



## **HANOVER LOW INTEREST LOAN FUND GUIDELINES**

### **I. PURPOSE OF THE LOW INTEREST LOAN FUND**

Low interest loan funds are to be used for business start-ups, expansions, and retentions. Through any of those activities, the overarching goals of this program are:

- Creation or retention of permanent private-sector jobs in order to create economic growth;
- Stimulation or leverage of private investment to ensure economic renewal and competitiveness;
- Increase the local tax base;
- Improvement of employment and economic opportunity for citizens in the region to create a reasonable standard of living;
- Stimulation of productivity growth through improved manufacturing or new technologies;
- Fill a gap in a service or product that is not currently available in the city (i.e. senior housing, etc.).

### **II. ELIGIBLE APPLICANTS**

Eligible applicants include businesses currently or proposed to be located within the corporate limits of the City of Hanover.

### **III. GENERAL GUIDELINES**

- Loan amount -- Minimum \$5,000; Maximum \$100,000 or 90% of Low interest Loan Fund Balance, whichever is less. In certain instances the EDA can approve exceeding the maximum loan amount.
- Location – The business/property owner must locate, expand or remodel within the corporate limits of the City of Hanover.
- Conventional Lender or Equity – Conventional lending sources and/or owner equity must provide at least 50% of the total project financing.
- Job creation/wages paid – Applicant must identify jobs to be created within two years and wages paid.
- Interest rate – Prime (as published by the Wall Street Journal) minus two, with a minimum interest rate of 2% and a maximum interest rate of 6%.
- Terms – Equipment 7 years; Land/Building 10 years.
- Other – Funds may be used to provide loan guarantees or interest buy-downs.

#### **IV. ELIGIBLE ACTIVITIES/EXPENDITURES**

Loan dollars may be used for the following activities:

- Acquisition of land;
- Construction, reconstruction and rehabilitation of commercial or industrial buildings
- Site improvements
- Utilities or infrastructure
- Machinery and equipment

Loan dollars may be used to provide assistance with loan guarantees, interest buy-downs, and other forms of participation with private sources of financing. The Low interest loan fund assistance can be for no more than one-half of the cost of the project.

All loans must be secured with appropriate collateral. This determination will be made by the EDA.

#### **V. INELIGIBLE ACTIVITIES**

Low interest loan fund assistance may not be used for the following:

- Any business that is not or would not conform with Hanover City Code or Zoning Ordinances.
- Housing Projects
- Operating Expenditures

#### **VI. APPROVAL CRITERIA**

The loan must be based on the following criteria:

- Increase in tax base
- The project can demonstrate that the investment of public dollars induces private funds
- The project provides suitable wage levels to the community or will add value to current workforce skills
- Assistance is necessary to retain existing business.

#### **VII. APPROVAL PROCESS**

Loan applications shall be on a form provided by the City/EDA. Complete applications received by the last Thursday of the month will generally be considered at the next monthly EDA meeting which occurs on the 2<sup>nd</sup> Thursday of the month at 8:00am at Hanover City Hall. Upon recommendation from the EDA for approval, the Hanover City Council will review for final approval.

#### **VIII. LOAN APPLICATION/ORIGINATION FEE**

A 2% loan application/origination fee is charged at the time of EDA approval of the loan. This is a non-refundable fee.