



GUIDE TO Financial Programs

**SBA Loans/Commercial Loans/
State and Federal Financial Assistance Programs**

**UNI Regional Business Center
Small Business Development Center
212 E. 4th Street
Waterloo, IA 50703
319-236-8123
www.unirbc.org**

All information is, to the best of our knowledge, accurate. Due to continual changes in program funding, guidelines, and contact information, we recommend you contact the listed number to confirm the program's requirements. If you find any information that needs updating, please contact us and let us know. Thank you.

Potential Funding Sources

Funding for your small business venture can be obtained from a variety of different sources. Refer to the “Iowa Small Business Resource Guide” in this packet to locate different organizations that may be able to help fund your project. In addition to the content in this guide, our website has information about types of funding available. <http://www.jpec.org>. Be sure to check out the following sources:

- Banks and other financial institutions (Talk to their Commercial Loan Officer)
- City, county, and state governments (See your Resource Guide for contact information)
- Regional economic development groups & community development corporations (See Resource Guide)
- Councils of government or regional planning commissions, with revolving loan funds
- Investor-owned electric and gas utilities (Check in your county phone directory)
- Rural electric and telephone cooperative companies (Check in your county phone directory)
- Venture capital funds and individual venture investors (Contact the JPEC office on the UNI campus)

How to Secure Funding

You will need a combination of the following to secure outside financing for your venture:

Personal & Business Credit

Your personal and business credit will need to be in good standing in order to proceed with financing. Contact a credit bureau and review your credit report for any deficiencies or errors. There are three credit-reporting agencies:

- Equifax – (800) 685-1111 or www.equifax.com
- Experian – (888) 397-3742 or www.experian.com
- Trans Union – (800) 888-4213 or www.transunion.com

Assistance with resolving credit account issues, structuring or consolidating debt, and reviewing your credit report is available from Consumer Credit Counseling Service of Northeastern Iowa. If you have problems that need to be resolved, contact 1-800-714-4388 or www.cccsia.org for a free counseling appointment.

You will also need to provide information that illustrates your personal financial standing, and history. These documents include copies of your tax returns for the past 2-3 years, and a written declaration of your personal assets (anything that could be sold or cashed-out) and your liabilities (debts). (Refer to the back of your Business Plan Guide for a Personal Balance Sheet/Statement worksheet.)

Collateral

Collateral is property, equipment, or investments (not cash) pledged as security for a loan. These holdings insure the lender of a return on their investment in nearly any future circumstance. Collateral may be personally owned, business owned, or consist of/include a Federal Small Business Administration (SBA) loan guarantee.

Owner Equity

Owner equity is the amount that the owner is expected to put into the business. This is required in most cases, and a reasonable amount is expected to be at stake. (Reasonable is determined on a case-by-case basis). It is generally, but not always, about a third or 30% of the projected cost for the start-up of a new business. The minimum required is 10%, usually for an existing business. Owner equity is usually in the form of a portion of the loan paid up-front, often in the form of cash. In some instances items already funded or purchased for the business may be counted towards the owner equity share of the total project.

A down payment of 30% is standard for a commercial loan. If you do not have 30% cash, other sources of funding may be used to supplement the gap. Often called “gap financing”, some options are listed in this guide.

Other types of loans may require less cash down. Examples are loans in the Economic Development category, which may run as low as 10% down for qualifying projects.

In this example, we will assume the start-up cost of a proposed business is \$50,000. Seventy percent (\$35,000) of the start-up cost can be covered through commercial financing. The other thirty percent (\$15,000) will need to be in the form of owner equity.

Owner's Equity 30%	\$15,000
<u>Commercial Financing 70%</u>	<u>\$35,000</u>
Start-up cost Total	\$50,000

Repayment Ability

For existing businesses, funders will require financial statements on the business for the last three fiscal years to be submitted, plus current year-to-date statements not more than 90 days old. In addition, cash-flow projections will need to be prepared, which show the estimated, future income and expenses from the business and any new ventures, for two to three years out. For new businesses, only the projections will be required, unless the new venture consists of a purchased or acquired business.

Related Experience and Management Qualifications

The potential funder will need information on the experience and education qualifications of the individuals that will have the responsibility of running and managing the business. Resumes or other written documentation will be required that assures the major decision-makers for the company have the skills necessary and are competent and capable of carrying out the business plan.

Business Plan

In order to qualify for business financing, a business plan is usually required by both commercial and government funding agencies. (Refer to the Business Planning Guide provided in your packet) The Business Planning Guide has important information about preparing a business plan and the content needed. It also includes a money section that outlines the financial documents you will need to prepare and provide.

