

## **FINANCIAL ASSISTANCE**

County Programs and Incentives  
NWIPDC Economic Development RLF  
State and Federal Programs  
Community Tax Incentives

Funds are available to qualified projects. Fund availability may be subject to legislation



### **O'Brien County Revolving Loan Fund**

The objective of the O'Brien County Economic Development Revolving Loan Fund is to further the public purpose of economic development through joint private and public investments that involve the creation of new jobs and income, or the retention of existing jobs and income which would otherwise be lost.

Revolving Loan Funds may be used for the following:

Land Purchases

Building Purchases

Building Construction

Machinery Purchases

Equipment Purchases

Any other uses deemed appropriate by the O'Brien County Revolving Loan Fund Committee

Length and project terms may be based on the following criteria:

0 - 2 Years 40% of commercial interest fixed rate available to the applicant

2 - 4 Years 50% of commercial interest fixed rate available to the applicant

4 - 6 Years 70% of commercial interest fixed rate available to the applicant

6 - 8 Years 80% of commercial interest fixed rate available to the applicant

8 - 10 Years 100% of commercial interest fixed rate available to the applicant

### **Tax Increment Financing**

Tax Increment Financing (TIF) is a process whereby the taxes generated by *new* development are captured by the County and utilized to finance public improvements within the county or related to a specific economic development project. The way it works is that O'Brien County captures all *new* taxes generated in specific areas created for the purpose of economic development or the elimination of slum and blighting influences. We then may utilize these funds for the installation of sewers, water mains, storm sewers, street construction, or acquisition and clearance.

## **Tax Abatement**

A different program business owners might take advantage of is tax abatement. The County may abate the property taxes on new developments for a period of years. The

## **O'Brien County Enterprise Zone**

O'Brien County has been designated as a State Enterprise Zone. Tax credit incentives are offered to qualifying businesses that locate to O'Brien County zones, or developers who build housing units in an Enterprise Zone or businesses that hire workers who live in the Enterprise Zone.

- Additional funding for training new employees. If applicable, these funds would be in addition to those authorized under the Iowa New Jobs Training Program.
- A local property tax exemption on the value added to the property.
- A refund of state sales, service, or use taxes paid to contractors or subcontractors during construction.
- An investment tax credit of **up to** a maximum of 10% of the new investment in machinery and equipment, land, buildings, and improvements to existing buildings. This Iowa tax credit may be carried forward for up to seven years or until depleted.
- An additional research and development tax credit of **up to** 6.5%, which may be refundable. This Iowa tax credit is based on increasing research activities within the state and is available while the business is participating in the program for up to 10 years.

To receive these benefits, businesses must:

- The business must make a minimum capital investment of \$500,000.
- The business must create at least 10 full-time, project-related jobs and maintain them for at least 10 years.
- The business provides all full-time employees with the option of choosing a standard medical and dental insurance plan of which the business pays 80% of the premiums or a monetarily equivalent benefit.
- The business must pay an average wage that meets or exceeds 90% of the average county or regional wage, whichever is lower. (Check with the IDED for the community's current wage requirement.)
- The business can not be a retail establishment or a business whose entrance is limited by cover charge or membership.
- The business can not close or reduce its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.
- The local Enterprise Zone Commission and the Iowa Department of Economic Development must approve the business' proposed project prior to project initiation.

Businesses locating or expanding in an Enterprise Zone may apply for benefits by completing the [application](#) ( MS Word ~ 275k) provided by the IDED. Local Enterprise Zone Commissions review and approve business applications and submits them to IDED, on behalf of the business, for final approval.

