

## **COMMUNITY IMPROVEMENT CORPORATION OF TIPP CITY SMALL BUSINESS DEVELOPMENT REVOLVING LOAN FUND**

As part of the Community Improvement Corporation of Tipp City's (CIC) commitment to economic development, the CIC created the Small Business Development Revolving Loan Fund (SBDRLF). The purpose of the fund is to provide assistance for expansion or development of businesses in the community. Small businesses often encounter just as many requirements for a small loan as an established industrial plant must comply with for a major manufacturing expansion project. With limited staff and few administrative resources, small businesses find it more difficult to find funding to bridge the gap when expanding their business. The locally funded Small Business Development Revolving Loan Fund (SBDRLF) is designed to meet this need.

The SBDRLF can provide loans to qualified small businesses for new capital equipment, building improvements, and other expenses associated with an expansion that creates new employment opportunities or enhance the businesses offerings. The loan amount will be typically for a term of up to ten (10) years, commensurate with the life of the assets financed and the relative amount of the loan. Loans will be secured with a form of acceptable collateral. **Loans are intended to supplement, not replace available commercial lending opportunities that may not be made available to small businesses.**

The SBDRLF is administered by the CIC. Staff will process loan applications and recommend approval of eligible loan applicants to the previously established Loan Review Committee (LRC). In this manner, economic development program funds may be retained for future job creation opportunities in the Tipp community, under the control of the LRC and the CIC.

### **Loan Amounts**

Loan amounts are negotiable based on the uncommitted fund amounts remaining in the SBDRLF loan fund. Loans may be granted by a majority vote of the LRC, and must be approved by a majority vote of the CIC Board.

### **Limits of Assistance**

SBDRLF loans are designed to provide "gap financing" of a qualifying project for a small business. The amount and term of the assistance will be commensurate with the security provided. If equipment is purchased, the CIC shall hold a lien on the property until it is paid off. A letter from the lending institution contributing to the project will be due with the submission of the SBDRLF loan application.

### **Eligible Uses of Loan Funds**

The primary purpose of the SBDRLF loan program is to provide funds for the following types of projects:

- Purchase of new capital equipment or non-capital equipment (equipment or other physical

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assets with an acquisition cost of \$1,000 or more per unit and with a useful life greater than one year);

- Business building improvements with job creation;
- Other business expansion expenses deemed eligible by the LRC.

### **Ineligible Uses of Loan Funds**

- Refinancing of existing debt;
- Financing of working capital;
- Intra-family or similar “non-arm’s-length” transactions;
- Payment of property taxes or assessments;
- Exterior modifications in the Historic District that have not been approved by the Tipp City Restoration Board or Downtown Partnership or approval via an appeal to the City Council;
- Financing of projects for businesses that have the capacity to finance required funding through conventional sources at acceptable terms;
- Any other proposed use of funds deemed ineligible by the LRC.

### **Application Requirements**

Applicants must complete the SBDRLF application provided by the LRC. The application may be required to contain the following exhibits upon a request by the LRC depending on the what the request is for:

#### **Financial:**

- Detailed explanation of the project;
- Be able to demonstrate repayment of the funds;
- Personal financial statement for each individual with at least twenty percent interest in the company;
- Financial statements from prior three years (Balance Sheet and Profit and Loss statements);
- Schedule of Accounts Payable and Receivables;
- Interim financial statement to the nearest quarter;
- Proforma of financial projections on a quarterly basis for the first two (2) years following the loan closing;
- Letter of recommendation or acknowledgement from existing debt-holder(s) regarding this application;
- Statement of the anticipated draw down schedule of SBDRF funds.

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**Collateral 100% of loan amount required depending on the project being funded:**

- Recent appraisal or county tax records of any real estate which will be offered as collateral;
- Listing of outstanding liens and mortgages on the property/assets proposed as security;
- Evidence of authority to make improvements such as a deed, qualifying lease, or notarized authorization from the property owner;
- Personal guarantee;
- If real estate is used as collateral a recent title exam is required.

