

COSHOCTON PORT AUTHORITY (CPA) COSHOCTON FOUNDATION (CF) COMMUNITY DEVELOPMENT FUND PROGRAM GUIDELINES

The Coshocton Port Authority (CPA) has established a Community Development Fund (CDF) at the Coshocton Foundation (CF) to provide financial assistance to small and emerging business enterprises **located in Coshocton County**. The assistance will be in the form of a low interest, fixed rate loan to businesses willing to commit to create new jobs or preserve existing employment opportunities in Coshocton County. Assistance may also be made available in the form of lease subsidies and up to a \$2500 grant for any Coshocton County high school graduate who has left the community but intends to return home to start a business.

Eligible Businesses

Eligible new or existing businesses include those engaged in manufacturing, assembly, distribution, research and development, commercial and retail, and service-related activities that meet the USDA definition (see attachment A) of a small and emerging business enterprise and are majority owned by U.S. citizens.

Small and Emerging Business Requirements

Small and emerging means any private business enterprise which will typically employ 50 or fewer new employees and has less than \$1 million in projected gross revenues.

A private business must be owned and controlled either by individuals or by a legally organized non-public entity such as a corporation.

Gross revenues are defined as revenue of a business before deductions for any purpose, except for sales returns. In the case of a manufacturing or merchandising business, gross revenue means gross profit (gross sales receipts less cost of goods sold).

U.S. Citizenship Requirement

To be eligible for the CDF Program at least 51% of the outstanding interest in the project must be owned by those who are citizens of the United States or reside in the United States after being legally admitted for permanent residence.

Eligible Business Project Costs

- 1 Purchase of land and/or building
- 2 Purchase of machinery and equipment
- 3 Building construction and/or renovation costs
- 4 Purchase of an ongoing business
- 5 Inventory
- 6 Fixed assets
- 7 Working Capital
- 8 Other economic development activities (including, but not limited to, studies, engineering, professional fees, and public infrastructure)

Ineligible Costs

- 1 Financing of speculative projects or businesses
- 2 Land banking
- 3 Effect a change in business ownership

Factors that Make a Project Ineligible

- 1 Unresolved environmental problems
- 2 Do not have proper patent rights, licenses, permits, or certification
- 3 Cannot demonstrate an ability to repay the loan
- 4 Are not willing to offer equal opportunity in their employment practices
- 5 Cannot meet job creation/retention requirements
- 6 Not current with local, state and federal taxes
- 7 Not current with other loans
- 8 Involve illegal activities

Job Creation/Retention

The applicant must commit to retention or creation of jobs over a three year period generally following the dollar to job ratio: \$15,000 for the creation of one full-time job, or \$10,000 for the creation of one full-time or one part – time/seasonal job being created or \$5,000 for one full time job being retained from loan proceeds within a three-year period. If the applicant wishes to use the CDF Program for job retention, they must clearly state why the jobs are at risk. This documentation must include a signed letter of agreement/promissory note.

Available Funding

The CDF has a limited amount of funds available and has established the following criteria to leverage the Program benefits:

- 1 Bank lending participation is preferred.
- 2 Only under special circumstances will the CPA and CF approve a financial assistance application if bank lending is not involved.

Term

The term of any loan awarded through the CDF should reflect the terms established by the participating bank. It is conditioned upon the useful life of the financed assets with the maximum limit of up to 10 years for real estate (with an amortization to match the bank loan term), and 10 years for machinery and equipment.

Interest Rates

Interest rates or deferred principle payments will be determined by the CPA. In setting the interest rate, the CPA will consider the loan term, percentage equity, quality of collateral, etc.

Equity

A minimum of twenty percent (20%) owner's cash equity or in-kind is preferred. The CPA reserves the right to establish equity requirements for each form of financial assistance.

Collateral

CPA will require adequate collateral. If there is no bank lender participation, CPA will require a first priority mortgage and/or lien position, on the assets being financed. With bank lender participation, CPA will accept a second mortgage and/or subordinate position.

All assets offered as collateral must have a third party appraisal and environmental clearance if applicable. CPA will generally accept the same documentation as provided to the participating bank.

Collateral and Security Requirements

- 1 No transfer of ownership without CPA approval. If the approved business is sold, the CDF financial assistance must be paid off as part of the sale; however, assumptions may be considered on a case-by-case basis (required)
- 2 Personal guarantees from owners with more than twenty percent (20%) ownership in the business (required)
- 3 Corporate guarantees from related companies (required)
- 4 Full or partial letter of credit (optional)
- 5 Other types of credit enhancement, if necessary

Other requirements

All CPA policies must be complied with, including but not limited to the following:

1. Evidence of life, property and casualty insurance
2. Evidence of worker's compensation coverage
3. Credit report from bank or online report less than 6 months old
4. Agreement to report annually on employment and equal opportunity
5. Proper execution of all required CPA and CF documents
6. Client of SBDC and required to meet annually and provide Quarterly Financial Reports (Balance Sheet & Income Statement) for review

Program Fees

CPA shall have the right to charge and collect from the applicant/borrower the following:

- 1 Application Fee: A \$25 non-refundable application fee is payable with the submission of the application to CPA
- 2 Closing costs: After CDF Loan approval, the borrower shall pay a non-refundable deposit to cover estimated legal fees prior to the loan closing. All other closing costs shall be deducted from the loan proceeds. [CPA reserves the right to retain legal counsel to properly prepare closing documents.]

Participating Lender Rates and Terms

Interest rates, terms and fees are negotiated between the business and the bank lender.

The Coshocton Port Authority reserves the right, on a case by case basis with exceptions to be recommended by the Executive Director, to deviate from the guidelines but must be approved by the CPA board of director and CF distribution committee.

UNITED STATES DEPARTMENT OF AGRICULTURE
(USDA)
DEFINITION OF
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