For more information contact [Karen L. Mitchell](#) 712-957-1313

## **NWIPDC Economic Development Administration Revolving Loan Fund Program**

The U.S. Department of Commerce Economic Development Administration has awarded Northwest Iowa Planning and Development Commission a revolving loan fund grant in the amount of \$300,626. This grant requires local matching funds in the amount of 100,209. Businesses in seven of the nine counties served by NWIPDC are eligible to apply for low interest loans if their respective county is willing to provide the required local match. These seven counties include Lyon, Sioux, O'Brien, Clay, Buena Vista, Emmet and Palo Alto. These loans will be made to projects where conventional loans were not available and/or the complete amount of financing was not available. The primary goal of this revolving loan fund will be to increase quality employment opportunities in the seven eligible counties through the use of these low interest loans. The interest rate that will be charged is four percentage points below the current money center prime rate as quoted in the Wall Street Journal or the maximum interest rate allowed under State law, whichever is lower, but in no case may the interest rate be lower than 4%. This revolving loan fund will be governed by a loan board consisting of 14 members drawn from the seven participating counties. The membership will consist of one supervisor and one appointee from the business/banking community appointed by the board of supervisors from each county. Potential borrowers should contact NWIPDC to determine their eligibility for a loan.

The following will briefly introduce the program and inform users about its proposed guidelines:

1. Ideally, all loan applications will be forwarded through existing county-wide economic development commissions;
2. A minimum ratio of one permanent job created or retained for every \$10,000 of RLF funds must be maintained. The NWIPDC target will be one job for every \$7,500;
3. The maximum loan amount shall be \$150,000 (or the per capita allocation per county), the minimum loan amount shall be \$5,000;
4. Borrowers will be required to contribute a minimum of 10% personal or business equity into the project;
5. Borrowers will be required to provide evidence that credit cannot be obtained from conventional lending sources;
6. The maximum term of a loan will be 10 years with a portfolio target of five years;
7. A first position is desired, but the loan review committee may negotiate lesser positions depending on the merits of the project;

The following is a partial list of ineligible activities:

8. Public and quasi-public borrowers are not eligible to receive RLF assistance unless it directly benefits an identifiable business concern and there is reasonable assurance that financed activity will result in increased business activity.
9. Private developers are not eligible unless the activity financed is non-speculative.
10. Loans to borrowers for the purpose of investing in interest-bearing accounts.
11. Borrowing to acquire an equity position in a private business.
12. Borrowing to subsidize interest payments on an existing loan.
13. Borrowing to provide the equity contribution required under other federal loan programs.
14. Borrowing to acquire interest in a company, either through the purchase of stock or through the acquisition of assets, unless acceptable justification can be provided (example: saving it from imminent foreclosure).

Anyone wanting additional information on this RLF should contact Ted Kourousis at (712) 262-7225 Ext. 142

## **State and Federal Programs**

**Community Economic Betterment Account (CEBA)** – If your business will create or retain jobs, The State of Iowa offers a program to help you. CEBA provides direct financial assistance to businesses for that very purpose. Forgivable and low interest loans are available to businesses to expand or relocate to Iowa communities.

**Revitalization of Iowa's Sound Economy (RISE) Program** – The State of Iowa Department of Transportation offers this program to provide financial assistance to cities for the purpose of constructing transportation access to facilitate business expansion or growth. Street or rail access projects are fundable under this program.

**Iowa State Targeted Small Business Loan Program** – Women and minorities can take advantage of a loan pool established by the State of Iowa for the creation and expansion of small businesses. Loans are at a 4% interest rate with a maximum of \$25,000 available.

You need only have 10% of the grant amount in cash equity.

**Small Business Administration 7a Program** – The 7a program is a loan guarantee program whereby a business will borrow financing from a local lender of choice for fixed assets or working capital. The loan can be a maximum of \$750,000 with 20% - 50% down payment with terms set by the lending financial institution. The loan is guaranteed by the Small Business Administration.

**Small Business Administration 504 Program** – The 504 program is direct financing from SBA through a local certified development corporation. Rates are fixed for a 20 year term at a rate reduced from bank financing. A total \$1,000,000 is available per project and you can get away with having less down payment than standard financing.

For more information about state programs [www.state.ia.us/ided](http://www.state.ia.us/ided)

One-size-fits-all project review application form.

