

RESOLUTION NO. 5000

A RESOLUTION ESTABLISHING GUIDELINES FOR THE USE OF INCENTIVES FOR COMMUNITY AND ECONOMIC DEVELOPMENT AND DECLARING THAT THIS RESOLUTION SHALL BE IN FULL FORCE IMMEDIATELY.

WHEREAS, “Develop and implement Economic Development and Community Development plans, policies, and programs to strengthen the local economic climate, diversify the tax base, and enhance the viability and sustainability of the community’s residential neighborhoods and commercial areas” was among the City Council’s goals adopted on October 26, 2015; and

WHEREAS, a portion of the City’s mission is to provide professional municipal management in the areas of community and economic development as well as the stewardship of public funds; and

WHEREAS, both community and economic development were identified as priorities by respondents to the City’s residential survey in 2016; and

WHEREAS, both the community and economic development plans contain recommendations to establish incentive programs that work to meet the goals identified therein; and

WHEREAS, having clearly defined guidelines for the use of incentives helps to provide potential beneficiaries with an understanding of what incentives might be available early in the development or redevelopment process, thereby helping to stimulate both activities; and

WHEREAS, having clearly defined guidelines helps to remove confusion regarding eligibility, authorization, sources of funding, application and approval processes, reporting requirements, and other information about incentive programs.

NOW THEREFORE BE IT RESOLVED, BY THE KEWANEE CITY COUNCIL, IN COUNCIL ASSEMBLED, AS FOLLOWS:

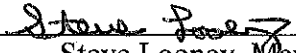
Section 1 The attached Economic and Community Development Incentive Guidelines are hereby adopted.

Section 2 This Resolution shall be in full force and effect immediately upon its passage and approval as provided by law.

Adopted by the Council of the City of Kewanee, Illinois this 12th day of September, 2016.

ATTEST:


Melinda Edwards, City Clerk


Steve Looney, Mayor

RECORD OF THE VOTE	Yes	No	Abstain	Absent
Mayor Steve Looney	X			
Council Member Deann Schweitzer	X			
Council Member Andrew Koehler	X			
Council Member Kellie Wallace-McKenna	X			
Council Member Michael Yaklich	X			



ACKNOWLEDGEMENTS

In 2016, the City of Kewanee formed the Economic Development Planning Committee and Community Development/Neighborhood Revitalization Planning Committee to establish a comprehensive approach to community and economic development planning. The planning committees developed plans that were formally adopted by the City of Kewanee on August 8th, 2016.

Kewanee Community Development/ Neighborhood Revitalization Planning Committee:

Sue Sagmoen
Mary Jo Gibson
Carrie Boelens
Sam Rux
Ray Jacobs
William Jordan
Suzanne Burkhart

Kewanee Economic Development Planning Committee

Kathy Albert
Pat Sullivan
Diane Packee
Mark Rewerts
Shane Kazubowski
Lisa Rashid
Dan Kuffel
Lynn Sutton

Recognizing the impact that financial incentives can have in both community and economic development, each plan adopted contained within it a specific recommendation for the development and implementation of guidelines governing the use of incentives. These guidelines are intended to serve as a "one stop shop" for the availability and applicability of incentive programs provided by or supported by the City of Kewanee for current or future residents and businesses in the community or eligible areas. They are intended to be a living document, amended as may be necessary and proper to add or remove incentive programs, and update their use, eligibility requirements, reporting requirements, or other pertinent information.

Incentive Guidelines

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Redevelopment Programs

Redevelopment Projects

Tax Increment Financing (TIF)

Brownfield Assessment Program

Redevelopment Programs

TAX INCREMENT FINANCING (TIF)

PURPOSE

Tax Increment Financing (TIF) is a tool which pledges future gains in taxes to finance the current improvements which will result in those gains. TIF is designed to channel funding toward improvements in areas where development/redevelopment may not otherwise occur.

AUTHORIZATION

65 ILCS 5/Art 11 Div 74.4 et seq. and any amendments thereto, known as the Tax Increment Allocation Redevelopment Act (The "Act").

