

# **Hancock County Revolving Loan Fund (RLF)**

## **Guidelines**

**Approved by:**

Hancock County Board of Commissioners

\_\_\_\_\_  
Date

# TABLE OF CONTENTS

<b>PART I: RLF GEOGRAPHIC AREA AND CREATION OF RLF BOARD</b>	<b>4</b>
<b>A. RLF Geographic Area</b>	<b>4</b>
<b>B. RLF Board</b>	<b>4</b>
1. Board Composition	4
2. Terms of Membership	4
<b>PART II: PROGRAM ELEMENTS</b>	<b>4</b>
<b>A. Identification of Problem Areas</b>	<b>4</b>
1. Job Creation, Retention, & Low-Moderate Income (LMI) Residents	4
2. Infrastructure	4
<b>B. Statement of Program Goals and Objectives</b>	<b>5</b>
1. The RLF program for Hancock County has been established to meet the following goals:	5
2. The Hancock County RLF will address the following objectives:	5
3. The Hancock County RLF will attempt to provide financing assistance using various methods	5
<b>C. Identification of Financing Problems</b>	<b>6</b>
1. Difficulties	6
2. Financing	6
<b>D. Targeting Criteria</b>	<b>6</b>
<b>E. Standards for a RLF Project</b>	<b>7</b>
1. Fixed Asset or Working Capital Loans	7
2. Eligible Loan Activities	7
3. Other – Eligible RLF Grant Activities	7
4. Ineligible loan activities, or uses of RLF funds, include the following:	8
5. Job/Loan Ratio	8
6. LMI Employment Opportunities	8
7. Match	8
8. Project Timeline	9
9. Eligible Applicants	9
10. Equal Lending	9
11. Certification of Financial Need	9
<b>F. Financing Policies and Techniques</b>	<b>10</b>
1. Range of Loans	10
2. Ineligible Projects	10
3. Applicant Equity	10
4. Rate of Interest	10
5. Term	11
6. Repayment Schedule	11
7. Penalty	11
8. Special Financing Techniques	11
9. RLF Program Loan Security	11
10. Relocation out of RLF Geographic Area	11
11. RLF Application	12
12. Administrative Costs	12
13. Borrower Costs	12
14. Other Qualifying Programs	12
15. Compliance	12
16. Restructuring	12

17.	Disbursement	13
<b>G.</b>	<b>Time Schedule for Loan Closings (Formula RLF)</b>	<b>13</b>
<b>H.</b>	<b>Related Activities</b>	<b>13</b>
<b>PART III ADMINISTRATIVE ELEMENTS</b>		<b>13</b>
<b>A.</b>	<b>Administration</b>	<b>13</b>
1.	RLF Administration	13
2.	RLF Board	13
3.	Hancock County Commissioners	14
<b>B.</b>	<b>Administrative Capacity</b>	<b>14</b>
1.	Loan Administrator	14
2.	Outside Consultants	15
3.	RLF Meeting Agendas	15
<b>C.</b>	<b>Loan Selection and Approval Process</b>	<b>16</b>
1.	Outreach Program	16
2.	Review and Approval Process	16
<b>D.</b>	<b>Loan Servicing and Monitoring</b>	<b>17</b>
1.	General Procedures	17
2.	Specific Procedures	18
3.	Compliance with Loan Conditions	19
<b>E.</b>	<b>Sources of Funding to Cover Administration Costs</b>	<b>19</b>
1.	Administrative Cap	19
2.	Volunteers	19
3.	Fees	19
<b>F.</b>	<b>Recapitalization Strategy</b>	<b>19</b>
1.	CDBG	19
2.	Local Assistance	19
3.	Private Lenders	19
4.	Refinancing	19
<b>G.</b>	<b>Other Requirements</b>	<b>19</b>
1.	Assurance regarding compliance with:	20
2.	Employment Practices	20
3.	Employment Data	21
4.	Review for Non-Compliance	21
5.	Environmental Review	21
6.	Potential Effects	21
7.	Labor Standards/Prevailing Wage	21
8.	Borrower Commitments	21
9.	Corrective Action	22
10.	Conflict-of-Interest	22
11.	Failure to Comply With Agreement	22
12.	Marketing/Non-Discrimination	22
13.	Agreement to Support RLF Plan	23
14.	Date of Effect	23

## **PART I: RLF GEOGRAPHIC AREA AND CREATION OF RLF BOARD**

### A. RLF Geographic Area

The geographic area for the Hancock County RLF consists of all properties within the boundaries of Hancock County.

