



Loans, Tax Abatements and Incentive Programs

City of Sandusky, Ohio
Department Of Community Development
2010



PREFACE

The following is not meant to provide exhaustive information with respect to the programs currently available from the City of Sandusky and other sources. Rather, it is meant to provide a sampling of what may be available at the time of this writing.

Today programs change rapidly and come and go with unprecedented speed. It is therefore impossible for a small department to keep up with what may or may not be available. We hear of new programs on a daily basis and indeed, President Obama is set to announce yet another round of small business programs and incentives this week. Other programs such as the Small Business Jobs Act and the 100% capital gains tax exclusion under the Recovery Act is set to expire at the end of 2010.

Typically, no one person or department has the ability to keep up with all of the changes happening now. What we will attempt to do is assess your needs and become a resource to help you obtain the information you seek putting you in touch with the right people and resources.

Please call us for assistance:

City of Sandusky Ohio, Community Development Department: 419-627-5872

Erie County Economic Development: 419-627-7791

Ohio Department of Development: 800-848-1300. A listing of current programs is available at www.development.ohio.gov

TAX ABATEMENT PROGRAMS

ENTERPRISE ZONE TAX ABATEMENT (EZ)

Thought of as the traditional tax abatement where a business receives an exemption from a portion of the taxes related to new real property investments. In most jurisdictions this abatement applies only to manufacturing type projects. As Sandusky has Ohio Impacted City Status we can offer abatements to retail type projects as well.

Businesses negotiate with the City's Tax Incentive Negotiating Committee for abatements. Under Ohio law abatement may be granted at 75% for 10 years without school board approval and up to 100% for 15 years with school board approval. In practice, fifteen-year abatements are rare and most abatements require that significant compensation payments be made to the schools. While no law requires it, the Sandusky City Schools sit on the city's Tax Incentive Negotiating Committee and no abatement has ever been approved without the approval of the local school district.

Recent changes in Ohio law have phased out taxation on personal property (machinery, equipment and inventory). With this change, only taxes on new real estate investments will be eligible for abatement. Existing buildings and taxes on the value of land are never eligible for abatement.

COMMUNITY REINVESTMENT AREA TAX ABATEMENT (CRA)

Sandusky has a Downtown Community Reinvestment Area in which property owners can receive real property tax abatement to encourage revitalization of downtown buildings and housing stock in the target area. Terms for commercial buildings mirror those for the Enterprise Zone program and must be negotiated on a case-by-case basis.

The program differs from the Enterprise Zone Program primarily in the CRA program's ability to grant abatement for improvements to residential property. Rules can be complex and it is always best to call before commencing any project.

TAX INCREMENT FINANCING (TIF)

A TIF is not an abatement in the traditional sense as a business continues to pay all of the taxes normally due on a new real estate investment but a portion of those taxes is diverted to pay for public infrastructure improvements (roads, sidewalks, utilities, etc.). Such improvements must facilitate the development of commercial or industrial projects, which in turn generate increased tax revenues and new jobs.

Typically the city pays for the public improvements, issues bonds to finance the improvements, exempts portion of the value of the new private improvements from the normal taxation stream but uses the real estate taxes on that "exempted parcel" to make the bond payments.

In an era of increasingly tight municipal budgets and decreased municipal borrowing capacity most new TIF's require developer guarantees up to and including bank lines of credit.

OTHER LESS COMMON ABATEMENT PROGRAMS

ABANDONED SCHOOL PROPERTY ABATEMENT

At the discretion of the schools real estate tax abatement may be granted to the purchasers of abandoned school property.

ABATEMENT FOR CLEAN UP OF CONTAMINATED PROPERTIES

A generous real property tax abatement as well as various grants and loans may be available for those returning contaminated properties to productive use. Participants in this program must enter into and complete a Voluntary Action Plan for the clean up with the Ohio EPA. In some cases environmental assessment grants may be available.

