

# **RICHLAND COUNTY REVOLVING LOAN FUND PLAN**

## **A. GOALS AND OBJECTIVES**

It is the goal of Richland County in establishing a revolving loan fund that it will be able to provide financial assistance to small business and industry within its jurisdiction in projects that will increase the economic base of the area and to provide new job opportunities to persons primarily of low and moderate income. While a wide variety of programs exist at the local, state and federal level that can assist financially with projects that will create or preserve jobs, the experience in Richland County has been that these programs may not be of assistance to small businesses. This revolving loan fund program is designed to fill the gap in the job retention and expansion financial assistance programs that exists for small businesses.

This program will fill an additional gap in the financing of the small expansion projects in that small companies or individuals may have difficulty in obtaining financing from conventional sources due to a number of factors that may relate to the size of the business, the lack of equity or the length of time in business. The program will offer financing to fill the gap in the financial package between the amount that the project may obtain from conventional financing and the amount that can be offered in equity.

The final gap that will be addressed by this program will be the lack of financing from conventional assistance programs to finance working capital. Up to thirty percent of Richland County's funds available to be loaned in a given year will be available to small companies wishing to finance reasonable working capital.

## **B. IDENTIFICATION OF RICHLAND COUNTY'S FINANCING PROBLEMS**

It is Richland County's governmental leaders experience that they are able to assist the expansion plans of companies proposing major projects, but due to the limitations of many programs, such as Industrial Revenue Bonds, the small businesses that wish to expand are not able to take advantage of these programs and the financial savings that they offer. It is this gap, the lack of financing to small expansion projects, or in some cases, the starting of a new business that Richland County intends to address with its Revolving Loan Fund Program.

## **C. TARGETING CRITERIA**

1. Geographic Target Area: Projects will be eligible that are located anywhere in Richland County outside the City of Mansfield. While in some communities RLF assistance may be targeted to identified LMI neighborhoods, the rationale for this Plan's criteria is that travel to a job site in Richland County is generally not an obstacle, and the jobs, wherever they are created, would be accessible to the majority of the unemployed of low and moderate income.

1A. Projects in the City of Mansfield: Richland County RLF funds may be used for projects within the City of Mansfield for projects that are of countywide

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significance. The following conditions must be met for such a project to be considered for assistance:

- a.) There must be an equal or greater amount being loaned to the project from the City of Mansfield.
  - b.) Fifty-one percent of the jobs that are being created or preserved must be for Richland County residents, outside the City of Mansfield.
2. Type of Business: The Richland County Revolving Loan Fund Program will be available to any type of legal business, including, but not limited to industrial, commercial, service and distribution.

Commercial, retail, service and distribution applicants will be required to document that the jobs that they are proposing to create will be additions to the local economy, rather than merely rearrangements of existing opportunities. For example the application for a food convenience store, in an area that is not experiencing growth may not be approvable, while a food store that features items unique to the area and may tap new markets, may be approvable.

### **D. STANDARDS FOR THE RLF PORTFOLIO**

Richland County will attempt to meet the standards for the portfolio on each individual loan, though there will be the discretion as to variances, as long as any such variance will not clearly make it impossible to comply with the minimum standards, or force much more restrictive standards on a future loan in order to compensate for a previous action.

1. Job/Cost Ratio: Richland County will require that one new job be created be created for a specifically identified dollar amount of RLF funds. The specifically identified dollar amount shall be the same amount as identified by the Ohio Department of Development, Office of Housing and Community Partnerships (OHCP) for the economic development competitive CDBG program that they administer. At the time of this document's revision the ratio is one (1) job created or preserved for every \$25,000 of CDBG/RLF assistance.
2. Proportion of Jobs for Low and Moderate Income persons: Fifty-one percent of the jobs created or preserved must be made available to persons of low and moderate income families.
3. Job type priorities: There will be no specific type of job to be created.
4. Leverage Ratio: The Richland County RLF will limit its assistance to a maximum of fifty percent of the project cost for existing businesses and thirty-three percent for new, start-up businesses. The business must provide at least five percent of the project costs from corporate equity or from the owner's or owners' equity.

