

# Loans and Bonds

## Which is Right for You?

### Introduction:

The Business Finance Division provides expert advice and finance solutions to help grow your business. Whatever your needs, our professional staff can assist you in determining which loan is best for you. Connect with the resources that make a difference and drive results for your company. Our finance tools are as unique and innovative as the small businesses they serve. Offering flexibility, convenience and competitive pricing, our financing options include loans, bonds and private equity that range from \$500 to \$12,500,000. Many of our best customers are referred by their bankers when their primary line of credit has reached its limit. We have products that: xxxxx.

The STLPartnership CDC (formerly Business Finance Corporation) administers the SBA 504 Loan Program and other small loan programs.

The Industrial Development Authority of St. Louis County, Missouri administers the industrial development bond program (IDB) in St. Louis County. Bonds issued through the program enjoy a tax-exempt status, providing low interest rate-financing for qualifying businesses. Federal law limits the availability of bonds to manufacturers and 501(C)(3) corporations. In addition, low-interest taxable bond programs have been introduced.

### SBA 504 Loan Program

#### If you are looking to save capital when making a fixed-asset acquisition

The SBA 504 loan program is an ideal way to save much-needed working capital when making a fixed-asset acquisition. With an SBA 504 loan business owners can finance up to 90 percent of the project's total cost and lock into a low 20-year fixed rate.

With the SBA 504 loan and its low 10 percent down payment provision, a business owner can retain additional funds to cover a number of expenses. In addition, most of these acquisitions are a direct result of increased business opportunities. The low equity injection keeps cash available to support the continued expansion of the business.

#### SBA 504 Loan Uses

Nearly any project involving the purchase, construction or improvement of fixed assets is eligible for SBA 504 financing:

- Land and building acquisition
- Construction or renovation
- Purchase and/or installation of capital equipment and machinery
- Build-out, leasehold, and site improvements
- Furniture and fixtures
- Soft costs: interim financing, professional fees, appraisal, closing costs, environmental

#### SBA 504 Benefits

Low down payment - With as little as 10% down, you can conserve working capital for other business expenses

Long-term financing - Known for its 10/20 year full amortized structure, it offers longer terms than most banks

Predictable payments - A low, fixed interest rate eliminates fluctuations, improving your ability to plan for the future

Below Market Rates - Combines long-term fixed payments with competitive rates

Loan Scenario: \$1,000,000 Real Estate Project

|          | Loan Amount | % of Project | Collateral           |
|----------|-------------|--------------|----------------------|
| Lender   | \$500,000   | 50%          | 1 <sup>st</sup> Lien |
| Borrower | \$100,000   | 10%          |                      |
| SBA      | \$400,000   | 40%          | 2 <sup>nd</sup> Lien |

#### Eligibility Criteria

Almost any type of business is eligible: manufacturer, distributor, retailer, service company, etc. Startups as well as existing businesses are eligible.

### **BOOST Loan Program**

#### **If you are expanding within St. Louis County and purchasing construction of commercial, owner-occupied real estate and/or equipment**

BOOST is an alternative loan program to the SBA 504 loan and features fewer eligibility requirements including no net worth, income size or personal liquidity limits. This innovative program is for businesses expanding within St. Louis County and is available for the purchase or construction of commercial, owner-occupied real estate and/or equipment.

#### *Boost Benefits*

The program's other benefits include:

- Up to 90 percent financing
- Low floating interest rates
- Variable/fixed rate option
- No prepayment penalty for floating rate

Like the SBA 504 loan program, the borrower's bank lends 50 percent of the total project cost, St. Louis Economic Development Partnership, through the Business Finance CDC, lends up to 40 percent and the borrower injects 10 percent. The term of the BOOST loan is up to 20 years. The bank and borrower negotiates the term and interest rate. The bank loan is senior to the BOOST loan.

#### *Eligibility Criteria*

The BOOST loan program eligibility criteria are similar to the SBA 504 loan program. Applicants must be a St. Louis County business purchasing or constructing commercial, owner-occupied real estate and equipment.

**Project and Loan Size** - While there is no maximum project size, in most cases the maximum BOOST loan is \$500,000. For projects exceeding \$1,250,000, the participating bank loan would exceed 50 percent and/or the borrower equity would exceed 10 percent of the total project cost.