The rules for this program are complex and it is best to call before considering the purchase of any piece of property that may have environmental issues.

SANDUSKY LOAN PROGRAMS

CITY OF SANDUSKY REVOLVING LOAN FUND (RLF)

The RLF is a low interest, fixed-rate direct loan from the city's Revolving Loan Fund. Funds may be used for the purchase of real estate or equipment. Construction, rehabilitation, or renovation (Federal prevailing wage will likely apply), purchase of equipment and machinery with class life of 5+ years. Under limited circumstances applications for working capital or inventory financing may be considered.

Applicants should be a for-profit business located anywhere in the City of Sandusky. Applications are screened and underwritten by an outside consultant who meets with companies and provides analysis to the RLF Committee. The RLF Committee reviews all applications deemed to meet the city's criteria and forwards recommendations for approval of loans to the City Commission. Should the RLF Committee

deny the loan request, no recommendation will be sent to the City Commission. Special consideration may be given to applicants opening or expanding businesses within Downtown Sandusky.

Due to the costs and staff time involved in processing a loan, the minimum RLF loan is typically \$10,000. Typically loans do not \$100,000 though this limit has been waived where circumstances make it prudent to do so.

RLF financing may not exceed 50% of total project cost. All other sources of funding must be documented and in place before any city RLF funds may be disbursed. The Revolving Loan Fund provides “gap” financing. This means that the RLF provides financing that is otherwise unavailable to the borrower. We expect applicants to apply for financing first through local financial institutions with the RLF helping to finance the “financing gap” that remains after the financial institutions commitment and after equity funds have been committed to the project. The RLF Committee has no desire to compete with local lenders. To this end, the RLF Committee routinely works cooperatively with local financial institutions on loan requests.

A minimum of 5% to 10% owner equity is required. The RLF Committee may, at their discretion, require a higher or lower equity percentage.

Sandusky’s RLF funds originate from Federal Community Development Block Grant (CDBG) funds. As such, loans made must create or retain jobs or eliminate slum and blight. Ineligible projects include the refinancing of existing debt, speculative real estate projects or projects not tied to job creation or removal of slum and blight, training costs, non-capital equipment, rolling stock and stand alone computers are also ineligible for financing.

The RLF Committee may use its discretion in determining which projects are deemed to provide a positive benefit to the community and may prioritize one project over another on this basis.

MICROENTERPRISE LOAN PROGRAM

For very small businesses requiring loans up to \$7,500 in financing the city maintains a Microenterprise Loan Program. The Microenterprise program is considerably more flexible than the RLF program but has very limited funds availability.

The Microenterprise program offers low interest loans to new and existing businesses located within the City. The program provides access to capital for persons of low to moderate income who are not able to secure traditional financing. The business must be five or fewer employees, one or more of whom owns the business. Loans range from \$1,000 to \$7,500 with a maximum term of 4 years. Loans may be used for purchase or lease of equipment, non-perishable inventory, and working capital.

Typically start-up businesses are required to present a business plan and attend classes on starting a business. Classes and business plan help are available in Sandusky free of charge. Contact the Small Business Development Center at (800) 248-4040 or visit their website at www.ohiosbdc.org.

DOWNTOWN REVITALIZATION AND FAÇADE LOAN AND GRANT PROGRAMS

From time to time the city has money available to help downtown property owners improve the state of their property. While terms vary from grant cycle to grant cycle but in general the program offers a forgivable loan for up to fifty percent of the cost of eligible projects.

There is no money left for this program in the current grant cycle and you should check with city personnel for funds availability in the future.

OTHER LOAN, GRANT AND TAX CREDIT PROGRAMS

BOATING INFRASTRUCTURE GRANTS

Ohio has a number of programs available to improve the boating infrastructure in the state. Most are very limited and very targeted and programs change from time-to-time. It is best to call to discuss a project to see if there are any currently available programs.