Loan Review Process

In seeking a loan for your venture, you are essentially asking the bank or financing agency to become your business partner. Before requesting financial assistance, make sure you've done all the necessary groundwork and are prepared to answer these four questions:

1. How much do you need and for what? (Complete the Project Budget Worksheet located in the Business Planning Guide.)
2. What terms such as interest rates and length of payments, do you need for your loan? (Complete the Cash-Flow Projection Worksheet to determine what size of payments your business will be able to support.)
3. What shape is your business in? (Provide copies of your last three years of income tax forms, and income-expenses statements with balance sheets, for your business.)
4. How will you generate sufficient cash flow to repay the loan? (Complete the marketing section in your business plan, and provide two to three years of the Cash-Flow Projection Worksheets.)

The answers to these questions are central to the lending decision. The information you provide, supported by your financial statements, will help the banker make a decision as quickly as possible. Remember, loans are the products that bankers sell. Look for the best combination of price and service available at various institutions.

In the end, getting a loan depends upon the financier's decision on the degree of risk for financial loss there will be, on the loan given to your business. This risk will be primarily measured by your past history of financial

management skills, your ability to inject personal assets as collateral, the amount of collateral or securities that are tied to the business loan, and the past and future earnings of the business.

Every lender tries to understand the condition of the borrower's business as well as its prospects. That is why you're asked to submit several types of financial statements. This information presents the banker an opportunity to see if your business is well planned and managed and has sufficient collateral with adequate income, to support the loan repayment. The following are other measurements that may be of interest to bankers, in gauging your company and its strengths.

- **Liquidity:** The amount of cash and working capital a company has is very important to bankers as an indication of how efficiently a company generates internal cash flow, which can be used to repay the loan. Liquid assets that are those assets that are easily converted into cash.
- **Leverage:** The amount of debt on a company's balance sheet, when compared to the amount of equity in the business will give the banker an idea of how leveraged (in debt) the business is.
- **Inventory:** Your banker will want an accurate account of your inventory, particularly if you run a wholesale or retail operation. An inventory count will also help determine inventory turnover. Occasionally a physical count of your inventory will be necessary.
- **Turnover (or Activity):** Activity refers to the turnover of receivables, inventory and sales. By measuring these variables in relation to each another, and to fixed assets, the bankers get an idea of how much activity results from the company's day-to-day operations.
- **Inventory Turnover:** Inventory ratios may have value in monitoring internal operations. Your Inventory Turnover Ratio is delicate. It helps you achieve the right balance between overstocking and understocking, which can be a fine line. If you're overstocked, you pay interest on working capital as well as paying for inventory. If you're under-stocked, you could have shortages; this could give a business a bad image and cause a loss of sales.
- **Receivables Turnover and Average Collection Period:** Your own credit policy is one of your most important marketing decisions. If your credit is too tight, you lose sales. If it's liberal, your carrying costs can be higher than necessary. You must collect receivables within a reasonable time for them to remain a liquid asset. The Receivables Turnover Ratio measures the amount in accounts receivable, in relation to sales.
- **Gross Profit:** This ratio provides a clear indication of the basic ability of your business to meet direct costs, and operate profitably. Gross profits are sales (minus returned goods, discounts, price reductions, etc.) minus cost of goods sold. Gross profit is also known as gross margin.
- **Profit Margin:** Profit margin is net income (gross sales less all direct expenses) divided by sales. Profit margin is stated as a percentage.
- **Return on Sales:** This ratio is an overall measure of the profitability of the business. It illustrates the percentage of profits remaining after all costs are subtracted (direct expenses, overhead, unusual items and taxes).

Your banker can help calculate these ratios and other information they will require. Check the UNI-RBC Business Information Center, or the public library, for reference books on this subject or on your industry. You can also ask your banker or accountant to provide you with industry averages. This can help you determine projections for your new venture, or how your existing company stands in relation to your business peers/competition.

Completing Financing Program Paperwork

We know preparing business plans with financial information and projections can seem hard. But, we are here to guide you. After your first introduction to the start-up and financing process, go home and review the applications, worksheets, and guides provided. Investigate what program or loan type you and your venture might qualify for, and read the corresponding information and application. Then begin the process of gathering and preparing all the necessary paperwork.

Complete a Draft of Your Materials

Part of our role as your consultant is to advise you through the financial application process and to review your information and supporting documents. The more professional and complete the plan and application, the greater your chances of obtaining project financing approval. Expect the process of completing applications and materials to involve three to four revisions. Make your first attempt a rough draft and work toward a final version that will be the best it can be!

