



Cumberland Valley  
Visitors Bureau



**CUMBERLAND COUNTY**  
ECONOMIC DEVELOPMENT

# **TOURISM INFRASTRUCTURE LOAN FUND (TILF)**

# Official Guidelines

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## Introduction

The Cumberland Area Economic Development Corporation (CAEDC) continuing with its tradition of forward thinking on behalf of the residents and businesses of Cumberland County, is pleased to announce the Tourism Infrastructure Loan Fund (TILF). This unique and innovative initiative is intended to stimulate tourism investment throughout Cumberland County and at the same time address the tourism infrastructure challenges identified in the Randall Report.

According to this report, Cumberland County is in need of upscale lodging. Due to the fact that approximately 69% of lodging properties in Cumberland County were built prior to 1990, 19% from 1995 to 2001, and 12% since 2004, there is a genuine need for property owners to update their locations. In addition, Cumberland County has not adequately developed natural resources such as our riverfronts which can be revitalized and targeted for investment with the right programs, strategy, and vision. The investment generated in these projects will enrich Cumberland County's tourism experience and will make the county more attractive as a tourism destination.

## Eligibility

In order to be eligible to participate, a business must:

- Locate or be located in Cumberland County, PA.
- Be a for-profit or not-for-profit enterprise.
- Be considered a Hospitality Enterprise. A hospitality enterprise is considered as:
  - An enterprise that operates a hotel, motel, or other lodging facility including bed & breakfast
  - An enterprise that operates as a restaurant or food service operation
  - An enterprise deemed as a tourism attraction and regarded to generate specific and quantifiable market reach in the attraction of out-of-town visitors

## Program Requirements

- Maximum loan amount for capital investment uses such as land acquisition and development, buildings, and/or machinery and equipment is 50% of the total eligible project cost or \$50,000 whichever is less.
- Total eligible project costs for land and buildings include acquisition, site preparation and testing, utilities, site mapping, landscaping, legal, and other related costs that are directly associated with the purchase, renovation, or new construction of a building or production facility as well as acquisition, construction, rehabilitation, and engineering, architectural, legal, and other related costs associated with the acquisition and occupancy of a building.
- Machinery and equipment costs may include costs of acquisition, delivery, and installation for equipment newly purchased by the user. This is applicable regardless of whether the equipment has been previously in service with another user. Costs of mobile equipment are eligible, if and only if, such equipment is not titled or registered for highway use.
- Funds can only be used for capital investments. Refinancing and working capital are not considered eligible uses of funds.
- Borrower must demonstrate a 10% minimum capital/equity contribution to the project.

- One full-time job for every \$35,000 that is borrowed from CAEDC must be created or retained. Failure to meet this benchmark will result in an increase of the interest rate to whatever prime interest rate is at the time the penalty is enforced.
- Loans will generally be secured at the highest lien position available. Depending upon other financing the client seeks; CAEDC may agree to accept a secondary lien position on collateral as long as collateral stays within the 100% loan-to-value ratio. All other loan security requirements are determined between the lender and the client.
- The fixed interest rate for all TILF loans is 3.5% for the life of the loan. Target tourism areas (areas deemed by the Cumberland Valley Visitors Bureau to be development priority) will receive a 2.5% interest rate.
- Loan repayment terms may extend up to 15 years for real estate (land or building acquisition and development) and 10 years for machinery and equipment.
- A non-refundable application fee of \$500 will be charged. The application fee will be credited towards loan origination costs if the loan application is funded. Loan origination fee of up to 1.5% plus legal fees and other costs that may be incurred as a result of the loan (i.e. title insurance) must be paid by the borrower.
- Clients may prepay their TILF loans at any time without financial penalty.

## **Loan Considerations, Limitations and Restrictions**

- Clients may lease up to 49% of the space in a building they occupy to tenants who would qualify as eligible small businesses under the CBF program.
- An applicant must be current in payments to all applicable federal, state, and local taxing agencies.
- Clients agree that in exchange for the ability to take part in the TILF program, they agree to allow CAEDC to publicize the project for which the financing is being sought and to promote the client's business growth plans and objectives in the context of expanding market awareness for the TILF program.
- Borrower may be asked to sign an ACH form in order to automatic debit the monthly loan payments.
- The client will maintain insurance on all assets used to collateralize the loan naming the CAEDC as the loss payee in the policy.
- If the loan is collateralized with business assets, and the borrower is leasing the location where the business assets are located, the borrower will need a landlord's waiver signed in order to protect the lender's collateral.
- If the loan is secured by Real Estate, CAEDC will demand title insurance to guarantee CAEDC's lien position in the transaction.

- Personal guarantees are required from anyone that has more than 20% ownership of the business receiving financing.
- All officer's debt should be subordinated to CAEDC.
- The borrower shall inform the lender of any changes in the ownership of the business fifteen (15) days prior to any change taking place.
- The loan will be considered in automatic default if the business is moved outside of Cumberland County. Permission to changes in location may be issued as long as the location is within Cumberland County and written notification has been provided within thirty (30) days in advance of the move.
- A business may not change its industry classification during the loan repayment period. Ex: a restaurant may not reopen as a hair salon. The loan will be considered in default if a business changes its classification without approval from CAEDC. A business may submit a proposal to CAEDC to change its industry classification only as long as the new business type is considered an eligible entity as listed above.
- Borrowers may be asked by the lender, and must agree to provide, annual accountant prepared tax returns within ninety (90) days of the close of the business's fiscal year. In addition, as long as it is reasonable and does not create any unnecessary expenses or financial hardships, the borrower may be asked and shall provide quarterly financial statements including all income and expense statements.

## **Application & Approval Process**

- When a client approaches CAEDC, the staff will pre-screen the applicant to ensure that their business meets TILF criteria and will work with the client to pre-package the business development or expansion project.
- Clients must return the signed Loan Checklist and signed application form with all the necessary support documentation to allow the request to be reviewed and considered.
- In cases where CAEDC may determine a client is not fully qualified to seek financing, CAEDC will work closely with the client and other economic development partners such as the Shippensburg University Small Business Development Center, Community First Fund, HACC Institute of Entrepreneurial Studies, and other partners to provide counseling, education, and business planning services prior to pursuing the financing project.
- The CCED lending officer will be in charge of underwriting the request and issuing an outcome recommendation. The recommendation will be then submitted for final approval to a loan committee panel that will confidentially review the loan request. Final loan determinations and disbursement of funds are expected to take between four to six weeks after all requested information has been submitted to the CCED lending officer.

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