

RESOLUTION No. R-11-2007

Dorwin Legal Group, Inc.

RESOLUTION AUTHORIZING THE DIRECTOR OF PUBLIC SERVICE AND SAFETY TO ADMINISTER A SMALL BUSINESS DEVELOPMENT REVOLVING LOAN PROGRAM AND DECLARING AN EMERGENCY

WHEREAS, the City of Troy previously established an Economic Development Revolving Loan Fund (ED RLF) by adoption of Resolution No. R-40-00; and

WHEREAS, the City of Troy also established a Downtown Building Repair Loan Program (DBR) by adoption of Resolution No. R-4-02; and

WHEREAS, small businesses have not been able to utilize those programs as well as larger businesses;

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Troy, Ohio, as follows:

SECTION I: That Council hereby establishes the Small Business Development Loan Fund.

SECTION II: That the guidelines for the Small Business Development Loan Fund, attached hereto as Exhibit A, are hereby adopted.

SECTION III: That Council authorizes the initial funding for the Small Business Development Loan Fund in the amount of \$50,000, from administrative cost reimbursements related to the Economic Development Revolving Loan Fund.

SECTION IV: That this Resolution is declared to be an emergency measure for the immediate preservation of the public peace, health and safety of the City of Troy, Ohio and for the further reason that approval of the Small Business Development Loan Fund by the City is necessary to allow for immediate consideration of possible loan assistance to businesses affected by a downtown building roof collapse, wherefore, this Resolution shall be effective immediately upon its adoption and its approval by the Mayor.

Adopted: March 5, 2007

William F. Lohrer
President of Council

Approved: March 5, 2007

Attest: Sue G. Knight
Clerk of Council

Michael L. Beamish
Mayor

**SMALL BUSINESS DEVELOPMENT
REVOLVING LOAN FUND (SBD)**

SBD GUIDELINES

As part of the City of Troy's commitment to economic development, the City of Troy Economic Development Revolving Loan Fund (ED RLF) was created in December 1990. Originally funded by a grant through the federal Community Development Block Grant Program (CDBG), the ED RLF has since provided loan assistance for expansion or development of over twenty businesses and industries in the community. These projects have helped to create over three hundred job opportunities for Troy citizens. By virtue of being established with federal funds, the ED RLF has numerous restrictions and qualifications, which not all businesses are able to meet with their normal business practices. Small businesses, in particular, 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 utilize the existing ED RLF to help finance an expansion of their business. The locally funded Small Business Development Revolving Loan Fund (SBD) is designed to meet this need.

The SBD will provide loans to qualified small businesses for new capital equipment, working capital, and other expenses associated with an expansion that creates new employment opportunities. Loans will range from \$2,000 to a maximum of \$50,000, and typically will be for a term of from twelve months to five years, commensurate with the life of the assets financed and the relative amount of the loan. Loans will be secured by a mortgage lien or other forms of acceptable collateral. Loans are intended to supplement, not replace available commercial lending opportunities that may not be made available to small businesses.

The SBD is administered by the Development Department. Staff will process loan applications and recommend approval of eligible loan applicants to the previously established Loan Review Committee (LRC). Initial funding of \$50,000 will be provided through a refund from the ED RLF of administrative expenses previously paid in 2006 from the City's General Fund. Repayments of loans principal and interest shall be returned to the SBD Revolving Loan Fund for future loans. Additional expense reimbursement funds also may be added in the future from the ED RLF, the DBA, or the EZ Program. In this manner, economic development program funds may be retained for future job creation opportunities in the Troy community, under the control of the LRC and the City Council.

Guidelines for SBD Projects

Loan Amounts

Minimum loan amount is \$2,000 per project. Maximum loan amount per project is \$50,000, or the uncommitted balance of funds in the SBD, whichever is less. Loans from \$2,000 up to \$14,999 may be granted by a majority vote of the LRC, after review of a complete application submitted by the applicant. Loans of \$15,000 or more must be approved by action of City Council, upon recommendation by the LRC. In keeping with the past standard for the ED RLF, SBD loans typically

Page 1 of 4

- written cost estimates or contracts for building improvements,
- personal and business financial statements for the past two years,
- county tax records or an appraisal of the property proposed as security,
- listing of outstanding liens and mortgages on the property proposed as security, and
- evidence of authority to make improvements such as a deed, qualifying lease, or notarized authorization from the property owner,
- recommendation or acknowledgment from existing debt-holder(s) regarding the application to the SBD Revolving Loan Fund (bank letter).

EXHIBIT A

Loan Terms

All loan recipients will be required to enter into a "Loan Agreement" with the City of Troy setting forth the following loan terms and obligations:

Application Fee - A non-refundable fee of \$100.00 is payable at the time the application is submitted for LRC review.