Prepare Financial Documents

Begin by making a list of all initial costs that will be required to start your venture. Then drop these costs into a project budget. Prepare a list of the business's projected monthly on-going operating sales and expenses for the next two years. If needed, the UNI JPEC can help you drop your numbers into a cash-flow format that is easy to read. Don't forget to pull-together a personal financial statement of your assets (things of value that can be sold or cashed out) and liabilities (debts), as well as copies of your past two to three years of income taxes. If you currently own the business, you will need copies of the businesses' income tax returns, balance sheets and monthly statements, as well.

Review the Application and Your Materials/Documents

Make sure the application you are submitting is complete. The UNI JPEC is very familiar with the guidelines for each of the programs. Leaving out one key piece of information can delay your approval by months. So, be detailed and careful.

***Most clients need a two-month minimum to complete these applications.**

FINANCIAL ASSISTANCE PROGRAMS LIST

A.) Federal Small Business Administration (SBA) Commercial Loan Guarantee Programs

1. **7(a) Loan Guarantee Program***

Goal: To provide long-term capital for small businesses that cannot typically access normal capital markets. To reduce risk to lenders by guaranteeing major portions of a small business loan, for general business purposes.

Eligibility Guidelines:

- Small for-profit businesses, operating within in the U.S.
- Cannot be used to refinance debt already on reasonable terms.
- Desired funds must not be available from personal resources.
- Lending, real estate development, investment, speculation, pyramid or gambling operations are ineligible.
- Personal guaranties generally required from all owners of 20% or more of the business.

Assistance Available:

- Loan guarantee of packages up to \$2,000,000 for eligible business types and purpose.
- Funds for: the purchase of land or buildings, machinery and equipment, furniture and fixtures, leasehold improvements; expansion or renovation; construction of new facilities; working capital; inventory purchases; refinancing existing debt.
- SBA guarantee up to 85% of loans less than \$150,000 and 75% of loans \$150,000 with \$1,000,000 maximum.
- Rates and terms same as for the LowDoc Program, below.

Contact & Application Information:

- Contact your local commercial lender.
- Call (515) 284-4422 or visit the SBA website at www.sba.gov/financing/fr7aloan.html

2. **CAPLines Loan Program - Special 7(a) Loan Guarantee Program**

Goal: Help small businesses meet their short-term and cyclical working capital needs.

Eligibility Guidelines:

- Must be an independently owned and operated small business, not dominant in its field of operation

Assistance Available:

- Five short-term working-capital loan programs: Seasonal, Contract, Builders, Standard Asset-Based, Small Asset-Based.
- SBA Guaranty on up to \$2,000,000, except Small-Asset Line that is revolving credit up to \$200,000.
- Repayment of varied duration at varied interest rates depending on principal amount
 - Interest on loans of >\$50,000 will not exceed Prime Plus 2.25% if under seven years, 2.75% if over
 - Interest on loans of \$25,000 to \$50,000 will not exceed Prime Plus 3.25% if under seven years, 3.75% if over
 - Interest on loans of <\$25,000 will not exceed 4.25% if under seven years, 4.75% if over

Contact & Application Information:

Call (515) 284-4422 or visit the SBA website at http://www.sba.gov/financing/subfiles/7a_interest_rates.html

3. **SBAExpress & CommunityExpress Loan Program - 7(a) Loan Guarantee Program**

Goal: SBA loan partnership with Innovative Bank to make it easier and faster for this lender to provide small business loans of \$250,000 or less, by using the lender's (Innovative Bank) own procedure to approve and service the loans.

Eligibility Guidelines:

- Same eligibility guidelines as SBA 7(a) Loan.
- *CommunityExpress* focuses on low and moderate income urban and rural areas.

Assistance Available:

- Five to seven year maturity loans for working capital and up to 25 years for property and equipment. Revolving loans at maximum of seven years.
- *SBAExpress*- 50% guaranty on loan amounts up to \$250,000.
- *Export Working Capital*- 90 percent guaranty, up to \$1,000,000
- *CommunityExpress* – 85% guaranty pm loans up to \$150,000 and 75% for loans over \$150,000
- Hands-on technical training and support through community-based, non-profit NCRC members.

Contact & Application Information:

Call UNI Regional Business Center (319) 236-8123 or SBA (515) 284-4422, or visit the SBA website at http://www.sba.gov/financing/subfiles/guaranty_percents.html

B.) State of Iowa Programs for Targeted Groups

1. Targeted Small Business (TSB) & Self-Employment (SELP) Assistance Program

TSB Goal: To aid groups historically under represented in the world of business ownership.