ELIGIBLE AREAS

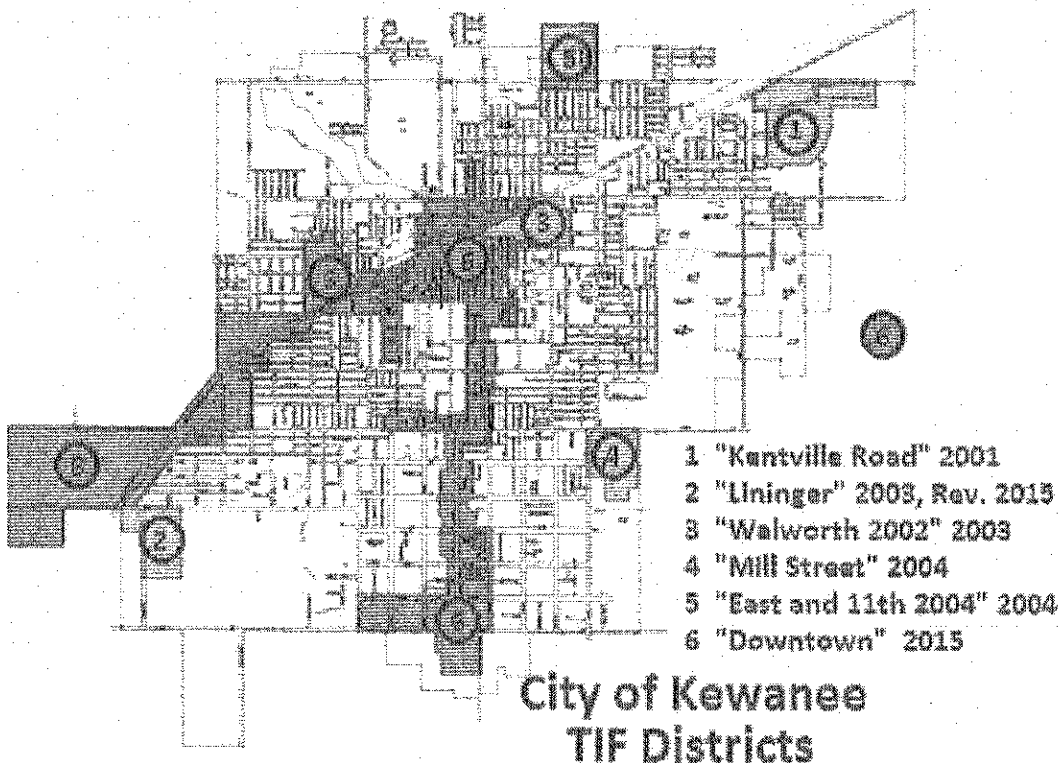
In Illinois, a TIF project must be located within a "TIF District" which may be established by a city due to (1) Blighted Conditions; (2) Conservation Conditions; and (3) Industrial Park Conservation Conditions.

The City of Kewanee has adopted six(6) TIF plans in the past, each with active TIF areas that are eligible for the use of tax increment financing.

HOW THE PROGRAM WORKS

When an area is developed or redeveloped, there is an increase in the value of the property. The increased site value and investment creates more taxable property, which increases tax revenues. The increased tax revenues are the "tax increment." TIFs pledge all or a portion of the future increased revenue for repayment of eligible costs associated with the improvements.

Tax Increment Financing does not result in increased property tax rates or special purpose assessments. Projects utilizing Tax Increment Financing revenues may be funded by the use of special obligation bonds, general obligation bonds (Full Faith and Credit Bonds), or on a pay as you go basis.



Redevelopment Programs

ELIGIBLE USES

Permissible redevelopment project costs or expenses include but are not limited to:

- Acquisition, demolition, clearance and other land assembly and site preparation activities.
- Relocation assistance
- Professional services such as architectural, engineering, legal, property marketing and financial planning
- Financing costs, including interest assistance
- Area-wide public infrastructure improvements such as road and sidewalk repairs, utility upgrades, water and sewer projects.
- Rehabilitation or renovation of existing public or private buildings.
- Correction or mitigation of environmental problems and concerns.
- Job training, workforce readiness, and other related educational programs.
- Incentives to retain or attract private development.
- Marketing

Redevelopment project costs shall not include costs incurred in connection with the construction of buildings or other structures to be owned by or leased to a Developer, except for multi-level parking facilities.

