

## **Business Incentives and Funding Programs for Business Expansion Kootenai River Development Council; Libby, MT**

The following are funding programs to support your business growth. They are a combination of structured credit deals, grant programs and incentives through federal and state resources. The programs are designed to leverage other sources of private capital. Many of these programs are a competitive application process.

### **Community Development Block Grants (loans)**

These are federal funds that are applied for by the local community (City or County). The federal funds are distributed to the State, and the State will review the Project application for final approval. The monies are low interest loans (2% fixed) to the assisted business for job creation projects that are primary sector industry (business with a focus on out-of-state markets and clients). The application process mirrors that of a bank loan application.

#### **Programs Requirements:**

1. \$25,000 for every job created within 24 months: up to \$400,000 (16 jobs).
2. No hourly wage threshold
3. Funds can be used for working capital, equipment, and building.
4. Funds are structured as a 2% loan with collateral and personal guarantee requirements. Loan amortization is based upon useful life of asset up to 20 years on building, up to 10 years on equipment, up to 7 years on working capital.
5. Requires a business plan, historical financial information if available, and projections.
6. Match requirement: company is expected to have match of 1:1. For every dollar of the loan request, Company must show it has invested equal amount in the form of equity, bank loans (cash in the deal).
7. As the Assisted Business pays back these loans, the payments remain in the local economy as part of the economic development fund.

Website: <http://comdev.mt.gov/Programs/CDBG/CDBGED/Overview>

### **Big Sky Trust Funds for Job Creation:**

The Big Sky Economic Development Trust Fund (BSTF) program is a state-funded program created by the 2005 Legislature. The program's legislative purpose is to assist in economic development for Montana. The actual applicant is County, City or Lincoln County Port Authority. These entities are the grant applicant applying on behalf of the Assisted Business.

#### **Eligible Uses of Funds:**

1. reduction in the interest rate of a commercial loan for the expansion of a basic sector company;
2. relocation expenses for a basic sector company;
3. grant for rental assistance or lease buy-downs for expansion project for a basic sector company;
4. grant for Purchase of Land, Building or Equipment (for the direct use by the assisted business)

### **\$ Amount for Project Funding:**

In Lincoln County (a high poverty County) applicants are eligible to apply for up to \$7,500 for each eligible **net** new job created. Only \$7,125 goes to the Assisted Business. The \$325 per job created is available for administration of the grant.

Example:

10 jobs paying the County average wage:

Total funds available: \$ 75,000

Project Funds for the Business: \$71,250

Grant Administration Funds: \$3,750

**What is an eligible net new job?** a job that pays the County's average wage, \$15.92, in Lincoln County. If benefits are provided, these can be used to compute the hourly wage.

### **Eligible match:**

Match is required. Generally, match can include investment made in the business at the project location no earlier than six-months prior to the BSTF funding approval date. Match should include new, unexpended cash funds available at the time of application that will be invested in the Montana project by the Assisted Business within the contract period (up to 2 years). Match can be sourced from investors or other loans.

Match should be equal to or greater than: \$1 for every \$2 (50% match) of BSTF funds received for businesses in a High-Poverty County (Lincoln County).

### **Application Requirements:**

While there are many documents required to complete the package, but the Assisted Business is responsible for compiling a business plan, projected financial statements, and historical financial statements, summary of the project costs, hiring plan, evidence and use of the match or assurance of availability.

There could be other requirements If you are planning to construct a building, a preliminary architecture report is required as part of the application. For a startup, the State may want to see a feasibility study. This will be impacted by the quality of your business plan.

Website: <http://businessresources.mt.gov/BSTF>

### **Local Economic Development Revolving Loan Funds**

Lincoln County Port Authority and Kootenai River Development Council have a pool of local economic development funds for the purpose of business lending to serve a gap in the financing. Funds are structured as a 5.5% - 6.5% loan with collateral and personal guarantee. Loan amortization is based upon useful life of the asset up to 20 years on building, up to 10 years on equipment, up to 7 years on working capital. We often work with bank financing and take a 2nd lien behind the bank. Requires a loan application, business plan, historical financial information if available, and projections.

## **New Market TAX Credits**

A federal program for projects located in high distress areas such as Libby, Montana. These are typically multi-million dollar projects and require sophisticated documentation. The advantage of the program is it allows the business owner access to risk capital (equity) for their project. The census tracts of south Lincoln County and Libby will qualify for NMTC financing.

## **Montana Board of Investments**

The Montana Board of Investments works to provide creative solutions to financial issues facing new and expanding businesses in the state of Montana. To accomplish this goal, the Board administers a number of different loan programs.

### **Business Loan Participation Program**

- Fixed-rate financing up to 25-years with interest rates posted weekly.
- Job creation credits may reduce posted interest rate up to 2.5%.
- Full credit review using Board underwriting policy.

### **Link Deposit Business Loan Program**

- Fixed-rate financing up to 20-years with interest rates posted weekly.
- Board invests in a one year CD with the lender for the total amount of the loan
- Lender pledges qualifying investments as collateral with State Treasurer.
- CD amount reduced annually commensurate with loan principal pay-down.
- No detailed credit review by Board.

### **Guaranteed Loan Purchase Program**

- Fixed-rate financing up to 30-years with interest rates posted weekly.
- Board purchases 100% of the guaranteed portion of the loan.
- Job creation credits may reduce posted interest rate up to 2.5%.
- No detailed credit review by Board.

### **Value-Added Business Loan Program**

- Maximum 15-year loan term.
- 10-14 jobs created/retained qualifies for a loan rate at 4% for 5 years.
- 15 jobs created/retained qualifies for a loan rate at 2% for five years.
- Jobs created/retained must be by a business adding value to material/products.
- Minimum loan size \$250,000-maximum loan size approximately \$7.5 million (1% of Trust).
- Full credit review using Board underwriting policy.

### **Infrastructure Loan Program (useful for the Port Authority to construct building for your project)**

- Loans to local government for infrastructure improvement used by basic-sector businesses.
- Business for which infrastructure is provided must create at least 15 full-time jobs.
- Loan sized at number of jobs times \$16,666-minimum loan size \$250, 000.
- Full credit review using Board underwriting policy.

## **Primary Sector Workforce Training Program**

The Primary Sector Workforce Training Grant program is a state-funded program that provides grant funds to businesses for training of new full-time and part-time jobs.

USE of FUNDS: Reimburse training costs to include salary of trainer (may be another employee), travel for training, training supplies and development of curriculum.

AMOUNT AVAILABLE: \$5,000 per full time job (\$2,500 per part time job) created paying the average county wage (currently \$15.92 an hour). The Company may base their application on 24 months of job creation.

MATCH REQUIREMENT: There is a requirement for match in the project of \$1.00 of Company investment for every \$3.00 of financial assistance.

General Application Requirements: The Assisted Business is responsible for compiling a business plan, projected financial statements, and historical financial statements, summary of the training costs, hiring plan (list of anticipated positions), and source of the match or assurance of availability.

Website: <http://investmentmt.com/LoanPrograms/Programs>

## **Local Programs:**

Property Tax Abatement-Local Option under the MCA 15-24-1402. In the first 5 years after a construction permit is issued, qualifying improvements that represent a new industry or expansion of existing industry are taxed at 50% of their taxable value. Each year after that the percentage is increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value. Lincoln County can exercise this option.