

BSBDC EEZ Economic Policies and Incentives



We're Making a Big Difference in the
**Economic
Empowerment
Zones**



BSBDC
Bermuda Small Business
Development Corporation

In March 2006, the Bermuda Small Business Development Corporation was mandated by the Minister of Finance and Economic Development with establishing an Economic Empowerment Zone (EEZ) in North East Hamilton.

As stated in the Throne Speech 2005 *“The Government also believes, and the Social Agenda requires, that an Economic Empowerment Zone be developed in North Hamilton and elsewhere to encourage and protect often overlooked entrepreneurs”*.

Since that time, we have been continuously working with the stakeholders in North East Hamilton to address the socio-economic and physical issues found within this historic part of the City of Hamilton which have hampered businesses, property owners and residents alike from reaching their full potential.

At the BSBDC Economic Empowerment Zones Agency (EEZA) we understand the challenges of entrepreneurs – those challenges of starting a small business, sustaining that business, and helping it to prosper and grow. We also understand the challenges of property owners – the challenges with purchasing land, leasing property, and maintaining it’s physical and market value. Through understanding these challenges, we have established a number of economic policies and incentives to assist those stakeholders in North East Hamilton.

We recognise that we will have to be vigilant in understanding current financial conditions, assessing our present economic environment, and scanning the horizon for future opportunities so that we can always offer the best assistance at the right time to EEZ stakeholders. This brochure summarises the list of current incentives and aids that exists for EEZ stakeholders to take advantage of. These products are administered through the BSBDC EEZA.

BSBDC EEZ Small Business Grant of Technical Assistance and Advice

The BSBDC EEZA has made funds available for issuing grants of up to \$10,000 each in order to finance small business planning and development in an Economic Empowerment Zone.

What is the purpose of the Grant?

The grant will give you access to some of the seed money you need to set your business on the right path to success. By making payments directly to your service provider/vendor, the BSBDC will use grant monies to help you with financing such things as:

- Your Business Plan
- Renovation and/or development plans
- A marketing or branding/rebranding plan
- A retainer contract for accounting services
- Incorporating your business
- Obtaining legal business advice
- Other non-working capital schemes

Who can apply?

If you are a business based in an EEZ, and this is your first and/or only business, you are eligible. By the Bermuda Small Business Development Corporation Act, a small business is defined as a Bermudian-owned and managed business that operates locally. The other two criteria are that the business' annual gross payroll does not exceed \$500,000 and that its annual sales revenue is less than \$1 million.

Further Details

Additional information on how to apply for a grant, the process, and the terms and conditions can be found in the brochure entitled "BSBDC EEZ Small Business Grant of Technical Assistance and Advice".

BSBDC EEZ Small Business Loan of Working Capital

The BSBDC EEZA has made funds available through loans to help develop and cultivate entrepreneurship in an Economic Empowerment Zone. The details of the loan programme are as follows:

- Loan amounts up to \$10,000
- No annual interest (0%)
- Repayment terms up to 12 months

What is the purpose of the Loan?

The loan can provide you with some of the funding you require in order to grow your business. The purpose of this loan is to assist small businesses with working capital financing for temporary issues such as:

- Seasonal inventory purchases
- Additional seasonal staff wages

- Additional/new equipment purchase
- A retainer for financial services provider
- Other working capital schemes

Who can apply?

If you are a business based in an EEZ, and this is your first and/or only business, you are eligible. By the Bermuda Small Business Development Corporation Act, a small business is defined as a Bermudian-owned and managed business that operates locally. The other two criteria are that the businesses' annual gross payroll does not exceed \$500,000 and that its annual sales revenue is less than \$1 million.

Further Details

Additional information on how to apply for a loan, the process, and the terms and conditions can be found in the brochure entitled "BSBDC EEZ Small Business Loan of Working Capital".

BSBDC EEZ Customs Duty Deferment

The BSBDC EEZA has developed a process by which business and property owners located in an EEZ can take advantage of a deferral of customs duty for capital projects and endeavours.

