

COUNTY OF SULLIVAN INDUSTRIAL DEVELOPMENT AGENCY
548 Broadway, Monticello, New York 12701
REVOLVING LOAN FUND (RLF) INFORMATION SUMMARY

BACKGROUND:

The RLF was established by a grant from Housing and Urban Development (HUD) to the County under the Community Development Block Grant (CDBG) Program. The application to HUD dated August 1, 1984, upon which this funding award was based, represents the County's contractual agreement with HUD. The County of Sullivan Industrial Development Agency (IDA) administers this fund for the County of Sullivan. This summary was developed using the HUD awarded grant as its basis.

OBJECTIVES:

The primary objective of the RLF is the generation of new employment opportunities for Sullivan County residents. Other objectives include the generation of new local tax revenues, diversification of the local economy and greater economic and employment stability. The RLF will make low-cost financing available to eligible firms, which can demonstrate the need for RLF assistance to generate new jobs and meet other RLF objectives.

ELIGIBILITY CRITERIA

Eligible Applicants:

- A. Applicants may be sole proprietors, partnerships or corporations.
- B. Applicants must prove the need for RLF assistance, i.e., the unavailability of complete project financing at reasonable rates and terms.
- C. Applicants must possess good moral character and reputation. An investigation of such character shall be made from appropriate sources (past employers, creditor, etc.), to which applicant shall consent.
- D. Applicants must provide a minimum equity participation of at least 10% of the total project cost. This 10% must be from resources of the borrower and may include cash, land and properties or machinery and equipment.
- E. Applicants must prove ability to repay RLF loans.
- F. Applicants must possess sufficient prior experience in the business for which RLF assistance is requested to prove an ability to succeed.

Eligible Projects:

Projects involving the following activities are eligible providing such projects are carried out in Sullivan County.

- A. Acquisition and assembly of land and property for industrial, commercial, or mixed use purposes.
- B. Development of real estate including rehabilitation or renovation of existing buildings for commercial, industrial, or mixed use.
- C. Other projects involving the generation or retention of employment opportunities, which are not prohibited under "Ineligible Projects."

Conditionally Eligible Projects:

Projects involving the following activities will be considered eligible only when the conditions outlined can be met.

- A. Start-up Businesses
 - 1. The applicant must prove an ability to successfully undertake the proposed project.
 - 2. A realistic Business Plan is provided that shows the reasonableness of and potential for the project to succeed.
 - 3. It can be found that sufficient financial and other resources exist to undertake the project.
- B. Bars and Restaurants in which the Primary Business focus is serving Alcoholic Beverages: These businesses are not eligible for assistance unless it is decided that the proposed project also achieves other vital community development goals (i.e., facade or building improvements in an area undergoing a downtown revitalization program).

Ineligible Projects:

- A. Speculative ventures.
- B. Capital improvements without corresponding job creation.
- C. Refinancing of existing indebtedness.

Eligible Uses of RLF Loans:

Loans under RLF may be made for part of the total development costs of eligible project that may include the following:

- A. Land costs including related expenses;
- B. Building costs including new construction, renovation and related professional expenses;
- C. Machinery and Equipment - including installation and related professional fees but excluding furniture, movable fixtures and equipment not made permanent to the real estate;
- D. Working and start-up capital, where other financing is not available for this “gap” and where this financing is secured by fixed assets;
- E. Infrastructure costs (water/sewer);
- F. Relocation costs; and
- G. Other costs deemed appropriate by the Sullivan County IDA and eligible under HUD regulations.

APPLICATION REVIEW FACTORS

Minimum Requirements:

- A. Not less than 10% of total project financing must be provided by the applicant in the form of cash, property, or other net equity.
- B. Applicants must prove and document the need for RLF assistance and must present evidence of efforts to obtain other appropriate financing through private lenders and such public sources as the Job Development Authority, Small Business Administration, Business Development Corporation, Industrial Development Bonds and Urban Development Action Grants.
- C. RLF loans will be made in the minimum amount necessary to complete the financing package for an eligible project. RLF participation, however, will not exceed 40% of the total project cost. Start-up businesses meeting RLF requirements will be eligible for no more than \$15,000 from the RLF. However, where exceptional circumstances warrant, greater RLF participation may be granted at the sole discretion of the IDA.
- D. A minimum of one (1) full-time job must be created or retained for each \$10,000 in loan funds borrowed from the RLF.

- E. Of all jobs to be created or retained because of project assistance by the RLF, no less than 51% must be filled by persons of low to moderate income as required and defined by HUD. The IDA and/or Department shall be authorized to document compliance with this requirement through any reasonable means.
- F. All proposed uses of RLF proceeds shall comply with the provisions of Title 1 of the Housing and Community Development Act of 1974 and all related regulations that include but are not limited to the following:
 1. Davis-Bacon Federal Labor/Wage Standards.
 2. Equal Employment Opportunities/Nondiscrimination.
 3. Environmental Review Procedures.
 4. Access to Records.