**Interest Rates** - The interest rate on the BOOST loan can be fixed or viable.

**Variable Rate:** The variable rate may change daily. There is no prepayment penalty at any time during the loan term.

**Fixed Rate:** A five-year fixed rate is available. There is a prepayment penalty for a portion of the loan term.

**Loan Fees** - BOOST loan fees include costs similar to those of other loan programs. Please download an application for a complete listing of fees.

**Loan Application** - The BOOST loan program is administered by Business Finance CDC (formerly Business Finance Corporation), a 501(c)(6) organization. The CDC approves all loans and has administered the SBA 504 loan program since 1981.

### **Loans & Bonds: Tax-Exempt Loans & Bonds**

Tax-exempt loans and bonds can be used to finance projects with a useful life between 20-25 years. Tax-exempt loans and bonds can save borrowers up to 30 percent compared to conventional bank financing. The reason is simple; the bond purchaser generally does not pay federal or state income tax on the bonds and, therefore, is willing to accept a lower interest rate.

Below briefly summarizes the types of tax-exempt loans and bonds available through the St. Louis County Industrial Development Authority or St. Louis County Port Authority.

#### ***Bank Qualified Bonds***

***If you are a 501(c)(3) and need less than \$10 million***

Bank Qualified Bonds (BQB) are limited to 501(c)(3) organizations and the paramount cannot exceed \$10 million. This type of tax-exempt bond can often provide an even lower interest rate (compared to bonds that are not "bank qualified") and have been issued to Ronald McDonald House, The Magic House, Nerinx Hall, and the Boy Scouts of America, to name a few.

#### Fee Schedule

- **Application Fees:**  
Fees due to the St. Louis County Industrial Development Authority at time of application for bond issue: \$1,500 non-refundable application fee.
- **Issuance Fees:**  
Fees due to the St. Louis County Industrial Development Authority at time of issuance of bonds: One-half of one percent (0.5%) of the face amount of the bonds
- **Legal fees and other expenses:**  
All legal fees and other expenses incurred by the Industrial Development Authority are the responsibility of the bond obligor. In the event there is no issuance of bonds, applicant shall be required to pay for all expenses incurred by the IDA for work done on behalf of the applicant.

#### ***Tax-Exempt Manufacturing Loans & Bonds***

##### ***If you are a manufacturing company and need funds for "core" manufacturing projects***

Manufacturing companies can realize up to 30% savings in interest expense versus a conventional loan. Tax-exempt loans are limited to "core" manufacturing projects, including: land acquisition, the purchase, renovation or construction of a building, the purchase of new or remanufactured machinery and equipment, and issuance expenses (including the costs of securing a bank Letter of Credit as credit enhancement for the bonds).

#### Fee Schedule:

The fee schedule below is for manufacturing loans and bonds that exceed \$2,000,000. Please note that a separate fee schedule for mini-bonds (\$500,000 to \$2,000,000) follows the schedule immediately below.

- **Application Fees:**  
Fees due to the IDA at time of application for initial bond issue: \$1,500 non-refundable application fee
- **Issuance Fees:**  
Fees due to the IDA at time of issuance of bonds: One-half of one percent (0.5%) of the face amount of the bonds.
- **Legal fees and other expenses:**  
All legal fees and other expenses incurred by the IDA are the responsibility of the applicant. In the event there is no issuance of bonds, applicant shall be required to pay for all expenses incurred by the IDA for work done on behalf of the applicant.

#### ***Mini-Bonds***

##### ***If you need funding for a \$500,000 to \$2 million project***

For smaller projects (\$500,000 to \$2 million), mini-bonds should be considered. These bonds/loans offer lower upfront costs to the borrower.

#### Fee Schedule:

The following fee schedule applies to both manufacturing and 501(c)(3) tax-exempt bond issuances between \$500,000 and \$2 million.

- IDA Application Fee: \$1,000
- Bond Counsel Fee: \$13,500
- IDA Issuance Fee: 0.25% for bonds less than \$1M; 0.375% for bonds from \$1M to \$2M
- IDA Counsel Fee: \$1,000 - \$1,500

#### Legal fees and other expenses:

All legal fees and other expenses incurred by the IDA are the responsibility of the bond obligor. In the event there is no issuance of bonds, applicant shall be required to pay for all expenses incurred by the IDA for work done on behalf of the applicant.

