



**DEVELOPMENT DEPARTMENT**  
**100 S. MARKET ST.**  
**937-339-9481**

## **CITY OF TROY**

### **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 businesses and industries in the community. 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, building improvements, and other expenses associated with an expansion that creates new employment opportunities. The minimum loan amount will be \$25,000 and typically will be for a term of up to twenty 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). 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.



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### **Loan Amounts**

Minimum loan amount is \$25,000 per project. Loan amounts are negotiable based on the uncommitted fund amounts in the SBD. Loans may be granted by a majority vote of the LRC, and must be approved by City Council. In keeping with the past standard for the ED RLF, SBD loans typically will not be made without at least 1 job created by the business expansion.

### **Limits of Assistance**

SBD loans are designed to provide “gap financing” of a qualifying expansion project for a small business with existing employment of not more than fifty persons. The amount and term of the assistance will be commensurate with the security provided, including an acceptable mortgage lien on real estate, a lien on capital equipment/machinery, or other forms of collateral approved by the LRC. A letter from the lending institution contributing to the business expansion project will be due with the submission of the SBD loan application. This funding is NOT available for start-up businesses.

### **Eligible Uses of Loan Funds**

The primary purpose of the SBD loan program is to provide 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;
- Business building improvements with job creation;
- Other business expansion expenses deemed eligible by the LRC.

### **Ineligible Uses of Loan Funds**

- Refinancing of existing debt;
- Financing of working capital;
- 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.



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### **Application Requirements**

Applicants must complete the SBD application provided by the LRC. The application may be required to contain the following exhibits:

#### **Financial:**

- Detailed business plan for the expansion project;
- Personal financial statement for each individual with at least twenty percent interest in the company;
- Financial statements from prior three years (Balance Sheet and Profit and Loss statements);
- Schedule of Accounts Payable and Receivables;
- Interim financial statement to the nearest quarter;
- Proforma of financial projections on a quarterly basis for the first two years following the loan closing;
- Letter of recommendation or acknowledgement from existing debt-holder(s) regarding this application;
- Statement of the anticipated draw down schedule of SBD funds.

#### **Collateral (100% of loan amount required):**

- Recent appraisal or county tax records of any real estate which will be offered as collateral;
- Listing of outstanding liens and mortgages on the property/assets proposed as security;
- Evidence of authority to make improvements such as a deed, qualifying lease, or notarized authorization from the property owner;
- Personal guarantee;
- If real estate is used as collateral a recent title exam is required.

#### **Project:**

- Detailed estimates for each projected expense of the business expansion;
- Verification of the costs/value of the assets to be funded as part of the total financing package;
- Construction plans for any proposed building improvements;
- Written cost estimates or contracts for building improvements.

**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.

All applicants **MUST** provide 10% of the requested SBD Loan amount.

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



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**Interest Rate** – Interest rates will be set when a COMPLETE application is submitted. Interest Rates are as follows:

- Less than ten years = 0.5% below current Prime Rate;
- Ten to fifteen years = current Prime Rate;
- Greater than fifteen to twenty years = current Prime Rate plus 1%.

**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 and upon the LRC’s opinion of the impact the project will have on the economic development efforts in the City of Troy. In addition to LRC approval, the approval of City Council is required.

**Closing Fee** – To be paid at the time of the loan closing at 1.5% of the total 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 LRC and City Council, on request of the applicant, may consider and grant the deferment of principal payments for up to 12 months, when deemed appropriate. The City of Troy requires automatic deduction for the payment of the loan. This deduction will occur on the 1<sup>st</sup> of the month. If the normal due date falls on a non-business day, then the deduction will occur on the proceeding business day.

**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.

**Additional Fees** - Requests for consideration of re-amortization of a loan or subordination of a mortgage shall be accompanied by a fee of \$100.

**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.



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**Project Requirements** – The City of Troy may require the following items to be submitted:

- Paid receipts for purchases or services rendered with the use of the SBD loan finances;
- Completion of contracted work (i.e. signed invoices and statement of acceptance of release from the borrower);
- Receipts of copies of any required final inspection approvals from appropriate inspection agencies such as the Miami County Health District, the Miami County Department of Development, the State of Ohio Elevator Inspector, and various departments of the City of Troy.

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.

### **Loan Acceleration**

The City of Troy can accelerate the loan, without notice, and demand full payment of the loan immediately if the borrower fails to:

- Disburse loan funds within six months;
- Provide payments for two or more consecutive months;
- Complete the project;
- Obtain the necessary inspection approvals, or other causes determined by the LRC;
- Make use of the entire loan commitment;
- Fails to provide evidence of receipts, contracts, or inspection approvals;
- Locates the business outside of the City of Troy or ceases operation of the business;
- Comply with all other laws and ordinances of the City of Troy.

The remaining loan proceeds not disbursed shall be returned to the SBD and the outstanding loan amount shall be reduced accordingly. Previous fees, interest, and disbursed principal shall not be refunded.

### **Federal CDBG and State of Ohio Requirements**

As this is not a CDBG funded program, the typical CDBG regulations and procedures, such as Davis-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 by the City of Troy, LRC, and City Council.

**These Guidelines approved by City Council adoption of R-19-2022 on February 22, 2022.**