

Ohio Development Services Agency Regional 166 Loan Program



Administered by:

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TOLEDO | LUCAS COUNTY
PORT AUTHORITY

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OHIO DEPARTMENT OF DEVELOPMENT REGIONAL 166 LOAN PROGRAM

PROGRAM SUMMARY

The Ohio Department of Development (ODOD) Regional 166 Loan Program provides loans for businesses locating or expanding in Northwest Ohio who demonstrate that they will create or retain jobs. The program provides low interest rate financing for fixed asset purchases such as land, buildings, and equipment for projects in Ohio. Authorized under Chapter 166 of the Ohio Revised Code, the program is administered by the Toledo-Lucas County Port Authority throughout the State of Ohio.

The ODOD Regional 166 Loan Program focuses on several factors to determine the eligibility of a business for incentive financing. Chief among those determinations are the number of jobs created and/or retained as a result of the investment; the extent of participation by the business and a demonstration by the business that the assistance is necessary in order for the project to occur. In its review of loan applications, the Toledo-Lucas County Port Authority also evaluates the management capacity of the company; the availability of working capital and the overall ability of the company to repay its debt.

The ODOD Regional 166 Loan Program financing is “take-out” financing. In other words, the business will need to complete its project utilizing interim financing from a conventional lender and/or its own equity. When the project is complete, the Toledo-Lucas County Port Authority will establish a loan closing, and ODOD Regional 166 Loan Program funds will be used to take out the interim loan or funded directly to the borrower.

USE OF FUNDS

Funds received under the ODOD Regional 166 Loan Program may be used for up to 75% of the following costs:

- Acquisition of land and building
- New construction
- Renovation to existing buildings
- Acquisition of machinery and equipment

In addition, limited soft costs related directly to the fixed asset expenditure may be included. Examples of eligible soft costs include:

- Architectural/engineering costs
- Installation costs for machinery
- Interim interest costs
- Reasonable professional services costs

ODOD Regional 166 Loan Program funds may **not** be used for:

- Working capital
- Refinancing
- Inventory/Receivable financing
- Speculative real estate development
- Rolling stock
- Relocation cost

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ELIGIBLE BORROWERS

Eligible borrowers include any operating business entity which demonstrates that its fixed asset expansion project will create or retain jobs in Northwest Ohio. The ODOD Regional 166 Loan Program may lend funds to any for-profit business engaged in manufacturing, distribution, or commerce (excluding retail).

AMOUNT OF ODOD REGIONAL 166 LOANS

The maximum loan under the ODOD Regional 166 Loan Program is \$1,000,000. The maximum participation by the ODOD Regional 166 Loan Program in any one project cannot exceed 40% of the total fixed project costs. The actual level of participation will be determined by the Toledo-Lucas County Port Authority based upon the criteria described under "Criteria for Loan Application Evaluation."

INTEREST RATE

The interest rate for ODOD Regional 166 Loan Program financing is currently as low as 3.0%, fixed.

TERM

The term on an ODOD Regional 166 Loan cannot exceed 20 years for real estate or 10 years for machinery/equipment and cannot exceed the term of the bank loan. The term on ODOD Regional 166 Loan Program funds will be based upon:

- The useful life on the assets being financed
- The term of the bank loan in the project

PRIVATE FINANCING REQUIREMENTS

The program requires that a conventional lender and the business itself participate in the project to the maximum extent possible. The minimum amount of private lender participation required in any project is 25% of the ODOD Regional 166 Loan eligible project costs.

