



CDBG PROGRAM ACTION FUND LOAN

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

Provides a loan to certain types of for-profit companies that need funds for start-up or expansion and have exhausted other sources.

AUTHORIZATION

42 USC § 5301 et seq., 24 C.F.R. Part 570; and Missouri's "Consolidated Plan" submitted to the U.S. Department of Housing and Urban Development.

ELIGIBLE AREAS

Projects can only be in a "non-entitlement" area - a city under 50,000 in population or a county under 200,000 in population.

ELIGIBLE APPLICANTS

Cities and counties must apply on behalf of beneficiary companies. For-profit manufacturing, processing and assembly companies that will have wages above the county average and provide medical benefits are prioritized.

PROGRAM BENEFITS/ELIGIBLE USES

- The purchase of new machinery and equipment, working capital, building acquisition and/or construction land acquisition are eligible.
- Refinancing, pay out of stockholders, buyouts or lines of credit are not eligible.

FUNDING LIMITS

- The business must have exhausted other funding sources.
- Only the least amount needed to complete the project may be provided.
- Lesser of \$400,000 per project; 50% of the total project cost; or \$35,000 per new job.
- For startup companies - lessser of \$100,000 per project; 30% of project costs and maximum CDBG cost per job created or retained of \$25,000.
- **Interest Rate:** Determined by DED.
- **Term:** Determined by cash flow projections that will allow for fastest repayment of principal and interest but not more than 20 years or the depreciable life of the collateral assets. Working Capital loans will have a term not to exceed 10 years.

- **Collateral:** Depends on the predictability of the cash flow. The loan may be in a subordinate collateral position to the primary lender at the sole discretion of DED.

APPLICATION/APPROVAL PROCEDURE

An application must be submitted by the Sponsor on behalf of the business. Applications are reviewed on a case-by-case basis, subject to fund availability.

REPORTING REQUIREMENTS

- Borrower must provide quarterly financial reports and a fiscal year end report.
- Employment Status Statement Forms

SPECIAL PROGRAM REQUIREMENTS

- **LMI Employees:** At least 51% of the new jobs to be created must be filled by persons considered "low to moderate income" (LMI).
- **Prevailing Wage Requirement:** If loan proceeds are used for the financing of building construction or the installation of machinery, prevailing wages must be paid to the employees of the contractors.

CONTACT

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