Business Revolving Loan Fund (RLF) Program Manual

City of Sheboygan

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PURPOSE

The purpose of the City of Sheboygan's Business Revolving Loan Fund (RLF), is to promote employment and business opportunities in the City of Sheboygan consistent with the National Objectives [24 CFR §§570.208(a)(4), 570.209] of the United States Housing and Urban Development (HUD) Community Development Block Grant Program (CDBG). The RLF is funded with a CDBG entitlement grant, program income and is administered in accordance with applicable federal, state, and local requirements. All loans must comply with the Housing and Community Development Act of 1974, as amended; 24 CFR Part 570; applicable HUD guidance; and other applicable laws and regulations. Compliance with these requirements is a condition of loan approval, disbursement, and continued participation in the program. Through the RLF, the City of Sheboygan will provide below-market-interest rate loans to qualified borrowers.

GUIDING LENDING PHILOSOPHY

The RLF provides flexible gap financing to leverage private investment and advance CDBG National Objectives. The City may finance projects that present greater risk than conventional lenders when underwriting demonstrates that CDBG assistance is necessary, repayment is reasonably assured, and the anticipated public benefits justify the investment. The RLF is intended to complement, not replace, private financing.

PROGRAM FUNDING

An economic development loan pool for the City of Sheboygan is established, containing funds allocated through various Community Development Block Grant Programs and income generated by repayment of loans. The pool will serve as a revolving loan fund for future activities. Loans cannot exceed 50% of total project cost.

BUSINESS DEFINITIONS

New Business

A company that has been in operation for less than 12 months or has not previously operated in the City of Sheboygan. New businesses must provide a complete business plan, 3-year financial projections, and proof of adequate capital funding. Businesses relocating from outside Sheboygan are considered new but must demonstrate net new job creation.

Existing Business

A company with 12 months or more of continuous operations supported by at least one year of financial statements. Existing businesses must provide a business plan and proof of adequate capital. Expansion projects (new facility, equipment, or workforce growth) and job retention projects qualify as existing.

ELIGIBLE AREA

Eligible activities must take place within the city limits of the City of Sheboygan. LMI (Low- and Moderate-Income) designated areas of the city will receive priority. Please contact the Planning and Development Department for details.

ELIGIBLE APPLICANTS

Eligible applicants are businesses that will locate, expand, or retain operations within the City of Sheboygan and create or retain jobs in accordance with the CDBG low-and moderate-income jobs National Objective at 24 CFR § 570.208(a)(4).

For **job creation activities**, at least 51 percent of the jobs created, computed on a full-time-equivalent basis, must be held by or made available to low- and moderate-income persons.

For **job retention activities**, the City must document that the jobs would be lost without CDBG assistance and that at least 51 percent of the retained jobs, computed on a full-time-equivalent basis, are either held by low- and moderate-income persons or are expected to turn over within two years and be filled by, or made available to, low- and moderate-income persons.

The City shall maintain documentation demonstrating compliance with applicable CDBG job creation or retention requirements, including documentation of the income status of persons holding applicable jobs or documentation that jobs were made available to low- and moderate-income persons, as required by HUD.

CDBG assistance shall not be used for activities prohibited by federal requirements concerning the relocation of employment opportunities, commonly referred to as the CDBG job-pirating prohibition.

ELIGIBLE ACTIVITIES

Eligible uses of funds include: (1) building demolition if the new building value is equal to or greater than the assessed value of the one being demolished, renovation, or addition; (2) land acquisition, site preparation, or new building construction; (3) equipment purchase and installation; and (4) working capital. Ineligible activities include maintenance of facilities and specialized equipment that are not essential to business operations. [24 CFR §570.208(a)(4), 570.209]

PUBLIC BENEFIT STANDARDS

Each CDBG-assisted economic development activity shall comply with the mandatory public-benefit standards of 24 CFR 570.209(b). Before funds are obligated, the City shall determine that:

- Each CDBG-assisted economic development activity complies with the individual public-benefit standard in 24 CFR 570.209(b). The City shall also monitor all applicable economic development activities to ensure compliance with the aggregate public-benefit standard. As a local policy, the City will limit RLF assistance for each project to $35,000 per full-time-equivalent job created or retained, which is more restrictive than HUD's $50,000 per-job individual activity limit.