Other Review Criteria:

Other criteria that shall be considered by the IDA during application review shall include but not be limited to the following:

- A. The number and types of jobs created or retained in the County will be a determining factor in application approval. Projects providing year round, winter or permanent jobs, for example, will be given priority over projects that provide summer, seasonal or temporary jobs.
- B. Appropriateness to the County's overall economic development goals will also be considered and will include but not be limited to the following factors:
 1. Assistance to existing local businesses for expansion purposes;
 2. The extent of energy conservation, production or innovation;
 3. The provision of services not otherwise provided by commercial enterprises in the County or in the immediate locality (especially essential services);
 4. Diversification of the local economy;
 5. Extent of spin-off employment and support of other businesses;
 6. Innovative use of readily available or underutilized local resources; and
 7. Environmental compatibility with the specific locality involved and the County in general.
- C. The extent of real property and other taxes to be paid, with a priority on projects paying full taxes.
- D. Support of minority business enterprises.
- E. The extent to which employment opportunities are made available to local residents, including disadvantaged, handicapped and minority residents. Priority will be given to projects coordinating with such local agencies as the Private Industry Council - Employment and Training Office for employment outreach to such populations.
- F. The level of owner equity investment to be contributed to the project.

APPLICATION PROCESSING

Application Submission:

Applications shall be submitted in the format specified by the IDA. Such applications shall be submitted to the County of Sullivan Industrial Development Agency, 548 Broadway, Monticello, New York 12701. Once received, the application will be reviewed for completion and to ensure that all minimum eligibility criteria are met. Department staff shall then review the application and will make recommendation to the IDA concerning application approval or denial. Such staff review shall generally be completed within 30 days of receipt of the completed application. The IDA shall then meet at a regularly scheduled monthly meeting to review the application and recommendations of the Department staff, and render a decision on the loan request. The decision of the IDA as outlined in a review process above, shall generally be made with 6-8 weeks of application submission, but will not exceed 90 days.

Rates and Terms of Approved Loans:

The IDA shall set the rates and terms of RLF Loans at the time of approval based on project need, the purpose for which loan funds will be used, comparable financing terms and other factors. Generally, rates will have a floor of 75% of the prevailing prime rate with the prime rate as the ceiling and terms will be limited to 3-7 years. Rates and terms beyond these limits may be set at the discretion of the IDA.

Fees:

For loans \$15,000 or greater, a service fee of 3% of the RLF loan amount will be charged by the IDA to cover administrative expenses. For loans in amounts less than \$15,000, the IDA will reduce the fee to 1% plus actual IDA legal fees. IDA fees are an eligible use of the RLF and may be added to the loan principal by the borrower.

The borrower shall absorb the cost of preparing all documents for RLF application review, and other charges associated with loan processing. The IDA may, at its discretion, enter loan servicing agreements with other lending institutions where warranted or deemed beneficial to the County or the IDA.

Security:

The IDA will seek as high a position as possible in all loans in amounts of \$15,000 or greater. Personal guarantees may be required of the applicant and other parties as may be necessary to ensure adequate security of the loan.

For loans in amounts less than \$15,000, the IDA may accept only personal guarantees, in instances where such guarantees sufficiently collateralize the loan amount.

All working and start-up capital financing must be secured with fixed assets.

Determinations of security required shall be made by the IDA based upon individual circumstances and project financing arrangements.

Post-Approval Requirements:

All borrowers of RLF funds must enter into a contractual agreement with the IDA that will include, but not be limited to, the following requirements:

- A. The submission of a Review Financial Statement prepared by a Certified Public Accountant within 90 days of the close of each fiscal year during the loan period.
- B. The submission of employment reports in the manner specified which document the provision of jobs to no less than 51% low to moderate-income persons.
- C. Compliance with Federal Labor Standards that will be monitored by the IDA and/or County.
- D. Compliance with HUD Environmental Review Procedures including floodplain management.
- E. Nondiscrimination in employment.

Method of Payment:

The IDA shall disperse RLF funds on applicant need, project circumstances and borrower satisfaction of contractual obligations. Generally, RLF funds shall be dispersed on a prorated basis with other financing obtained for the project after such other financing has been first spent.

Always, however, the required 10% borrower contribution shall be dispersed before RLF funds. A line of credit may be established by the IDA for disbursement of RLF funds. Some RLF funds will be retained in all cases until satisfactory compliance with contractual obligations has been made by the borrower.