FUNDING

The City may use proceeds of special obligation bonds or full faith and credit tax increment bonds to finance the undertaking of a redevelopment project. The maximum maturity of any such special obligation bonds or full faith and credit tax increment bonds shall be 23 years. The City may also issue revenue bonds, or private activity bonds to benefit a Developer located within a redevelopment district.

Special Obligation Bonds:

The City may issue special obligation bonds to finance permissible expenses of a redevelopment project. Principle and interest on such bonds may be payable:

1. From tax increments allocated to, and paid into a special fund of the City;
2. From revenues of the City derived from or held in connection with the undertaking and carrying out of any redevelopment project;
3. From private sources, contributions, or other financial assistance from the state or federal government;
4. From any combination of these methods.

Special obligation bonds are not general obligations of the City, nor in any event shall they give rise to a charge against its general credit or taxing powers or be payable out of any funds or properties other than those sources set forth above. Should the annual increment fall short of the amount necessary to pay the principal and interest of the special obligation bonds issued under this policy, the remaining amount payable is the responsibility of the applicant, not the City.

Full Faith and Credit Bonds

The City may also issue full faith and credit bonds to finance a redevelopment project. These bonds are payable, both as to principal and interest:

1. From the revenue sources identified for special obligation bonds; and
2. From a pledge of the City's full faith and credit to use its ad valorem taxing authority for repayment thereof in the event all other authorized sources or revenue are not sufficient.

Except in extraordinary circumstances in the sole discretion of the Governing Body, the proceeds of full faith and credit tax increment bonds shall only be used to pay for public improvements or public projects which would otherwise be eligible to be paid for with the proceeds of City general obligation bonds.

Redevelopment Programs

Pay as You Go

TIF can also be used to reimburse a Developer for eligible redevelopment project plan costs on a “Pay as You Go” basis as opposed to issuing bonds. Under this method, the City may agree to reimburse the Developer for eligible redevelopment project costs over a period of time not to exceed twenty-three (23) years from the date of redevelopment project plan approval in accordance with the terms set forth in the Redevelopment Agreement. The reimbursement amount is paid solely from all or a portion of the tax increment, and the Developer takes the risk that the portion of the increment pledged for reimbursement will be insufficient to retire the eligible redevelopment project costs.

APPLICATION PROCEDURE (Existing)

For application within an existing TIF District, applications are available at City Hall, on the City’s website, or through the Chamber of Commerce and the Kewanee Economic Development Corporation. Applications consist of Developer Information, Project Information, Project Costs, and required disclaimers and declarations.

Upon completion of the application form, the information is submitted to the City’s contracted TIF Administrator/TIF Counsel for their review and the drafting of a TIF Redevelopment Agreement. The redevelopment agreement is then placed on the City Council agenda for consideration by the governing body.

APPROVAL PROCEDURE (Existing)

The City has proactively adopted six (6) TIF Districts. Properties within the six redevelopment project areas are eligible for the use of Tax Increment Financing, using an application and approval process that is considerably easier to navigate than would be

required for the establishment of a new Tax Increment Financing Plan.

The general objectives of the City in granting TIF for economic development are:

1. Promote, stimulate and develop the general and economic welfare of the State of Illinois and the City;
2. Promote the general welfare of residents through assisting in the development, redevelopment, and revitalization of central business areas, blighted areas, conservation areas, and environmentally contaminated areas located within the City;
3. Create new and retain existing jobs; and
4. Expand the economic base and tax base of the City.

The City recognizes that a simple system of determining the amount of TIF to be granted in order to reach these objectives may not always be equitable if applied uniformly to different kinds of redevelopment project plans. As a result, in determining the actual amount and duration of TIF to be granted, the City shall review each application on a case by case basis and consider the factors and criteria set forth in this Policy including where applicable, the feasibility of the project, the amount of TIF requested, anticipated, and the duration of the proposed financing to retire TIF obligations. Although no minimum capital investment is required by the City, the investment made by an applicant is a factor to be considered by the City in determining whether or not to authorize a redevelopment project plan.