- The City's covered economic development activities, considered collectively, meet the applicable aggregate public-benefit standard.
- The written underwriting report document comply with both the applicable individual activity standard and the City's aggregate public-benefit requirements.
- The City has received sufficient records to compare the anticipated public benefit with the benefit actually achieved upon project completion.

DAVIS BACON ACT and LABOR STANDARDS

If an Applicant is awarded an Economic Development Loan through this program and construction activity is included, the Applicant shall comply and assure compliance of all Project contractors and subcontractors with the Davis Bacon Act, as amended by 40 U.S.C. Chapter 31, Subchapter IV (40 U.S.C. §§ 3141–3148), the Contract Work Hours and Safety Standards Act, 40 U.S.C. Chapter 37 (40 U.S.C. §§ 3701–3708) applicable Federal laws. The Applicant shall provide weekly payroll reports for contractors/subcontractors working on this project, and other regulations pertaining to labor standards.

Before loan approval, Planning and Development staff shall determine whether the assisted activity includes covered construction work. When applicable, the loan agreement and construction contracts shall include required labor standards provisions, wage determinations, payroll reporting, and enforcement requirements.

HUD SECTION 3

Section 3 does not apply solely because a business receives CDBG assistance. It generally applies when a project includes covered housing rehabilitation, housing construction, or other public construction and the applicable HUD assistance exceeds the Section 3 threshold. Business assistance used solely for working capital, inventory, equipment, or other non-construction purposes is generally not subject to Section 3.

For covered projects, borrowers, contractors, and subcontractors shall comply with applicable Section 3 requirements, including labor-hour tracking and reporting, Section 3 and Targeted Section 3 worker requirements, recordkeeping, and contracting requirements.

The City shall document its applicability determination in the project file and incorporate applicable Section 3 requirements into project documents. As of 2026, the general threshold is more than $300,000 in applicable HUD housing and community development assistance; the City shall apply the threshold in effect when assistance is committed.

ENVIRONMENTAL REVIEW

HUD Community Development Block Grant (CDBG) rules require a complete environmental review before commit funds are committed to a project. [24 CFR Part 58; 24 CFR §58.22]

Neither the City, the applicant, nor any project participant may commit or expend CDBG or non-CDBG funds on a choice-limiting action—including acquisition, demolition, construction, rehabilitation, or execution of a binding construction contract—before completion of the environmental review and receipt of environmental clearance, unless otherwise authorized under 24 CFR Part 58.

A conditional loan commitment may be issued only if it is expressly conditioned upon environmental clearance and does not permit a choice-limiting action.

In addition, projects involving acquisition, redevelopment, or construction may require additional environmental investigation beyond the HUD Environmental Review. These include: Phase I and Phase II Environmental Assessment conducted by a qualified third-party entity, remediation plan, and environmental related insurance such as flood.

ACQUISITION AND RELOCATION

The City shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), Section 104(d) of the Housing and Community Development Act, and 24 CFR § 570.606, as applicable.

Before approving or committing CDBG assistance, Planning and Development staff shall determine whether the proposed project involves real property acquisition, displacement, demolition, rehabilitation, or other activities that may trigger federal acquisition or relocation requirements. No acquisition, displacement, lease termination, notice to vacate, or other action that may affect occupants shall occur until the City has completed this determination and issued all required notices and approvals.

Applicants shall cooperate with the City in meeting all applicable acquisition and relocation requirements and shall not take any action that would jeopardize compliance with federal law. All acquisition and relocation determinations shall be documented in the project file.

CIVIL RIGHTS AND EQUAL OPPORTUNITY

HUD Community Development Block Grant (CDBG) civil rights and equal opportunity requirements mandate that no person be excluded from, denied benefits of, or subjected to discrimination under any funded program. Grantees must comply with federal anti-discrimination laws, affirmatively further fair housing, and ensure equal access to all project benefits, employment, and contracting opportunities. [24 CFR Part 6; 24 CFR Part 8; 24 CFR Part 107], Section 3. The RLF Program shall also be governed by the following:

- Title VI of the Civil Rights Act;
- Section 109 of the Housing and Community Development Act;
- Section 504 of the Rehabilitation Act;
- Americans with Disabilities Act;
- Age Discrimination Act;

- Executive Orders concerning equal employment and contracting;
- Limited English proficiency requirements; and
- 24 CFR Parts 6, 8, and 75.