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5. Eligible Activities: Financial assistance will be available to any business eligible to do business in Richland County, except that no business will receive assistance if they are relocation from an existing site in Ohio, unless it can be clearly shown that the expansion proposed faces insurmountable difficulties at its present location. Eligible costs shall be land acquisition, building construction or expansion and equipment purchase. Working capital will be eligible as long as it does not exceed thirty percent of Richland County's RLF funds available to be loaned in a given year and preferably in conjunction with a capital improvement by the same borrower.
6. Necessary: The applicant must clearly demonstrate that the project cannot go forward without the assistance of Richland County in the financial package. This shall be evidenced by a letter from a financial institutions, generally involved in making commercial loans in the Richland County market, stating the terms that the applicant requested, and summarizing the reasons that the financing cannot be provided solely from conventional sources.

Start-up of a new operation will be eligible for assistance, but shall be limited dollar for dollar to the amount that the owner or owners are putting into the project. For a start-up operation the Richland County RLF participation will never exceed thirty-three percent of the total project cost.

All of the standards and criteria herein established may be changed by the Richland County Commissioners as conditions indicate, as long as the minimum state standards are not affected. Particular discretion in the enforcement of these standards may be applied in the case of minority enterprise development or women's business development or to provide for special circumstance arising from an unexpected economic event within the area.

The Richland County Economic Development Revolving Loan Fund is not intended to compete with conventional financing mechanisms, and thus verifiable evidence will be required at the time of application that the project is not feasible or possible strictly from conventional financial sources. This may be due to the unavailability of funds in the amount required or the indication that the debt service at total conventional rates would not permit the success of the project and the resulting creation of new jobs.

### **E. FINANCING POLICIES**

1. The minimum amount that will be loaned is \$10,000 with a maximum established as the total available in the program.
2. Seventy percent of the total program funds may be used for fixed assets and not more than thirty percent of total program funds available to be loaned in a given

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year may be used for working capital. Program funds include all new capital as well as program income derived from loan principal repayments and interest. These percentages shall apply to the total loan portfolio, and may vary on individual loans.

3. The standard terms of the loans will generally correspond to the terms offered by the conventional financing institution, subject to negotiation. As a general standard, no loan will exceed ten years.
4. The interest rate shall be negotiable.
5. Special financing techniques may be developed through negotiation with the borrower. Examples are interest only payments for a period, balloon payments, or varying interest rates.
6. All loans will be secured with a mortgage, security agreement, financing statement or other assignment of rights in assets of assisted firms. Each loan shall also be secured with a guarantee of the owner, owners or principal shareholders.
7. If the loan involves new grant funds from a CDBG program, disbursement of funds will concur with the drawdown requirements of the Ohio Department of Development, Office of Housing and Community Partnerships (OHCP), in that the funds may not be drawn in advance of their need and may not be held in any account by the borrower.
8. Restructuring of the loan. Richland County will consider requests for modifications in the payment schedule. The typical approach will be to permit interest only payments for a period of time to assist a business through a difficult period.
9. The payments of principal and interest on its loans shall be deposited in a special account in the Richland County Treasury designated to earn interest. The program income may be used to pay reasonable administrative costs, in conformance with standards promulgated by OLGS. Richland County will utilize the services of the Richland County Regional Planning Commission to service its loan portfolio.
10. There will be no application fee.
11. Potential loan applicants will receive information concerning the various financial tools available to potential job creating projects, and an attempt will be made to tailor a package best suited to the borrowers needs. It is anticipated that the Revolving Loan Fund will not be used except in the areas identified as gaps in the other programs.

### **F. TIME SCHEDULE**

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Applications will be accepted at any time throughout the year, and loans will be made only at times that there is an amount available within the County's portfolio to cover the total amount. Applicants will be informed of the fact that loan processing, from initiation of the application process, to loan closing, can take from several months depending on the individual circumstances.

### **G. RELATED ACTIVITIES**

A wide variety of agencies, groups and individuals currently exist in the community to aid and assist expanding business and industry with their plans. These sources of assistance change through the years, and a current list will be provided to RLF applicants.

Material summarizing Federal, State and Local assistance to businesses will be made available in conjunction with the application process.

#### **Linking Jobs to Low and Moderate Income Persons**

Loan and moderate income job creation or preservation will be determined on the basis of a survey of either existing employees for job preservation projects, or new employees for job creation projects. The job creation or preservation performance will be certified by the company, by the County and provided to OHCP on appropriate forms.

### **H. ADMINISTRATIVE PLAN**

The Richland County Revolving Loan Fund will be administered by the Richland County Regional Planning Commission, with assistance obtained from other sources in the community.