FEDERAL AND STATE HISTORIC TAX CREDITS AND NEW MARKET TAX CREDITS

Can be very useful in bringing extra dollars into projects or obtaining financing at otherwise unobtainable terms and conditions. Because of the complexity of these programs no attempt will be made to explain them here. Contact us for more information.

OHIO 166 DIRECT LOAN PROGRAM

Direct financing primarily for manufacturers. Very low fixed interest rates set this program apart from other similar programs. Maximum loan \$1 million. Prevailing wage applies to construction projects. Projects must involve significant job creation or retention.

OHIO 412 BUSINESS DEVELOPMENT INFRASTRUCTURE PROGRAM

Provides limited grant monies for public infrastructure improvements to help companies primarily engaged in manufacturing, research and development, distribution or constructing new corporate headquarters.

OHIO 629 INFRASTRUCTURE "ROADWORKS" GRANTS

Can be used to pay a portion of the costs of improving the infrastructure to or on a project site. Broad applicability to projects that create or retain jobs.

OHIO BROWNFIELDS TAX CREDIT/ASSESSMENT GRANTS

A tax credit available for companies who remediate Brownfield sites in accordance with a Ohio EPA Voluntary Action Plan. The credit is the lesser 10% of eligible costs or \$500,000.

There are both cleanup and environmental assessment monies available through the Clean Ohio Fund. This agency has both non-competitive and competitive programs available. The programs can provide monies for environmental assessment and clean up with the non-competitive program providing up to \$750,000 in grants and/or loans and the competitive program providing up to \$3 million in grants and/or loans.

Complex rules apply and we would recommend that you engage a firm specializing in these programs.

OHIO ENTERPRISE ZONE BOND FUND

Long term, fixed rate revenue bond financing through an investment grade (D&P AA-) rated state bond fund. Terms to 10 years for equipment and 20 years for real estate. Loans to \$10 million.

Program fees and today's low conventional financing rates may make this program uncompetitive at this time.

OHIO EXPORT TAX CREDIT

A non-refundable tax credit for corporations or individual taxpayers who increase export sales. Generally the credit is 10% of the pre-tax profit from the increase in qualified exports over three years. Certain limitations and restrictions apply.

OHIO JOB CREATION TAX CREDIT

A refundable tax credit for companies creating at least 25 new jobs paying at least 150% of the current federal minimum wage within three years. The credit may also be available for companies creating as few as 10 new high-wage jobs. The tax credit is reflected as a percentage of Ohio income tax withheld from all new employees hired under the program and typically ranges from 25% to 55% credit over a period of 5 to 10 years applied to a company's Commercial Activities Tax. The credit can increase to 75% with approval of the Ohio Director of Development.

Rules are complex and companies must apply for this credit before committing to a new project. For further information visit http://development.ohio.gov/Business/tax_credit.htm

OHIO JOB SITE READY GRANT PROGRAM

A competitive program designed to increase the availability of facilities locations served by utility and transportation infrastructure. Originally created as an industrial park development program, the state has provided funding for certain existing facilities that meet various criteria. Grants are typically several million dollars per project.

There is very little money left in this program at this time and, with impending budget cuts, future funding is uncertain.

OHIO LINKED DEPOSIT LOAN PROGRAM

Also known as the Ohio Grow Now interest rate reduction program. Offers a discount of up to 3% from current bank loan rates. Contact your local lender or go to www.grownow.ohio.gov for further information.

OHIO RAIL DEVELOPMENT COMMISSION

Help with low interest loans and grants for rail spurs and equipment necessary to create better rail access to a new or expanding business.

OHIO TOURISM AND TRAVEL GRANTS

Very limited and very targeted to the creation, maintenance or advertising of tourist attractions. These grants may be used for a wide variety of purposes from constructing a boardwalk over a swamp for a few hundred dollars to major construction projects costing several hundred thousand dollars. One project, The Wilds in Central Ohio received \$600,000 to help construct an African Safari type wildlife park. Even the American Classical Music Hall of Fame in Cincinnati has received two grants of \$300,000 each with one used to update exhibits and the other used to help the museum explore relocation options. Grant recipients may be for profit or not for profit corporations and there is no real pattern to the type of grant awarded.

