



Department of  
Development

## **166 Direct Loan Program**

### ***Program Guidelines & Application Process***

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**The 166 Direct Loan Program (166 Direct Loan)** promotes economic development, business expansion and job creation by providing financial assistance for allowable costs of eligible projects in the State of Ohio.

The Ohio Department of Development's (Development) 166 Direct Loan provides low-interest loans to businesses creating new jobs or preserving existing employment opportunities in the State of Ohio.

### **Eligible Projects**

Eligible projects include those related to industry, commerce, distribution or research activities. Retail projects are **ineligible** for the 166 Direct Loan.

### **Allowable Project Costs/Uses**

- Land and/or building purchase; if the project involves the purchase of an existing building, the business must occupy at least 51% of the premises
- Machinery & equipment purchase
- Building construction and/or renovation costs; if the project involves new construction the business must occupy at least 60% of the premises
- Long-term leasehold improvements
- Ongoing businesses fixed asset purchase
- Capitalizable costs directly related to a fixed-asset purchase
- Refinancing is **ineligible**

### **Available Funding**

The 166 Direct Loan may finance up to 50% of allowable project costs with loans ranging in size from \$500,000 to \$1,500,000. The 166 Direct Loans are "take-out" financing (allowable project costs/uses must be purchased with interim financing with the 166 Direct Loan disbursing upon project completion).

Businesses requesting \$500,000 or less may participate in the Regional 166 Direct Loan Program (contact Development staff for further information).

### **Term**

The 166 Direct Loan term is based upon the useful life of the allowable project costs/uses financed. The term for real estate is up to 15 years and the term for machinery and equipment is up to 10 years.

### **Interest Rate**

The 166 Direct Loan interest rate is fixed at/or below market rates.

### **Job Creation/Retention**

Development requires the creation or retention, within a three-year period, of one job for each \$35,000 of 166 Direct Loan proceeds. Priority may be given to eligible projects with higher wage and job creation commitments or projects located in a Priority Investment Area.

### **Applicant Contribution**

Development requires a 10% minimum equity contribution in the allowable project costs/uses. The required contribution may be higher for early stage companies and special purpose facilities. At least 50% of the allowable project costs must be funded by the borrower either directly or indirectly through third party investors and/or lenders.

### **Security & Collateral**

Development requires a first and/or shared first priority mortgage and/or lien position on project costs/uses financed with the 166 Direct Loan proceeds. Development may require the following additional collateral or credit enhancements:

- Personal guaranties from owners with more than 20% ownership in the company
- Corporate guaranties from related companies
- Full or partial letter of credit
- Life insurance on key business owners and/or managers
- Other types of credit enhancement, if necessary

### **Program Fees**

- Non-refundable \$1,500 application fee is due upon submitting a completed Financial Assistance Application
- Non-refundable commitment fee equal to 2% of the loan amount is due upon receipt of a signed loan approval, confirmation and commitment letter. If the 166 Direct Loan exceeds \$1 million, the processing and commitment fee is 2% of \$1 million and 1% of the balance of the loan
- Annual servicing fee equal to  $\frac{1}{4}$  of 1% (.25%) of the outstanding principal amount of the loan is pro-rated and payable monthly

### **Pre-payment**

Development imposes no pre-payment penalty.

### **Prevailing Wage**

Ohio prevailing wage is required for construction, renovation and the installation of machinery and equipment. Rates and payment of prevailing wages are determined by the Ohio Department of Commerce's Wage and Hour Bureau. A request for prevailing wage determination is required for all projects.

## **Application Process**

- Contact Development's Business Development Manager to discuss the project.
- Submit a completed Financial Assistance Application, which includes applicable items on the application checklist below.
- An eligibility review and credit analysis will be conducted by Development staff.
- A preliminary project term sheet will be provided by Development staff.
- Loans will be presented to the Development Financing Advisory Council (DFAC) for review and recommendation. (DFAC generally meets on the last Monday of each month.)
- Loans will be presented to the State Controlling Board for final approval.
- A loan approval, confirmation and commitment letter will be issued by Development upon approval by the State Controlling Board.
- Loan-closing documents are prepared upon receipt of a signed loan approval, confirmation and commitment letter and processing fee.
- Loan proceeds are normally disbursed after project completion and loan closing ("take-out" financing), interim financing may need to be arranged by the business.

## ***Application Checklist***

Complete application and attachments may include any/all of the following information:

### Business Information

- Description of business and operational history
- Description of market, industry and competition
- Description of products and services
- Bios of owners and/or key managers
- Capitalization table with ownership, subsidiary and affiliates information

### Financial Information

- Income statement and balance sheet for past three fiscal years and accompanying notes
- Current business financial statement (less than 90 days old)
- Business financial projections for three fiscal years (privately held companies only)
- Business financial information for the last three fiscal years on affiliate businesses (if applicable)
- Conditional bank commitment and/or term sheet (if applicable)

### Project Information

- Project description
- Sources of funds with commitment levels, conditions and financial terms
- Uses of funds with detailed project plan, equipment list and contractor quotes
- Cost verification-purchase agreement and/or third party cost estimates
- Appraisal by qualified appraiser
- Phase I Environmental Review