UNIFORM ADMINISTRATIVE REQUIREMENTS

The City shall administer the RLF in accordance with applicable provisions of 2 CFR Part 200 governing financial management, internal controls, records retention, and audit requirements, as well as 24 CFR Part 570. Borrowers are generally not subject to 2 CFR Part 200 solely by virtue of receiving an RLF loan but shall comply with all applicable federal requirements identified in the loan agreement. [24 CFR § 570.502; 2 CFR §§ 200.302, 200.303, 200.334.

PROCUREMENT/COST REASONABLENESS

Borrowers receiving RLF assistance are generally not subject to the federal procurement requirements of 2 CFR Part 200 solely because they receive a CDBG loan. However, the City shall ensure that project costs are reasonable and properly documented through underwriting or other appropriate cost verification methods. In determining cost reasonableness, the City shall document cost reasonableness, avoid identity-of-interest concerns, and ensure that only eligible, necessary, and reasonable costs are financed. The following cost reasonableness methods and documentation shall be used, as applicable:

- Independent cost estimates or comparison of cost with Planning and Development staff's in-house estimates
- For best practice, Applicant should secure multiple bids whenever practicable.
- Confirmation that costs are not duplicated by other funding sources
- Review of related party contracts for identity-of-interest concerns
- Change order approval procedures

Borrowers shall comply with all other applicable federal requirements identified in the loan agreement.

CONFLICT OF INTEREST

The City shall administer the RLF in accordance with the conflict-of-interest requirements of 24 CFR § 570.611, the Redevelopment Authority Ethics Policy, and applicable state and local ethics laws.

No employee, officer, elected or appointed official, consultant, agent, or other covered person who exercises CDBG-related responsibilities or decision-making authority may obtain a financial interest or benefit from a CDBG-assisted activity, or participate in its selection, underwriting, approval, administration, or monitoring, during their tenure or for one year thereafter, unless HUD approves an exception under 24 CFR § 570.611(d).

Covered persons shall promptly disclose any actual or potential conflict of interest in writing and recuse themselves from all related decisions. The City shall document all disclosures, recusals, determinations, and any HUD-approved exceptions in the loan file.

The Redevelopment Authority Ethics Policy is incorporated herein by reference and shall govern ethical conduct to the extent it is consistent with applicable CDBG requirements.

INSURANCE COVERAGE RULES

- **Hazard Insurance:** Coverage must equal the total debt against the property or the full replacement value, whichever is less (applies throughout the loan term).
- **Building:** May be required for commercial RLF applicants to cover the outstanding loan balance for the duration of the loan.
- **Builder's Risk:** (also known as Course of Construction insurance) is required if a commercial loan project involves ground-up construction, structural expansion, or significant building renovation.
- **Term Life Insurance:** A collateral assignment of a life insurance policy on the primary business owner(s) to secure the outstanding loan balance for the duration of the term may be required.

APPRAISAL/MARKET VALUE DETERMINATION

A property appraisal from an independent 3rd party is required to establish market value of the property associated with the RLF. Appraisals older than 6 months should be updated with current market information.

APPLICATION PROCESS

Applicants seeking funding must submit a comprehensive application package using the City of Sheboygan's Neighborly online portal. The online portal can be found here: https://www.sheboyganwi.gov/426/Business-Funding-Opportunities

Applications must include:

For existing businesses:

- Current year-to-date balance sheet and income statement
- Past two years of historical financial statements
- Current financial statement, sources and uses of funds, three-year pro forma, and cash flow analysis
- Business plan
- Two or more years of business tax returns
- Credit analysis from a bank lending partner, if applicable
- Job creation/retention metrics

For new businesses:

- Three-year pro forma and cash flow analysis that includes a sources and use
- Profit and Loss Statement
- Statement of Cash Flows
- Depreciation Schedule
- Balance Sheet
- Breakeven Analysis
- Business plan that includes an Executive Summary, Business Description, Industry Analysis, Target Market Analysis, Competitive Analysis, Sales and Marketing Plan, Risk Analysis.
- Job creation metrics

Planning and Development staff will work with the Entrepreneurship Specialist/Business Consultant to assist in meeting the requirements for each loan application to support the Redevelopment Authority's funding recommendation and the Common Council's final funding decision.

