



PACE LOAN PROGRAM

Purpose

PACE helps communities expand their economic base by providing assistance to primary sector businesses that make an investment or create jobs in their community.

Eligibility

The borrower must be a primary sector business as defined by NDCC 1-01-49 and certified by the North Dakota Department of Commerce. A primary sector business is an individual, corporation, limited liability company, partnership or association which through the employment of knowledge or labor adds value to a product, process or service that results in the creation of new wealth.

For purposes of this program, new wealth means revenues generated by a business in North Dakota through the sale of products or services to customers outside of North Dakota or customers in North Dakota if the products or services were previously unavailable or difficult to obtain from a business in the state.

Use of proceeds

Proceeds may be used to purchase real property, equipment and certain working capital requirements. The program cannot be used to refinance any existing debt or for relocation within North Dakota.

Interest rate and fees

A fixed or variable interest rate may be used in the loan participation. The interest rate to the borrower may be as much as 5% below the rate on the promissory note, but not less than 5% below Prime rate with a floor of 1%.

Fees: \$250 minimum origination fee

Loan terms

- Working capital: 1-5 years
- Equipment: 5-7 years
- Real estate: Up to 20 years

PACE Program Example

		Total Payment Without Buydown		Total Payment With Buydown	
Loan Amount:	\$2,500,000.00				
Bank Yield Rate:	6%	Year 1	\$216,446.40		\$91,204.64
Borrower's Rate:	1%	Year 2	\$216,446.40		\$94,319.25
Amortization:	240 months	Year 3	\$216,446.40		\$98,297.21
Payment Frequency:	Monthly	Year 4	\$216,446.40		\$102,189.77
Accrual Method:	Act/360	Year 5	\$216,446.40		\$106,325.83
Community Percentage Factor:	65%				

Buydown requirements

The PACE Fund combines the resources of the local community and the PACE Fund to buy down the interest rate on the loan.

The BND buydown is based on either the total investment OR the number of jobs created. The first three years of job creation will be considered in the allocation. The interest buydown is based on the following matrix:

	BND Buydown	Minimum investment	or	Jobs created
Tier One	\$100,000	\$750,000 - \$1,200,000		2-5
Tier Two	\$200,000	\$1,200,001 - \$2,200,000		6-10
Tier Three	\$300,000	\$2,200,001 - \$3,500,000		11-15
Tier Four	\$400,000	\$3,500,001 - \$4,500,000		16-20
Tier Five	\$500,000	\$4,500,001+		20+

Community percentage: A community percentage factor is assigned to the 200 largest communities within the state. This factor determines the amount of the PACE Fund's participation (65-85 percent) in the funding of the interest rate buydown. It is based on the community's taxable sales and purchases, employment, taxable valuation and population.

Buydown funding: PACE provides a maximum interest rate buydown up to \$500,000 per biennium that is matched by the community. The buydown is matched by the community at the designated participation level listed under Community Percentage Factor. The interest rate to the borrower may be as much as 5% below the rate on the promissory note, but not less than 5% below Prime with a floor of 1%.

Community buydown funding: The funds may come from a local development corporation, contributions, community funds or other community sources in the form of a grant or a loan. The community's portion of the buydown cannot be funded in any way, directly or indirectly, by the borrower or any individual or organization that has financial interest in the borrower. If the community provides its share of the interest rate buydown as loan, interest may accrue. Repayment of principal or interest on the loan from the community shall not commence until the PACE interest buydown has been fully expended.

Community match requirements: The community may meet its matching requirement through direct cash, loans, equity, investments, land, property or infrastructure, and any combination of these. Property tax exemptions or payments in lieu of property taxes are not eligible.

Transfer of funds: A trustee shall be appointed to act as the transfer agent for the buydown. Both the community and the PACE Fund will make payment to the trustee to cover the interest rate buydown.