All TIF applications shall be considered in light of the “but for” principle, i.e., TIF must make such a difference in the decision of the Applicant that the project would not be economically feasible “but for” the availability of TIF. In evaluating the economic feasibility, the staff may consider factors that include but are not limited to:

Redevelopment Programs

- The extraordinary or unique costs associated with developing the project;
- The applicants financial investment;
- The property, sales and other tax and fee revenue that may result from the project;
- The credit worthiness and experience of the applicant;
- Market demand or need for the proposed business;
- Public improvements or public benefit resulting from the use of TIF

APPLICATION PROCEDURE (New)

Applications for the creation of a new TIF District must follow a statutorily defined approval process. Applications should include the following:

- Legal description of the proposed boundaries of the project area;
- Map of the project plan area with accompanying tax parcel ID information;
- A project plan that identifies all the proposed redevelopment project areas and identifies all of the buildings, facilities and other improvements that are proposed to be constructed or improved in each redevelopment project area;
- If applicable, a study from qualified personnel providing the necessary information to result in a determination of blight or substantiate conservation area findings as the basis for establishing the redevelopment district area;
- Information regarding expected capital expenditures by the Applicant;
- An itemization of development assistance requested;
- Summary of the proposed financing plan, including sources and uses of funds;
- A detailed description of the proposed buildings, facilities and other improvements to be constructed in the project area, including the estimated fair market and assessed value of the improvements and the estimated date in

which construction of the improvements will be commenced and completed;

- The proposed relocation plan if any relocation will be required under the project plan.
- The applicable application fee.
- All statutorily required public notices and publication dates in order to maintain compliance with the Act.

APPROVAL PROCEDURE (New)

Staff and its consultants will thoroughly review the plan to ensure the feasibility of the plan and the likelihood of its successful implementation and make recommendation on the approval or denial of the plan prior to any public hearings on the plan. Plan approval and successful implementation is best achieved after a series of iterative meetings between the developer, staff, and consultants to address any and all concerns associated with the plan and its implementation.

The general objectives of the City in granting TIF for economic development are:

1. Promote, stimulate and develop the general and economic welfare of the State of Illinois and the City;
2. Promote the general welfare of residents through assisting in the development, redevelopment, and revitalization of central business areas, blighted areas, conservation areas, and environmentally contaminated areas located within the City;
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The City recognizes that a simple system of determining the amount of TIF to be granted in order to reach these objectives may not always be equitable if applied uniformly to different kinds of redevelopment project plans. As a result, in determining the actual amount and duration of TIF to be granted, the City shall review each application on a case by case basis

Redevelopment Programs

and consider the factors and criteria set forth in this Policy including where applicable, a Feasibility Study, as required by state law, as well as the amount and duration of previous TIF projects supported by the City.

Although no minimum capital investment is required by the City, the investment made by an applicant is a factor to be considered by the City in determining whether or not to authorize a redevelopment project plan.

All TIF applications shall be considered in light of the “but for” principle, i.e., TIF must make such a difference in the decision of the Applicant that the project would not be economically feasible “but for” the availability of TIF. In evaluating the economic feasibility, the staff shall consider factors that include but are not limited to:

- The extraordinary or unique costs associated with developing the project;
- The applicants financial investment;
- The property, sales and other tax and fee revenue that may result from the project;
- The credit worthiness and experience of the applicant.

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Redevelopment Projects

BROWNFIELD ASSESSMENT PROGRAM

PURPOSE

A Brownfield site is real property of which the expansion, redevelopment or reuse may be complicated by contamination or perceived contamination on the property. Through this program, the USEPA can provide Brownfield Assessments to eligible applicants on projects that benefit community need or job creation, and provide technical assistance to municipalities and the public concerning Brownfield issues at no cost.

