# Rural Industrial Park Loan Program

## Program Guidelines

**The Rural Industrial Park Loan Program ("RIPL")** promotes economic development in eligible rural areas and promotes the economic welfare of the State by providing low-interest direct loans to assist eligible applicants in financing the development and improvement of industrial parks and related off-site public infrastructure improvements.

**Eligible Applicants**

Eligible applicants include counties, municipalities, townships, non-profit organizations, port authorities, community improvement corporations, private developers, and other eligible applicants willing to develop eligible RIPL projects to improve the economic welfare of the people of the State of Ohio. Eligible applicants shall demonstrate to the Ohio Development Services Agency ("Development") the applicant's capacity to undertake and successfully oversee the project, as evidenced by documentation of the applicant's past performance in economic development projects and financial ability to complete the project.

In order for an applicant to be eligible for financial assistance under section 122.24 of the Revised Code, both of the following apply:

(1) The governing body of the entity that has been designated as an eligible area by the director of development under division (A) of section 122.25 of the Revised Code, by resolution or ordinance, shall designate the applicant that will carry out the project for the purposes described in section 122.24 of the Revised Code and specify the eligible area's financial participation in the project.

(2) The board of county commissioners of a county that has been designated as an eligible area by the director of development under division (A)(1) of section 122.25 of the Revised Code shall certify, by resolution, that no existing industrial park is located in the county that would compete against an industrial park that would be developed and improved in the county through the use of financial assistance provided to the applicant under the rural industrial park loan program.

Solely for the purpose of applying for assistance for infrastructure improvements, a governing body of an eligible area may designate itself as an eligible applicant.

**Eligible RIPL Projects**

Eligible RIPL projects include the development and improvement of industrial parks in rural areas designed to attract and retain businesses related to manufacturing, distribution and warehousing, research and development, high technology, industry and commerce. Development defines an industrial park as a site of 25 acres or more, zoned for or containing commercial or industrial users that is or will be adequately served by utilities and infrastructure.



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As a condition of receiving assistance under this program, an applicant shall agree, for a period of five years, not to permit the use of a site that is developed or improved with such assistance to cause the relocation of jobs to that site from elsewhere in the state without prior approval of Development.

**Eligible Rural Areas**
Eligible rural areas in Ohio include distressed, labor surplus and situational distressed counties as defined by the Ohio Revised Code. A map of eligible areas can be found on the program website.

**Eligible Project Costs**

- Land and/or building purchase
- Machinery & equipment purchase
- Building construction and/or renovation costs
- Long-term leasehold improvements
- Infrastructure and site preparation
- Retention ponds and/or flood and drainage improvements
- Street, road and bridge construction and traffic control device installation
- Water, sewer line and wastewater treatment plant installation
- Gas, electric and telecommunication hook-up installation
- Waterway and railway access improvements
- Limited soft costs directly related to fixed asset expenditures

The following projects/costs are **ineligible**: Refinancing, retail projects, financing management buyouts or leveraged buyouts of an existing business, the purchase of company stock or goodwill, and working capital financing. RIPL financing is not available for projects that begin prior to the submission of a Financial Assistance Application.

**Available Funding**
The RIPL may finance up to 75% of allowable project costs with loans ranging in size from $500,000 to $2,500,000. Development requires a minimum of 10% equity contribution from the borrower in the eligible project, however a greater equity contribution may be required based on due diligence. The remaining eligible project costs shall be funded by the borrower either directly or indirectly through third-party investors and/or private lenders.

**Term**
The loan term shall be determined for each project considering factors such as the useful life of the property being financed with the RIPL proceeds and the term of the third-party financial institution loan in the project, if applicable. Regardless of a longer useful property life, the maximum term for real estate (only) loans is up to 20 years and the maximum term for loans used to acquire machinery and equipment is up to 10 years.

**Interest Rate**
The RIPL interest rate is determined by staff and may be as low as 0% for the first five (5) years. Interest rates shall be fixed at/or below local market rates at the discretion of Development.

Payment of loan principal and interest may be deferred up to five (5) years to allow the applicant to market the property. If the principal and interest are deferred for any period of time, the balance of the loan shall be amortized within the remaining term of the loan. The sale or leasing of the project site or facility may trigger repayment, as determined by Development.

