would like our representative to contact you, you can call the Q-FUND administrator through the Department of Planning & Development at 217-228-4515 or by mail at:

Q-FUND Administrator  
City of Quincy  
Department of Planning & Development  
City Hall Annex  
706 Maine Street (3<sup>rd</sup> Floor)  
Quincy, Il 62301

## F. GRANTS

The Q-FUND Committee shall have the sole authority, under exceptional and extraordinary circumstances, to provide funding in the form of a grant, as opposed to a low-interest loan. The primary goal of any grant shall be the creation or retention of a significant number of jobs, the encouragement of substantial new investment in real estate, machinery or equipment and the creation of new methods to generate sales tax revenue.

1. Grant Opportunities: In order to preserve the integrity of the Q-FUND and to obtain the maximum benefit of the goals and objectives of the Fund, the Q-FUND committee shall give primary consideration for grants to applicants submitting acceptable projects/proposals:
  - a. That cannot otherwise obtain convention financing; or
  - b. That might be able to obtain conventional financing but may be impeded from proceeding with the project/proposal (without grant funding) by reason of terms, conditions or limitations of conventional financing; or

- c. That show a competing source of grant funding is being offered to the applicant from outside of the Quincy region.
2. Grant Amount: The total amount of any grant or grants to a single recipient shall not exceed the sum of \$300,000. The total amount of the Q-FUND which can be distributed for grant funding in a calendar year shall not exceed \$300,000.
3. Grant Conditions: The Q-FUND Committee shall consider restrictions and limitations to the approval of any grant which shall insure the achievement of the Q-FUND goals and objectives and may include assurances for project/proposal completion, including but not limited to, the establishment of a forgivable, 0% interest loan, of which portions of the loan can be forgiven in periodic installments over an amortization period approved by the Q-FUND committee in an effort to maximize the goals and objectives of the program. Forgivable loans and/or recapture conditions may, in the discretion of the Q-FUND Committee, be further conditioned upon security or collateral similar to that required by participation loans.

## **G. ASSURANCES**

1. Legal Remedy for Delinquent Loans: City shall agree to pursue legal remedy to recover delinquent loans. Legal action shall include that authorized by federal and state law, including, but not limited to, efforts to collect and pursue the interest of the RLF bankruptcy court.
2. Leveraging Ratio: A minimum leveraging ratio of \$1 non-Q-FUND funds to \$1 Q-FUND funds must be obtained for each project. Q-FUND funds may not comprise more than 50% of the financing for any project.
3. Job Creation/Retention: Each loan recipients will assure that there will be one full-time job created or one full-time job retained for every \$15,000 in financial assistance.
4. Job Placement: Job creation attributed to the Q-FUND assistance shall take place within six months of the disbursement of funds.
5. Building Code and Permit Compliance: Each loan recipient's property, upon completion of any construction activities, must comply with all applicable permit and license requirements of the City of Quincy.

## **H. EXCLUSION**

Elected officials from city of Quincy and Adams County are prohibited from making application and receiving loans or grants from the Economic Development Revolving Loan Fund Program.