All loan applications are subject to the State of Wisconsin Open Public Records Law.
Records concerning the RDA's and the Common Council finances are subject to Wisconsin's Public Records Law, Wis. Stat. §§ 19.31–19.39, rather than the federal Freedom of Information Act. Confidential commercial or financial information will be handled, and any applicable withholding or redaction will be determined in accordance with Wisconsin law, including any applicable statutory exemptions and the Wisconsin public-records balancing test. This Manual should not represent that such information is categorically or permanently confidential.

Applications that are incomplete, ineligible, or unable to meet a National Objective shall not advance to financial underwriting.

UNDERWRITING AND RISK EVALUATION

The underwriting guidelines establish a consistent process for evaluating loan applications to determine whether CDBG assistance is necessary, project costs are reasonable, the proposed business has the financial capacity to complete the project and repay the loan, and the anticipated public benefits justify the amount of assistance provided. All loans shall comply with underwriting requirements of 24 CFR Part 570, including 24 CFR 570.200, 24 CFR 570.203(b), 24 CFR 570.208(a)(4), 24 CFR 570.209, and Appendix A to 24 CFR Part 570.

These guidelines supplement the City's Business Revolving Loan Program Manual and shall be applied in conjunction with all program eligibility, loan terms, and administrative requirements.

RLF UNDERWRITING POLICIES AND PROCEDURES

Purpose

All Revolving Loan Fund applications shall undergo a documented underwriting review before funding approval. The review determines whether CDBG assistance is necessary, the project is financially feasible, repayment is reasonably assured, and the anticipated public benefits justify the City's investment. RLF assistance is intended to fill a financing gap and shall not replace private financing that is reasonably available.

Underwriting Principles

Each loan shall be evaluated to ensure that:

- CDBG assistance is necessary for the project to proceed.
- Assistance is limited to the minimum amount required.
- Private financing and owner equity are maximized.
- Project costs and financing sources are reasonable and documented.
- The applicant has sufficient financial and management capacity.
- Repayment is reasonably assured.
- Public benefits justify the amount of assistance.
- Loan terms, collateral, and conditions reasonably protect the City's investment.

Roles and Responsibilities

Business Development Consultant

The business development consultant shall assist the applicant with preparing the business plan, financial projections, project budget, financing sources, and application materials. The business plan supports the application but does not replace an independent financial underwriting review.

Planning and Development staff

Planning and Development staff shall remain responsible for CDBG compliance and the City's funding determination. Staff shall review:

- CDBG activity eligibility.
- Compliance with a HUD National Objective.
- Job creation or retention requirements.
- Necessity for CDBG assistance.
- Application completeness.
- Management qualifications and business capacity.
- Anticipated public benefits.

- Applicable federal requirements, including environmental review, labor standards, Section 3, relocation, conflicts of interest, civil rights, and anti-job-pirating requirements.

Planning and Development staff shall verify that the project meets CDBG regulations at (e.g., CDBG eligibility, national objective, creating jobs for low-and-moderate income individuals). An independent underwriting consultant will be conducting a financial underwriting review of the project loan request.

City Planning and Development staff shall also score a RLF Scoring Matrix that is attached or incorporated by reference.

Financial Underwriting Consultant
The City shall retain or assign a qualified financial underwriting consultant as applicable, to independently evaluate financial feasibility and project viability.

The consultant's written analysis shall address:

- Sources and uses of funds.
- Financing gap and necessity for CDBG assistance.
- Reasonableness of project costs.
- Private financing commitments.
- Owner equity.
- Historical and projected financial performance.
- Cash flow and debt-service capacity.
- Liquidity, working capital, profitability, and net worth.
- Creditworthiness.
- Collateral and loan security.
- Market and operational viability.
- Project completion risks.
- Overall risk.
- Recommended loan amount, terms, conditions, and security.

