



Equipment Lease Program Guidelines

Tioga County Industrial Development Agency



Application must be mailed or delivered in person to
Tioga Economic Development and Planning Office
56 Main Street, Owego, NY 13827

Questions: Contact Casey Yelverton, Economic Development Specialist,
yelvertonc@tiogacountyny.gov

Background

Equipment Lease Program:

The Tioga County Industrial Development Agency (TCIDA) was rewarded \$99,000.00 in funds from the USDA Office of Rural Development through its Rural Business Development Grant (RBDG) program for funding to support the development of the TCIDA Equipment Lease Program. The proposed program will address a critical need within the community by providing low interest lease opportunities to start-up and expanding small businesses.

Equipment leasing programs such as this offer numerous benefits for businesses, especially for small businesses striving to manage resources efficiently. Leasing mitigates the burden of hefty upfront costs associated with purchasing equipment outright. This financial flexibility enables businesses to allocate capital more strategically, fostering growth and innovation. Additionally, leasing promotes scalability, allowing businesses to adapt to fluctuating demands without committing to long-term ownership. Crucially, for small businesses, leasing aids in cash flow management, reducing financial strain and increasing operational resilience, ultimately supporting their sustainability and longevity in the competitive market landscape.

This is an Equal Opportunity Program. USDA prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET center at 202-720-2600 (voice and TDD). To file a complaint of discrimination write: USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington DC 20250-9410, or call (800) 795-3272 (voice) or (202)-720-6382 (TDD).

Program Guidelines

TCIDA Equipment Lease Program proposed activities include the following:

1. TCIDA would sign a lease with the business for a specific dollar amount per year for the useful life of the item. The business would agree to perform all required maintenance throughout the lease period as well as carry the proper property and liability insurance. TCIDA would be named as an additional insured. The specific formula for the lease amount is the Purchase Price/number of years of useful life = Lease cost/year. The lease agreement will not exceed 10 years.
2. The business/owner would purchase the equipment via funding through a local financier. The loan contract would ensure that no prepayment penalty existed. At the discretion of the board, TCIDA may consider requests from the business/owner to authorize other purchasing arrangements.
3. Once equipment has been installed, the TCIDA would seek reimbursement for the equipment through the USDA Rural Development by submitting the "Bill of Sale" from the dealer and documentation of installed equipment.
4. Business owner and TCIDA will enter into the lease agreement and TCIDA will file an OCC on the equipment.
5. When the funds are received from USDA, TCIDA would pay off the loan from the dealer or bank.
6. The lessee will make monthly installments with 0% interest.
7. If the lessee were to go out-of-business before the equipment's "useful life" has expired TCIDA will have the right to recapture the equipment and seek a new lessee.
8. The equipment becomes the sole property of TCIDA once the "useful life" has expired. TCIDA will then dispose of the equipment. This will likely be a sale to the lessee for an agreed upon amount.
9. During the above process TCIDA will conduct annual reviews and site visits to ensure equipment is being serviced and maintained properly. TCIDA would submit the required reports regarding the financial status of the program to USDA

Eligibility Requirements

ELIGIBILITY

- Eligible applicants include sole proprietorships, partnerships, corporations and limited liability companies. Leases may also be provided to individuals acting as principals of an eligible entity and who will rent or lease assets to an otherwise eligible applicant.
- The principal business activity that will be primarily impacted by the funds shall be located within Tioga County.
- The equipment lease must result in the creation or retention of employment positions.

LEASING POLICIES

- Term of Leases. For equipment leases, the lease term shall not exceed the useful life of the assets being financed, with such periods being consistent with standard commercial leasing policies. For all leases, the term shall be determined by the TCIDA Loan Committee based upon such factors as the structure of other related project financing, the nature of the collateralized assets, and the applicant's projected ability to repay the lease. The lease term is to not exceed 10 years.
- Lease Payment Terms. The TCIDA Loan Committee will determine the schedule of lease payments on case-by-case basis based on the applicant's projected ability to repay the lease, and the overall risk assumed. Payment terms may involve standard finance charge calculations, periods of finance charge only payments, extended payment schedules with balloon buyout payments and/or such other terms as may be determined by the TCIDA Loan Committee to be appropriate.
- End of Term Purchase. The lease may provide for the purchase of the leased equipment at the end of the lease term for a dollar value established at the time of execution of the lease.

Application Process

- **Lease Applications.** Application for assistance must include all of the information required by the Application form (attached hereto as Appendix A), and any additional information as may be reasonably requested by the Lease Review Committee.
- **Application Fee.** A Two Hundred Fifty and 00/100 (\$250.00) Dollar non-refundable application fee shall be paid at the time of submission of applications.
- **Application Processing.** The processing of loan or lease application will be the responsibility of the Agency staff and the TCIDA Loan Committee and will generally consist of the following: (a) Review of applications for completeness and procurement of appropriate additional information. (b) Review for USDA RBDG program eligibility criteria. (c) Determine economic feasibility, perform credit analysis, and assess risk. (d) Determine amount and terms of lease.
- **Lease Approval.** The TCIDA Loan Committee shall process and review applications and present them to the Agency with recommendations for approval or disapproval. Lease applications may be disapproved at the direction of the TCIDA Loan Committee if the committee determines that USDA funding is clearly inappropriate based on the reviews conducted in accordance herewith. In such instances, the applicant will be notified in writing of the disapproval. (c) Lease Applications may be disapproved by the TCIDA Loan Committee for any reason or reasons which represent a reasonable determination that the approval of the application would not meet the objectives of the programs.

Post Approval Process

Lease Commitment Letter. Within thirty (30) calendar days from the date of the Agency's approval of a lease hereunder, a letter shall be sent to the applicant that includes, at a minimum, the following information: (a) The lease payment, the term of the lease, the end of term purchase price of the equipment, if applicable. (b) A list of eligible equipment to be purchased by the business and leased to the applicant. (c) Summary information regarding employment requirements. (d) Any other conditions of leasing. (e) A listing and explanation of any fees to be charged and other closing costs that will be the responsibility of the applicant. (f) A listing of those conditions and requirements of the lessee that must be fulfilled precedent to execution of the lease. (g) Any other information that could reasonably be expected to influence the applicant's decision to accept the terms of the lease commitment.

Lease Execution. The agency attorney shall have the responsibility to prepare and/or require the preparation of the lease and related documents. The lessee shall be required to pay all closing costs incurred. The Agency Attorney shall determine the appropriate lease documents to be executed based upon the terms and conditions of the lease approval and standard commercial leasing policies. Such documents shall generally include the following: (a) A lease agreement that includes a description of the equipment to be leased, the lease payment, the end of term purchase price of the equipment, if applicable, appropriate representations and warranties, the conditions of leasing, affirmative and negative covenants – including compliance with applicable federal laws and regulations, requirements regarding employment creation and reporting, default provisions, and any other provisions which may be appropriate. (b) Other appropriate documents as determined by the agency attorney.

Financing Statements. The agency attorney will be responsible for the execution and filing of financing statements.

Execution of Lease. Following purchase, delivery, and installation of all equipment, the Agency and the lessee shall execute a lease agreement and related documents.

Fees; Administration. (a) TCIDA Fee. The TCIDA Administration Fee to cover administrative expenses associated with TCIDA lease shall be two (2%) percent of the value of the equipment subject to the lease. (b) Agency Attorney Fee. The Agency Attorney shall charge a fee equal to the greater of one (1%) percent of the value of the equipment subject to the lease or Five Hundred and 00/100 (\$500.00) Dollars, plus disbursements.

Lease payments: Direct deposit is required for monthly lease payments.