**Disbursement of Funds**
The RIPL is "take-out" financing. Eligible project costs/uses must be purchased with interim financing with the RIPL disbursing upon project completion.

**Job Creation/Retention**
Promoting economic development is one of Development's key agency objectives, and as such, job creation and/or retention may be taken into consideration while reviewing proposed loans. While Development has no fixed job creation and/or retention requirements for this loan program, evidence should be provided to demonstrate how this project will attract new development, economic activity and job creation potential.

**Partial Loan Forgiveness**
At least 50% of the outstanding loan balance will be forgiven by Development upon successful completion of the project as described in the application and loan agreement. If the RIPL funds represent less than 50% of the total project costs, the percentage of loan forgiveness will be increased to an amount equal to 100% less the percentage of the project being funded by the RIPL.

Example: If the RIPL funds represent 30% of total project costs, the Borrower would be eligible for 70% forgiveness of the outstanding loan balance (100%-30%) upon successful completion of the project as described in the application and loan agreement.

**RIPL Borrower Equity Contribution**
Development requires a 10% minimum Borrower equity contribution towards the project costs/uses. The following **shall not** satisfy the Borrower's Equity contribution:

- Expenditures made by or on behalf of the Borrower prior to the RIPL application
- In-kind contributions of labor or similar items
- Debt financing
- Convertible debt


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**Security & Collateral**

Development requires a first and/or shared first priority mortgage and/or lien position on project costs/uses financed with the RIPL proceeds. Development may require the following additional collateral or credit enhancements:

- Corporate/personal guarantees
- Full or partial letters of credit
- Pledged security interest in other revenue streams
- Life insurance on key business owners and/or managers
- Other types of credit enhancements, if necessary

Assets offered as collateral will be required to undergo third-party evaluation(s) (i.e. appraisal/ environmental assessment).

Borrowers cannot transfer ownership of the project without approval from Development. It is the borrower's responsibility to inform Development before such sale or change in ownership interest is complete. If the borrower is sold or substantially sells all of its assets, Development may require the loan to be repaid as part of the sale. However, assumption of a loan may be considered on a case-by-case basis and must be approved by Development.

**Program Fees**

- Non-refundable $1,500 application fee is due upon submitting a completed Financial Assistance Application. If the applicant is approved for funding under the program, the application fee will be credited against the commitment fee identified below.
- Non-refundable commitment fee of at least $12,500 (based on complexity of deal) is due upon receipt of a signed loan approval, confirmation and commitment letter.
- Annual servicing fee equal to ¼ of 1% (.25%) of the outstanding principal amount of the loan is pro-rated and payable monthly after closing of the loan.

**Prepayment**

Development imposes no RIPL pre-payment penalty.

**Reporting Requirements**

- Borrower shall be required to submit annual reports to Development detailing job creation, investment and other Project related information as required by the Director.
- Borrower and guarantors shall be required to submit annual financial reports to the Director and at other times as the Director may request.



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**Application Process**

Applications are required to be submitted electronically and will be reviewed upon receipt on a first-come, first-served basis. Applications will only be considered for funding once the required application fee has been received by Development and the Applicant has provided proof that all other sources of funds are available/committed. Proof of the required equity contribution can be satisfied by submitting information from a bank, financial institution or third-party accountant that clearly demonstrates the committed equity is unencumbered and available for the project. Other sources of financing for the project can be demonstrated by way of an executed loan agreement, term sheet or commitment letter. The Applicant will also be required to submit the following information to be considered for funding:

- ✓ Borrower information including:
  - Description of borrower's & guarantor's (if applicable) business and operating history
  - Description of market and competition
  - Bios of owners and/or key managers
  - Capitalization table with ownership, subsidiary and affiliates information
- ✓ Financial Statements: Three years of Borrower's historical financial statements, accompanied by interim financial statements
- ✓ Project description
- ✓ Uses of funds with detailed project plan, equipment lists and contractor quotes
- ✓ Marketing plan and management strategy
- ✓ Cost verification-purchase agreement and/or third-party cost estimates
- ✓ Anticipated project timeline
- ✓ At least three years of project financial projections
- ✓ Appraisal from a qualified appraiser
- ✓ Phase I Environmental Review
- ✓ Evidence of local support

Loan applications from any borrower with outstanding liabilities with the Ohio EPA or Ohio Department of Taxation will not be considered by Development until those liabilities have been resolved.



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