



Small Contractor Bridge – Fact Sheet

Public-sector construction projects represent significant opportunities for small contractors. But, many small contractors – including disadvantaged, minority and women-owned business enterprises – often have trouble obtaining the bonding and working capital these large-scale projects require.

Small Contractor Bridge, a program designed to help emerging businesses access working capital to compete for public works projects, is a partnership between the Quinn administration, the Illinois Finance Authority (IFA), the Chicago Community Loan Fund (CCLF) and a number of Illinois state agencies.

Small Contractor Bridge is currently in the pilot stage, with \$500,000 each from the IFA and CCLF for a total of \$1 million in available financing. IFA intends to expand the program in partnership with local lenders such as CCLF and bond agents throughout Illinois.

How the program works:

- **Applying for Funds.** When ready to bid on a project, small contractors will work with CCLF and a partnering surety bond underwriting firm to establish creditworthiness according to program guidelines.
- **Loan Terms.** Successful applicants will obtain the surety bond required for bids and be preapproved for a loan for project working capital. Loans can be used to pay for surety bond premiums, suppliers, equipment leasing, employees and other direct project-related expenses. All loans have a simple interest rate of 10 percent or less and must be repaid within one year.
- **IFA's Role.** Subject to IFA Board approval, IFA will purchase 50 percent of the principal amount of each working capital loan (minimum of \$25,000 and a maximum of \$250,000), reducing its lending partners' risk and freeing up additional partner funds for lending.
- **Lender Confidence.** As an added control, both loan funds and payments for contractor services will be paid into a third-party escrow account. Lenders, including IFA, are in first lien position on available monies in the escrow account, ensuring continued availability of funds for other borrowers. Technical assistance and business training is also required by the program.

Small Contractor Bridge fills a gap in the market, helping credit-disadvantaged businesses compete for projects, boosting economic development throughout our state by pairing essential infrastructure improvements with support for small contractors.

The program ties in with the national Small Contractor Initiative launched by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Small Business Administration (SBA). Numerous state agencies have already signed on to participate in this program, including the Illinois Tollway, the Illinois Department of Transportation and the Capital Development Board.

For more information on Small Contractor Bridge, including how to apply, visit: <http://www.cclfchicago.org>.