### B. RLF Board

#### **1. Board Composition**

The RLF Board is comprised of seven (7) voting members and three (3) ex-officio members. The voting members include one (1) county commissioner and six (6) members appointed by the county commissioners. The ex-officio members include the Hancock County Auditor, the Hancock Regional Planning Commission Director, and the Executive Vice President of the Community Development Foundation.

In making appointments to said Board of Directors, the Commissioners shall attempt to: obtain a broad representation of the overall community, and; provide representation from financial institutions, utilities, business community, legal community and the LMI community.

#### **2. Terms of Membership**

Initial appointments shall be for staggered terms of one or two years, with three (3) appointments beginning with one-year terms. All subsequent terms shall be for a period of two (2) years. Vacancies shall be filled for the unexpired term in the same manner as original appointments are made.

## **PART II: PROGRAM ELEMENTS**

### A. Identification of Problem Areas

The Hancock County RLF has been designed to address the following economic development problems:

#### **1. Job Creation, Retention, & Low-Moderate Income (LMI) Residents**

Recognizing that job creation and retention have been identified as the number one priority in Hancock County, the Fund shall operate in such a manner as to provide new job opportunities for the citizens of Hancock County, or to retain existing employment opportunities for the citizens of Hancock County. Specifically, maximum effort must be expended to provide 51% of the job opportunities are available for low-moderate-income (LMI) residents of Hancock County;

#### **2. Infrastructure**

The lack of infrastructure in certain areas of Hancock County, which prohibits potential business expansion and start-up projects;

#### **3. Retention**

The retention of existing businesses and industries who, for various reasons, are considering relocation or termination of operations;

**4. Lender Leverage**

The inability of lenders to participate as sole lender in particular start-ups or expansions, and;

**5. Cost Differential**

Certain businesses and industries may experience locational cost differentials between Hancock County and other areas, which require consideration in order for them to locate, or remain, in the County.

**B. Statement of Program Goals and Objectives**

**1. The RLF program for Hancock County has been established to meet the following goals:**

- a. Promote new economic development in Hancock County;
- b. Encourage the expansion and stability of the economic base;
- c. Encourage increased permanent employment opportunities, particularly for LMI households; and
- d. Diversify the Hancock County economy so that the area is not dependent on just one industry or business sector.

**2. The Hancock County RLF will address the following objectives:**

- a. Stimulate private sector capital information;
- b. Stabilize and diversify the Hancock County economy by providing employers with “necessary or appropriate” capital for start-up and expansion of business/industries;
- c. Encourage and assist with small business development;
- d. Encourage and assist with the redevelopment of blighted and/or vacant land and/or facilities for productive business/industrial use;
- e. Encourage and assist business/industrial concerns owned by minorities, women, handicapped persons, or economically disadvantaged persons; and
- f. Coordinate with other local and regional economic development activities and organizations to the greatest extent possible.

**3. The Hancock County RLF will attempt to provide financing assistance using various methods, which may include but is not limited to the following:**

- a. Loan subordination; or
- b. Lower interest rates; or

- c. Fixed interest rates; or
- d. Extended loan terms; or
- e. Loan repayment deferrals; or
- f. Grants  
(The Hancock County RLF, when appropriate, may provide direct grants to public or quasi-public entities to provide for infrastructure improvements that will allow a business or industry to proceed with a project that will meet the goals and objectives of the RLF. The RLF will obtain prior approval from the Ohio Department of Development Office of Housing and Community Partnerships (OHCP) prior to providing direct grant assistance. *See 'Eligible Activities' on page 6 of these regulations for further information.*)

C. Identification of Financing Problems

1. **Difficulties**

In order to meet the program goals and objectives, the RLF will attempt to provide financial assistance to business and industry which will overcome deficiencies in the local private financial sector, such as:

- a. The reluctance of area lenders to undertake ventures of unusual risk;
- b. The lack of appropriate rate and/or long-term financing opportunities from financial institutions, particularly during certain economic cycles;
- c. The desire of some financiers to share risks with other parties on particular projects;
- d. The need to provide a local financial mechanism for economic development, in light of projected declines in state and federal funding levels; and
- e. The need to provide financing for certain portions of an economic development project for which private conventional financing is usually not available (i.e. off-site improvements).

2. **Financing**

The RLF will provide the minimum financing, or the portion of the project financing required to complement the conventional financing resources to permit a business/industry to proceed with a project otherwise not feasible.

D. Targeting Criteria

To meet the RLF program goals, objectives and identified needs, all private, for-profit or business and industrial concerns located and operating within the geographic boundaries of the RLF area are eligible for participation in the RLF program. Participation eligibility in the program is primarily based on this location requirement; however, changing conditions may result in the targeting of RLF funds to meet economic needs of more specific locations, sectors of the local economy or target population groups.

