



**Department of  
Development**

**Ted Strickland**, Governor  
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Ohio Department of Development

Research and Development Investment Loan Fund  
***Program Guidelines and Application Procedures***

**Ohio Department of Development  
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The **Research and Development Investment Loan Fund** was created to promote economic development, business expansion and job creation by encouraging private-sector Research and Development investments. The Ohio Department of Development's Research and Development Loan Fund provides assistance in the form of a low-interest loan, partnered with a tax credit.

Businesses that are meeting the program requirements (i.e. job creation commitments, timely loan repayments, commitment to Research and Development activities, etc.) will be eligible for a dollar-for-dollar credit against their Ohio tax liability, equal to the amount of principal and interest repaid on the loan. The maximum annual credit is \$150,000. The credit will be non-refundable, but can be carried forward.

### **Eligible Projects**

Eligible projects are defined as those in which research is undertaken for the purpose of discovering and developing new or improved products, processes, techniques, formulas, or inventions. It is expected that project employment will be comprised of a significant representation of scientists, researchers, and technicians.

### **Eligible Project Costs**

Eligible project costs include the following types of investments, which are being used for research and development activities:

- 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 an ongoing business' fixed-assets
- Limited soft costs directly related to the fixed-asset purchase
- Refinancing is ineligible

### **Available Funding**

The R&D Fund can finance up to 50 percent of a project's allowable costs, with loans ranging in size from \$1.0 to \$5 million.

### **Term**

The term of any loan awarded through the Research and Development Investment Loan Fund is conditioned upon the useful life of the financed assets, with the maximum limits of up to 15 years for real estate and up to 10 years for machinery and equipment.

### **Interest Rate**

Interest rates for the Research and Development Investment Loan Fund are fixed at/or below market rates and typically do not exceed ½ of the current prime rate.



### **Job Creation/Retention**

The Ohio Department of Development requires, under the Research and Development Investment Loan Fund, a commitment to create or retain jobs to the State of Ohio. While there is not a specified dollar per job ratio, the number of jobs committed, as well as the annual payroll, will be considered when determining the funding amount.

### **Applicant Contribution**

The applicant must fund, either directly or through a third party (or some combination thereof), at least 50 percent of the project's allowable Research and Development Fund costs.

### **Collateral**

The Ohio Department of Development will require a shared first priority mortgage and/or lien position on assets financed with Research and Development Investment Loan Fund 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.

### **Tax Credit**

The program provides a non-refundable tax credit of up to \$150,000 per year against a company's Ohio tax liability or an individual's Ohio personal income tax. Before a taxpayer can claim a credit on its tax return, it must first receive a tax credit certificate from the Ohio Department of Development certifying that the company is meeting the terms of its loan agreement. To receive a tax credit certificate, the company must file an annual progress report with the Ohio Department of Development by March 1<sup>st</sup> for the entire term of the loan.

In this report, the company would detail its progress in meeting the job creation and retention, wage, and investment commitments made as a condition of receiving the loan. The reporting period will include activity for the prior calendar year. The Ohio Department of Development Staff will review the report and the company's record of timely loan repayments and certify the amount of principal and interest paid on the loan for the preceding calendar year. A certificate will then be prepared and forwarded to the company to file with its annual State of Ohio tax return.

### **Program Fees**

- A \$1,500 non-refundable application fee is required upon filing a completed Financial Assistance Application.
- A processing and commitment fee of one percent of the loan amount up to a maximum of \$50,000, due upon receipt of a signed loan commitment letter.
- An annual servicing fee equal to a quarter of one percent (.25 percent) of the outstanding principal balance of the loan, pro-rated and payable monthly.



### **Pre-payment**

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

### **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.

### **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 the 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 statements and balance sheets for past three fiscal years, and accompanying notes;
  - Current business financial statements (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(s) 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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