OHIO TRAINING TAX CREDITS

Provides a wide range of employers with tax credits of up to \$100,000 to help offset the training costs for workers.

Due to the complexities of this program we work directly with the Ohio Department of Development Governor's Regional Representative on behalf of companies interested in this program.

INDUSTRIAL REVENUE BONDS

Fixed rate financing offered at tax exempt rates for industrial projects. We typically access this financing through the Toledo-Lucas County Port Authority. A typical loan is 20 years for a minimum of \$1.5 million and a maximum of \$10 million with ten percent equity.

Due to current low interest rates and the fees associated with this program conventional financing may be more competitive than this program at this time.

SBA 7(a) LOAN PROGRAM

The traditional SBA loan guarantee program accessed through local banks. This program has morphed into several loan programs targeting different types of businesses.

SBA 504 LOAN PROGRAM

Long term, fixed rate fixed asset financing. Terms to 20 years the program typically financing not more than 40% of a project. Interest rates based upon the monthly sale SBA debentures. Interest rates are usually at or slightly below market rate financing. Must be a for-profit small business with a net worth not exceeding \$6 million and net after-tax profit of not more than \$2 million.

Typically your local lender will recommend participation in this program to help mitigate the risk associated with a given project. This program may be combined with RLF funding, tax abatements, etc. Prevailing wage does not apply to 504 program projects.

VENTURE CAPITAL FIRMS

We have a list of Ohio venture capital firms available.

OTHER ASSISTANCE

ALTERNATIVE ENERGY PROGRAMS

It is impossible for us to keep up with all of the recent developments and programs related to alternative energy as they change on a daily basis. The best source of information we have found on these topics is Green Energy Ohio. Access their web site at <http://www.greenenergyohio.org/page.cfm>

BUSINESS PLAN/BUSINESS START UP ASSISTANCE

Basic business startup classes and assistance constructing business plans are available in Sandusky free of charge. Contact the Small Business Development Center at (800) 248-4040 or visit their website at <http://www.ohiosbdc.org>.

BUSINESS LOAN RESTRUCTURING HELP

A new free program offers assistance to businesses with restructuring their loans and accessing various financing options. The program is offered through the Small Business Development Center and the University of Toledo. Contact Charles Chamber at the University of Toledo at 419-243-1575.

ESP PROGRAM AT THE UNIVERSITY OF TOLEDO

This Ohio Department of Development subsidized program helps businesses with marketing and business plans. We access the program through our Governor's Regional Representative at the Ohio Department of Development.

OHIO'S COMMERCIAL ACTIVITY TAX (CAT)

Everyone asks. Can we abate the CAT tax? The simple answer is no.

OHIO DEPARTMENT OF DEVELOPMENT

The Ohio Department of Development web site has current information regarding any number of programs and useful links to other departments and sources of information. Access their web site at <http://www.ohiomeansbusiness.com/>

ROCKET VENTURES AT THE UNIVERSITY OF TOLEDO

This group works with new ventures and has put together a group of investors called Core Network. The group works with companies to help them with financing and to assist high tech companies in qualifying for the Technology Investment Tax Credit, a necessary prerequisite to obtaining funding from most technology funds. Again, we access the program through our Governor's Regional Representative at the Ohio Department of Development.

UNITED STATES DEPARTMENT OF AGRICULTURE

They are not just for agriculture anymore! The USDA has a number of grant and loan programs available for small businesses with everything from subsidized loans for housing to energy efficiency grants for existing businesses. Don't let the agency name fool you. They have provided a great deal of financing in our area. Access their web site at www.rurdev.usda.gov/rbs/busp/bprogs.htm