The consultant's report shall become part of the official loan file and support the City's funding recommendation.

Underwriting Process

Phase I—Threshold Eligibility Review

Before financial underwriting begins, Planning and Development staff shall confirm that:

1. The activity is eligible under the CDBG program.
2. The project meets a HUD National Objective.
3. The project complies with the RLF Manual.
4. The application is complete.
5. Required financial, organizational, project-cost, and financing documents have been submitted.
6. Applicable federal requirements have been identified and addressed.

An application that does not meet these requirements shall not proceed.

Phase II—Financial Underwriting Review

Eligible and complete applications shall undergo an independent financial underwriting review to determine whether the project is feasible and whether the applicant can complete the project and repay the loan.

Financial Need

The applicant must demonstrate that:

- Conventional financing is unavailable or insufficient.
- A documented financing gap exists.
- The requested RLF amount is reasonable.
- CDBG funds must not replace available private financing.
- The assistance must not result in undue enrichment.

Sources and Uses

The underwriter shall verify total project costs, eligible expenses, financing commitments, owner equity, private lender participation, other public funding, and the adequacy of financing to complete the project. Total sources must equal or exceed total uses.

Owner Equity

Applicants must provide a meaningful financial contribution. General underwriting guidelines are:

- Existing businesses: approximately 10 to 20 percent of total project costs.
- New businesses: approximately 20 to 30 percent.
- Higher-risk projects: additional equity when warranted.

Equity requirements may be adjusted based on financial strength, collateral, management capacity, project characteristics, and overall risk.

Financial Capacity and Repayment
For existing businesses, the review shall consider historical and interim financial statements, tax returns, sales and profitability trends, liquidity, existing debt, and cash flow. For new businesses, the review shall place greater emphasis on the business plan, market analysis, management experience, capitalization, working capital, operating assumptions, financial projections, break-even analysis, and projected cash flow.

Financial Measure	General Standard
Debt Service Coverage Ratio	Minimum 1.20
Preferred Debt Service Coverage Ratio	1.25 or higher
Current Ratio	Minimum 1.20
Cash Ratio	Minimum 0.50
Working Capital	Positive
Cash Flow	Adequate to service all debt
Real Estate Loan-to-Value	Maximum 90 percent
Equipment Loan-to-Value	Maximum 75–80 percent
Net Worth	Positive

These benchmarks may be adjusted based on industry standards, project characteristics, compensating factors, and overall risk.

Credit and Collateral
The review may include business and personal credit history, existing debt, liens, judgments, bankruptcy history, and payment performance.

Credit weaknesses do not automatically disqualify an applicant but may require additional collateral, personal or corporate guarantees, stronger loan covenants, increased reporting, or other risk-mitigation measures.

Acceptable security may include real estate, equipment, inventory, accounts receivable, UCC filings, personal or corporate guarantees, lease assignments, or other collateral acceptable to the City.

The CDBG loan may attract private capital by subordinating the City's interest to second and third priority.

Project Feasibility and Viability
The underwriting review shall determine whether the project can reasonably be completed and operated successfully. The analysis shall consider, as applicable:

- Project budget and development schedule.
- Construction feasibility and cost estimates.

- Market demand and competition.
- Management and staffing capacity.
- Contractor qualifications.
- Required permits and approvals.
- Operating projections.
- Financial, legal, environmental, market, and operational risks.

Projects with material feasibility concerns may be required to provide additional documentation or satisfy additional conditions before funding is recommended.

Risk Assessment
Each project shall receive a documented risk rating:
Low Risk: Strong financial condition, experienced management, and strong collateral.
Moderate Risk: Acceptable financial condition with manageable risks.
Elevated Risk: Weak financial trends or collateral requiring additional protections.
High Risk: Significant repayment uncertainty; generally, not recommended.

The risk rating may affect collateral requirements, guarantees, loan conditions, reporting frequency, and monitoring requirements.

Phase III—Public Benefit and Scoring
Planning and Development staff shall review the consultant's report, determine that it adequately addresses the City's underwriting requirements, request changes as needed, and incorporate the findings into the Planning and Development staff's recommendation. The City remains responsible for the final CDBG funding determination.