What is the purpose of the duty deferral?

The purpose of this initiative is to allow business and property owners the ability to undertake significant capital projects or purchase capitalized items that will help their business to grow or property to thrive, while giving them the option to pay the duty associated with those investments over time when they are in a much healthier financial state. The customs duty deferral policy gives EEZ stakeholders room to breathe while building their investments.

The customs duty deferral can be applied to all imported goods, materials, merchandise and construction and other equipment used in the construction or development of a project that meets the intent of the approved scheme. The deferral will NOT apply to:

- Goods considered inventory for resale;
- Goods for reuse on another project or property outside of the EEZ; or,
- Normal operating supplies (e.g. replacement light bulbs, cleaning supplies, office supplies, stationery etc.).

Who can apply?

The customs duty deferment is only available to the owners of properties or businesses located within an EEZ. Further, the business must be registered with the Bermuda Small Business Development Corporation.

Further Details

Additional information on how to apply for the deferment, the process, and the terms and conditions can be found in the brochure entitled “BSBDC EEZ Customs Duty Deferment”.

BSBDC EEZ Payroll Tax Concession

In order to encourage and attract businesses to start up in an EEZ the BSBDC EEZA has developed a process for a reduction in the Payroll Tax Rate for new businesses established in the zone. The details of the concession are as follows:

- A concessionary Payroll Tax rate of 4.75% will be offered to new businesses
- The concession is available up to a maximum of 9 tax periods

What is the purpose of the payroll tax concession?

The purpose of this initiative is to attract new businesses to an EEZ and allow these start-up businesses an opportunity to grow and thrive over a 2 year period. The concession allows new businesses to be attracted to an EEZ while giving them breathing space to grow the business financially through reduced overhead costs.

Who can apply?

Any new business that established a physical presence in an EEZ after July 1st 2007 can apply to take advantage of the concession. Further, the business must be registered with the Bermuda Small Business Development Corporation.

Further Details

Additional information on how to apply for the concession, the process, and the terms and conditions can be found in the document entitled “BSBDC EEZ Payroll Tax Concession”.

EEZ Partnerships

While the BSBDC EEZA is working diligently with residents, businesses, and property owners in

the EEZ, we understand the power of collective support from others. As such, we are pleased to form partnerships with two key financial institutions in Bermuda – HSBC Bank of Bermuda and Butterfield Bank.

These institutions have pledged commitment to bringing about the renaissance of North East Hamilton through offering preferential lending rates and terms for EEZ stakeholders. It is expected that this support will continue through to future EEZs when they are established.

What is the purpose of these partnerships?

HSBC Bank of Bermuda and Butterfield Bank are committed to giving something back to the community which results in businesses and properties growing and thriving. Their EEZ commercial loans will inject capital directly into North East Hamilton's fledgling industries, while the EEZ home loans will revitalise and enhance the existing built environment in the area. The various partnership agreement products are outlined in detail below.

Who can apply?

Any qualifying business, residence, or property owner located in the EEZ can apply. An introductory letter to the banks may also be required from the Bermuda Small Business Development Corporation.

Further Details

Additional information on the bank partnerships can be obtained from the BSBDC EEZA Director at 296-4339 or the BSBDC Business Development Officer at 292-5570.

HSBC Bank of Bermuda

The Bank of Bermuda has made a commitment of \$25.6 million to finance entrepreneurial, commercial and development projects in the North East Hamilton Economic Empowerment Zone. The Bank will provide structuring advice and make available three different forms of financing. The commercial development loan and small business loan will offer below market interest rates and special terms and conditions. The Bank will also consider private equity investments for transactions with the appropriate risk/return profile.