E. Standards for a RLF Project

**1. Fixed Asset or Working Capital Loans**

- a. Fixed asset loans for the start-up of new businesses, the expansion of existing businesses or the conduct of current business. Fixed asset loans may include the acquisition and/or improvement of land, buildings, machinery and equipment, including new construction or renovation of existing facilities, demolition and site preparation. (Loan terms shall not exceed the life of the asset).
- b. Working capital loans for the start-up of new businesses, the expansion of existing businesses or the conduct of current businesses. Working capital loans may include all non-fixed asset items necessary for normal business operations (except salaries and fringe benefits) including, but not limited to: non-capital equipment, raw materials, inventory and non-depreciable equipment. (Working capital loans will be limited to 30 percent of the RLF program income portfolio unless specifically approved by OHCP).

**2. Eligible Loan Activities**

Eligible loan activities include provision of “necessary or appropriate” RLF financial assistance or purposes which result in private sector job creation/retention, stimulate private investment, and contribute to the economic development or stabilization of the area. The following are eligible types of loan activity:

- a. Fixed assets for acquisition and/or improvement of land, building, equipment, new construction or renovation of existing facilities, demolition and site preparation.
- b. Working capital loans for start-up of new businesses or existing businesses will be limited to 30% of the RLF program income the grantee receives in one year. (Exceptions to this limit will be looked at on a case-by-case basis and can only be overridden with written consent of OHCP.)  
NOTE: The maximum term on a working capital loan is five years.
- c. Planning activities shall not exceed ten percent (10%) of the total amount of program income received in one year, up to a maximum of \$10,000. This amount will not be charged against the administrative cap.

**3. Other – Eligible RLF Grant Activities**

- a. Infrastructure Projects  
The RLF can make a grant for an infrastructure project as long as there is job creation and/or retention in the private sector. A RLF infrastructure grant must meet the same criteria as the CDBG ED program (i.e. off-site/grant, on-site loan).

- b. **Infrastructure Review Report Form**  
For infrastructure projects, the community must submit the Infrastructure Review Report Form (IRRF) as long as the infrastructure investment is directly related to the business.
- c. **Waivers**  
With an approved waiver, the RLF funds can be used for any CDBG-eligible activity as long as that activity meets a national objective.
- d. **Coordination With Other Programs**  
The RLF can also be used in conjunction with the other CDBG-eligible programs (i.e. Formula Allocation, Water & Sewer, Downtown Revitalization, etc.)

**4. Ineligible loan activities, or uses of RLF funds, include the following:**

- a. Financing of existing debts and training costs;
- b. Financing of a project that involves the relocation of an industry or business from one area of the state of Ohio to another. Upon approval by the state (OHCP), exceptions may be made only if:
  - i. the relocation of the industry or business will demonstrate additional long-term job creation, and/or;
  - ii. the industry or business will demonstrate, to the satisfaction of the state (OHCP), that the operation of such industry or business cannot be continued in the existing location.
- c. Financing of speculative projects or buildings, and;
- d. Financing of speculative activities, such as land banking.

**5. Job/Loan Ratio**

Each loan should produce at least one (1) new or retained permanent, full-time equivalent job for each \$25,000 of RLF program investment for loans, and \$10,000 of RLF program investment for grants. The number of jobs created or retained may be fewer than five(5), differing from regular CDBG requirements.

**6. LMI Employment Opportunities**

At a minimum, at least 51% of the permanent, full-time equivalent employment opportunities created or retained must be made available to persons from LMI households.

**7. Match**

For every dollar of CDBG/RLF funds included as part of financing packages, at least \$1.00 of other funds must be injected into that project. Private sector dollars may include, but are not limited to, funds from private financing, from other lenders (i.e. banks, investment companies, etc.), other private firms, or private investment on the part of the borrower as a result of the RLF loans. This ratio must be followed for each loan.

**8. Project Timeline**

Projects must be completed in twelve (12 ) months. Job creation attributable to RLF funds must take place within twenty- four (24) months of project completion.

**9. Eligible Applicants**

In general, eligible applicants for financial assistance include private, for-profit business and industrial developments. A non-profit agency may apply if the request will carry out a fundable activity but the agency must first submit a written request explaining the project prior to submitting a Loan Review Report form. Such concerns may be:

- a. New companies/expansion/retention;
- b. Owned locally or outside the RLF area, but with facilities located within the RLF area;
- c. Businesses locating a facility near, but outside, the boundaries of Hancock County; where the overwhelming preponderance of evidence is that by providing assistance to a firm located outside of Hancock County, a substantial number of Hancock County residents will benefit from the project;
- d. For a business with an open RLF loan to obtain additional RLF loans, the business must have successfully completed the original project, reached its job creation commitment and demonstrated compliance with all other terms of the agreement.