Only projects that successfully complete the eligibility and financial underwriting reviews shall proceed to the RLF Scoring Matrix.
The Scoring Matrix shall evaluate:

- Employment opportunities.
- Spin-off Development Potential.
- Tax-base growth.
- Private Investment & Appropriateness of RLF Assistance.
- Benefit-to-Risk Ratio.
- Economic Impact.
- Neighborhood Impact
- Conformance with City Plans.
- Local Employment & Community Commitment.
- Management Readiness
- Project Readiness
- Overall Risk Rating Alignment

Applications will be scored based on the RLF Scoring Matrix criteria. Each category is worth up to 10 points, for a maximum score of 120 points; applicants must score at least 75 points to qualify (Please see scoring sheet attached to this document).

The Scoring Matrix shall be used to compare and prioritize financially feasible projects. A high public-benefit score shall not offset unacceptable financial weakness.

Project Review Packet

A project review packet shall be compiled before a project is presented for final funding consideration. The packet shall include:

- Project summary.
- CDBG eligibility and National Objective.
- Need for CDBG assistance.
- Written Underwriting Analysis
    - Sources and uses.
    - Financial feasibility and repayment analysis.
    - Project viability.
    - Credit and collateral review.
    - Risk rating.
- Public benefits and job commitments.
- Scoring Matrix results.
- Recommended loan amount, terms, conditions, and security.

Loan Approval and Closing

Planning and Development staff shall submit the project review packet with staff recommendation to the RDA for review. The RDA shall convene in an open session to officially make a recommendation to the full Common Council.

The Redevelopment Authority shall submit the eligibility review, Underwriting Report, Scoring Matrix, public benefits, project risks, and available funding when recommending approval, conditional approval, or denial. The Common Council must issue its final binding decision within 90 days of a complete application submission.
A denied application may be resubmitted, provided it is revised in accordance with the Planning and Development staff and RDA's recommendations and funds are still available. Decisions of the Common Council shall be final.

No loan shall close until:

- Final approval has been obtained.
- Required private financing and owner equity have been verified.
- Environmental review requirements have been satisfied.

- Insurance, appraisal, title, collateral, and security requirements have been completed.
- All approval conditions have been met.
- Required loan documents have been executed.

When the statutory requirements are satisfied, the RDA and/or Common Council may convene in closed session under Wisconsin's Open Meetings Law to review and negotiate loan terms, including pursuant to Wis. Stat. § 19.85(1)(e) where applicable. However, the fact that information is discussed in closed session does not, by itself, make the information confidential or exempt from disclosure.

Post-Closing Monitoring

Following closing, the City shall monitor:

- Loan payments.
- Financial performance.
- Job creation and retention.
- Low- and moderate-income benefit.
- Insurance and collateral.
- Compliance with loan conditions and CDBG requirements.

Noncompliance may result in corrective action, additional reporting, revised loan terms, additional collateral, repayment acceleration, or other remedies authorized by the loan documents.

PROJECT REVIEW PROCESS

Step	Primary Responsibility	Purpose
Business Planning	Business Development Consultant	Helps develop the project plan, financing request, business strategy, and loan application.
CDBG Eligibility Review	Planning and Development staff	Confirms CDBG eligibility, National Objective, necessity for assistance, management capacity, and compliance with other federal requirements.
Financial Underwriting	Qualified Consultant	Determines financial feasibility, repayment ability, financing gap, project viability, and appropriate loan terms.
Scoring Matrix	Consultant and Planning and Development staff	Evaluates public benefits and ranks financially feasible projects.
RDA Loan Package	Planning and Development staff	Reviews the underwriting, and scoring, and makes a staff loan recommendation to the Redevelopment Authority Board
Loan Recommendation	RDA	Reviews and makes loan recommendation to the Common Council based on Planning and Development staff's recommendation
Final Loan Approval	Common Council	Makes the final funding decision.

GOVERNANCE ROLES AND RESPONSIBILITIES

The City of Sheboygan's CDBG Business Revolving Loan Program is governed through a collaborative structure involving the Department of Planning and Development, the Finance Department, Redevelopment Authority, and the Common Council.

