



**Department of  
Development**

**Ted Strickland**, Governor  
**Lee Fisher**, Lt. Governor

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166 Direct Loan Program  
***Program Guidelines and Application Procedures***

**Ohio Department of Development  
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The **166 Direct Loan Program** was created to promote economic development, business expansion and, job creation by providing financial assistance for eligible projects in the State of Ohio.

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

### **Eligible Businesses**

Eligible businesses include those engaged in, but not limited to, manufacturing, research and development, and distribution. Retail projects are ineligible for the 166 Program.

### **Eligible Project Costs**

- Purchase of land and/or building; if the project involves the purchase of an existing building, the business must occupy at least 51 percent of the premises
- Purchase of machinery and equipment
- Building construction and/or renovation costs; if the project involves new construction, the business must occupy at least 75 percent of the premises
- Long-term leasehold improvements
- Purchase of ongoing business' fixed-assets
- Limited soft costs directly related to the fixed-asset purchase
- Refinancing is ineligible

### **Available Funding**

The 166 Direct Loan Program may finance up to 30 percent of eligible project costs directly related to the fixed-asset purchase. The minimum loan amount is \$350,000 and the maximum is \$1,000,000.

Businesses requesting \$350,000 or less may participate in the Regional 166 Direct Loan Program (contact the Ohio Department of Development staff for further information).

### **Term**

The term of any loan awarded through the 166 Direct Loan Program is conditioned upon the useful life of the financed assets with the maximum limit up to 15 years for real estate and up to 10 years for machinery and equipment.\*

### **Interest Rate**

Interest rates for the 166 Program are fixed at/or below market rates and typically do not exceed 2/3 of the current prime rate.

### **Job Creation/Retention**

The Ohio Department of Development requires, under the 166 Direct Loan Program, the creation or retention of one job for each \$15,000 of loan proceeds within a three-year period.\*\*

### **Equity**

The Ohio Department of Development requires, under the 166 Direct Loan Program, a minimum of 10 percent equity. The equity requirement may be higher for start-ups and special purpose facilities.

### **Collateral**

The Ohio Department of Development will require a shared first priority mortgage and/or lien position on assets financed with the loan proceeds to be established via a multi-party agreement between the participating lender(s), the Ohio Department of Development, and the borrower.

### **Security Requirements**

The following may be required:

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

### **Program Fees**

- A \$1,500 non-refundable application fee is required upon filing a completed Financial Assistance Application.
- A processing fee of two percent of the loan amount due upon receipt of a signed loan commitment letter. In the case of loan amounts exceeding \$1 million, the processing and commitment fee will be two percent of the first million and one percent of the balance of the loan up to a maximum of \$50,000.
- An annual servicing fee equal to a quarter of one percent (.25 percent) of the outstanding principal amount of the loan will be assessed.

### **Prepayment**

The Ohio Department of Development imposes no pre-payment penalty.

### **Participating Lender Rates and Terms**

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

### **Prevailing Wage**

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

\*Preferential interest rates and terms are provided on a case-by-case basis for businesses locating or expanding in a priority investment area.

\*\* The job to dollar ratio shall be 1 to \$35,000 for projects located in a priority investment area.

Please see Ohio Department of Development's Priority Investment Area map for eligible areas. The map is published January 1<sup>st</sup> and July 1<sup>st</sup> of each year by the Ohio Department of Development's Policy, Research, and Strategic Planning Office and can be found by checking the maps link at <http://www.development.ohio.gov/research/>.

### **Application Process**

- Contact the Ohio Department of Development staff 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 the Ohio Department of Development staff.



- A preliminary project term sheet will be provided by the Ohio Department of Development staff.
- Loans will be presented to the Development Financing Advisory Council for review and recommendation. The Development Financing Advisory Council generally meets on the last Monday of each month.
- Loans will be presented to the State Controlling Board for final approval.
- A loan commitment letter will be issued by the Ohio Department of Development upon approval by the State Controlling Board.
- Upon receipt of a signed loan commitment letter and processing fee, loan-closing documents will be prepared.
- The Ohio Department of Development's financing is "take out" financing and will only be disbursed once the project has been completed. The borrower will be responsible for securing financing for project related cost through loan closing and project completion.

### **Application Checklist**

- History and description of business
- Description of market, industry, and competition
- Resumes of owners and/or key managers
- Project description including sources and uses of funds (include specific use of loan proceeds)
- Business 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); and
  - Business financial information for the last three fiscal years on affiliate businesses (if applicable).
- Current personal financial statement from all 20 percent or more owners
- Conditional bank commitment and/or term sheet (if applicable)
- Phase I environmental audit (if applicable)
- Cost verification-purchase agreement and/or third party cost estimates
- Appraisal by qualified appraiser

### **For More Information Contact:**

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