**10. Equal Lending**

No applicant will be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex.

**11. Certification of Financial Need**

The program must be assured that required financing is not available through other sources, and that, without RLF program involvement the project will not proceed and employment opportunities will not be created/retained as planned. This assurance will be obtained through credit analysis of the applicant's financial capacity and by obtaining one or both of the following items:

- a. Written applicant certification of financial need; and/or
- b. Written lender certification of the applicant's financial need.

Each of these standards is directly related to a specific goal and/or objective as stated in Part II A of this Plan. These standards may, however, be changed with approval from OHCP as area needs are met and/or developed.

F. Financing Policies and Techniques

**1. Range of Loans**

The RLF will not make loans for less than \$5,000. The maximum loan, under normal circumstances, will be \$500,000. Considerations above this amount must be specifically approved by OHCP.

**2. Ineligible Projects**

In addition to those ineligible activities stated in Part II D (4) of these guidelines, projects that will not be considered for financing assistance by the RLF are those that:

- a. attempt to finance historically uncompetitive or unsuccessful ventures;
- b. involve ventures that offer little in the way of development benefits or employment opportunities;
- c. have unresolved environmental problems;
- d. have cash or equity less than 10% of total projected project cost;
- e. do not have proper patent rights, licenses, permits, certification, etc. in advance of commencement of operation;
- f. have a history of Civil Rights violations or unfair labor practices;
- g. cannot demonstrate the ability to repay the loan;
- h. are not willing to offer equal opportunity in the employment of women and minorities;
- i. are not current with local, state and federal taxes;
- j. cannot be justified as a “necessary or appropriate” use of RLF funds; except where grant assistance is provided in accordance with this plan;
- k. are intra-family transactions;
- l. involve illegal activities, and/or;
- m. are residential.

**3. Applicant Equity**

Typically, 10% of the total project costs must be furnished by the principal(s) of the applicant company as equity infusion. For individual loans, additional equity may be required (i.e. for a business start-up).

**4. Rate of Interest**

The interest rate to be charged by the RLF program will be dependent upon the financial analysis of the project.

- 5. Term**  
The RLF program financing will be offered for a term determined to be necessary or appropriate, but no longer than the life of the asset financed.
- 6. Repayment Schedule**  
An equal monthly repayment schedule of the term of the loan will normally be required by the RLF program. Alternative loan repayment schedules may be developed where circumstances warrant.
- 7. Penalty**  
A penalty of 5% of the monthly payment will be required for any payment fifteen (15) or more days past due.
- 8. Special Financing Techniques**  
To meet the financial and credit needs of a business/industry, special financing techniques offered to the borrower. These types of techniques may be applied where the financial analysis determines that special loan/payment terms are necessary for the project to proceed. The techniques may include, but are not limited to:

  - a. deferral of principal and/or interest payments for up to two (2) years;
  - b. subordination of loans to primary and secondary lenders, and/or;
  - c. “balloon” payments at the end of a shortened term, thereby requiring a re-evaluation of the borrower’s financing needs at the end of the stated term.
- 9. RLF Program Loan Security**

  - a. All RLF loans must be secured with a mortgage, security agreement, promissory note, financing statement or other assignment of rights in the assets of the assisted firm, and/or the personal assets of the owner(s), to sufficiently protect the RLF loan amount.
  - b. To the maximum extent possible, all loans will be additionally secured by personal guarantees for project completion and for loan repayment.
  - c. In the event the RLF Board determines it is necessary or desirable to take actions to protect or further the interests of the RLF, the RLF Board may take actions to sell, collect, liquidate or otherwise recover on loans extended by the RLF, in accordance with the legal rights of the RLF borrower, other lenders, and other appropriate parties.
- 10. Relocation out of RLF Geographic Area**  
The loan agreement between the Hancock County RLF and the borrower will stipulate that the loan may be called, and the borrower found in default, if the business/industry should move its operation from the geographic boundaries of the RLF area during the term of the loan.

**11. RLF Application**

All applicants for assistance from the RLF program will be required to file a formal application with the Hancock County RLF. The Hancock County RLF will require sufficient information to assure that the project is feasible, that RLF financing is “necessary or appropriate” and that the project will go forward if assistance is provided.

