

Item: MODIFICATION TO THE ZERO INTEREST LOAN PROGRAM

Department: Planning & Community Development

BACKGROUND

In April 2014, the Village Board approved a Zero Interest Loan program to help encourage economic development in Arlington Heights. The program was the result of months of collaboration between Village Staff and the Arlington Economic Alliance. As approved, the program offers a loan of up to one-half of eligible project costs, not to exceed \$10,000. Eligible applicants are any new or existing for-profit business looking to enhance its operation within the community. The incentive covers a range of potential costs, such as start-up/relocation costs, interior build-out, and purchase of equipment. Repayment of the loan is made in quarterly installments, not to exceed five years.

Due to the limited number of applications that have been submitted, Village Staff proposed two modifications to the program based upon feedback received from interested non-applicants over the past 18 months: increasing the maximum loan amount to \$20,000; and incorporating a provision in which the final 25% of repayment would be forgiven, as a grant, if all prior repayments were made within 30 days of invoice.

These modifications were presented to the Arlington Economic Alliance on October 21, 2015. After some discussion, the Commission voted to recommend an increase to a \$20,000 maximum loan, but voted against recommendation of the forgivable provision. Both motions were agreed upon unanimously by voting members in attendance.

GOAL AND PURPOSE

The Zero Interest Loan Program is designed to provide financial assistance to prospective and existing businesses within the Village of Arlington Heights. The program is intended to assist companies' growth within the Village while enhancing a diverse business climate, both communitywide and regionally. An ideal applicant will show, or have the potential for, long-term growth within Arlington Heights.

FUNDING

The program is funded through rebates from the Cook County Class 6b property tax abatement incentive. In order to receive County approval of this property tax designation, the applicant must first be approved by the municipal government. In order to fund the Zero Interest Loan program, Class 6b recipients agree to rebate the Village 10% of their property tax savings over the first five years of the incentive. Funds generated from these rebates are designated specifically to the Zero Interest Loan fund, as well as the application fee for the Class 6b incentive.

IMPLEMENTATION CONCERNS/ANALYSIS

The Zero Interest Loan program has been in place for 18 months. Staff has received three completed applications, one of which was approved (Kingsley + Ginnodo Architects) for \$10,000. The other two applicants were rejected by the Loan Committee for various reasons. Although Staff had discussed the program with multiple other

businesses, none of these other entities elected to complete the application for the loan. Although reasons vary, common responses to not pursuing the loan involved the amount not being significant enough and that the money needed to be repaid.

Funding from Class 6b rebates will begin in late 2016. The first Class 6b property tax designations under the Zero Interest Loan program will become active in 2016, but the Village will not receive its share for the program until after the second tax bills have gone out in August. Staff has budgeted \$40,000 for the program in fiscal year 2016. In the long-term, rebates received from the Class 6b incentive should be adequate to fund the program. Over the next five years, it is estimated that approximately \$250,000 will fund this program from approved Class 6b recipients.

EXISTING LOAN STRUCTURE

Eligible applicants under the program are for-profit enterprises either looking to locate, or enhance their current operations, in the Village. Eligible costs may include:

- Start-up or relocation into an Arlington Heights property
- Expansion within current location
- Interior build-out
- Purchase of machinery or equipment
- Energy efficiency improvements
- Upgrades to technology
- Other improvements as may be approved by the Village that enhance occupancy rates, employment figures, and/or tax revenue

Currently, the approved applicant is eligible to receive a loan of up to 50% of the total project cost, not to exceed \$10,000. The loan recipient accrues no interest on the loan for a maximum term of five years, but no longer than the remaining lease term. Loans become due and payable at the maximum term of the loan, with quarterly loan repayments equal to the amount and duration of the loan.

PROPOSED LOAN STRUCTURE

The program would continue to offer a loan of up to half the project costs. However, the proposed change would increase the maximum loan amount from \$10,000 to \$20,000. There would be no changes regarding eligible costs, interest accrued, or repayment schedule.

ALLIANCE MOTION

Scott Whisler moved to recommend to the Village Board an increase of the Zero Interest Loan Program maximum disbursement amount from \$10,000 to \$20,000. Jon Ridler seconded. All Alliance members voted in favor of the motion.

RECOMMENDATION

It is recommended that the Village Board concur with the Arlington Economic Alliance motion to increase the maximum loan amount from \$10,000 to \$20,000.