A typical ODOD Regional 166 Loan project structure is as follows:

- Bank Loan 50% of total project costs
- ODOD Regional 166 Loan 40% of total project costs
- Owner Equity 10% of total project costs *

**If the business is a start-up, the owner equity required is 20% and the ODOD Regional 166 Loan reverts to 30%*

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COLLATERAL/SECURITY FOR STATE LOAN

The Toledo-Lucas County Port Authority and the State of Ohio may request any of the following as collateral:

- Personal guarantees from owners
- Corporate guarantees from related companies
- First mortgage or lien position on the asset financed with state funds
- Key person life insurance on the principal operating officer (s) of the company
- Financial covenants on the operations of the business

FEES

The ODOD Regional 166 Loan Program requires the payment of three fees:

- \$500 non-refundable application fee
- A processing fee of 1.5% of the amount of ODOD Regional 166 Loan financing, due at closing
- Attorney fees – these fees fluctuate depending on the documents and time required

CRITERIA FOR LOAN APPLICATION EVALUATION

The following areas will be evaluated in making a determination that the business is eligible to receive ODOD Regional 166 Loan Program financing:

1. **Ability to Repay:** Can the business demonstrate through historical and/or projected financial statements that it has the ability to generate sufficient cash to repay all financing from this project?
2. **Management:** Does the business possess sufficient management capability and expertise to handle the project?
3. **Working Capital:** Has the business demonstrated sufficient equity and/or lines of credit/bank loans to cover all working capital needs for both the existing operation and any expansion?
4. **Need:** Can the business document the need for the State's incentive financing to make the project go forward? For example, is the lower fixed rate from the direct loan needed because cash flow is limited, or that it does not possess sufficient equity to finance the project itself with the bank financing?
5. **Job Creation:** The ODOD Regional 166 Loan Program finances projects which demonstrate the creation/retention of jobs during the first two years of the project. There is no set dollar amount per job.
6. **Job Retention:** If the applicant is claiming retained jobs from the program financing, there must be clear documentation of such retention satisfactory to the State.
7. **Occupancy:** The applicant must demonstrate that all facilities financed by the program will reach a reasonable occupancy level within one year after completion. If a project involves the construction of a new building, at least 61% of the building must be occupied by the operating business. If a project involves the purchase and/or renovation of an existing building, at least 51% of the building must be occupied by the operating business.

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8. **Collateral:** All assets offered as collateral must have third party evaluation and environmental clearance. ODOD will accept what the bank accepts.

STEPS IN APPLYING FOR ODOD REGIONAL 166 LOAN PROGRAM FINANCING

The business may not begin their project until after Controlling Board approval. To do so could result in the State's determination that the business could proceed without State assistance and therefore did not need the funds.

STEP 1: The borrower should complete an Initial Project Information form, which can be found at the Toledo-Lucas County Port Authority website at www.toledoportauthority.org. The form will provide basic information on the proposed project. All required information requested must be submitted with the form in order for the Toledo-Lucas County Port Authority to proceed with its analysis.

STEP 2: If determined to be eligible for ODOD Regional 166 Loan Program financing, the loan officer will advise the borrower of the level of ODOD Regional 166 Loan Program assistance recommended and present the application to the Loan Review Committee. If approved, the \$500 application fee is due before the application can be forwarded to the ODOD.

STEP 3: After receiving final approval from the Ohio Department of Development, the interim lender can provide financing of the project.

STEP 4: When the project is complete (certificate of occupancy issued, machinery in operation, etc.) The Toledo-Lucas County Port Authority will set up a closing, and disburse funds in conjunction with the private lender. The interim lenders portion of the loan will be "taken-out" by the Regional 166 Loan Program Funds.

REQUIRED INFORMATION TO PROCESS ODOD REGIONAL 166 LOANS

Some of the listed items are not needed until the time of closing or can be obtained from your loan officer.

- Completed "Initial Project Information" Form (application)
- History and description of business
- Specific use of loan proceeds/written cost estimates
- Financial statements (balance sheet, income statements for three years)
- Current financial statements (less than 90 days old)
- Three years of projected income statements and balance sheets
- Twelve-month cash flow or beyond to break-even point
- Personal financial statements and last 2 years of personal tax returns for 20% owners
- Bank commitment letter
- Appraisal by qualified appraiser (if in process, can be obtained at later date)
- Environmental questionnaire and formal assessment, if required (if in process, can be obtained at later date)
- Resumes (history and description) of key management
- Lease or purchase agreement

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