1. Loan Administration Board: Mansfield- Richland County Loan Review Board will serve as the Richland County Revolving Loan Funds Loan Administrative Board. The bylaws and current membership list is attached, and documents the cross section of community leadership that is represented on this board.
2. The loan board will review the loan applications, utilizing information prepared by the Richland County Regional Planning Commission staff to standards specified by the board, the Richland County Commissioners and the Ohio Department of Development, Office of Housing and Community Partnerships. Legal and other professional services will be contracted out, as appropriate. The program will not rely on credit analysis by the participating private financial institution, but as the program is closely tied to the private financial market, the banks will be consulted with regard to a particular loan application.
3. Loan Selection and Approval: Loan applications and materials explaining the program will be distributed to all of the agencies and groups involved in economic development in Richland County.

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The same information will be provided to the loan officers at all financial institutions doing business in Richland County. Further, materials will be distributed to governmental leaders throughout the eligible areas of the county, and the local print and broadcast media will be provided information.

A loan application form, that both requires the financial data required for consideration of the project and the compliance requirements related to the involvement of the CDBG funds is attached, along with a basic fact sheet concerning the program requirements. The staff of the Richland County Regional Planning Commission will perform the analysis of the compliance aspects of the application, with the financial compliance and credit analysis performed by the board itself, or at their discretion, through the services of other.

4. **Loan Servicing:** The Richland County Revolving Loan Fund will utilize the services of the Richland County Regional Planning Commission for the servicing of the loan portfolio, for maintaining all required records and preparing all required reports.
5. The administrative costs that cannot be covered by non-CDBG sources or CDBG administrative funds will be covered from the program income earned on loans, within the current guidelines of OHCP.
6. Recapitalization of the Richland County Revolving Loan Fund shall be accomplished through the repayment of principal and interest on the initial loan or loans. Additional CDBG and non-CDBG funds may from time to time be added to the fund. Funds that are repaid to Richland County and are not immediately required by another loan shall be held in the Richland County Treasury in accordance with the guidelines established by the Auditor of the State of Ohio and the applicable CDBG regulations. Non-CDBG funds used to capitalize the RLF will carry all of the same requirements and standards of this Plan and other regulations, guidelines and requirements associated with the CDBG program.
7. **Other Requirements:** The use of Community Development Block Grant Funds to capitalize this Revolving Loan Fund carries with it the requirement that a variety of other requirements and regulations be met and monitored. The Richland County Regional Planning Commission, on behalf of the Richland County Commissioners, will monitor these requirements and seek regular assurance that they are being adhered to through the filing of reports and documentation. Some of these requirements will be monitored only at the time immediately surrounding the granting of the loan and the implementation of the project while others will be monitored throughout the life of the loan.

**Civil Rights and Equal Employment Opportunity:** The Richland County RLF Program will, as part of its implementation of a loan program adhere to a policy that the loans will be made available on a non-discriminatory basis, and that no applicant may be denied a loan on the basis of race, religion, color, sex, national

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origin, disability, age, or ancestry. Additionally, an outreach program will be instituted to insure that minority groups are provided adequate information concerning the availability of the program, and its possible benefits. Loan applications will contain wording that will ask the applicant to assure that they will not discriminate against employees or applicant for employment. Information will be requested at the time of job creation or preservation concerning the racial and ethnic composition of the employment.

**Environmental:** The Richland County Regional Planning Commission shall complete an environmental review of the proposed project, prior to the approval of a loan. Any adverse impact identified through this process will be submitted to the applicant for mitigation, and a loan can only be approved after all environmental concerns are addressed. The applicants, with the assistance of the Richland County Regional Planning Commission will be responsible for reviewing possible adverse effects with the appropriate state and/or federal agency. Special areas of environmental concern are the possible impact of the project on floodplains, wetlands, historic properties, air and water quality. On a local level, the applicant must provide evidence of compliance with zoning, subdivision, building codes, health standards, storm drainage or any other local regulation that applies to the particular type of business involved. Any project that cannot meet the environmental regulations will not be approved for a loan.

**Relocation:** The program will not consider any loans to businesses that are relocating from another location within the State of Ohio, unless appropriate documentation can be provided indicating that the applicant cannot expand or continue in business at its present location or any other location within that same political jurisdiction. The State of Ohio, Office of Housing and Community Partnerships will submit appropriate approvals should relocation be involved, and the program will require a letter from the chief elected official of the political jurisdiction that currently is home to the business, outlining the reasons that the company is unable to expand or continue in business in that area.