**12. Administrative Costs**

The RLF Administrator will provide the necessary administrative services for implementation of the RLF program. Administrative costs may be reimbursed from the program income returned to the RLF. To the maximum extent possible, principal payments will be returned to the RLF for future loans. However, up to 20% or \$50,000, whichever is less, of the total program income earned within a calendar year, may be utilized for administrative expenses related to managing the RLF. Total program income is based on principal and interest earned in a calendar year.

**13. Borrower Costs**

The borrower may be required to bear the following costs:

- a. legal counsel, accounting services, surveys, appraisals and any other fees associated with preparation and filing of the application;
- b. a fee of one half of one percent (.005) of the face value of the loan, payable at loan closing, to cover application processing and other related project costs.

**14. Other Qualifying Programs**

To the maximum extent possible, the RLF Administrator will identify and direct the applicant to other applicable programs offered by federal, state and local authorities. The RLF loan administrator and business should consider the programs.

**15. Compliance**

The RLF program will require that any business receiving assistance will provide the RLF Administrator with whatever information and access to the business that is necessary in order to determine that funds have been properly expended and that projected accomplishments have been achieved.

**16. Restructuring**

The RLF Board may consider a borrower’s request to restructure a loan or modify the loan terms after the first calendar year following the loan closing. The restructuring or modification must be based on a thorough analysis of the borrower’s financial capacity and a recertification of financial need. The RLF Board and the loan administrator must adhere to the same policies and procedures established for the initial approval of an applicant.

**17. Disbursement**

Disbursement of loan funds to the RLF program borrower may only be made after final approval by the Hancock County Commissioners and after state and federal requirements are met or assured.

G. Time Schedule for Loan Closings (Formula RLF)

Upon final approval of a loan application, the HRPC will make every reasonable effort to close the loan within 45 days of the aforementioned approval. This time frame will be subject to the receipt of funds from OHCP and the final resolution of any environmental requirements.

H. Related Activities

To the greatest extent possible, the HRPC will encourage involvement of the local Ohio Job and Family Services, where appropriate, to ensure that jobs created with RLF program funds are made available to persons from LMI households.

**PART III ADMINISTRATIVE ELEMENTS**

A. Administration

**1. RLF Administration**

The Hancock County Commissioners shall designate an RLF Administrator. The RLF Administrator will conduct reviews of RLF applications and make funding recommendations to the RLF Board.

**2. RLF Board**

- a. The RLF Board shall be responsible for the following RLF functions:
  - i. Review and recommend approval/disapproval of loan applications to the Hancock County Commissioners;
  - ii. Establish policies and procedures for the RLF program, and;
  - iii. Review/revision of such policies and procedures, as necessary.
- b. The RLF Board will meet as necessary to review loan applications presented by the RLF Administrator. The RLF Board will review each application and the final/credit analysis of the project to determine:
  - i. necessary or appropriate requirement;
  - ii. number and type of jobs created/retained;
  - iii. minimum amount of participation necessary;

- iv. ability of applicant to repay the loan;
- v. collateral or security available;
- vi. trends from business history or market;
- vii. environmental concerns;
- viii. hiring practices;
- ix. willingness of applicant to offer new jobs to long-term unemployed and Workforce Investment Act eligible persons;
- x. willingness of applicant to establish or participate in on-the-job training programs; and
- xi. development benefits and special consideration.

**3. Hancock County Commissioners**

The Hancock County Commissioners shall be charged with oversight, responsibility, and final funding decisions for the RLF.

**B. Administrative Capacity**

**1. Loan Administrator**

- a. **Qualifications.**  
The RLF Administrator will serve as/or designate a Loan Administrator. The Loan Administrator will possess skills in the areas of finance, law, market, credit analysis, loan packaging, processing and servicing.
- b. **Responsibilities**  
The Loan Administrator will be responsible for advertising for, and intake of, applications; preliminary analysis of loans based on program criteria and potential economic benefits to the project area; financial/credit analysis; preliminary loan packaging; preparation of RLF meeting agendas in consultation with the chairman; preparation of environmental reviews; working with special staff and consultants, i.e. attorneys, accountants, engineers, architects, urban planners and others), as required to process or document applications, presentations of pending and completed applications and RLF program related status reports and updates, as needed; coordination with borrower, financial institution, monitoring of project; financial management of the RLF program; completion of performance reporting for RLF and grantee; and RLF recapitalization efforts.

**2. Outside Consultants**

The assistance of outside consultants for the following may be required:

- a. Legal Counsel
- b. Financial Credit Analysis
- c. Loan packaging, processing and servicing

Other consultants, which may be required on a case-by-case basis, will be required to also execute a letter of agreement with the RLF Administrator.

