



REVOLVING LOAN FUND

Program Description & Term Sheet (2017)

The Knox County Revolving Loan Fund (“**RLF**”), a county-wide non-profit financing partner, was established in 1989 and makes loans from the State of Ohio’s Community Development Block Grant (“**CDBG**”) to meet the following goals: promote new economic development within Knox County, Ohio; encourage the expansion and stability of the County’s economic base; encourage increased employment opportunities, particularly for low to moderate-income residents; and diversify the County’s economy, so as to not rely on a single industry.

Target Area

Through the RLF, Knox County helps finance all private, for-profit business and industrial concerns located and operating within the County’s geographic boundaries. The RLF also can provide financing to public entities in the County.

Program Objectives

Projects financed through the RLF should stimulate private capital formation, stabilize and diversify the County’s economy, assist with small business development, encourage the redevelopment of blighted properties, assist businesses owned by minorities, women and the economically disadvantaged, or coordinate with Knox County’s larger economic development efforts.

Solve Financing Problems

The RLF is intended to fill financing “gaps” within Knox County by providing the following: liberal financing options, available to high-risk ventures, repaid according to fixed-rates and longer-terms, with an eye towards investing in growth opportunities.

RLF Portfolio Standards

Eligible types of financing under the RLF include fixed-asset loans to acquire and improve land and buildings, obtain machinery and equipment, and site preparation and demolition. The RLF can loan-out funds for working capital (but only up to 30 percent of any repaid funds on deposit in the loan account). Interest supplements (i.e., discounts) can be provided to borrowers.

Loans from the RLF must be *necessary and appropriate*, whereby financing is provided to projects that will create or retain jobs, and that will contribute to the County’s economic development in areas such as light manufacturing and service industries. The RLF makes loans only to those projects for which there is a demonstrated need for financial assistance; without RLF support, the project will not move forward.

Ineligible activities under the RLF involve refinancing of existing debt, financing the acquisition of non-capital equipment and rolling stock, and underwriting training costs. There are specific prohibitions against making loans to borrowers which are relocating jobs from elsewhere in Ohio. Further, projects neither can involve less than five (5) percent equity by the borrower, nor be primarily recreational or residential in nature.

Each project should produce *at least one (1) new or retained full-time job equivalent ("FTE")* per \$25,000 in loan principal. Loans can be made from the RLF of up to \$500,000. *At least 51 percent of the committed FTEs must be filled by, or made available to, residents from low to moderate-income ("LMI") households. All committed job creation under a loan project must actually occur within 24 months.*

For every \$1 of RLF loan assistance, at least \$1 must be injected into the project from other commercial lenders or private investment (i.e., equity) on the part of the borrower. Special consideration is given to a borrower which is woman or minority-owned, has high-growth potential, is highly linked to the County's economy, is introducing new goods or services to the County, is redeveloping blighted or vacant land and buildings, will generate high levels of employment or tax revenues, will prevent significant job losses, will offer high levels of jobs to LMI residents, and helps meet environmental standards.

Loan Details

The current *interest rate* on all loans under the RLF is 2.75 percent per annum, fixed, effective January 1, 2017. In *special circumstances*, borrowers may defer principal payments for up to two years (but cannot defer interest payments); the RLF may subordinate its security interests to primary and secondary lenders; and borrowers may arrange for balloon payments at the end of shortened terms. *Terms* of each loan are as follows: up to 15 years for financing real estate acquisition and improvements; up to 10 years for machinery and equipment acquisition projects; up to five (5) years for working capital projects.

Loans must be secured by mortgage lien, promissory note, personal guaranty and other assignment of rights from the borrower to the RLF, in amounts sufficient to protect the loan amount. A loan agreement will be executed between the borrower and the RLF, setting forth the fixed monthly repayment amount and the conditions for default under the loan and any remedy actions available.

Loan Application & Administration

The RLF is administered by the Area Development Foundation, Inc. (www.knoxadf.com). Prospective borrowers must submit a loan application, along with an application processing fee of \$100. Each application is vetted by a 12-member RLF Committee, which may offer a Loan Commitment subject to final approval by the State of Ohio.

In addition to the general requirements described herein, applications will be reviewed according to the following criteria: *Borrower's Creditability* (past business performance, future business plans, general credit-worthiness); *Objective Criteria* (loan assistance per job created / retained, ratio of RLF-to-private funds in the project); *Distress Criteria* (per capita income levels of the Census Tract in which the borrower is located, percent of jobs filled by LMI residents); and *Project Worthiness* (impact on the community, project's speed to market).

Loan closings are scheduled to occur within 45 days of the RLF Committee's Loan Commitment, provided the State of Ohio gives final approval to the project. If approved, the borrower must pay a one-time origination fee of up to three (3) percent, as well as applicable Knox County Recorders' fees (e.g., if a mortgage lien is placed on the borrower's property). These fees are payable at the loan's closing and may be financed as part of the loan proceeds.

Completed loan applications are to be submitted to Area Development Foundation, Inc., P.O. Box 29, Mount Vernon, Ohio 43050, Phone: (740) 393-3806, Email: jeff@knoxadf.com