Department of Planning and Development: Provides day-to-day administration of the RLF, receives application and related documents, conducts CDBG eligibility and National Objective assessment, and completeness review for related CDBG and federal cross cutting regulations. Planning and Development staff shall also score each application using an RLF scoring matrix attached or incorporated herein by reference.

Financial Underwriter: With oversight by Planning and Development staff, an independent third-party consultant shall conduct a financial underwriting review to determines financial feasibility, repayment capacity, risk, collateral, and recommended loan terms. Planning and Development staff will review the underwriter's findings to include in its application scoring and help determine staff's recommendation.

Finance Department: Manages financial accounting, loan repayments, tracking of program income, and budget administration.

Redevelopment Authority (RDA): Authorizes substantial program amendments, project participation, and final funding approvals. Reviews each loan application and Planning and Development staff recommendation and makes recommendations to the Common Council.

Common Council: Reviews and approves final RLF loan based on City Development staff and RDA board recommendations.

LOAN AND INTEREST TERMS

All loans granted under this program shall be subject to the following terms and conditions:

1. Loans will only be made to the business directly benefiting by the proposed activity.

2. No loan shall be made to any party whose application does not indicate adequate financial capacity for loan repayment.

3. Approved loan amounts may vary according to the amount of funds available in the RLF.

4. Interest Rate – Loans will be issued at 1/2 prime plus 1% on the date the application is approved for projects creating or retaining a majority of Low-and -moderate income (LMI) jobs, or at Prime for general projects.

5. Loan Amounts – Loans cannot exceed 50% of total project cost and are limited to $35,000 per job created or retained.

6. Loan Term – Up to 20 years for real estate, 7–10 years for equipment, and 3–5 years for working capital.

7. Loans will be secured by a mortgage, security agreement, or other appropriate collateral documents. The security agreements will include LMI job requirements and standards for compliance on a yearly basis.

8. Repayment Start – Loans may include up to 12 months of interest-only payment for new businesses or expansions.

9. No loans shall be subject to any penalty for prepayment.

10. The funds of each loan shall be paid in the name of the borrower by the City and shall constitute a loan advance in the borrower's name.

11. In the event any installment payment (including, without limitation, the entire principal balance upon maturity), becomes more than fifteen (15) days past due, borrowers shall pay a late payment charge payable to the holder equal to five (5%) percent of the entire unpaid amount of the installment. Payments received after any installment becomes more than fifteen (15) days past due shall be applied first to current installment(s) and then to delinquent installments for purposes of this provision.

12. Claw-back provisions – Borrowers must meet job creation/retention commitments. Annual reporting required. Non-compliance may result in adjusted terms or repayment acceleration.

13. The Redevelopment Authority reserves the right to ask for additional information.

14. Application will not be considered until complete.

OUTREACH, MARKETING, AND CUSTOMER ATTRACTION STRATEGY

In order to meet the lending objectives of the RLF program and to ensure that the program effectively supports the City's CDBG annual expenditure timeliness ratio requirement, there must be an ongoing supply of loan applications to the RLF. An effective outreach and marketing strategy for the City of Sheboygan Business Revolving Loan Fund (RLF) requires targeted digital campaigns, active banking partnerships, community partners, and direct small business engagement. Key elements include lender partnerships, digital visibility, and proactive outreach.

STRATEGIC PROGRAM MANAGEMENT

A strategic Community Development Block Grant (CDBG) Program Management framework requires structured oversight to maintain federal compliance, maximize fund deployment, and drive community impact. This comprehensive strategy balances regulatory compliance with proactive asset management.

PROGRAM INCOME REQUIREMENTS

According to 24 CFR § 570.500, program income is gross income directly generated from the use of CDBG funds. Key sources include loan repayments, property sales, and rental income. Revolving Loan Funds are treated as program income and have certain requirements:

- The City shall maintain a dedicated, escrow account for all RLF Program Income receipts and cash balance. Funds deposited into this account shall be used exclusively for eligible RLF-related activities.