Any project that involves the potential relocation of existing residents or businesses in order to facilitate a Revolving Loan Fund-financed project will involve compliance with the CDBG relocation requirements. Such projects will require extra time, and therefore, may not be the best choice for the County's RLF program.

**Flood Hazard:** Any project that proposes expansion in a designated flood hazard area will be required to submit evidence of flood hazard insurance covering the expansion and compliance with the current flood hazard regulations.

**Access for the handicapped:** Projects that are to have public access must provide suitable access to handicapped individuals.

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Prevailing Wage: All construction to be performed on the project, whether the construction is to be paid with CDBG funds of private capital shall conform to the requirements of the Davis Bacon Act, in that laborers and mechanics must be paid the prevailing wage for their job description, and that payroll reports and other documents be submitted as required by the applicable provisions of the law.

### **H. PROJECT REVIEW CRITERIA FOR CDBG COMPLIANCE**

Richland County will document that each individual loan that it proposes to make, or has made, meets all the “necessary” requirements (from Section 105 (a) (17) of the Housing and Community Development Act) which applies to assistance made directly to private, for profit entities to carry out economic development projects.

This requirement will be met by conducting a financial analysis of the business’ need for RLF (CDBG) assistance. This analysis will consist of the following steps, at a minimum:

1. Richland County’s program will utilize information in the standardized State of Ohio Financial Assistance Application, which reconciles total project costs with all participating sources. All costs associated with the project will be verified prior to making any determination as to the level of RLF assistance. Third party cost estimates will be obtained to document all project costs, including all soft costs.

Third party cost estimates are those which are developed by an independent, informed source, which has no financial interest in the overall project, i.e. arms length transaction.

The Richland County Regional Planning Commission staff will review the proposed costs and include in its presentations to the Loan Review Board and the Richland County Commissioners a determination of the reasonableness of the costs and whether they are justifiable project expenditures.

2. Richland County requires the loan applicant to first approach a bank for financing the project. The bank will determine the level of financing that it can provide. Bank commitment letters, or rejection letters must be obtained to document their involvement.

The business and/or business owner must also present bank documents to show that equity funds are available for the project.

No project will be considered for final loan approval until all sources of financing have evidence of firm commitments to the project.

3. The need for Richland County RLF financial assistance will be justified in one of the two following ways:



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- **Financing Gap:** where the private sector and/or other public sources can only raise a portion of the debt and equity necessary to complete the project. A gap must exist between verified sources and uses.
- **Rate of Return:** where equity and debt can be raised from the private sector, but the returns to the developer/user are inadequate to complete the project, considering the risk. Richland County will analyze this rate and determine, based on verified costs, whether the return is adequate and that it is not excessive. The rate of return which the project provides, after the RLF assistance, must be consistent with industry standards.

The amount, rate and term must be tailored to the specific needs of the project. The amount of subsidy should be minimized while the return to the community should be maximized based on the project needs and benefits to the community. The checklist (In the RLF Loan Review Report) will be completed for each loan made by Richland County.

4. Richland County will review all RLF projects to insure that at least 51% of the jobs that will be created or retained were made available to persons from low or moderate income (LMI) households (below 80% of median income). These income limits are based upon the Section 8 income limits for Richland County. Judgments about whether an individual is of low or moderate income will consider both family size and income of the entire family.

The evaluation of the loan application will include verification that 51% or more of the jobs will be made available to persons from LMI income households. The determination will involve an analysis of future job classifications and whether those jobs require special skills, or if the local government will assist in job training.

Once the loan is made, and the business has begun hiring, Richland County will verify that those jobs are actually being made available to LMI persons. In order for the business to demonstrate availability to a low or moderate income person, the business must agree to either: (1) obtain and keep on file for verification the necessary information about the person's name, household size and household income; or (2) agree to consider referrals from a county or local employment agency which will evaluate an individual's income prior to referral.

Written documentation and certification by a person of his or her family income and family size, to establish the LMI status on a form that is acceptable to OHCP and is subject to verification.

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A business claiming job retention must first provide documentation from a third party source that a closing or move which would result in a loss of jobs is imminent. Second, the business must verify that 51% of the jobs claimed to be retained by the project are held by persons of low-to-moderate income households.

Written documentation and certification by a person of his or her family income and family size, to establish the LMI status on a form that is acceptable to OHCP and is subject to verification.

A “National Objective” checklist (In the RLF Loan Review Report Form) will be completed to compile all job-related data and to review the job benefit status of the project.