SELP Goal: To aid low-income or disabled groups and lower their dependency on federal or state income assistance programs

Eligibility Guidelines:

- For TSB Program, business must be 51% actively owned, operated, and managed by a female, minority, or person with a disability.
- For SELP Program, individual must be low income or disabled and unemployed or underemployed.
- Individual must be 18 years or older and Iowa resident with an Iowa business/proposed business.
- Applicant must be sponsored by a local entity, such as the UNI RBC.
- Non-qualifying factors are unpaid back child support, student loan default, or unpaid state taxes.
- Vehicles requested must be critical to business operation.
- Two-step process: 1) Individual must be certified as an eligible business with \$25 submission fee.
2) After certification, an application must be completed and submitted.

Assistance Available:

- Awarded as a loan, grant, or combination, up to \$25,000 (maximum operating capital 50% of request.)
- Program is intended as a gap-financing tool consisting of 10-20% of the total financing package.
- Repayment is usually 5 years at 5% interest. For grant eligibility, TSB grant request must be used as 3-4 to 1 leverage for bank financing.

Contact & Application Information:

- Donna Lowery (application questions)
Division of Financial Assistance
Iowa Department of Economic Development
200 East Grand
Des Moines, IA 50309
(515) 242-4813
- Jan Curtis (certification questions)
Department of Inspections & Appeals
Lucas State Office Building
Des Moines, IA 50319
(515) 281-7357
- Applications are available online or at the UNI Regional Business Center.
- Certification applications may be submitted at anytime. Final applications are due the 3rd Friday of each month.

2. Linked Investments For Tomorrow (LIFT)

Goal: To aid groups historically underrepresented in Iowa, agricultural-based business communities.

Eligibility Guidelines:

- Business must be 51% actively owned, operated & managed by women, minorities or individuals with disabilities
- Business must be a rural Iowa small business, value-added agriculture, horticulture and alternative crops, traditional livestock businesses, or rural small business transfer with annual sales < \$2,000,000
- Combined worth of owner and borrowed funds must not exceed \$500,000

Assistance Available:

- Interest rate "buy-down", NOT a loan guarantee. The State Treasurer's office purchases a CD in the amount of loan. The bank collects the short-term interest rate on the CD, and lowers the interest rate.
- The maximum loan amount is \$100,000.
- Interest rate is 2% above the one-year Treasury note rate (to be no less than 6%).
- One-year loan term. Renewable loan for up to 4 years.
- May be used on SBA guaranteed loans.

Contact & Application Information:

- Michael L. Fitzgerald
(515) 281-3287
Email: lift@tos.state.ia.us Web: <http://www.treasurer.state.ia.us/investments/lift/>
- Applications also available at the UNI Regional Business Center

3. Entrepreneurs With Disabilities (EWD)

Goal: To aid disabled individuals and lower their dependency on federal or state assistance programs.

Eligibility Guidelines:

- Full-time, legally disabled entrepreneur.
- Applicants must be clients of, or referred by, a counselor from the Division of Vocational Rehabilitation Services or the Department for the Blind.
- Must be accepted into program prior to making financial application.
- Business plan and budget required.

Assistance Available:

- Grant for technical assistance (help with preparing business plan and budget) up to \$10,000.
- Grant for financing package up to 50% or maximum of \$15,000.

Contact & Application Information:

- Vocational Rehabilitation Center
Waterloo, Iowa
(319) 234-0319
- Applications also available at the UNI Regional Business Center. Application referral must come from a Vocational Rehabilitation Counselor.

EWD First Step Program

Eligibility Guidelines:

- Part-time, legally disabled entrepreneurs.
- Must be accepted into program prior to making financial application.
- Business plan required.

Assistance Available:

- Grant up to \$2,500

Contact & Application Information:

- Linda Lehman
(319) 234-0319
- Application referral must come from a Vocational Rehabilitation Counselor.

C.) Iowa Agriculture Development Programs

1. Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP)

Goal: Adding financial value to traditional agricultural processes and products.

Eligibility Guidelines:

- Completed business plan
- Proposed Iowa business location
- Must have completed a feasibility study
- Innovative or new product, increased utilization of local products, located in rural region.