**3. RLF Meeting Agendas**

At each meeting of the RLF Board, the Loan Administrator will present the following:

- a. Current status of the RLF program, including:
  - i. funds available to loan;
  - ii. status of loans;
  - iii. program income available for administrative expenses; and
  - iv. update of RLF capitalization efforts.
- b. Financial report of administrative income/expenditures, including:
  - i. year to date; and
  - ii. review of budget.
- c. Presentation of current applications, including holdovers. A complete review of each application with regard to RLF program policies and guidelines. The Loan Administrator will provide recommendations regarding each application for consideration by the Hancock County RLF Board.
- d. Update of other area economic development efforts and programs available.
- e. Update of program marketing efforts.
- f. Discussion of any proposed policy and/or procedural changes to the RLF program and Plan.

C. Loan Selection and Approval Process

**1. Outreach Program**

The outreach program will ensure that all potential applicants may be given the opportunity to share in the RLF program's resources. As funds are made available to the RLF program, the RLF Loan Administrator shall advertise the program via the following methods:

- a. Work with the economic development organizations in Hancock County to market the RLF program to area lenders, business and industries;
- b. news articles and advertisements in local newspapers;
- c. public service announcements and news stories broadcast by the local radio stations;
- d. informational items in the Chamber of Commerce newsletter;
- e. luncheon and speaking engagements sponsored by area organizations, and;
- f. brochures and other publications.

**2. Review and Approval Process**

- a. **Financial/Credit Analysis**  
The RLF will work with the businesses, financial institution, or fiscal officer, to prepare a joint financial and credit analysis of the proposed project when necessary. In other instances, the Loan administrator shall, based on the financial and credit data provided, prepare an independent financial analysis.
- b. **Credit Worthiness**  
As the RLF will usually offer direct loan assistance, in most cases for fixed assets, the RLF Board must consider the credit worthiness of the business or industry. The RLF program should be used to provide a longer term, more reasonable rate and/or lower down payment than if the project is funded entirely with conventional financing. However, the RLF Board will strive to negotiate the smallest amount of RLF monies for the shortest term possible, within the repayment abilities of the business/industry. This ability to cover debt service will be determined by a thorough analysis of the company's current financial status as well as projected income and expenses as a result of the project. The result of this analysis will be the least amount of RLF funding with the shortest possible term and the highest affordable rate of which the company is capable and willing to accept.
- c. **Determination as 'Necessary or Appropriate'**  
The RLF Board must document the decision to fund each project as to whether or not such assistance is "necessary or appropriate" in terms of:
  - i. the extent of the need of the business/industry for CDBG/RLF assistance in order to achieve the RLF's objectives. The

determination of this “necessary or appropriate” need shall be based on factors such as any analysis of the applicants financial position, business proforma and available financing which must indicate that there exists:

- (a) a financing gap where lenders and equity financiers are unwilling or unable to place additional necessary funds into the project;
- (b) a lack of reasonable rate of return on the project in relation to the equity investment and the risk involved (i.e. rate of return analysis);
- (c) a location cost differential between a site or sites in the Hancock County area or between sites in another location, which would cause the project to locate in another location due to these differentials.

All of the above determinations of the “necessary or appropriate” need for RLF funding assistance shall always involve an analysis of the business cash flow and rate of return as set forth in the applicants proforma, to determine that the level of return on investment does not result in a return substantially in excess of industry standards for similar businesses in similar locations with similar risks.

- ii. the public benefit to be derived in relation to the assistance provided;
- iii. the determination that the national objective of “benefit to LMI persons” is met, i.e., through creation of jobs for such persons; and
- iv. The Chairman of the Board of Commissioners of Hancock County must authorize that each approved loan has been reviewed in accordance to the “necessary or appropriate” and “national objective” determination.
- v. The borrower must be capable of offering an acceptable amount of collateral for the RLF assistance. The borrower must also agree to all the requirements of the program.

D. Loan Servicing and Monitoring

**1. General Procedures**

- a. Once all parties have approved a loan commitment, the Loan Administrator will take action to ensure that all necessary closing and filing documents are prepared and the necessary review and discussion with the applicant and legal counsel are accomplished.

- b. The Loan Administrator will submit a Loan Review Report Form to OHCP for Approval.
- c. Once the environmental review has been completed, the Loan Administrator shall submit a Request for Release of Funds to the OHCP. Once the appropriate comment period is complete, then OHCP will send a Release of Funds.
- d. When a loan closing is completed and funds are disbursed, the Loan Administrator will establish a loan servicing file to contain all closing and necessary loan monitoring documentation.