Interest Rate - SBD loans typically will have a 3% Annual Interest Rate (A.P.R.).

Points - Points to be paid at the time of the loan closing shall be in an amount equal to the LIBOR in effect at the time of approval by the LRC. Points may be paid from the loan proceeds, and amortized as part of the loan amount.

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 term typically will be from twelve months to five years, based on the term of any bank financing for the project and considering the expected life of the improvements, the calculated monthly payments, the size of the loan, and the length of an applicable lease, etc. The LRC, on request of the applicant, may consider and grant the deferral of principal payments for up to 12 months, when deemed appropriate by the LRC.

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.

Transferability - SBD loans may not be transferred from the borrower to another party without the prior approval of the City of Troy.

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 City of Troy or ceases operation of the business. Appeals of this occupancy requirement may be considered by the LRC.

Project Monitoring - Borrowers must agree to allow any duly authorized representatives of the City of Troy, at reasonable times and with seventy-two (72) hours prior notice, to have access to any portion of the project in which the City is involved, and the period of such right to this access shall be until the loan is paid in full.

Page 3 of 4

will not be made in an amount greater than \$25,000 per job opportunity to be created by the business expansion.

EXHIBIT A

Levels of Assistance

SBD loans are designed to provide up to 90% of the total cost of a qualifying expansion project for a small business with existing employment of not more than fifty persons. The amount of the assistance will be commensurate with the security provided, including an acceptable lien on real estate, a lien on capital equipment/machinery, or other forms of collateral approval.

Eligible Uses of Loan Funds

The primary purpose of the SBD is to provide loan funds for the following types of business expansions:

- Purchase or leasing of new capital equipment,
- Purchase or leasing of new non-capital equipment,
- financing of new inventory or material purchases,
- financing of working capital,
- business building improvements,
- other business expansion expenses deemed eligible by the LRC.

Ineligible Uses of Loan Funds

- refinancing of existing debt,
- 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 Troy Planning Commission,
- 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 SBD application provided by the LRC. The application must contain the following exhibits:

- detailed business plan for the expansion project,
- detailed estimates for each projected expense of the business expansion,
- schedule of existing indebtedness of the business,
- existing employment and payroll figures,
- proposed job creation numbers and payroll for the expansion,
- construction plans for any proposed building improvements,

Page 2 of 4

Loan Approval Process

Completed SBD loan applications will be submitted to the LRC for review with a funding recommendation from the Development Department. The LRC shall review each application on its own merits, based on the information submitted with the application, and upon the LRC's opinion of the impact the project will have on the economic development efforts in the City of Troy. Loans of \$15,000 or greater will need in addition to LRC approval, the approval of City Council.

EXHIBIT A

Loan Disbursement

Loan proceeds will be held in the City Treasury on behalf of the borrower for disbursement of actual expenses, as demonstrated by an invoice from a supplier, or a paid receipt for purchases or services rendered. Funds for construction work may either be released to the borrower or paid directly to contractors after contractors have completed their contracted work and provided signed invoices, release of liens, a signed statement of acceptance and release from the borrower, and the receipt of copies of any required final inspection approvals from appropriate inspection agencies such as the Miami County Health Department, the Miami County Building Regulations Department, the State of Ohio Elevator Inspector, and various departments of the City of Troy.

If some of the loan proceeds are disbursed within six months, the loan may be cancelled upon review by the LRC. Cause for cancellation also includes failure of the borrower to complete the project, or to obtain the necessary inspection approvals, or other causes determined by the LRC. Upon cancellation of the loan, amounts not disbursed shall be returned to the SBD to provide loans to other qualifying projects. If a borrower fails to make use of the entire loan commitment, the remaining loan proceeds not disbursed shall be returned to the SBD and the outstanding loan amount shall be reduced accordingly. Previous fees, points, interest and disbursed principal may not be refunded.

Loan Payments, Fees, Collections, etc.

Loan payments, collections, closings, and other administrative activities of the City of Troy shall be in accordance with the policies of the LRC and the detailed provisions of the adopted guidelines for the ED RLF. The application fee shall be \$100, payable at the time application is made to the LRC. The closing fee to be paid at the time of closing will include any legal expenses, appraisal expenses, and points in an amount equal to the LIBOR at the time of LRC approval. Requests for consideration of reamortization of a loan or subordination of a mortgage shall be accompanied by a fee of \$100.

Federal CDBG and State of Ohio Reimbursements

As this is not a CDBG funded program, the typical CDBG regulations and procedures, such as Bacon prevailing wages and final review approval of each loan by the Ohio Department of Development, will not be required. 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 SBD Guidelines may be made at the discretion of City Council.

Page 4 of 4