



City of Sheboygan
PLANNING AND DEVELOPMENT

Sheboygan City Hall
828 Center Ave, Suite 201
Sheboygan, WI 53081

To: Redevelopment Authority

Date: October 7, 2026

Subject: Healthy Business RLF Program Discussion

At the request of the Redevelopment Authority Chairperson, we were asked to provide guidance on what constitutes a “healthy” Revolving Loan Fund (RLF), including whether HUD has established a target percentage or dollar amount for funds that should be deployed versus held as cash. We referred the question to the HUD Technical Team. Here is their reply when asked the question: “What makes a healthy Revolving Loan Fund”.

HUD’S Technical Team response indicates that there is no HUD prescribed dollar amount or percentage for “healthy” loan fund. HUD’s focus is on the funds, actively revolving and being put to eligible uses. Their concern was with the impact of unspent loan funds on the City’s CDBG timelines ratio.

They further explained that healthy is determined by how the loans are being repaid, a pipeline of prospective new loans to choose from, and cash to lend. Deployment of loan funds is the priority.

This is not a HUD requirement, but a measure could be
$$\text{RLF Deployment Rate} = \frac{\text{Outstanding Performing Loans}}{\text{Total RLF Assets}}$$

City of Sheboygan
PLANNING AND DEVELOPMENT

Sheboygan City Hall
828 Center Ave, Suite 201
Sheboygan, WI 53081

They suggested that 70-90 percent deployment of capital with 10-30 percent cash on hand is healthy.

Finally, the pipeline to loan conversion rate should be about 50-70 percent. So, the qualified pipeline should be about 1.5 or 2 times what you expect to lend.