Assistance Available:

- Maximum loan of \$400,00
- Loans given on an individual basis and will vary greatly depending on loan-grant ratio
- Average loan usually \$200,000

Contact & Application Information:

- Agricultural Innovation Center
Joe Jones, Iowa Department of Economic Development
(515) 242-4801
businessfinance@ided.state.ia.us

D.) Advanced Technology Research and Development Programs

1. Entrepreneurial Ventures Assistance (EVA)

Eligibility Guidelines:

- Participating in or completion of a recognized entrepreneurial venture development curriculum
- Iowa business/proposed business
- Completed business plan
- Must be a high growth industry: biotechnology, recyclable materials, software development and computer-related products, advanced materials, advanced manufacturing, medical and surgical instruments, etc.
- Cannot be retail, health care or professional services, or distributors of products and services **Assistance Available:**
- Up to \$50,000 financial assistance (Max 50% of total original capitalization) for leverage or IDED approved business expenses. Repayment as royalty investment or low interest loan.
- Up to \$5,000 technical assistance. Considered a grant and there is no repayment.
- Up to \$10,000 technical assistance for existing technology companies to move beyond and existing barriers. 3-year deferral payback. Final payback is 1.5-2.0 times the original investment amount.

Contact & Application Information:

- (800) 532-1215
- Georgia Soliday, EVA Program Manager
Bureau of Business Finance
Department of Economic Development
200 East Grand Avenue
Des Moines, IA 50309
(515) 242-4793 Fax: (515) 242-4795
- Brice Nelson, Small Business Liaison
Small Business Resource Office
Department of Economic Development
200 East Grand Avenue
Des Moines, IA 50309
(515) 242-4874
- <http://www.iowalifechanging.com/business/eva.html>
- Applications available at UNI Regional Business Center

2. Federal, Small Business Innovation Research (SBIR)

Goal: Established by Congress in 1982 in the Small Business Innovation Development Act. Ten Federal agencies that have annual outside research and development budgets of over \$100 million are required to engage private small businesses, for project research and development, on selected topics. Goals are to:

- Stimulate technological innovation in the private sector;
- Strengthen the role of small business concerns in meeting federal research and development needs;
- Increase the commercial application of these research results;
- Encourage participation of socially and economically disadvantaged persons and women-owned small businesses.

Eligibility Guidelines:

- Companies must have no conflict of interest with any of the 10 Federal Agencies participating.
- Companies must be a privately owned proprietorship, partnership, corporation, joint venture, association, trust, or cooperative - and for-profit.
- Not more than 500 employees, including affiliates, and business must be 51% owned and controlled by US citizens or permanent resident aliens.
- Must first participate in Phase 1 before eligible for Phase 2 funding.
- Project must respond to a defined eligible topic and develop a new technology, apply an existing technology to a new application, or make significant improvements or advancements on an existing technology.
- Amount of work/research subcontracted to research institutes or partners cannot exceed 1/3 of total award.

Assistance Available:

- Phase 1 grants up to \$100K (varies by agency) for six months, to evaluate the scientific technical merit and feasibility of an idea/project.
- Phase 2 grants up to \$750K (varies by agency) for 36 months, to expand the results of and further pursue the project through research and development activities such as prototype creation and testing, clinical trials, etc.
- No SBIR funds for the “commercialization” phase 3 of the project.
- Amount of work/research subcontracted to research institutes or partners cannot exceed 1/3 of total award (\$33,000).

Contact & Application Information:

- Business & Community Services
Bill Witt, Special Projects Assistant
University of Northern Iowa, 128 Curris Bldg.
Cedar Falls, IA 50614
Phone: 319-273-3178 Fax: 319-273-6830
Bill.witt@uni.edu www.bcs.uni.edu

3. Federal, Small Business Technology Transfer (STTR) Program

Goal: This program is modeled after the SBIR program (above). It differentiates in that a small company must team with a Federal Lab or University on the project. Five Federal agencies that have annual outside research and development budgets of over \$100 million are required to engage private small businesses, for project research and development. Goals are:

- Stimulate technological innovation in the private sector;
- Strengthen the role of small business concerns in meeting federal research and development needs;
- Increase the commercial application of these research results;
- Encourage participation of socially and economically disadvantaged persons and women-owned small businesses.

Eligibility Guidelines:

- Companies must have no conflict of interest with any of the 5 Federal Agencies participating.
- Companies must be a privately owned proprietorship, partnership, corporation, joint venture, association, trust, or cooperative - and for-profit.
- Not more than 500 employees, including affiliates, and business must be 51% owned and controlled by US citizens or permanent resident aliens.
- Must first participate in Phase 1 before eligible for Phase 2 funding.
- The small business must find new technology initially developed at a Federal Lab or University and then set up an STTR program to transfer the use of the technology into the private sector and commercialize it.
- Or, a small business is doing research and development and/or has their own new technology, and a Federal Lab or University has the expertise and facilities needed to develop its commercialized use.