**2. Specific Procedures**

The Loan Administrator will report to the RLF Board at its meeting, which loans are current or delinquent and actions taken. The report involves the following:

- a. Current loan servicing, as required in the loan agreement;
- b. Default – defined as a loan that is 30 days past due. Actions to be taken:
  - i. The Loan Administrator shall send a certified letter to the loan recipient informing them of delinquency and the penalty to be invoked, and requesting that they contact the Loan Administrator within five (5) working days to determine the extent of the problem.
  - ii. If the loan recipient contacts the Loan Administrator within five (5) working days, they will meet to discuss the problem, remedies and promised actions. The Loan Administrator will document the promised actions.
  - iii. If the loan recipient does not respond within five (5) working days, the Loan Administrator will contact the loan recipient, meet to discuss the problem and remedies, and obtain a written listing of promised actions.
- c. The Loan Administrator will conduct a timely follow-up (dependent upon the time frame of the promised actions) to ensure that the promised actions occur.
- d. In the event the promised actions do not occur, the Loan Administrator will continue to pursue efforts to remedy the situation and provide a full report to the RLF Board. If the situation has not been remedied within ten (10) working days after the promised actions are obviously not being completed, the Loan Administrator will contact the loan recipient's financial institution to determine what, if anything, has been done regarding the primary loan. At the same time, the Loan Administrator will schedule a meeting with the RLF Board. At such meeting, the Loan Administrator will update the report of the situation and request the RLF Board's guidance and direction.

**3. Compliance with Loan Conditions**

The Loan Administrator will be responsible for collecting and maintaining evidence of ongoing compliance with loan requirements, including job creation and retention, insurance, financial reporting and special conditions including: labor standards (prevailing wages); civil rights; environmental; relocation/displacement; etc.

**E. Sources of Funding to Cover Administration Costs**

Funding sources for administration fees will include the following:

**1. Administrative Cap**

Up to 20% or \$50,000, whichever is less, of program income received in a calendar year, will be utilized by the RLF Administrator for administration costs.

**2. Volunteers**

Members of the RLF Board will donate their time;

**3. Fees**

Loan application and servicing fees may be utilized for administration costs, including legal fees and other consulting fees. (This does not include other services associated with the loan, which may be paid by the applicant.)

**F. Recapitalization Strategy**

The impact of the RLF program is directly related to its level of total capitalization. The RLF must be kept in an interest bearing account, where loan repayment funds will be maintained (portfolio may include a bank trust, certificate of deposit or other similar investment measure). Potential sources for additional RLF capitalization include, but may not be limited to:

**1. CDBG**

Community Development Block Grant funds available to cities and counties through the Economic Development Competitive program and/or the Formula program and Entitlement funds where feasible.

**2. Local Assistance**

Area foundations, corporations and individuals;

**3. Private Lenders**

Sale of seasoned loans to private lenders at a discount; and

**4. Refinancing**

Use of loan provisions that encourage loan refinancing.

**G. Other Requirements**

As discussed above, compliance with applicable federal and state requirements will be dealt with via borrower commitments and/or loan closing documents, along with monitoring activities as follows:

**1. Assurance regarding compliance with:**

a. Environmental

- i. The National Environmental Policy Act of 1969, as amended;
- ii. The National Historic Preservation Act of 1966, as amended through 2000;
- iii. The Clean Air Act, as amended;
- iv. The Federal Water Pollution Control Act, as amended;
- v. The Wild and Scenic Rivers Act;
- vi. The Endangered Species Act of 1973;
- vii. The Historical and Archaeological Data Preservation Act, as amended; and
- viii. Safe Drinking Water Act.

b. Construction

- i. Davis-Bacon Act, "Land Use Near Federal Airfield" and Public Law 13 CFR 309.1 "Certification as to Waste Treatment";
- ii. 13 CFR 309.3 "Non-Relocation";
- iii. 13 CFR 209.15 "The National Flood Insurance Program and Requirements Regarding Flood Hazards"; and
- iv. Davis-Bacon Act, as amended (40 USC 276a-276a5) labor standards and prevailing wage schedules.

c. Civil Rights

- i. 13 CFR Sub-Title A, Part 8, "Civil Rights and Title VI of the Civil Rights Act 1964"; and
- ii. 13 CFR Part 311, Sub-Part D, "Non-Discrimination".

d. Access for the Handicapped

- i. All loan projects involving construction of new facilities will provide for accessibility to the handicapped.

**2. Employment Practices**

Description of employment practices and other civil rights information with loan applications.