- Interest paid by borrowers on RLF loans is considered program income.
- Interest earned on the cash balance in the RLF account must be remitted to HUD for transmittal to the U.S, Treasury annually per 24 CFR 570.500(b).
- Repayments to, and interest earned on, the RLF shall be substantially disbursed before the City requests additional Treasury drawdowns for the same economic development activity, in accordance with 24 CFR § 570.504(b)(2)(i).
- All monthly principal and interest payments received shall be recorded in HUD's Integrated Disbursement and Information System (IDIS) as Program Income (PI) following the close of each month.
- RLF program income may be used for eligible economic development activities, eligible activity-delivery costs, and eligible planning and administrative costs. Administrative expenditures shall be charged and reported in accordance with applicable CDBG cost classifications and limitations.

PORTFOLIO SUSTAINABILITY

To support portfolio stability and identify potential challenges early, the RLF will conduct an internal credit review annually. These reviews will assess borrower financial performance, repayment capacity, and any emerging concerns requiring proactive intervention or technical assistance.

The RLF will limit financing participation to no more than 50% of total project costs. This requirement ensures that borrowers and private lenders maintain a meaningful financial commitment to each project and helps promote responsible investment decisions.
The City shall manage its loan portfolio to maintain reasonable diversification across industries, geographic areas, loan sizes, and borrowers to minimize concentration risk and promote long-term portfolio stability.

The City shall actively monitor loan repayments and work with borrowers to resolve payment issues before default occurs. The RLF will maintain a formal delinquency management policy with clearly defined actions for accounts that become 30, 60, and 90 days past due. The policy will emphasize timely borrower communication, problem resolution, and loan workout strategies before pursuing legal remedies. Loans that remain unresolved beyond 90 days will be evaluated for foreclosure, collection actions, or other appropriate remedies based on individual circumstances and applicable policies.

LOAN RESTRUCTURING AND WORKOUT POLICY

The City may approve reasonable loan modifications when temporary economic conditions or project delays affect repayment, provided the modifications improve the likelihood of repayment and preserve the project's public benefits. The City may modify loan terms, including repayment schedules, maturity dates, payment deferrals, interest-only periods, or collateral requirements, when such modifications improve the likelihood of repayment and protect the City's investment. Any restructuring must be justified by updated business financial information, demonstrate a reasonable expectation of repayment, preserve the public purpose of the loan, and receive approval from the RDA and Common Council or other authorized governing body. Loan modifications shall not forgive debt or provide additional subsidy unless supported by a documented underwriting analysis demonstrating compliance with applicable CDBG requirements. Loan modifications may also be considered when a change in business ownership or transfer of property is desired.

COLLATERAL RELEASE POLICY

Collateral shall remain in place until the loan is repaid unless otherwise approved by the City. Partial releases may be approved when adequate replacement collateral is provided, the remaining collateral sufficiently protects the City's interest, and the release does not materially increase repayment risk. All collateral releases shall be documented in writing.

REPORTING REQUIREMENTS

The City shall maintain all records required by 24 CFR 570.502, 570.504, and 570.506. Program income, expenditures, accomplishments, and activity status shall be recorded in HUD's Integrated Disbursement and Information System (IDIS) in accordance with HUD reporting requirements. The City shall maintain documentation supporting financial transactions, National Objective compliance, public benefit, job creation and retention, and all other applicable CDBG requirements.

BORROWER COMPLIANCE MONITORING

The City shall utilize a contractor to conduct annual payroll audits of RLF borrower businesses to verify that jobs created or retained through RLF assistance are occupied by, or made available to, low-and -Moderate Income (LMI) individuals in accordance with applicable HUD requirements.

PORTFOLIO MONITORING SUSTAINABILITY

City staff shall review the Business RLF Loan Policy Manual at least annually and recommend revisions to lending policies, including interest rates, collateral requirements, underwriting standards, and other program guidelines, based on current local economic and lending market conditions.

City staff shall continuously monitor RLF portfolio performance to ensure financial sustainability, regulatory compliance, and alignment with HUD requirements while supporting community and economic development objectives.

FORGIVABLE LOANS

The CDBG Business Revolving Loan Fund (RLF) funds shall not be used to provide forgivable loans. All RLF assistance shall be structured and include defined repayment terms and a reasonable expectation of repayment. Loan principal shall not be forgiven, waived, or converted to a grant except as expressly permitted by applicable HUD regulations and program requirements. Repayments shall be returned to the RLF for use in eligible activities in accordance with CDBG requirements.