HERKIMER COUNTY REVOLVING LOAN FUND (RLF)

Establishment of Revolving Loan Fund

In 1987, Herkimer County established a single Revolving Loan Fund to provide low-interest loan funding for the completion of economic development projects that expand and/or retain employment opportunities for low to moderate income persons. The Fund was established through a grant to Herkimer County from the U.S. Department of Housing and Urban Development (HUD).

Administration of the Revolving Loan Fund

Under contract with the County of Herkimer, the Herkimer County Industrial Development Agency (HCIDA) administers the Revolving Loan Fund and is responsible for the day-to-day administrative tasks associated with the project administration. The HCIDA is a public benefit corporation managed by a 7-member Board appointed by the Herkimer County Legislature.

As funds become available in sufficient quantity for relending, the Executive Director will review any and all project proposals for consideration. Upon receipt of required documentation from applicants, the HCIDA loan committee will review and make their recommendation to the Board of Directors at which time they will review and ultimately give approval if they so desire to those projects most advantageous to Herkimer County, given the purpose of the RLF.

The HCIDA is required to obtain final loan approval from the Herkimer County Legislature on all proposed loans from the RLF, and to keep the Finance Committee of the Legislature advised of all such loans and all activities in connection with loan projects. Once the HCIDA Board endorses the loan it then goes to the Legislature for final approval.

Purpose of Revolving Loan Fund

RLF program funds can be used for economic development activities, provided the following program objectives are addressed:

1. Creation of new employment opportunities that are available to low-income persons, or retention of existing employment opportunities.
2. Leveraging of private funds.
3. Increasing the taxable value of real property.

Guidelines Applicable To Revolving Loan Fund

Since the RLF was initially funded through HUD, we must function within the guidelines outlined by this agency. These guidelines are as follows:

1. Only manufacturing, service, retail (only under certain circumstances) and wholesale industries are eligible businesses for RLF assistance.
2. RLF loans are limited to 40% of total project cost.
3. Borrower equity participation of at least 10% is required.
4. Funding for the non-RLF portion of the project can be in the form of bank financing, equity, and/or public financing, other than the requested loan.
5. Complete documentation of other funds will be required prior to the loan award.
6. HCIDA will always be the lender of last resort and used only when conventional lenders (ie. banks) will not fully participate in proposed project.
7. Application fee: $200.00.
8. Commitment fee: ½ of 1% of the total loan amount (minimum fee $500.00)
9. Closing fee: ½ of 1% of the total loan amount (minimum fee $500.00)
10. All out-of-pocket costs, including, but not limited to, legal and accounting fees shall be paid for by the applicant.
11. Co-equal collateralization position accepted, subordinated position negotiable. Personal guarantees in most cases will also be required.
12. HCIDA will use the HUD standard of $15,000 of loan funds per job created as a basis for industrial project evaluation.
13. All information as outlined in the application must be provided prior to loan processing. Additional information may be requested by HCIDA.
14. Eligible use of funds from RLF include, but are not necessarily limited to: equipment purchase; working capital; infrastructure; acquisition, construction or reconstruction of an industrial/commercial building; and/or other activities considered necessary and appropriate to carry out an economic development project.
15. No loan funds may be disbursed without execution of a contract between the applicant and the HCIDA.
16. The term and interest rate of each loan will be determined on a case-by-case basis and will depend on the company's cash flow and ability to repay. Generally, machinery/ equipment/operating capital loans will be 5 - 7 years. Real estate loans will generally be 10 - 15 years.
17. Loan interest rates will balance maximum return to the RLF with the economic health of the projects. Returns to the developers in excess of industry averages should be avoided, but too high an interest rate for the RLF assistance may weaken the projects. The most direct pricing procedure is to work backwards from the proforma's cash flow dollars available to service the RLF loan (after project expenses, private loan debt service, and an appropriate return to the private entity) to an interest rate and term that equates to available cash flow.
18. There are two general, justifiable reasons for RLF assistance:
    a. Financing Gap: The private sector can maximally raise only a portion of the debt and equity funds necessary to complete the project. A gap between sources and uses exists and the RLF fills the gap.
    b. Rate of Return (ROR): The private sector can raise sufficient debt and equity to complete the project, however, the returns to the developer are inadequate to proceed with the project.
19. Priority will be given to those businesses owned/to be owned by women, minorities and dislocated workers. A copy of any affirmative action/Equal Employment/Non-Discrimination policy or plan you may have will also be required. If you have no such policy, one will need to be drawn up.
20. The loan applicant is encouraged to provide, to the greatest extent possible, opportunities for employment to lower income residents of the County and contracts for work to be performed with loan proceeds by businesses or persons which are located in the County. The IDA encourages to the fullest extend possible the hiring of local labor for all construction projects.

"This institution is an equal opportunity provider, employer and lender."

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