- 3. Employment Data**

Current and projected employment data will be requested in loan applications.
- 4. Review for Non-Compliance**

The preliminary project review will identify any potential area of non-compliance with the Civil Rights, environmental, relocation, handicapped access or Davis-Bacon labor standards and prevailing wage schedule requirements. The ODOD will be contacted regarding steps to be taken for compliance.
- 5. Environmental Review**

An individual environmental review of each project will be conducted prior to the grantee's Request for Release of Funds. For each RLF project funded with program income, the Loan Administrator or a consultant will prepare an environmental review. For any project with adverse impacts, special conditions to mitigate such impacts will be required as part of the loan closing conditions and the environmental review process will be completed prior to the closing of the loan.
- 6. Potential Effects**

The Ohio Historic Preservation Office will be contacted in writing, as part of the environmental review process, by the Loan Administrator, prior to approval of any project with a potential effect on historic or archaeologically significant properties.
- 7. Labor Standards/Prevailing Wage**

Upon loan approval, the Loan Administrator will request the assistance of the Local Labor Compliance Officer (dependent upon which geographic area contains the project) to assure compliance with labor standards and prevailing wages schedules during construction of projects.
- 8. Borrower Commitments**

Borrower commitments will include stipulations that the borrower will, if requested:

  - a. cooperate with the Loan Administrator, HRPC and grantee in efforts to obtain monitoring and compliance information and documentation;
  - b. provide documentation to verify employment creation/retention commitments which are met (i.e. employment reports, tax reports, Workman's Compensation copies, check stubs and verifications regarding number hired, percentage of LMI and names of new employees);
  - c. provide evidence of continued required insurance;
  - d. if working capital funds are included in the loan, submit periodic financial reports to the Loan Administrator;
  - e. provide annual financial statements;
  - f. prior to loan closing, provide documentation of current payment of all local, state and federal taxes due.

**9. Corrective Action**

Corrective action may be instituted on the basis of monitoring on-site visits and/or complaints received, dependent upon the area of required compliance.

**10. Conflict-of-Interest**

- a. **Affected Parties**  
Elected officials, employees of CDBG recipients and contractors are those responsible for administering the CDBG program and are also responsible for maintaining the integrity of the CDBG and RLF programs.
- b. **CDBG Regulations**  
CDBG regulations (24 CFR, Part 570.611) prohibits conflicts-of-interest. For any CDBG activities under a person's control or influence, that person may not:
  - i. obtain personal or financial interest-of-benefits, including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict-of-interest; or
  - ii. obtain a direct or indirect interest in any contract, subcontract or agreement for any CDBG activity. This prohibition extends to contracts in which the person's spouse, minor child, dependent or business associate may have personal or financial interest. This prohibition extends for a period of one year after the person leaves his/her position with a CDBG activity, such as RLF, or program.
- c. **Exceptions to Conflict of Interest Provision**  
OHCP may grant an exception to this conflict-of-interest provision if it determines that such an exception will enhance the effectiveness of the CDBG project. Requests must be made in writing, by the CDBG grantee, to OHCP.

The above-stated measures also apply to the RLF Board and governing body members and RLF applicants. If waivers are granted by OHCP, the applicant cannot vote or otherwise influence the final decision.

**11. Failure to Comply With Agreement**

A project which is funded and fails to comply with any of the above items, after the date of loan closing, must be brought into compliance within a time frame to be established by the Board in conjunction with the loan recipient and the appropriate federal and/or state authorities. If the loan recipient fails to comply with these requirements within the established time frame, the loan may immediately be recalled in full. This stipulation will be included in the borrower commitments.

**12. Marketing/Non-Discrimination**

The Board and Loan Administrator will assure that loans are available on a non-discriminatory basis through advertising and public information programs.

**13. Agreement to Support RLF Plan**

This Plan is agreed to by the Hancock County Commissioners and the designated RLF Administrator.

**14. Date of Effect**

This Plan shall be effective the \_\_\_\_ day of \_\_\_\_\_, 2005 and shall supersede all previous Plans now in effect.

ADOPTION

This Revolving Loan Fund Plan was adopted and approved by the Hancock County Commissioners and the Hancock Regional Planning Commission at meetings of the Board held on the:

\_\_\_ day of \_\_\_\_\_, 2005

Hancock County Commissioners

Hancock Regional Planning Commission  
Agent for Hancock County, Ohio

By: \_\_\_\_\_

This Revolving Loan Fund Plan was adopted and approved by the Board of County Commissioners of Hancock County, Ohio at a meeting duly called and held on the \_\_\_ day of \_\_\_\_\_, 2005 pursuant to Resolution No. \_\_\_\_\_.

BOARD OF COUNTY COMMISSIONERS  
Hancock County, Ohio

\_\_\_\_\_  
Edward D. Ingold

\_\_\_\_\_  
David W. Spahr

\_\_\_\_\_  
Emily A. Walton, DVM