Assistance Available:

- Phase 1 grants up to \$100K (varies by agency) for twelve months, to evaluate the scientific technical merit and feasibility of an idea/project.
- Phase 2 grants up to \$500K (varies by agency) for 36 months, to expand the results of and further pursue the project through research and development activities such as prototype creation and testing, clinical trials, etc.
- No SBIR funds for the “commercialization” phase 3 of the project.
- Amount of work/research subcontracted to research institutes or partners cannot exceed 2/3 of total award (\$67,000).

Contact & Application Information:

- Business & Community Services
Bill Witt, Special Projects Assistant
University of Northern Iowa, 128 Curris Bldg.
Cedar Falls, IA 50614
Phone: 319-273-3178 Fax: 319-273-6830
Bill.witt@uni.edu www.bcs.uni.edu

E.) Iowa Economic Development Programs

1. SBA 504 Certified Development Company (CDC) Loans

Goal: CDC's are nonprofit corporations set up to contribute to the economic development of their communities. In conjunction with the SBA, they provide growing businesses with long-term fixed-rate financing for major fixed assets. The 504 projects designed to enable small businesses to create and retain jobs.

Eligibility Guidelines:

- Small businesses for profit, independently owned and operated, not dominant in field of operations, tangible net worth of less than \$7 million and after-tax average income for previous 2 years cannot exceed \$2.5 million per year.
- Firm must create/retain one job for every \$35,000 of debenture funds used.
- Ineligible businesses include speculation or investment, small contractors, and retail.
- Funds may be used for acquisition of land or buildings; building construction or improvement; purchase of machinery and equipment with a minimum useful life of 10 years; or other direct, eligible costs associated with project costs such as appraisal or construction interest.
- Funds may not be used for non-fixed assets; working capital; accounts receivable or inventory; refinancing of existing debt; passive holding of real estate; or speculative purposes.

Assistance Available:

- Long term financing for major fixed assets such as purchasing land or improvements; constructing, modernizing, renovating, or converting existing facilities; purchasing machinery and equipment (rolling stock is ineligible).
- A loan with a senior lien from a private-sector lender (covering a percentage of the entire cost).
- A loan secured with a junior lien from a CDC (a 100% SBA-guaranteed debenture).
- A contribution of at least 10% equity from the borrower.
- Maximum debenture by the SBA is usually \$750,000 (could be up to \$1.5 million), minimum \$50,000.
- No more than 20% of the project financing can be federal in nature.
- CDC loans based on 10 or 20 year U.S. Treasury bonds with interest.

Contact & Application Information:

- Black Hawk Economic Development, Inc. (319) 235-2960 Fax: (319) 235-9171
Stephen A. Brustkern, Executive Director Email: BHEDC@aol.com
304 South Street Web: www.bhed.org

2. Iowa Economic Development Revolving Loan Funds

Goal: To promote new business start-up, expansion, and/or retention projects. Fosters capital investment, as well as, job creation and retention. Usually viewed as a “gap-financing” program.

Eligibility Guidelines:

- Small business; for-profit; independently owned and operated; not dominant in its field of operation and meets certain employment and/or sales standards.
- Projects are reviewed on a competitive basis with emphasis on manufacturing, commercial services, or wholesaling of commercial goods.
- Funds to be used for the following: acquisition of real estate -land and buildings; building construction or improvement; purchase of machinery or equipment; working capital.
- Uses are not for lending, investing or gambling activities, or for agricultural, pay-off of loans at risk, or speculative purposes.

Assistance Available:

- Direct Loans – Usually made concurrent with a participating loan from a commercial lender, and does not exceed 25% of the total project cost or \$50,000 (whichever is less). Loans for fixed assets are not to exceed ten years and working capital loans do not exceed five years. Interest rates are at or below prime and based upon the application and financial need.
- Loan Guarantees – Used to facilitate a commercial lender, direct loan with the guaranteed portion of the loan based upon the merits of the application and financial need of the applicant.

Contact & Application Information:

- Black Hawk Economic Development, Inc. (319) 235-2960 Fax: (319) 235-9171
Stephen A. Brustkern, Executive Director Email: BHEDC@aol.com
304 South Street Web: www.bhed.org

4. IRP Program

Goal: To improve the economic well-being of the service area through business start-up, expansion, and/or retention projects; increase diversification of the economic base; develop exporting; create opportunities for minority groups; increase capital investment; generate tax revenues; create and retain jobs.