**Project:**

- Detailed estimates for each projected expense of the business expansion;
- Verification of the costs/value of the assets to be funded as part of the total financing package;
- Construction plans for any proposed building improvements;
- Written cost estimates or contracts for building improvements.

**Loan Terms** - All loan recipients will be required to enter into a “Loan Agreement” with the Community Improvement Corporation of Tipp City setting forth the following loan terms and obligations.

**Application Fee** – A non-refundable application fee adopted by CIC Board shall be payable at the time the application is submitted for LRC review.

**Interest Rate** – Interest rates will be set when a COMPLETE application is submitted. Interest Rates are as follows:

- 2/3 of the Wall Street Journal Prime Rate

**Loan Approval Process** – Completed SBDRLF loan applications will be submitted to the LRC for review the LRC will review each application on its own merits and upon the LRC’s opinion of the impact the project will have on the economic development efforts in the Community Improvement Corporation of Tipp City.

**Repayment** – Complete repayment of the loan is required in monthly installments of amortized principal and interest within the loan period, as agreed upon by the applicant and the LRC. The LRC, on request of the applicant, may consider and grant the deferment of principal payments for up to 12 months, when deemed appropriate.

If the normal due date falls on a non-business day, then the payment must be made on the proceeding

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business day. The applicant may pay off the loan early without penalty.

**Late Payments** – A penalty of 10% of the overdue payment amount will be required each month for any payment 10 or more days past due. Standard monthly payments will typically be due on the first day of each month.

**Additional Fees** - Requests for consideration of re-amortization of a loan or subordination of a mortgage shall be accompanied by a fee of \$100.

**Transferability** – SBDRLF loans may not be transferred from the borrower to another party without the prior written approval of the Community Improvement Corporation of Tipp City.

**Occupancy Requirement** – Borrowers who own and operate a business that benefits from the loan proceeds shall be considered in default on the loan in the event the borrower relocates the business outside of the corporate limits of Tipp City or ceases operation of the business.

**Project Requirements** – The Community Improvement Corporation of Tipp City may require the following items to be submitted at the applicant's expense:

- Paid receipts for purchases or services rendered with the use of the SBDRLF loan finances;
- Completion of contracted work (i.e. signed invoices and statement of acceptance or release from the borrower);
- Receipts of copies of any required final inspection approvals from appropriate inspection agencies such as the Miami County Health District, the Miami County Department of Development, the State of Ohio Elevator Inspector, and various departments of the Community Improvement Corporation of Tipp City.
- Borrowers must agree to allow any duly authorized representatives of the Community Improvement Corporation of Tipp City, at reasonable times and with seventy-two (72) hours prior notice, to have access to any portion of the project in which the CIC is involved, and the period of such right to this access shall be until the loan is paid in full.

**Loan Acceleration** – The Community Improvement Corporation of Tipp City can accelerate the loan, without notice, and demand full payment of the loan immediately if the borrower fails to:

- Disburse loan funds within six (6) months;
- Provide payments for two or more consecutive months;
- Complete the project;
- Obtain the necessary inspection approvals, or other causes determined by the LRC;
- Make use of the entire loan commitment;
- Fails to provide evidence of receipts, contracts, or inspection approvals;
- Locates the business outside of the Community Improvement Corporation of Tipp City or

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- ceases operation of the business;
- Comply with all other laws and ordinances of the City of Tipp City and rules of the Community Improvement Corporation of Tipp City.

The remaining loan proceeds not disbursed shall be returned to the SBDRLF and the outstanding loan amount shall be reduced accordingly. Previous fees, interest, and disbursed principal shall not be refunded.

General state and local requirements, such as payment of taxes, non-collusion, and avoiding conflict of interest, still must be obeyed.

**Waiver and Revisions of Guidelines** – Waivers and revisions of these SBDRLF Guidelines may be made by the Community Improvement Corporation of Tipp City and the LRC.

**These Guidelines approved by Community Improvement Corporation of Tipp City on June 11, 2024**