AUTHORIZATION

This program was reauthorized the the Brownfields Authorization Increase Act of 2016 (H.R. 5782) providing funding through approval of a federal grant from the United States Environmental Protection Agency.

ELIGIBLE APPLICANTS

The Brownfields Program typically works with local municipalities, not-for-profit, and quasi-government entities to assess properties. Assessment as a Brownfield site is required prior to the use of federal funds in environmental remediation of eligible sites.

However, a privately owned property may be eligible for funding if the applicant is one of the above-mentioned entities, or if one of the entities writes a letter of support for the project.

ELIGIBILITY CRITERIA

The Brownfields Assessment Program targets projects that meet the following requirements:

- It must meet the definition of a Brownfield
- The current property owner cannot be the cause of the contamination
- The property owner must agree to provide access to the property
- All grant funded materials and reports must be made available to the public.

Three main criteria are use for prioritizing Brownfields:

1. The level of contamination and threat to human health and the environment.
2. Redevelopment potential of the site.
3. Community goals and priorities.

PROGRAM BENEFITS/ELIGIBLE USES

The program encourages the redevelopment and reuse of potentially environmentally contaminated properties.

There are four categories of activities that can be funded under the program:

1. Phase I Environmental Site Assessments (ESA). A Phase I ESA involves a review of public and historic records, maps and photographs, an inspection of the property, and interviews with owners, occupants, neighbors, and local government officials. The purpose of a Phase I ESA is to discover any historic uses of the property that may point toward possible contamination.
2. Phase II Environmental Assessments (ESA). If a Phase I ESA indicates the possibility of contamination, the next step could be a Phase II ESA, which involves sampling and laboratory analysis. The types of activities often included in a Phase II ESA are soil and groundwater sampling, materials testing, and testing storage tanks and other vessels.
3. Site Investigations. If a Phase II ESA identifies contamination, the next step may be a site investigation. This is done to further define the nature and extent of an contamination.
4. Remedial Planning. Once site investigation has been completed, the next step is remedial planning. During

Redevelopment Projects

this step, various remediation strategies are evaluated based on effectiveness, total cost, and compatibility with proposed redevelopment plans.

APPLICATION/APPROVAL PROCEDURE

Once the City has been awarded funding under the federal program, a local application process will be developed and implemented to ensure compliance with state and federal eligibility requirements. Applications will be available and City Hall and online through the City's website.

Approval of eligible projects is a ministerial act conducted at the staff level based on project eligibility and applicability, requiring no action from the governing body.

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Loan Programs

Kewanee Small Business Interest Payment Program

Loan Programs

KEWANEE SMALL BUSINESS INTEREST PAYMENT PROGRAM

PURPOSE

The program is designed to stimulate economic growth and create jobs that will improve the living conditions of residents in the community. The program provides financial assistance to eligible businesses and development projects while mitigating the amount of risk taken on by the City.

Businesses receiving funds through the program will be required to obtain conventional financing and create or retain a sufficient number of jobs to merit public investment.

AUTHORIZATION

The City of Kewanee is the administrator of this program and where applicable will facilitate implementation of the program through identification of companies that might benefit from the program. Budgetary and participant approval for the program rests with the authority of the City Council, while authorization for program implementation is the responsibility of the City Manager and assigned staff

ELIGIBLE AREAS

Financing under this program is available to all eligible businesses located within the city limits of the City of Kewanee.

ELIGIBLE APPLICANTS

Applicants for the program must be existing legal businesses, located within the City of Kewanee, with a proper local business license (if applicable), insurance, and required permits per local, state and federal requirements, or corporations in good standing looking to locate or relocate in Kewanee. If an applicant is a new start-up business and does not have proper licenses or insurance, then these items can be made a condition of approval. The business can be a tenant leasing space or an owner of

property where the business is located. The existing business must create or retain three (3) or more permanent full time equivalent (FTE) jobs.

HOW THE PROGRAM WORKS

Approved applicants obtain a loan through a commercial lender of their choice. Upon review and approval of semi-annual reports submitted by the applicant to the City, provided that agreed upon benchmarks have been achieved by the applicant, the City provides reimbursement to the applicant for interest expenses incurred as a result of the loan.