[http://www.iowasmartidea.com/applications/bus\\_dev/index.html](http://www.iowasmartidea.com/applications/bus_dev/index.html)

## **Community Programs Hartley**

### Tax Incentives:

Commercial City Wide Tax Abatement Program

Enterprise Zone district established in Hartley Industrial Park

New construction or renovations (two options)

Option #1 3 years 100% tax abatement

Option #2 10 year slide:

1st year = 80%
2nd year = 70%
3rd year = 60%
4th year = 50%
5th year = 40%
6th year = 40%
7th year = 30%

8th year = 20%  
9th year = 20%  
10th year = 20%

Industrial Park Tax Abatement Program (located in Tax Increment Financing District)  
Five Year Tax Abatement Program

1st year = 75%  
2nd year = 60%  
3rd year = 45%  
4th year = 30%  
5th year = 15%

### **Paullina**

#### Tax Incentives:

Paullina offers no tax incentives, however such a possibility may be negotiable with the City Council.

### **Primghar**

#### Tax Incentives:

The Primghar City Council and Primghar Advancement Corporation have a very strong relationship and are eager to assist businesses and industries by offering various incentives.

### **Sanborn**

#### Tax Incentives:

Negotiable with the city council

The City of Sanborn may offer financial assistance to new or expanding businesses in the amounts determined by the City and when deemed necessary. Said assistance shall be made in accordance with all applicable laws of the State of Iowa. All financing methods and provisions shall be structured and approved by a contractual agreement between the developer and the City of Sanborn. Said agreement shall be executed before the release of any committed assets.

### **Sheldon**

#### Incentives:

SCDC Revolving Loan Fund-

A loan pool of \$1,000,000 is available to fund new or existing projects ranging from industrial to retail in nature. The projects must enhance local economic development and the activity must not be eligible for conventional credit without the assistance of this loan. The proposed business must be located within 5 miles of the city limits of Sheldon, Iowa. Loan funds must be matched with private resources of no less and 1/3 of the total project cost. Applications are reviewed for eligibility by the Revolving Loan Program Committee. Loan amounts and interest rate are also determined by the committee.

#### Intermediary Re-lending Program-

A loan pool of \$375,000 is available to provide loans to new or existing businesses for the creation or retention of jobs. Applicants must be unable to get credit from private or conventional sources. Funds may not be used to finance more than 75% of a project or exceed \$150,000, whichever is lower. Applicants are reviewed by the Re-lending Program Committee and Farmers Home Administration.

#### Sioux County Revolving Loan Fund-

A loan pool that can provide financing of up to 30% of a project of \$100,000, whichever is lower. Maximum participation will be \$5,000 for every job created within two years. Interest rates depend on the term of the loan. The maximum term of the loans are 10 years. Participation is limited to commercial or industrial projects. Projects must be located in Sioux County.

#### Industrial Property Tax Exemption-

The City of Sheldon offers to exempt from property taxation the actual value added to industrial real estate by new construction, and the acquisition of, or improvement to, machinery and equipment assessed as real estate. The following exemption schedule is applied in such cases:

Year #1: 75%

Year #2: 60%

Year #3: 45%

Year #4: 30%

Year #5: 15%

#### Tax Increment Financing (TIF)-

The City of Sheldon has created Urban Renewal Districts in which to focus public improvements related to the private development of real estate. The incremental value in property tax revenues generated can be utilized to finance such projects as public parking, street improvements, extension of utilities, and site preparation. Application is made to the City Council for approval.

### **Sutherland**

#### Tax Incentives:

Enterprise Zone district established in the Sutherland Industrial Park  
Tax incentives are negotiable with the Sutherland City Council.

Sutherland has two Tax Increment Financing (TIF) Districts:

- 1) Industrial Park
- 2) Housing Edition

## **UTILITY INCENTIVE PROGRAMS**

**MidAmerican Energy Business Loan Program** – The local energy company is a great partner in the development of the community. MidAmerican participates in economic development project through a loan program based on job creation.

**Northwest REC** - Touchstone Electric Cooperative - NWREC participates in economic development projects in their service territory by virtue of a revolving loan fund and utility service hookups.