



CITY OF ONTARIO
BUSINESS LOAN FUND

INFORMATION & CRITERIA

CONTACT INFORMATION

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BUSINESS LOAN FUND INFORMATION AND CRITERIA

The purpose of the City of Ontario Business Loan Fund is to provide financing to: encourage economic and community development; create and retain jobs; and/or enhance the aesthetic appeal of properties located within the Ontario City Limits. The maximum utilization of the Business Loan Fund is encouraged.

CRITERIA

The following project criteria are priority items of the Business Loan Fund:

- a. Businesses that are a "qualified business firm" as defined by the Enterprise Zone section of the Oregon Revised Statutes and are located in the Ontario Enterprise Zone;
- b. Businesses that provide a high ratio of employment to funds borrowed;
- c. Existing businesses with fewer than one hundred employees;
- d. Businesses that provide employment to low and moderate income employees;
- e. Businesses making use of skills of displaced or unemployed workers;
- f. Assisting businesses that provide economic diversification;
- g. Businesses with significant owner equity;
- h. Business projects that will maximize participation by financial institutions and local development groups;
- i. Projects that are intended to bring about compliance with the City of Ontario required upgrades to on-site landscaping and/or parking improvements for business enterprises; and
- j. Businesses located in less commercially developed areas of the city.

ELIGIBLE ACTIVITIES

To be eligible for a loan, applicants must meet at least three of the criteria set forth above. In prioritizing loans among applicants, the city will give greater consideration to projects that meet the most criteria.

Loan funds may be used for necessary physical facility expenses including, but not limited to, the purchase of land, buildings, equipment, or the construction or installation of site improvements, or for any other legitimate business activity other than for activities that are listed below as ineligible.

INELIGIBLE ACTIVITIES

The following activities are ineligible for funding from the Business Loan Fund:

- a. Paying off a loan, investment, or advance to an employee, officer, partner, or stockholder of the business, or replenishing funds used for such purposes;
- b. Use of loan funds for investment purposes not related to the business, or for business purposes considered speculative;
- c. Use of loan funds to provide working capital for a business;
- d. use of loan funds by businesses located primarily outside of the Ontario City Limits; and
- e. Use of loan funds by businesses primarily involved in lending and/or investments.

LOAN TERMS

The following criteria shall apply to the terms of the loan:

- a. Applications must be made for loans in the amount of not less than \$10,000. Loans will be authorized to qualifying applicants on a first come, first serve basis, subject to availability of funds within the Business Loan Fund;
- b. The maximum loan term is ten years;
- c. The interest rate for a loan granted under the terms of this program shall be either three percent (3%) over the prime interest rate as determined at the time of final loan approval, or five percent (5%), whichever is greater. Interest shall accrue on a fixed, simple interest basis.
- d. All loans shall be subject to a loan servicing fee of 1½% of the principal loan amount, to be deducted from the loan proceeds;
- e. Loan funds from the city may be used to finance no more than twenty percent (20%) of the total project cost. At least ten percent (10%) of the total project cost shall be paid for from the personal funds of the applicant and not from any lender;
- f. No loans shall be approved unless there is sufficient collateral or adequate security given to allow repayment of the loan in the event of default, and unless personal guaranties are executed by all principals of the business. In taking collateral as security for a loan, the following shall apply:
 1. Whenever feasible, the city shall require that it be in a first lien position on collateral. The city may agree to subordinate its security interest in collateral to another lender on the project if the borrower has sufficient equity in the collateral taken by the city to provide adequate security for the loan amount.
 2. The city shall not rely on inventory as collateral in approving a loan, although it may take a security interest in inventory as additional security;
 3. In determining the value of collateral, the city shall not rely exclusively on estimates provided by the applicant, but shall take reasonable steps to independently verify the value of collateral whenever possible. Real market values of real property as determined by the county assessor may be used for this purpose. Equipment and other personal property offered for collateral shall be valued at no more than 50% of the current fair market value, to account for disposition expenses and depreciation.
 4. The city's security interest in collateral shall be perfected by appropriate filings with the Secretary of State of the County Clerk.

COLLECTION AGENCIES

The City of Ontario may require that the repayment of funds be made to a designated independent agent or escrow company, which shall serve as an agent for the city in the collection of loan funds.