PROGRAM BENEFITS/ELIGIBLE USES

Funds under this program are restricted to interest payments on certain eligible costs. Some common eligible costs are:

- Operating capital (including license and permit fees if applicable)
- Renovation of leased space or owned buildings (including engineering, architectural, and local permits or fees), new construction, or acquisition of existing commercial or industrial space.
- Purchase of manufacturing equipment (with or without installation costs)
- Furniture, fixtures and equipment (FF&E)

The lending institution shall disburse funds and calculate interest thereon incrementally on a reimbursement basis, or through direct payment of vendor/contractor invoices, as eligible costs are verified. The City of Kewanee and program participants shall negotiate benchmarks and goals for employment, sales, and other measurables to ensure that the City's investment of funds is merited.

Loan Programs

FUNDING LIMITS

Program funding and availability is at the discretion of the City Council. Funding is limited to \$2,000 per year for each job created within any two consecutive reporting periods, with a maximum funding amount of \$40,000 per year per participant.

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Community Development Incentives

Community Development Programs

Demolition Grant Program

Community Development Incentives

DEMOLITION GRANT PROGRAM

PURPOSE

The purpose of this program is to assist property owners with the costs of demolishing vacant, dilapidated, unfit, and unsafe residential or commercial structures within the city limits of Kewanee. The City will participate jointly with property owners on a 50/50 shared cost basis, up to a maximum of \$4,000 paid by the City. The program will improve the overall appearance of the community, restore neighborhood pride, better the quality of life for residents and create a sense of public equity by encouraging reinvestment in distressed areas which will help to stabilize and improve our declining tax base.

AUTHORIZATION

The City of Kewanee is the administrator of this program and where applicable will facilitate implementation of the program through identification of properties and structures eligible for the program. Budgetary approval for the program rests with the authority of the City Council, while authorization for program implementation is the responsibility of the City Manager and assigned staff.

ELIGIBLE AREAS

The program is city-wide and can be utilized on residential or commercial properties, as well as outbuildings or other structures deemed uninhabitable, dilapidated, unfit, or unsafe by the City.

ELIGIBLE APPLICANTS

- Applicants who own real property on which a residential building is located, which is deemed by the City to be unfit or unsafe for human use or habitation.
- Property owners who wish to voluntarily demolish an unsafe or unfit residential structure.

- Property owners of unsafe or unfit residential structures who wish to relinquish ownership of the property by providing to the City of Kewanee a clear title, title insurance, deed and current tax statement showing that all taxes are paid on the property. Applicants that provide proof that their income is at or below the federal guidelines in Illinois for poverty shall be eligible to be reimbursed for the cost of providing title insurance. The cost shall not be included in the maximum cost paid by the City for demolition.
- Owners of mobile homes who own the property where the mobile homes are set and located.
- Properties with a mortgage or lien will be considered ineligible unless the mortgage company(s) or lien holder(s) provides a signed consent approval or release of lien to the City. The City shall ask the mortgage company or lien holder for approval.
- Properties that are in receipt of insurance proceeds for the cost of demolition, including those related to loss by fire, will not be eligible for this program.

ELIGIBILITY CRITERIA

All structures must be vacant, in a state of disrepair, create a threat to the health, safety and welfare of area residents, and have a blighting influence on neighboring properties of the City. The City may approve or deny an application based on available budget, total cost of demolition and location. All structures must be inspected and determined to be in a state of disrepair by the Community Development Department prior to application for the program.

Community Development Incentives

ELIGIBLE STRUCTURES

Residential buildings including the accessory structures, whether the primary residential building is being demolished or not, are eligible. Mobile homes that are owned by the owner of the land where the mobile homes are located, including those that are located within a mobile home park, are eligible. Some commercial properties may be eligible, on a case by case basis, but the funding for such demolition may differ from residential structures.