Commercial Loans

Purpose:	Property renovations, refurbishments, commercial/apt/condo development
Loan Period:	Up to 30 Years
Amount:	Up to \$3M or more if the deal makes sense
Pricing:	Base + 1.00%
Fees:	None
Conditions/Collateral:	90% LTV

Small Business Loans

Purpose:	Short term business loan
Loan Period:	Up to 5 years
Amount:	Up to \$150,000
Pricing:	Base + 2%
Fees:	None

Residential Loans/Mortgages

Purpose:	Home Equity
Loan Period:	Up to 30 years
Amount:	Up to \$1M at 85% financing/Up to \$750K at 95% financing
Pricing:	For 85% Mortgages: Staggered 10 Years, Base + 2.25%; 30 Years, Base + 3.50% For 95% Mortgages: Staggered 10 to 30 Years, Base + 3.50%
Fees:	1% of the borrowed amount
Conditions/Collateral:	85% LTV/95% LTV

Short Term Home Equity Loan/Line of Credit

Purpose:	Home Improvement, debt consolidation, personal uses etc
Loan Period:	1 to 10 Years / 5 YEAR TERM
Amount:	Min \$30,000; Max: 40% of available equity
Pricing:	Base + 2%
Fees:	0.50% of the amount borrowed/No annual fee
Conditions/Collateral:	Memorandum of Deposit of Deeds/Equitable Mortgage over Property

*Notes - Maximum term for non-owner occupied property is 25 year.

Butterfield Bank

Butterfield Bank has pledged to inject \$15 million into financing the commercial and residential projects in the North East Hamilton Economic Empowerment Zone (EEZ). The money will be advanced to qualifying businesses and residents of the EEZ via preferential rates and terms for small business, commercial, home equity and historic home loans.

Small Business Loans

Facility:	Business Loan
Purpose:	Business uses
Loan Period:	Up to 5 years
Amount:	Up to \$1 million
Pricing:	Base + 2%
Fees:	No administration fees

Commercial Loans

Facility:	Development Loan
Purpose:	Property renovations, refurbishment, commercial, apartment/condo development
Loan Period:	Up to 30 Years
Amount:	Up to \$2.5 million
Pricing:	Base + 1.15%
Fees:	No administration fees
Conditions:	Up to 90% LTV as security, property owned prior to June 2007

Residential Loans

Facility:	Home Equity Loan
Purpose:	Home improvement, debt consolidation, personal uses, etc.
Loan Period:	Up to 30 years
Amount:	Up to \$1 million
Pricing:	Base + 1% for 3 years, increasing to Base + 1.50% for remainder of term
Fees:	No administration fees. No Bank appraisal fees
Conditions:	Up to 85% LTV as security, property owned prior to June 2007

Facility:	Historic Home Loan
Purpose:	Restoration, renovation, repairs, maintenance
Loan Period:	Up to 7 years
Amount:	Up to \$200K

Pricing:	Interest free when property is Bermuda-Listed
Fees:	No administration fees. No Bank appraisal fees
Conditions:	Up to 85% LTV as security, property owned prior to June 2007 – Government planning department and HBAC approval

Rates and terms subject to change.

Related Incentives

While this brochure has outlined the economic policies and incentives put in place specifically by the BSBDC Economic Empowerment Zones Agency to directly assist stakeholders located in the EEZ, there are a number of initiatives which the Minister of Finance and Economic Development has established for the broader business and retail community. These initiatives may offer additional incentives over and beyond what is provided specifically for EEZ stakeholders. As such, it is advisable to contact the Ministry of Finance and Economic Development at 295-5151 ext. 1497 to check for any information on other economic incentive programmes which may be in operation from time to time.

At the BSBDC EEZA we go beyond simply providing funding for EEZ stakeholders. We take a real interest in who you are as an individual, business, and property owner because you are an integral part of the EEZ. We are friendly and open. We are approachable and progressive. We are committed and with you for the long haul. Our ultimate goal is to see you succeed while simultaneously improving North East Hamilton and any future EEZs.

We hope this brochure is of assistance to you as an EEZ stakeholder. However, if you require additional information or clarification, please feel free to contact the BSBDC EEZA Director at 296-4339 or the BSBDC Business Development Officer at 292-5570.



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