



## **ECONOMIC DEVELOPMENT FUND**

March 29, 2022

# City of Piqua, Ohio

## Economic Development Fund

### INTRODUCTION

The Piqua Economic Development Fund program is intended to spur and support economic development activities within the City of Piqua (“the City”). Financial assistance is available for new or expanding businesses and/or property owners that will positively affect the economic and employment climates in the City of Piqua.

The City strongly believes that investments in economic development activities are vital to job creation and attracting and retaining a talented workforce to fill newly created or available positions. Increased economic development will also stimulate investments in underutilized or vacant buildings and sites, which will strengthen the real estate market, increase property values, and improve overall quality of life.

### PIQUA ECONOMIC DEVELOPMENT FUND

The City intends for its program to be fair, straightforward, and easy to navigate. **A pre-application meeting or conference call is a requirement of Economic Development assistance.** If you have questions prior to the meeting, please contact Community and Economic Development Director Chris Schmiesing at (937) 778-2049 or [cschmiesing@piquaoh.org](mailto:cschmiesing@piquaoh.org).

### SECTION I - GENERAL TERMS

Use of Funds - Economic Development (ED) funds can be used for the following purposes:

Fixed Assets: examples include new construction or renovation of existing facilities

Non-Fixed Assets: must be depreciable equipment

Pre-Development: examples include architectural drawings, surveys, market studies and environmental due diligence

Eligibility Requirements - The business/property must be located in the City of Piqua. ED funds are intended, in most instances, to serve as gap financing. In these cases, applicants, prior to application, should attempt to secure private financing, such as traditional bank financing, to finance the project. A Project is eligible to receive ED funds once every five (5) years; however, distinct phases of the same project are eligible; and, more frequent distributions may be permitted at the discretion of the City Commission. ED funds are primarily targeted to private enterprise, although request for support of non-profit organizations may be considered. All successful applicants/borrowers must provide proof of the ability to secure ownership of the real estate or (preferably) a two (2) year lease agreement in which the project is located. All projects must meet

applicable zoning requirements. All projects that need approvals from other departments, must obtain these approvals prior to application review.

## **SECTION II – PROJECT EXCLUSIONS**

Individual program categories may have specific and more restrictive eligibility requirements than those listed in this section. The project exclusions outlined in this section generally apply to all applications and projects regardless of the type of financial assistance being requested.

Project Exclusions - Projects will not be considered for financing assistance if they involve:

- Financing of businesses that have not identified 100% of the remaining required financing to complete the project outlined in the application. Small businesses and/or startups may be exempt from this provision at the discretion of the EDIC.
- Refinancing of existing debts and training costs.
- Financing of businesses that operate out of a personal residence.
- Financing of speculative projects, buildings, or activities such as land banking or acquisition of real estate with no planned capital improvements or job creation.
- Financing of historically unsuccessful ventures or projects with unresolved environmental problems. However, this exclusion does not apply to projects that will address/resolve environmental issues as part of the project scope of work.
- Financing for businesses with a history of civil rights violations or unfair labor practices.
- Financing to businesses which are not current with taxes or other loans.
- Financing to businesses/applicants who are not in good standing on all outstanding forms of City assistance.
- Financing to projects which cannot demonstrate an ability to repay the loan (if applicable), are intra-family transactions, or involve illegal activities.
- Financing to projects in which the applicant has ever or currently owns entirely or in part, real estate that is tax delinquent, has code violations, contains non-registered rental units, or is in foreclosure.
- Financing of projects in which the applicant has been convicted or has a pending conviction of a felony within seven (7) years from the date of application submittal.

## **SECTION III – PREFERENCES**

Project Preferences:

- Projects that involve the redevelopment of vacant, foreclosed or underutilized sites and buildings.
- Minority or female owned business enterprises.
- Projects which offer proportionately high employment opportunities to persons of low- and moderate-income households.
- Projects involving the beautification and enhancement of properties listed on the National Register of Historic Places or contributing members within Nationally

Registered Historic Districts.