PROGRAM BENEFITS/ELIGIBLE USES

By participating in this program a property owner may reduce the total amount owed on their property taxes due to liens placed on the property to pay for the costs of demolition of a condemned property. By participating, the City will be more willing to negotiate on other fines/fees associated with the property so that the property owner might be able to rebuild on the lot for future development, rather than leave it vacant, or more easily transfer the property to other owners who are better able to use or maintain the property, particularly in the case of absentee owners.

FUNDING LIMITS

Program funding will be available to property owners on a 50/50 shared cost basis to assist in the removal of the structures. On a case by case basis, some additional fees and fines associated with the property may be waived.

This is primarily dependent upon the ultimate use of the property once the structure is demolished. If the property owner is willing to rebuild on the lot within 2 years of demolition, or is willing to donate the vacant lot to the City (if in an area that the City has now or in the future designates as a target area for redevelopment), the City will be more likely to waive other liens that may be on the property.

APPLICATION/APPROVAL PROCEDURE

Applications are available at City Hall and online through the City's website.

Approval of applications, though dependent upon available funding as budgeted by the City Council, is a ministerial act conducted at the staff level based on project eligibility and applicability, requiring no action from the governing body.

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Housing Programs

Distressed Property Reinvestment Program

Housing Programs

DISTRESSED PROPERTY REINVESTMENT PROGRAM

PURPOSE

The Distressed Property Reinvestment Program was established in Kewanee in 2016 with program funding provided by the City of Kewanee, with additional public and private sector funding when available. The goal of the program is to assist individuals and families in achieving the “American Dream” of home ownership through loan guarantees that facilitate the renovation/rehabilitation of distressed properties that would otherwise be potential candidates for demolition. Through bank financed “sweat-equity” or small contractor improvement projects, the program is designed to encourage reinvestment in and preservation of target neighborhoods and the existing housing stock.

AUTHORIZATION

The City of Kewanee is the administrator of this loan guarantee program and where applicable will facilitate the implementation of the program through the acquisition of eligible houses for the program. Budgetary approval for the program rests with the authority of the City Council, while authorization for program implementation is the responsibility of assigned staff.

ELIGIBLE AREAS

The program is City-wide, with preference given to targeted areas as identified in adopted plans of the City Council.

ELIGIBLE APPLICANTS

Applicants must complete an application process which is similar to one required by any lender.

ELIGIBILITY CRITERIA

- Must meet LMI guidelines
- Subject Property must have clean title
- Subject property must be owner occupied

PROGRAM BENEFITS/ELIGIBLE USES

Eligible uses of guaranteed loan proceeds include but are not limited to:

- Repair and replacement of windows and doors
- Roof repair and replacement of roof covering
- Exterior paint
- Foundation Repair
- Drywall, interior paint and finishing
- Cabinetry
- Flooring
- Electrical
- Plumbing
- Repair to porches and steps
- Repair to exterior foundation walls
- Exterior walls and trim
- Flashing /guttering

Private sanitary sewer repairs

FUNDING LIMITS

Loan guarantees are limited to \$40,000 per single family owner occupied structure. Program funding on an annual basis is limited to funding availability and outstanding loan guarantee liabilities.

APPLICATION/APPROVAL PROCEDURE

Applications are available at City Hall and online through the City’s website.

Approval from a qualified commercial lender through the financial institution’s typical process is required. Approval of applications, though dependent upon available funding as budgeted by the City Council, will be completed at the staff level to determine project eligibility and applicability, requiring no action from the governing body, prior to submission by staff to an independent volunteer board established and appointed by the City Council.

Housing Programs

REPORTING REQUIREMENTS

Quarterly reports providing to an update in the status of improvements must be provided during the renovation process. Thereafter, annual reports must be provided to ensure continued use of the property by the applicant as their primary residence.

SPECIAL PROGRAM REQUIREMENTS

A one-time fee of the greater amount of \$250 or one percent (1%) of the guaranteed amount, payable from loan proceeds, is required for program administration/participation. Check issuance from the lending institution shall be

coordinated through the program administrator and assigned staff. Where applicable, work completed must be in compliance with existing building codes and inspected by appropriate City inspectors. All contractors must be licensed and meet all requirements necessary to perform work in the City of Kewanee.

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