Eligibility Guidelines:

- Must be a small, for-profit, independently owned business not dominant in its field of operation.
- Business must certify at least 10% of workers are/will be from below poverty line income groups.
- No delinquent debt to the federal government.
- Projects whose primary operation involves manufacturing, commercial services, or wholesaling.

Assistance Available:

- “Gap-financing” that promotes direct financial assistance when reasonable financing can’t be obtained.
- Funds for acquisition of real estate, building construction or improvement and working capital.
- A guaranty fee of 1-2% on the guaranteed portion of the loan is charged.

Contact & Application Information:

- Black Hawk Economic Development, Inc. (319) 235-2960 Fax: (319) 235-9171
Stephen A. Brustkern, Executive Director Email: BHEDC@aol.com
304 South Street Web: www.bhed.org

F.) Community and Downtown Development Programs

1. New Markets Tax Credit

Goal: To encourage investment in businesses active in low-income areas and communities, through a tax incentive to lenders. The program is to benefit communities that historically have had poor access to capital, including downtown areas.

Eligibility Guidelines:**Assistance Available:**

- Tax credit to the investor (typically banks or corporations, organizations or individuals), at 39% over 7 years.
- Financing of business start-up costs, additional inventory, location expansion, or commercial building rehabilitation.

Contact & Application Information:

- Thom Guzman, Executive Director
Iowa Main Street

2. Main Street Revitalization Program

Goal: To make funds available at favorable rates for lending to Main Street communities in Iowa.

Eligibility Guidelines:

- Community development projects with design appropriateness.
- Loans must be made by banks that are members of the Federal Home Loan Banks, through the Iowa Finance Authority.
- Borrower must show community support evidenced by local contributing effort.
- Borrower must invest a minimum of 10% of project cost.

Assistance Available:

- Loans for commercial development projects, including downtown infill and rehabilitation of upper floor housing in mixed-use buildings.
- Loans of \$50,000 to \$250,000 per project for 3 to 15 years at 30-year amortization.
- Loan interest of 1.125% above the CIP/CIA rate (found at www.fhlbd.com) with a 1% origination fee

Contact & Application Information:

- Iowa Finance Authority Phone: (515) 242-4965
Lori Beary, Community Development Finance Officer Email: lori.beary@ifa.state.ia.us
100 E. Grand Ave. Suite 250, Des Moines, IA 50309

3. Enterprise Zones (EZ)

Goal: To provide incentives to businesses willing to invest in facilities and create jobs in economically distressed areas.

Eligibility Guidelines:

- Project must create at least 10 jobs, with wages at 90% of the average regional rate, and 80% paid employee health and dental insurance.
- Include a capital investment of at least \$500,000.

- Cannot be a retail establishment, or a business relocating from another part of Iowa to obtain the incentives and benefits.

Assistance Available:

- Property tax exemptions on all or part of the land and buildings cost for up to 10 years.
- An investment tax credit of up to 10% for machinery, equipment, buildings and improvements.
- A 13% research and development activities tax credit.
- Double income tax withholding credit for community college job training programs.
- Employee withholding tax credits of 1.5% for eligible new jobs, if employee housing is located within the EZ zone.

Contact & Application Information:

4. Consolidated Urban Revitalization Areas (CURA)

Goal:

Eligibility Guidelines:

Assistance Available:

Contact & Application Information:

5. Tax Increment Financing (TIF)

Goal: To provide economic development and urban renewal incentives, in the form of property tax rebates.

Eligibility Guidelines:

- Redeveloped and/or new construction projects.
- Project investment must increase taxable property valuation by a least 10% and annual tax by \$500.

Assistance Available:

- 100% tax abatement, less debt service (approximates 85%), for a maximum term of 10 years.

Contact & Application Information:

- Contact your city or county development office.

6. Local Industrial Tax Abatement

Goal:

Eligibility Guidelines:

Assistance Available:

Contact & Application Information:

G.) Job Creation/Retention Programs

1. New Jobs Tax Credit

Goal:

Eligibility Guidelines:

- Iowa businesses entering into a state training program agreement, increasing their workforce by at least 10%.

Assistance Available:

- An Iowa corporate, income tax credit equal to 6% of the state unemployment insurance taxable wage base. The tax credit can be carried forward for up to 10 years.

Contact & Application Information:

2. Iowa Retraining Program

Goal:

Eligibility Guidelines:

- Iowa businesses that are retooling and whose workforce are at risk of displacement, unless retrained.
- Retail, health, and professional service businesses are not eligible.

