

Horizon Financing Programs

Hamilton County Development Company, dba Horizon Certified Development Co., is a private nonprofit community-based economic development corporation that helps small business owners access attractive long-term, fixed-rate financing on owner-occupied commercial real estate and capital equipment acquisition projects. Established in 1983, Horizon Certified Development Company has grown to be the most active SBA 504 lender in Ohio and one of the most active SBA 504 lenders in the country.

Horizon Certified Development Company is also an administrator of the Ohio Regional 166 loan program which is sponsored by the Ohio Department of Development. The Ohio Regional 166 program assists manufacturing and distribution businesses throughout Ohio to acquire fixed assets, primarily machinery and equipment with low interest and fixed-rate financing.

Finally, Horizon Certified Development Company has partnered with Community Reinvestment Fund, USA to offer its new markets tax credit program and community reinvestment fund program as an alternative to SBA 504 financing.

SBA 504 Loans

SBA 504 loans provide small business owners with the same sort of attractive long-term, fixed-rate financing available to larger businesses. Funds can be used to buy a facility, to buy land and build a new building, to renovate or expand an existing structure and to purchase equipment and machinery for the businesses. The program is intended for small and medium-size businesses. Large businesses, those with net worth of more than \$7.5 million and or an average income after taxes of more than \$2.5 million for the last two years, may be too big. Normally the 504 loan is limited to 40% of the total project up to a maximum of \$1.5 million. However, underserved

business categories, i.e. rural-based, women owned, veteran or minority owned businesses, projects located in enterprise zones and business exports can secure up to \$2 million in SBA 504 funds. Small manufacturing firms can apply up to \$4 million in SBA 504 loan program assistance.

Lenders/bankers will provide approximately 50% of the total project financing and will charge their own market interest rates on their permanent loan. During the initial acquisition/construction phase of the project the private lender will have up to 90% of the total project costs outstanding. The SBA 504 loan is take-out financing and the SBA loan will be closed upon completion of the project. Interest rates on the 504 portion are set by the market each month when the SBA guaranteed 504 bonds is sold in New York as part of the monthly pooling of SBA 504 projects from around the country. When the bond is sold the interest rate is fixed for the life of the loan. Currently the SBA has over \$6 billion available annually through the 504 program.

The term of the 504 loan may be either 10 years for machinery or equipment loans or the more common term of 20 years used on real estate loans. Generally the assets of the project being financed are adequate collateral for the purposes of the 504 loan program. Personal guarantees of the principal owners of the business will be required and in rare exceptional cases, personal assets may be attached. Generally, firms will show that they will create one new job for every \$50,000 of SBA 504 funds in the project within a two year period after the completion of the project. Businesses that meet the SBA's public policy goals do not need to show further job creation.

For more information on the SBA 504 loan program please contact Horizon at 513-631-8292.

Ohio Regional 166 Loans

The Ohio Regional 166 loan program assists eligible businesses to finance the cost of acquisition, renovation or construction of depreciable assets, which includes land and building, machinery and equipment, long-term leasehold improvements and certain limited soft costs. Eligible businesses include those engaged in manufacturing, research and development, distribution and certain service-related entities. Preference is given to companies creating quality jobs. The regional loan program requires the creation or retention of one job for each \$35,000 of loan proceeds within a three-year period. Loan proceeds for one job could increase to \$75,000 if wages are over 400% of minimum wage.

The Ohio Regional 166 loan program can finance 40% of the total project cost related to the fixed asset purchase. The maximum loan amount for the program is \$350,000. The term of any loan awarded through the regional loan program should reflect the term of the bank and is conditioned upon the useful life of the fixed assets for a maximum of 15 years for real estate and up to 10 years for machinery and equipment.

New Markets Tax Credit Loan

A New Markets Tax Credit loan is a viable option for any financing project involving primarily owner-occupied commercial real estate with the dual caveat that the business needs to be an eligible business and the project property needs to be located in an eligible census tract. To qualify for New Market Tax Credit financing, a small business applicant needs to be a qualified active low-income community business, which simplistically put, means the majority of the firm's employees must work in a business location that is located in a low-income census tract. In addition, the project location needs to be in a low-income census tract. The market tax credits real estate loans have a 25-year term and attractive fixed rate. The program typically has lower fees than the SBA 504 program, and as it does not have the same

eligibility considerations as the SBA program, is considerably more flexible. Unlike a SBA 504 loan, this program can be used by not-for-profit businesses and to refinance existing debt.

Community Reinvestment Fund Business Loan

The Community Reinvestment Fund Business Loan program is another option on any financing project involving primarily owner-occupied real estate or major items of machinery and equipment. The program is generally fashioned after the SBA 504 loan program but with a little more flexibility at the front end, slightly lower fees and a slightly higher interest rate. Like the New Markets Tax Credit program, the project must demonstrate community impact, such as job creation and retention. These loans offer a fixed interest rate with a 20-year term. This program is available when a SBA 504 loan is not an option.

For more information please contact Horizon at 513-631-8292.



A construction project funded by HCDC using SBA 504 funds

