



MICHIGAN MAIN STREET



CASE STUDY: DOWNTOWN LAPEER'S REVOLVING LOAN FUND

PROJECT OVERVIEW

The Revolving Loan Program offers a sustainable source of capital for local entrepreneurs, with lower interest rates and more flexible collateral and administrative requirements than that of a traditional lending institution. This allows for the DDA Main Street Program to not only offer competitive funding for targeted initiatives, but to build small business capacity and downtown vibrancy through the program.

Leveraging an initial line of credit from the Lapeer County Bank and Trust, the Lapeer Downtown Development Authority and Lapeer County Economic Development Corporation have established a Revolving Loan Program for local business and property owners, aimed at driving continued investment in the downtown district while allowing for a flexible range of uses and repayment schedules.

The initial program aimed to fund facade improvements, but has since grown to provide support to a number of eligible business expansion and property development activities, including building restoration, plumbing and electrical upgrades, and even the procurement of kitchen equipment.

KEY SUCCESSSES

Downtown Revitalization: The Lapeer Downtown Development Authority has assisted in the facade rehabilitation and development of a number of downtown businesses, including Hernandez Mexican Food, which saw the conversion of office space into a restaurant.

Program Growth: The revolving loan fund has grown beyond the initial line of credit, allowing the DDA to lend \$125,000 to local businesses drawing from an initial \$100,000 line of credit.

Business Development: The program has allowed for many businesses to gain access to funding they would otherwise be ineligible for, strengthening not only their business but their entrepreneurial capacity and financial literacy.

Lapeer's Downtown Development Authority (DDA) Main Street Program leverages a low-interest line of credit from a local bank, along with the robust support of their Lapeer County Economic Development Corporation (EDC), to offer flexible, low-interest loans to local property and business owners whose goals align with the efforts of the DDA.

In the early 2000s, several Lapeer County DDAs were approached with an opportunity from the Lapeer County Bank & Trust (now Choice One Bank) to open an ongoing line of credit, which offered access to \$100,000 at 2.5% APR to the downtown organization, to assist local property owners with facade improvements. The Lapeer DDA established a 501(c)6 organization, dubbed Lapeer Main Street Inc., which repackaged those funds into their own loan program at a slightly higher, but still below-market, interest rate.

For administrative support, the DDA and 501(c)6 organization partnered with the Lapeer County EDC, which now provides administration of the loans, including underwriting and legal services, as part of their partnership. The EDC has also been able to collateralize the loans, giving Lapeer Main Street Inc. a mechanism to better secure the funding and ensure sustainability of the program.

The program has evolved in response to increased demand and changing downtown needs in recent years. Initially started as a facade improvement program, the revolving loan fund has since expanded its scope of allowable



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PROJECT FUNDING AND PARTNERSHIPS

The initial funding for the Revolving Loan Fund came from the Lapeer County Bank and Trust (now Choice One Bank) in the form of a \$100,000 line of credit at 2.5% APR. Over twenty years, the interest from the program has increased the total program funding to around \$125,000, which Lapeer Main Street Inc. lends to local businesses in amounts around \$25,000 with interest rates ranging from 3.5%-5.5%, depending on economic conditions, but still below what would be expected from traditional lenders at market rate.

In addition to administration from the Lapeer DDA Main Street and Lapeer County EDC, the City's building and planning departments have been key advocates and partners in connecting new property and business owners with the program and providing technical assistance to those looking to make building improvements and bring their spaces up to modern code requirements.

For business and entrepreneurship support, the DDA Main Street partners with the Small Business Development Center out of Kettering University and the Eastern Michigan Small Business Network to provide critical wrap around services, such as business plan development and review, that help to ensure the long-term success of the program and its participants.



CHALLENGES & LESSONS LEARNED

- Dynamic business relationships are key to the success of the Lapeer Revolving Loan Fund Program; having an individual connection with property owners allows for honest conversations around business capacity and opportunity
- Having partners, like the Lapeer Economic Development Corporation, with access to expertise in legal agreements, underwriting, and other administration has been critical to maintaining program capacity



activities, now allowing funds to be spent on a number of eligible expenses, provided all improvements are affixed to the building (facades, plumbing, electrical, kitchen upgrades, etc.), including accessibility and code requirement compliance to bring older buildings up to modern expectations. With an increase in reimbursement grant programs available for small businesses, such as the MEDC's Match on Main Program, the Lapeer DDA has worked to change program guidelines to allow for their businesses to utilize the RLF program to pay for those expenses, covering the cost for the business prior to the reimbursement grant clearing, so that the businesses don't need to reduce their own cash on hand.

The Lapeer DDA's Revolving Loan Fund Program provides capital access to local businesses while allowing for flexibility that may not be offered through traditional lenders. Beyond the below-market interest rates the program can offer, local control of the program allows for adjustments to the repayment schedule, should the business experience unexpected financial stress. The Lapeer EDC has taken in a wide range of collateral to secure loans, including personal residences and property, kitchen equipment, and even the food truck of an applicant. The program also allows for the funding of businesses who don't have the necessary history or documentation for more traditional bank lending. The DDA and EDC work with applicants to put together their loan applications, which exposes businesses to lending expectations and allows them to become more comfortable with the process and be prepared to seek traditional bank loans in the future.

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