### ***Tax-Exempt Bonds 501(c)3 Organizations***

#### ***If you are a non-profit contemplating a major capital project or refinancing existing capital project debt***

Non profit 501(c)3 organizations that are contemplating a major capital project, or simply refinancing existing debt that was incurred for a capital project, can realize significant savings by using bonds. Many organizations in St. Louis County, including schools and senior living facilities, have used tax-exempt bonds to significantly lower their cost of capital.

#### **Fee Schedule:**

The fee schedule below is for 501(c)3 bonds that exceed \$2,000,000. Please note that there is a separate fee schedule for 501(c)3 mini-bonds (\$500,000 to \$2,000,000).

- **Application Fee:**  
Fees due to the IDA at time of application: \$1,500 non-refundable application fee.
- **Authority's Counsel Fee:**  
For review of standard bond documentation, the IDA counsel's fee will not exceed \$ 5,000.
- **Issuance Fee:**  
For bonds of \$10 million or less, the issuance fee is .005, payable at time of closing. No annual service fee will be charged.
- **Annual Service Fee:**  
For bonds greater than \$10 million, the issuance fee is 0.5%, payable at time of closing, on the first \$10 million. In addition, there is an annual service fee, paid in arrears, of 0.02% on the bonds above \$10 million and less than \$40 million. If the bond amount exceeds \$40 million, there is an additional annual service fee of 0.01%, paid in arrears, on the bonds above the \$40 million.
- **Legal fees and other expenses:**  
All legal fees and other expenses incurred by the IDA are the responsibility of the bond obligor. In the event there is no issuance of bonds, applicant shall be required to pay for all expenses incurred by the IDA for work done on behalf of the applicant.

### ***TDD, TIF, CID Bonds***

#### ***If you are are looking for bonds regarding the Transportation Development District, Tax Increment Financing and Community Improvement District***

Please contact the Industrial Development Authority for more information regarding Transportation Development District, Tax Increment Financing and Community Improvement District bonds.

#### **Fee Schedule:**

- **Application Fees:**  
Fees due to the St. Louis County Industrial Development Authority at time of application for bond issue: \$1,500 non-refundable application fee
- **Issuance Fees:**  
Fees due to the St. Louis County Industrial Development Authority at time of issuance of bonds: One-half of one percent (0.5%) of the face amount of the bonds
- **Legal fees and other expenses:**  
All legal fees and other expenses incurred by the IDA are the responsibility of the bond obligor. In the event there is no issuance of bonds, applicant shall be required to pay for all expenses incurred by the IDA for work done on behalf of the applicant.

### ***Taxable Bond Program***

#### ***If your project is not eligible for tax-exempt debt***

When there are elements of a project that do not qualify for tax-exempt bonds, taxable bonds can be simultaneously issued at rates that are competitive to, or even lower than, a conventional bank loan. Thus for projects that are not eligible for tax-exempt debt, it may be cost-effective to consider a taxable loan or bond in combination with the tax-exempt debt.

#### **Fee Schedule:**

- **Application Fee:**  
There is a \$1,500 non-refundable application fee payable to the St. Louis County Industrial Development Authority at time of application for bond issue.
- **Issuance Fees:**  
An issuance fee of 0.5% is due to the St. Louis County Industrial Development Authority at time of issuance of bonds.
- **Legal fees and other expenses:**  
All legal fees and other expenses incurred by the St. Louis County Industrial Development Authority are the responsibility of the bond obligor. In the event there is no issuance of bonds, applicant shall be required to pay for all expenses incurred by the IDA for work done on behalf of the applicant.

### ***Refunding of Bonds***

#### ***If you want to refinance to lower your interest rate or extend the final maturity***

Depending on existing prepayment provisions and current market conditions, tax-exempt loans or bonds can be refinanced to lower the interest rate and/or an extended the final maturity.

#### **Fee Schedule:**

A \$1,500 non-refundable fee is due upon submission of an application for refunding of bonds that were issued by the IDA or another issuing authority. For a refunding, the issuance fee is one-half of one percent (0.5%) of the par amount of the bonds.

### ***Specialty Business Loans***

#### ***If you need a loan and qualify in a defined category***

The Business Finance Division's specialty loan program provides supportive finance solutions in defined categories to help grow your business.