Assistance Available:

- Funding in the form of loans or forgivable loans up to \$50,000.
- Grants for up to \$5,000 per business for short-term training projects such as TQM.

Contact & Application Information:

3. Community Economic Betterment Account (CEBA)

Goal: To provide financial support to businesses and industries in order to create new job opportunities and/or assist in the retention of existing jobs.

Eligibility Guidelines:

- Awards are based on job creation/retention estimates; employee wage rates; competition with other Iowa firms; community economic impact, of the project.
- Project must provide a minimum entry wage equal to the county's average manufacturing wage.
- Applications are underwritten by the city or the county and awards are reviewed monthly on a competitive basis, by the State's Economic Development Board.

Assistance Available:

- Awards in the form of a zero or low-interest, or forgivable loan, usually in an amount between \$50,000 and \$250,000, for acquisition of land; construction/reconstruction of a building; acquisition of machinery and equipment; working capital.
- Awards typically limited to the less of 25% of the project cost, or \$2,000 per job created/retained.

Contact & Application Information:

- Cedar Valley Economic Development Corporation

4. Iowa Industrial New Jobs Training

Goal: To provide customized classroom instruction, on-the-job training and other training activities for employees in newly created jobs.

Eligibility Guidelines:

- Companies that produce products or provide services in interstate commerce.
- Retail, health, and professional service businesses are excluded.

Assistance Available:

- Reimbursement for up to 50% of new employees' wages for on-the-job training.

Contact & Application Information:

5. New Jobs and Income Program (NJIP)

Goal: To increase assistance to new and existing businesses in Iowa, making a significant investment to provide above average wages for Iowa production workers.

Eligibility Guidelines:

- Must consist of a capital investment of 10 million dollars or more.
- Provides a median wage of \$12.24/hour for 50 full-time production workers, and provide at least 80% of a health insurance plan.
- Be approved through a local ordinance or resolution.
- Business must not have closed or significantly reduced an existing Iowa plant and qualify in three additional areas such as: occupy a vacant 20,000 sq. ft.; invest 1% annually in workers training; offer day-care; produce value-added goods or services; or offer pension or profit-sharing plans.

Assistance Available:

- Doubling of job training reimbursements.
- Property tax abatements of up to 100% value-added and for up to 20 years.
- A 10% investment tax credit and a refundable 13% research and developments activities tax credit.
- A 6% sales and use tax refund on materials and services used in building the facility.

Contact & Application Information:

H.) Historic Property Programs (Multiple Program use is encouraged)

1. Historical Tax Credits

Goal:

Eligibility Guidelines:

Assistance Available:

- A 10% investment tax credit for the rehabilitation of buildings 50 years old, and an additional 10% for property listed on the national register.

Contact & Application Information:

2. Temporary Property Tax Exemption for Substantial Rehabilitation

Goal: To provide incentives for the renovation and restoration of properties with historical value.

Eligibility Guidelines:

- Historic properties that meet the Secretary of the Interior’s Standards for Rehabilitation as certified by the State Historic Officer.
- Properties must be listed on the National Register, be evaluated as National Register eligible, contribute to national or local historic districts, or be designated as a public historical landmark.

Assistance Available:

- Property exemption from any increase in valuation for four years.

Contact & Application Information:

3. Historic Resource Development Program (HRDP)

Goal: To provide funding assistance for the restoration and preservation of historic places.

Eligibility Guidelines:

- Properties must be listed on or eligible for the National Register of Historic Places.
- A certificate from the State Historic Preservation Officer (SHPO) must accompany the application.
- Rehabilitation work must meet the SHPO and the Secretary of Interior’s Standards for Rehabilitation.

Assistance Available:

- Matching grants for work on historic properties, including business.

Contact & Application Information:

- Kathy Gourley, Historic Resource Development Program Coordinator Phone: (515) 281-6913

5. Rehabilitation Investment Tax Credit

Goal: To provide a federal incentive for the sensitive rehabilitation of historic structures, to revitalize the neighborhoods in which they are located.

Eligibility Guidelines:

- Structures on the National Register of Historic Places or evaluated as meeting the qualifications set, are eligible for a 20% tax credit on qualified rehabilitation expenditures.
- Structures used or occupied prior to 1936, not listed on the National Register; to be used for non-residential purposes, such as commercial or industrial processes, are eligible for a 10% tax credit.
- For both programs, there must be substantial rehabilitation within a 24-month period.

Assistance Available:

- A 10% to 20% tax credit for qualifying businesses and projects.

Contact & Application Information: