



SMALL BUSINESS LOAN PROGRAM

OVERVIEW & FUNDING SOURCE:

The Village of Schaumburg offers incentives for small business owners to stimulate economic growth and retain and create jobs for low- and moderate-income individuals. The Small Business Loan Program assists existing small businesses with growth and expansion costs. This program is funded through the Village's Community Development Block Grant (CDBG) program, which are funds allocated to the Village on an annual basis from the U.S. Department of Housing & Urban Development (HUD). The Village of Schaumburg provides forgivable loans of up to \$15,000 each to small businesses (those with 500 employees or less) that are, or will be, located within the corporate limits of Schaumburg.

The purpose of the CDBG Program is to develop viable communities by providing decent housing and a suitable living environment by expanding economic opportunities, principally for persons of low and moderate income. All funded programs/activities must meet a national objective. The Department of Housing and Urban Development National Objective and Eligibility Provision being used are as follows:

NATIONAL OBJECTIVE: The National Objective for this project is Job Creation or Retention under 570.208 (a)(4). An activity designed to create or retain permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, involve the employment of low- and moderate- income persons.

ELIGIBLE ACTIVITY: The eligibility provision to classify this project is 570.203(b). The provision of assistance to a private for-profit business, including, but not limited to grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project.

ELIGIBLE APPLICANTS: Entrepreneurs and business owners located, or that will be located, within the corporate boundaries of the Village of Schaumburg.

Business Owner

- Must be in good standing currently and over the past five years with all Village departments and programs including, but not limited to, any CDBG funded programs, property code compliance, permits and zoning compliance, licensing, etc.
- Complete at least one business training seminar per year for the life of the loan through Harper College's Small Business Development Center or other program approved by the Village of Schaumburg.
- Provide an approved business plan from a business training or microenterprise training program.
- Submit mandatory bi-annual reports to the Village of Schaumburg on the use of the business loan, business progress, business plan updates, and job retention/creation documentation. Failure to do so may involve recapturing of funds.

Business

- Have been in operation for two years
- Will retain, create, or make available at least 20 weekly payroll hours, not including owners hours, and at least 51% or more of total weekly payroll hours are low-to moderate-income positions.
- Have 500 employees or fewer
- Franchise where owners do not own more than one franchise unit
- Not on the ineligible applicant list below



INELIGIBLE APPLICANTS:

- Not for profits
- Religious uses
- Resale shops
- Pawn shops
- Flea markets
- Tattoo establishments
- Packaged liquor stores
- Retail tobacco stores
- Fortune-teller establishments
- Massage establishments
- Gun clubs and shooting ranges
- Medical and recreational cannabis establishments
- Drug paraphernalia/head shops
- Payday loans & currency exchange uses
- Laundromats
- Billiard halls
- Adult entertainment
- Video gaming establishments
- Home-based businesses
- Franchisees of more than one national or regional chain unit

The Village reserves the right to reject any application that is incomplete or does not meet the Program requirements in the sole opinion of the Community & Economic Development Departments. In addition, the Village may decide on a case-by-case basis to reject any application that does not meet or advance the goals of this Program.

APPROVED USES OF FUNDS:

- Payment of staff salaries, operating capital
- Lease/acquisition of tenantspace/property
- Acquisition of inventory, supplies, and raw materials
- Acquisition of furniture, fixtures, equipment, and tools (with or without installation costs)
- Marketing materials and advertising including website development and servicing and marketing campaign (limited to 50% of loan)
- Financial management education of business owner through Harper Community College, Next Level Northwest, or other approved program (limited to 50% of loan)
- Job training
- Façade improvements, awnings, signs
- Building construction, renovation, and build-out

FUNDS MAY NOT BE USED FOR THE FOLLOWING:

- Expenses that an applicant has received assistance from other programs, including but not limited to the Payroll Protection Program, Economic Injury Disaster Loan Program or Business Interruption Grant.
- Acquisition of vacant land
- Governmental uses or expenses
- Political activities
- Religious activities
- Personal property
- Maintenance of property
- Existing debt

AMOUNT OF FUNDING: Up to \$15,000

METHOD OF FUNDING: This is a reimbursement program. The applicant must arrange financing for the entire project or purchase. The Village will make the reimbursement payment upon completion of the work or purchase. All required Village and State licenses, permits, and other approvals pertaining to the business must be obtained prior to the release of funds.

MAXIMUM CONTRIBUTION: CDBG funds cannot contribute greater than 80% of the total project cost.



INTEREST RATE: 0%

DEFAULT INTEREST RATE: Determined by the Village during the application process and will not be higher than the Wall Street Journal Prime Rate.

REPAYMENT TERMS: This program is designed as a loan with payments deferred for a maximum term of two years. The full loan amount will be forgiven at a rate of 1/24th per month provided that all Program Eligibility conditions are met and will commence when the LMI position/s is retained, or a new position is made available to low/moderate income persons to occur no later than three months from loan disbursement. Loan forgiveness will continue unless the position is unfilled or is not made available to low- to moderate-income persons in excess of 6 contiguous months. In the event that a business must close, or the position remains vacant or unavailable beyond the terms stated, a prorated portion of the loan must be repaid to the Village of Schaumburg.

COLLATERAL: All loans will be secured by a mortgage lien or UCC filing on all business assets.

GUARANTEES: At the discretion of the Village, personal guarantees may be required of applicants.

PROGRAM APPLICATION AND ADMINISTRATION FEES: None

REQUIRED SUBMISSIONS:

- Application
- Valid Identification
- Business Documentation
 - ✓ Dun & Bradstreet Number (DUN): <https://www.dnb.com/duns-number.html>
 - ✓ An approved business plan with Pro forma income and cash flow statements with three (3) year projections
 - ✓ Two most recent years' Business Tax Returns and/or Financial Statements (income statement and balance sheet)
 - ✓ Company product/services brochure, sample or other information
 - ✓ Full-Time Equivalent Payroll Statement
 - ✓ Duplication of Benefits Statement
- Project Documentation
 - ✓ Copy of signed lease or proof of property ownership. Lessee must produce written consent from the building owner for all proposed improvements
 - ✓ Quotes from suppliers, vendors, etc.
 - ✓ Bids from contractors if construction costs over \$2,000 are involved. A minimum of three bids will be required after approval of project

REVIEW AND APPROVAL PROCESS: Schedule a pre-application meeting with the Village of Schaumburg's Economic Development Team. Contact Liz Dechant at edechant@schaumburg.com or at (847) 923-3852. All applications will be reviewed by staff for completeness, eligibility, feasibility, and award. All work must begin within six months of awarding of loan. Costs incurred prior to loan award do not qualify towards total project cost formula.

COMPLIANCE WITH FEDERAL FUNDS, LAWS, AND REGULATIONS:

- Create or retain permanent jobs*, >51% of which are either:
 - 1) Actually taken by low- to moderate- income persons; or
 - 2) Can be considered to be available to low- to moderate-income persons. Created or retained jobs are only considered to be available to low- to moderate- income persons when:



(a) Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; **and**

(b) The grantee and the assisted business take actions to ensure that low- to moderate-income persons receive first consideration for filling such jobs.

*Jobs are counted on a full-time equivalent basis and only permanent jobs count (no construction jobs).

□ For projects consisting of construction or renovation the following applies:

- 1) **LABOR RELATIONS:** the project must comply with the Davis Bacon requirements found at https://www.hud.gov/program_offices/davis_bacon_and_labor_standards. At a minimum, the requirements include a competitive bid process, publication in the newspaper, and payment of prevailing wage. Bid provisions must include the required HUD language, including but not limited to Section 3, MBE/WBE and labor standards. Outreach must be made to MBE/WBE and Section 3 contractors.
- 2) **ENVIRONMENTAL REVIEW REQUIREMENTS:** Any construction or renovation must comply with HUD's environmental requirements. Depending on the renovation involved, this process may require a minimum of 45 days. An overview of the process can be found at <https://www.hudexchange.info/programs/environmental-review/orientation-to-environmental-reviews/#level-of-review>. Environmental Review requirements for non-construction projects are internal and have a significantly reduced processing time.
- 3) **LEAD BASED PAINT:** For child-occupied facilities (ex. daycare facilities, children's recreation centers, etc.) constructed prior to 1978, a lead-based paint inspection is required. The Village will cover the cost of the inspection. If any lead hazards are found, remediation is required as part of the renovation/rehabilitation.

ADDITIONAL REQUIREMENTS: A financial report and documentation of job retained, created and/or filled by a low-to moderate-income individual must be submitted bi-annually to the Village beginning from disbursement until the loan forgiveness term has been met.

LICENSES, PERMITS, AND ASSOCIATED FEES: The business is responsible for ensuring all applicable licenses are up to date, permits are obtained, and contractors are registered with the Village.