

REVOLVING LOAN FUND (RLF) PROGRAM

Financing for Small Businesses

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Overview

- Economic Development Application
- Program Thresholds
- Grant Agreement, Closing Documents, and Administration
- Monitoring and Closeout
- RLF Eligible Activities and Procedures
- Loan Selection and Approval Process

CDBG Economic Development

Loans to Businesses

- Fixed-asset financing related to job creation
- At least 5 jobs

Eligible Activities

- Land/Building Acquisition
- Machinery & Equipment
- New Construction
- Renovation/Leasehold Improvements
- Site Preparation/On-site Infrastructure

Grants to Local Governments

- Public infrastructure improvements associated with for-profit business investment and job creation
- Off-site, “publicly owned” infrastructure
- At least 5 jobs

Eligible Activities

- Electric
- Gas
- Water
- Sanitary Sewer/Storm Sewer
- Street Improvements

Job Creation and Retention

CDBG regulations differ from other programs

- **Maintained** = A job that will continue to exist even if the proposed project does not occur
- **Retained** = Jobs will be lost without CDBG assistance
- **Created** = New job as a result of CDBG-funded project

Program Thresholds

- Non-entitlement counties and cities may apply
- For-profit business
- 51% LMI jobs
 - Household income for previous 12 months at or below 80% Median Income
- Gap financing
 - Maximize private funding sources first
 - CDBG should be last money in project budget
- Costs per job
 - \$25,000 – Loans
 - \$9,999 – Grants
- \$1:\$1 leverage ratio
 - CDBG can fund no more than half of the total project cost (not to exceed \$500,000)
- 5% cash equity
 - Borrower must commit cash equal to at least 5% of project's total non-infrastructure fixed asset cost
- 15% private financing of fixed asset cost
- Environmental Review required

Grant Agreement & Closing Binder

- *The Process*
 - Grant Agreement issued / Environmental Review Released
 - Community drafts Closing Binder (CB)
 - OCD Reviews and Approves CB *to form*
 - Community may draw funds
- *Grant Agreement binds ODSA to Grantee*
- *Closing Binder binds Grantee to business*
- *Both loans and grants require:*
 - ROF
 - Evidence of Site Control, Financing, Equity
 - Compliance with Special Conditions (Section B15)
 - Legal Counsel approval

CDBG ED Grant Administration

- ***2 Key Responsibilities***

- Collect invoices, maintain evidence of expenditures
- Periodically collect job documentation

- **Also...**

- Bid and manage construction project (grants only)
- Manage Davis-Bacon Federal Prevailing Wage (when applicable)

Monitoring & Closeout

Keys to a Successful Monitoring

- Clear documentation of expenses and payment
- Loan payment history and status
- Evidence of collateral filed

RLF Program Requirements

The RLF is program income received from ED loans and can be used for projects with the same *National Objective* – *job creation for low-moderate income (LMI) individuals*

- RLF dollars must be retained by the community
- Same thresholds apply to the RLF as the ED program, except:
 - **Loans can be issued to non-profit entities**
 - **No minimum job creation requirement**

Eligible Activities – RLF

Business Assistance

- Establish a Revolving Loan Fund (RLF) program for:
 - Business Start-Ups
 - Expansions
 - Infrastructure Improvements*

*Necessary to accommodate business expansion, start-up, or retention projects.

Microenterprise Assistance

- Programs that establish and expand Microenterprises through:
 - Technical Assistance
 - Business Support Services
 - Provisions of Capital

RLF Loan & Grant Activities

Eligible Activities

- Fixed asset or working capital loans
- Infrastructure projects
- Waivers
- Coordination with other programs
- *Must have a reasonable assurance of repayment*
- *Create/retain jobs while leveraging private or equity funds*

Ineligible Activities

- Financing of existing debts, back taxes, and training
- Relocation of an industry from one area of Ohio to another with limited exceptions
- Financing of speculative projects, buildings, or activities
- Residential projects
- Conflicts of interest

Typical Steps of the RLF Process

- 1) Community receives application from a business for assistance
- 2) Community goes through its RLF Board to determine the viability of the project and financing details
 - RLF Board must include: members representing LMI community, those with financing experience, and an active ED organization
- 3) Submit initial LRRF electronically to OCD
- 4) Receive feedback from OCD on initial review of the LRRF
- 5) Revise LRRF and submit any required documentation electronically to OCD

Typical Steps of the RLF Process

- 6) OCD reviews the LRRF and supporting documentation, then notifies community to submit signed LRRF via mail (if no other revisions are needed)
- 7) Community submits signed LRRF via mail to OCD
- 8) Community will receive a review letter from OCD indicating the project can move forward

* Community must submit appropriate ER documentation and receive ER Release of Funds from OCD prior to moving forward with the project

Loan Selection

- RLF Loan Review – if project is viable, a draft loan analysis will be prepared by MVPO
- Financial/Credit Analysis
- Credit Worthiness
- Determination of “Necessary or Appropriate”
- Positive Review – applicant will be invited to an application conference with MVPO
- Following Review – MVPO will present to the RLF Committee for their review and recommendation
- County Commissioners – approve or deny request

Loan Approval

- Certification of Financial Need
- Loan Closing – authorization and closing conditions
- Brief Participants – requirements of the program

Local RLF Projects



- L&R Rentals, LLC
- Benedict's Pro Vending
- BDJ Techmation, Inc.
- Meyers Bros. Trucking, LLC
- Kaiser & Son Heating and Cooling
- Jason Dietsch Collision & Customs & Sales
- Fair Auto Repair, LLC
- Delta Juliet Tactical
- Season's Coffee & Bistro



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