

Seneca County

Revolving Loan Fund Requirements

Please read carefully before completing an application!
Please read item number (10) carefully.

State and federal guidelines require that certain stipulations must be met for revolving loan fund projects to go forward. Please read the following list of requirements to ensure that your application is complete and that your project can meet these requirements.

1. **The State's CDBG Economic Development pre-application and portions of the state's full application must be filled out completely.** Further, it must contain additional information, including:

- ✓ For every fixed cost in the project, a **third party cost certification** (contractors estimate, vendor's equipment price quote),
- ✓ For all **other sources of funds besides the RLF (banks, equity, etc.)**, evidence that the funding is committed and maximized, by letter (for loans) or bank statement (for equity). Letters from sources of other loans must quote interest rate, term, conditions, and security position.
- ✓ For existing businesses, **financial statements** for the past three years,
- ✓ **Projections** for the **next three years, which include debt** service on the proposed RLF loan and any other loans. Projections must include profit and loss statements and a balance sheet (assets and liabilities),
- ✓ The projections should show that the requested RLF interest rate and term are needed in order to keep debt service low enough to realize a reasonable return on investment (measured as profit after taxes divided by tangible net worth, and by total assets). If a higher interest rate can be absorbed and you can still realize a reasonable return, we will negotiate for the higher rate or, in some cases, shorter term.

2. Additional information may be helpful to get a loan approved. This includes **resumes of principal(s), information on product and market, and a business plan**. For start-ups, this information is **required** in order to help the RLF Board reach an informed decision. Free help in developing business plans and financial statements is offered in the area by the North Central Small Business Development

Center in Fremont (Mr. Bill Auxter) at 419-559-2210 or e-mail: bauxter@terra.edu.

3. Your project must meet the following minimum criteria:

- ✓ **One full time equivalent job created or, in special cases, retained for every \$25,000 or more loaned. (The less funding required per job created the better.)**
- ✓ **Each RLF dollar must leverage at least another dollar of other public or private investment (including equity and contributed equity) in the project's fixed asset costs.**
- ✓ **At least 51% of the full-time permanent jobs created and/or retained must be taken by or made available to persons from households of low and moderate income. Therefore, persons who, at time of employment, must certify in writing that they are from low to moderate-income households.** The only alternative to employee forms is to document that JTPA or OBES screening of applicants was used to ensure that all were income-eligible. If, for some reason, your project results in a majority of employees **above** the income thresholds, the only fallback is to have documentation that all persons **interviewed**, whether they were hired or not, completed an income eligibility form, and that the majority of those **interviewed** were from low to moderate-income households.
- ✓ **All household income (from both spouses if husband and wife work) is included. For Seneca County, current maximum income to qualify for low-moderate income, based on households size, is:**

1 in household: \$30,650	5 in household: \$47,250
2 in household: \$35,000	6 in household: \$50,750
3 in household: \$39,400	7 in household: \$54,250
4 in household: \$43,750	8 in household: \$57,750
- ✓ **Project must be within Seneca County**
- ✓ **The owner/developer must invest at least five percent (5%) in cash equity towards the project's fixed assets cost.**
- ✓ **At least fifteen percent (15%) of a project's fixed assets cost must be privately financed; this may include owner/developer's equity.**
- ✓ **Project must not involve relocation of any jobs within Ohio, or business must inquire about potential for a waiver.**
- ✓ **Eligible fixed asset costs include real estate, construction of buildings and on-site improvements, and heavy equipment (usually with a life of over five years).**

- ✓ Speculative projects not tied to specific businesses and job creation are ineligible.
- 4. You must clearly document your need for RLF funding, providing evidence that the project cannot go forward without RLF funds, at the requested interest rate and term. This documentation takes one of two forms:
 - A. A letter from your bank or lender stating that they will fund a portion of the project, but will not finance more than a specified maximum amount, and citing an interest rate and term for that loan. Their loan should be contingent on you receiving funds from the RLF to "fill the gap". You must also demonstrate that your business cannot reasonably contribute any more equity than the amount you cite in your application. The remaining needed funds thus represent the "gap" which must be filled with RLF funds.

-OR-

- B. Your three-year projection may indicate that if your project were financed in total by a private lender at a quoted interest rate and term, you cannot realize a reasonable return on your investment, and the lower rate offered by the RLF for a portion of the project will make the difference for your "bottom line". Documentation of this type usually requires two sets of projections: one with the RLF loan repayments at a lower rate for part of the project and showing a reasonable return, and one showing conventional interest rates for the whole financing package and indicating a negative or unacceptably small return.
- 5. **Construction** financed by the RLF and costing over \$2,000 must incorporate federal (not Ohio) **prevailing wages** for laborers doing the work. If private funds, bank funds, or equity finances construction and RLF funds are used for other activities (real estate, equipment), prevailing wages need not be paid.
- 6. All projects are subject to **environmental review** procedures requiring review and comment periods ranging from approximately three weeks to over one month, depending upon the impact of your project. No funds, either from the lender, equity, or RLF, can be obligated or expended before the comment period is over. Your project must thus be timed so that it does not begin before your application is reviewed and approved, you have signed the legal documents, and the environmental comment period has been completed. This process can take three months or longer, depending upon the complexity of the project.

7. If your project is funded, you will be required to sign a loan agreement, which will include security, and collateral agreements. These documents will include:

- ✓ The loan document, including job creating and project goals.
- ✓ A promissory note
- ✓ Security agreements, such as UCC equipment liens and/or a subordinated mortgage.
- ✓ In many cases, a personal guarantee

8. Projects involving acquisition of real estate will require that certain procedures be undertaken subject to the federal Uniform Relocation and Property Acquisition Act. Make sure to consult with the RLF administrator prior to entering into any agreement for real estate acquisition.

9. If your project is funded, you will have to provide documentation of compliance and performance. **The following will be required of you:**

- ✓ **Evidence of total project expenditures as proposed (invoices, canceled checks).**
- ✓ **Evidence of hiring (income certifications for all employees hired, with over 51% from low-moderate income households; evidence of JTPA screening; or certifications from all persons interviewed).**
- ✓ **In many cases, quarterly financial statements will be required during the loan period.**
- ✓ **If the RLF funds are for construction, labor payrolls will be required, as well as on-site laborer interviews.**

10. Applicants may be subject to personal credit reviews.

11. **There is a one hundred dollar (\$100.00), non-refundable fee payable when the pre-application is completed and returned.**

- ✓ Successful applicants will be billed for direct loan processing costs (mortgage and security filings, credit reviews, appraisals, and other minimal direct costs).

REMEMBER! The RLF is intended to be a tender of last resort. Other sources, such as private lenders, should be consulted first. Also, be prepared for loan application, review, and processing to take two to three months or more. This is unavoidable in most cases, due to environmental review procedures, which require public comment periods, and due to additional required procedures, including a meeting of the RLF Administrative Board, subsequent review by the Ohio Department of Development, and County Commissioners' approval. It is best to maintain close contact with the RLF administrator during the application and review process.

If you have any questions, contact the RLF Administrator
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Tiffin, OH 44883
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