- Businesses and/or projects that promote goals and objectives of the City of Piqua Comprehensive Master Plan and Strategic Planning documents.

#### **SECTION IV – PROGRAM ADMINISTRATION**

The ED fund is primarily administered by the City of Piqua Development Department. Staff will process loan applications and recommend approval of eligible loan applicants to the Economic Development Incentive Committee (EDIC), and facilitate any actions required by the Piqua City Commission when necessary.

Economic Development Incentive Committee - An Economic Development Incentive Committee will be established to administer the ED fund as described herein, and the EDIC will include:

- City Commissioner
- City Manager
- City Finance Director
- City Community and Economic Development Director
- Piqua Chamber of Commerce President
- Mainstreet Piqua Executive Director
- Piqua Improvement Corporation Chair or Vice Chair
- Piqua City School Superintendent
- Upper Valley Career Center Superintendent
- Two community members appointed by the Committee

#### **SECTION V – APPLICATION**

Completed applications will be accepted at any time. The City of Piqua Development Department will review applications for completeness.

Application Requirements - Applicants must complete the ED fund application provided by the EDIC. The application may be required to include 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 ED loan 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.

Application Fee:

- A non-refundable fee of \$100.00 is payable at the time the application is submitted for review.

## **SECTION VI – APPROVAL PROCESS**

Upon receiving a completed application, the Economic Development Incentive Committee (EDIC) will convene to review the request and make a recommendation for approval or denial of the grants or loans. The EDIC shall review each application on its own merits and upon the EDIC's opinion of the impact the project will have on the economic development efforts in the City of Piqua. Applications for assistance greater than \$10,000 that are approved by the EDIC will require final approval by the Piqua City Commission.

Loan Terms - All loan recipients will be required to enter into a "Loan Agreement" with the City of Piqua setting forth the following loan terms and obligations. Loan terms will be as follows:

- Required Equity - A minimum of 5-10% owner equity is preferred and will be required in most instances, even when other third-party sources have been secured. The EDIC may, at its discretion, require a higher equity percentage.
- Interest Rate - Interest rates will be set when a complete application is submitted. Interest Rates are as follows:
  - Less than five years = 0.5% below current Prime Rate;
  - Five to fifteen years = current Prime Rate plus 1%;
  - Greater than fifteen years = current Prime Rate plus 2%.
- 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 EDIC. The EDIC and City Commission, 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 Piqua requires automatic deduction for the payment of the loan. This deduction will occur on the 1st 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 - ED loans may not be transferred from the borrower to another party without the prior approval of the EDIC.
- 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 Piqua or ceases operation of the business.

Project Requirements - The City of Piqua may require the following items to be submitted:

- Paid receipts for purchases or services rendered with the use of the ED fund 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 Piqua.

Lender Access - Borrowers must agree to allow any duly authorized representatives of the City of Piqua, 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 Piqua 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 EDIC;
- 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 Piqua or ceases operation of the business;
- Comply with all other laws and ordinances of the City of Piqua.

Disbursement - Loan proceeds will be provided directly to third party contractors or on a reimbursable basis or as an advancement to the applicant, as determined by the EDIC. The EDIC may consider adjustments to the awarded grant amount when there are substantive changes in the project scope. Any remaining loan proceeds not disbursed in accordance with the Loan Agreement shall be returned to the EDIC 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, must be satisfied.

Other Requirements - Applicants may be subject to personal background checks and credit reviews

and must sign any waivers to allow the City of Piqua to share information with relevant lending institutions and obtain credit reports. Requests for funding will be denied if applicants have outstanding collections, judgment liens, other court judgments, delinquent taxes or other tax liens. Any previous bankruptcy must be fully discharged prior to applying for funding.

Fair Lending - No person shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with ED funds.

#### **SECTION VII - WAIVER AND REVISIONS OF GUIDELINES**

Waivers and revisions of these Economic Development Fund guidelines may be made by the City of Piqua, EDIC, and City Commission.

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