#### **Contractor Loan Guaranty**

Oftentimes, small contractors encounter difficulty in obtaining bank loans to finance working capital for construction, manufacturing or service contracts due to a number of factors such as the project size or the contracting company is inexperienced and/or undercapitalized. St. Louis Economic Development Partnership does not lend under this program. It provides the guaranty for up to 90 percent of the bank loan, with the guaranty not to exceed \$50,000 and a minimum guaranty of \$5,000.

The Contractor Loan Guaranty enables contractors to finance the estimated cost of labor and material needed to perform a construction, manufacturing or service contract.

#### **Eligibility Requirements**

- Business or business owner(s) must live in St. Louis County
- Business must have realized annual gross revenues of not more than \$3 million, average over last two years
- Business must be minority owned and operated and/or disadvantaged
- Business has obtained an executed contract

#### **Use of Loan Funds**

- Direct expenses of immediate construction and/or rehabilitation of residential or commercial structures
- Cost of materials, equipment and labor in fulfilling a manufacturing or service contract
- Supplying goods and/or materials to St. Louis County government under a competitive bid process

### ***Brownfields Cleanup Revolving Loan Fund***

#### ***If you need a loan for environmental cleanup***

The Brownfields Cleanup Revolving Loan Fund may be used for environmental cleanup to provide gap financing in redevelopment projects or in connection with pre-development activities such as site assembly preparation and infrastructure needs.

#### Eligibility Requirements

- All loan fund proceeds must be used in St. Louis County

#### Business Benefits

- Financing ranges from \$10,000 to \$75,000
- Funding flexibility for your growing company

#### Micro Loan

St. Louis Economic Development Partnership along with Justine PETERSEN are making micro loans available to businesses located in St. Louis City and County. Justine PETERSEN can work with startup businesses as well as businesses in which the owners may have some credit issues. [Learn more.](#)

#### Business Benefits

- Financing ranges from \$500 to \$50,000
- Repayment up to 72 months
- Interest rates range from 7.75 to 12 percent.

#### Use of Loan Funds

- Almost any business-related purpose
- Working capital
- Equipment purchases or build out
- Vehicles

#### ***St. Louis County Recycling Loan***

#### ***If you need a loan for the development and use of materials recovered from solid waste***

The St. Louis County Recycling Loan provides low interest loans to encourage the development and use of materials recovered from solid waste in manufacturing operations and other businesses.

#### Eligibility Requirements

- Individuals, businesses and non-profit organizations must currently operate or will operate in St. Louis County as a result of the project
- Project must occur in St. Louis County
- Project must be based on a technology, which has been demonstrated beyond the research stage, technically feasible for full-scale operation and comply with all applicable environmental, safety and legal requirements
- Project must result in the final processing or conversion of recovered materials into industrial feedstock or the manufacturer of products from those feedstocks

#### Use of Loan Funds

- Working capital
- Machinery and equipment
- Conversion costs of existing equipment to use recovered materials in the manufacturing process
- Reasonable related costs associated with the two aforementioned fund uses (equipment design or installation, etc.)

#### Business Benefits

- Loan amounts from \$25,000 to \$150,000, however, if legitimate need is presented for a greater loan amount, the Partnership reserves the right to increase the limit
- Loan funds may be used with, and in some instances subordinated to, other loan funds (such as a bank)
- Generally, the interest rate will not exceed the prime rate and may be significantly lower depending on the project's contribution to the loan's objectives
- Loan term, typically five to 10 years, commiserating with the type of assets being financed

#### Eligible Materials

- Most materials currently accepted at sanitary or construction/demolition landfills are eligible for consideration. Recovered materials include post-consumer materials, industrial scrap materials and overstock and obsolete inventories, which would normally go to a landfill.

#### Ineligible Materials

- Recovered metals; white goods; materials and byproducts generated from, and re-used within, an original process (such as mill broke); and materials disposed of at a hazardous waste landfill or materials considered to be hazardous (lead, acids, solvents, etc.)

#### ***STLVentureWorks Revolving Loan***

#### ***If you are a STLVentureWorks client and need a short-term loan***

The STLVentureWorks Loan Program provides short-term (one-to-five year) loans to STLVentureWorks client companies. Funds for this loan program are made available by St. Louis Economic Development Partnership.

#### Eligibility Requirements

- A client company at one of the five STLVentureWorks locations
- Unable to secure financing from the bank or SBA

#### Use of Loan Funds

- Working capital
- Machinery/equipment
- Inventory
- Accounts receivable