

JEFFERSONVILLE REDEVELOPMENT COMMISSION ECONOMIC DEVELOPMENT REVOLVING LOAN FUND (RLF) PROGRAM INFORMATION

The commission has established a revolving loan fund (RLF) to provide financial assistance to small and emerging business enterprises (see attachment A) located in the city of Jeffersonville, Indiana. The assistance will be in the form of a low interest, fixed rate loan to businesses willing to commit to create new jobs or preserve existing employment opportunities in Jeffersonville.

Funding for the RLF program has been provided by the Indiana Department of Commerce. All loans must be considered in accordance with state and commission policies and guidelines.

Eligible Businesses

Eligible businesses include those engaged in small or emerging business as defined by the U.S. Small Business Administration and are majority owned by U.S. citizens.

Small and Emerging Business Requirements

Small and emerging means any private business enterprise which will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues.

A private business must be owned and controlled either by individuals or by a legally organized *non-public* entity such as a corporation.

Gross revenues are defined as revenue of a business before deductions for any purpose, except for sales returns. In the case of a manufacturing or merchandising business, gross revenue means gross profit (gross sales receipts less cost of goods sold).

U.S. Citizenship Requirement

To be eligible for the RLF program, at least 51% of the outstanding interest in the project must be owned by those who are citizens of the United States or reside in the United States after being legally admitted for permanent residence.

Eligible Project Costs

- Acquisition of land
- Site improvements
- Infrastructure improvements
- Buildings and structures
- Purchase of machinery, equipment and furnishings
- Building construction and/or renovation costs. (Construction requires an environmental assessment. Renovation of a building that is fifty years or older may require a review by the Indiana State Historic Preservation Office.)
- Purchase of an ongoing business' fixed assets

Ineligible Costs

- Refinancing of existing debt
- Financing of speculative projects or businesses
- Working capital (wages, inventory, utilities, rent, etc.)
- Research and development

Factors that Make a Project Ineligible

- Unresolved environmental problems
- Less than 10% cash equity for the project
- Requiring more than 40% financing from the RLF program
- Do not have proper patent rights, licenses, permits, or certification
- Cannot demonstrate an ability to repay the loan
- Not willing to offer equal opportunity in employment practices
- Cannot meet job creation/retention requirements
- Not current with local, state or federal taxes
- Not current with other loans or debts
- Illegal activities

Job Creation/Retention

The commission may loan \$15,000 for the creation of one full-time job; \$10,000 for the creation of one part-time or one full-time or part-time seasonal job being created; \$5,000 for one full time job being retained from loan proceeds. The borrower has three years from the day of the loan closing to retain or create the agreed upon job threshold. If the applicant wishes to use the RLF program for job retention, the borrower must clearly state why or how the jobs are at risk.

Available Funding

The RLF Program has a limited amount of funds available and has established the following criteria to leverage program benefits:

- Bank lending participation is required. Only under special circumstances will the commission approve financing that does not have bank lending participation.
- An RLF loan shall not exceed 40% of the total *eligible* project costs.

Term

The term of any loan awarded through the RLF program should reflect the terms established by the participating bank or banks. It is conditioned upon the useful life of the financed assets with the maximum limit of up to 10 years for real estate (with an amortization to match the bank loan term), and 10 years for machinery, equipment and other fixed assets.

Interest Rates

Interest rates will be determined by the commission, but will not exceed two-thirds (2/3) of the prime rate on the date of closing. In setting the interest rate, the commission will consider the loan terms, equity percentage, quality of collateral, and other relevant factors to each loan being considered.

Equity

A minimum of ten percent (10%) owner's cash equity is required and twenty percent (20%) is preferred. The commission reserves the right to establish higher or additional equity requirements depending on the characteristics of each application.

Collateral

The commission will require adequate collateral.

All assets offered as collateral must have a third party appraisal and environmental clearance (if applicable). Under most circumstances, the commission will accept the same documentation provided to the participating bank.

Collateral and Security Requirements

- Transfer of ownership without the commission's executive director approval is prohibited. If sold, the RLF loan must be paid off as part of the sale; however, but may be transferred upon receipt of the buyer's financial information and approved by the commission.
- Personal guarantees from owners with more than twenty percent (20%) ownership in the business (required)
- Corporate guarantees from related companies (required)
- Full or partial letter of credit (optional)
- Adequate life insurance on key business owners and/or managers (recommended)
- Other types of credit enhancement (if necessary)

Other requirements

- All program requirements and commission policies must be complied with, including, but not limited to the following:
- Evidence of life, property and casualty insurance
- Evidence of worker's compensation coverage
- Credit report from bank or borrower
- Agreement to report annually on employment and equal opportunity regulations
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Program Fees

The commission requires the following fees from the applicant/borrower:

- Application Fee: A \$100 non-refundable application fee is payable with the final, completed submission of loan application
- Closing costs: After RLF loan approval, borrower shall pay legal fees at the loan closing OR may have may opt to have closing costs deducted from the loan proceeds. [The commission reserves the right to retain legal counsel to properly prepare closing documents.]

Participating Lender Rates and Terms

Interest rates, terms and fees are negotiated between the business and the bank lender.

Approval process

Upon completion of all necessary underwriting by commission staff, the commission's revolving loan fund committee shall be convened to prepare a recommendation. The committee's recommendation shall be presented to Jeffersonville city council for final consideration. The commission's revolving loan fund committee and Jeffersonville City Council may approve loans that deviate from the guidelines if recommended the executive director.

Examples would include loans being considered that exceed the \$50,000 cap, a smaller dollar-to-job ratio, reduced equity participation, etc.

The Jeffersonville Redevelopment Commission is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. (Not all prohibited bases apply to all programs).