

ALLEGHENY COUNTY
DEPARTMENT OF ECONOMIC DEVELOPMENT

SMALL BUSINESS/DISTRESSED COMMUNITIES

REVOLVING LOAN FUND

PROGRAM GUIDELINES

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PART I: DESCRIPTION

ALLEGHENY COUNTY DEPARTMENT OF ECONOMIC DEVELOPMENT

SMALL BUSINESS/DISTRESSED COMMUNITIES

REVOLVING LOAN FUND

SMALL BUSINESS/DISTRESSED COMMUNITIES REVOLVING LOAN FUND

DESCRIPTION

I. PURPOSE OF THE FUND

Allegheny County's Small Business/Distressed Communities Revolving Loan Fund (SBDC) was created to provide low interest loans to businesses located in Allegheny County for the purpose of stimulating job creation, business growth, and enhancement of the tax base.

II. SOURCE OF FUNDS

Funds will be available through Allegheny County's Department of Economic Development ("DOED") utilizing Community Development Block Grant ("CDBG") funds received from the U.S. Department of Housing and Urban Development ("HUD").

III. PROJECT ELIGIBILITY

The following types of projects may be eligible for financial assistance from the SBDC.

A. Fixed Asset Financing

This includes funding, for land, buildings, machinery, equipment, rehabilitation, improvements, construction, and related costs.

B. Operating Funds

This includes operating money reasonably required by the business to sustain its growth as demonstrated by its cash flow analysis. Funding for owner's salaries or debt repayment are not eligible.

PART II: APPLICATION PROCEDURES

ALLEGHENY COUNTY DEPARTMENT OF ECONOMIC DEVELOPMENT

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FINANCING APPLICATION PROCEDURES

I. TARGETED BUSINESSES

Loan Assistance to labor intensive businesses is preferred.

- o Manufacturing
- o Advanced Technology
- o Commercial and Commercial Service
- o Retail and Retail Service (Only in distressed communities shown in Appendix 1)

Ineligible activities include investor/developer projects, debt refinancing, taverns, owned-operator truckers, professional services, personal care and nursing homes, day care centers, restaurants, recreation and fitness facilities, vehicle dealers, adult entertainment facilities, game rooms, and gaming establishments.

II. TARGETED GEOGRAPHICAL AREAS

The SBDC will be made available to businesses located or planning to locate in Allegheny County, excluding these communities with CDBG entitlement programs, unless those communities participate in the project financially or in kind. Businesses located in communities opting out of Allegheny County's CDBG program are not eligible for funding.

III. PROGRAM GUIDELINES

A. Loan Amount

1. Fixed Asset Financing: Maximum of 40 percent of the total project costs not to exceed \$100,000.00.
2. Operating Funds Financing: Maximum of 40 percent of the total project costs not to exceed \$50,000.00.
3. Fixed Asset and Operating Funds Financing: Maximum of 40 percent of the total project costs not to exceed \$100,000.00, inclusive of operating funds, with operating funds not exceeding \$50,000.00.

B. Loan Term

Generally the loan term will reflect the estimated useful life and value of the assets securing the loan.

1. Real Estate: Maximum term of 15 years or the term of the private financing whichever is less.
2. Machinery and Equipment: Maximum term of 5 to 7 years or the term of the private financing whichever is less.
3. Operating Funds: Maximum term of 5 years or the term of the private financing whichever is less. Funds are to be expended no later than 6 months after the loan closing unless an extension is approved by the DOED.

C. Interest Rate

For companies located in communities listed in Appendix 1 the interest rate of the loan will be fixed at 50 percent of the prime interest rate published in The Wall Street Journal at the time of loan approval. For companies located in all other communities the interest rate will be fixed at 75 percent of the prime interest rate.

D. Collateral

All loans will be secured with lien positions, which may be subordinate positions, on acceptable collateral. Guarantees may be required of individuals or entities owning or controlling 20 percent or more of the business.

E. Private Sector Financing

Projects are required to have a combination of cash equity, private sector financing, and/or other public financing, excluding public financing capitalized with CDBG funds, of at least 60 percent of the total loan requests. However, a private regulated financial institution must commit to at least 30 percent of the total loan requests. Private regulated financial institutions include commercial banks, savings and loan associations, and other government regulated lenders. A minimum of 10 percent non-borrowed cash equity is required except in circumstances deemed appropriate by the DOED.

F. Employment Requirements

One job is to be created for every \$30,000.00 loaned or one job retained for each \$15,000.00 loaned as defined by CDBG regulations. For retail and retail service businesses one job is to be created for each \$15,000.00 loaned or one job retained, as defined by CDBG regulations, for each \$10,000.00 loaned. Loan recipients have three (3) years from the date of loan approval to fulfill

their job requirements unless extended by the DOED. Additionally at least 51 percent of the jobs created must be filled by low/moderate income individuals as defined in Appendix 2. Failure to meet the job requirements may result in a retroactive increase in the loan's interest rate to the prime interest rate plus 2 percent.

G. Loan Fees

Application and other loan fees are shown in Appendix 3. All borrowers are responsible for filing fees or other costs incurred (e.g., credit reports) by the DOED with processing the application or closing the loan.

H. Loan Frequency

Additional loans may be available to businesses provided they are current on their existing loan, their job creation requirements have been met, and the loan being financed is a separate and stand-alone project. The maximum loan balances outstanding to any one business entity or affiliate under the SBDC is \$100,000.00. No more than two (2) loans may be outstanding under all Allegheny County CDBG funded loan programs.

IV. SBDC LOAN PROCESSING

A. Pre-Application Process

Potential applicants will meet with DOED staff to discuss the needs of the project and whether the project appears to meet program guidelines. Background information, financial information, and a business plan, if available, will be provided for an initial evaluation of the project by a working group of the DOED. The results of the evaluation are communicated to the applicant and if the decision is to proceed, DOED staff will review the application's processing requirements with the applicant.

B. Application Processing

Applicants, with the assistance of DOED staff, will complete the loan application for submission to the DOED.

Completed applications are initially reviewed by the DOED's Technical Loan Review Committee. This review ensures that the application is complete, the request meets SBDC program guidelines, and the request complies with applicable CDBG regulations. Loan applications meeting the above criteria are sent to the Loan Review Committee. Those not meeting program guidelines may be denied, accepted with waivers granted, or held pending clarification of questions and receipt of further information.

The Loan Review Committee analyzes the credit, collateral, and repayment aspects of the loan request then recommends approval, denial, or modification of the request. Loan applicants are advised in writing of the decision.

C. General Requirements

1. The applicant must meet all deadlines for the submission of documents as required by the DOED. The failure of the applicant to meet the stated deadlines may result in the cancellation of the application, or the applicant's loss of priority position in loan processing.
2. Loan approval will be evidenced in writing to the applicant. Construction activity or equipment purchases prior to loan closing are prohibited without the written authorization of the DOED.
3. Any denial of a loan application by the DOED will be communicated to the applicant in writing. In the event of application denial, the applicant shall bear the cost of any and all expenses incurred in connection with either the preparation or processing of the loan application, including, but not limited to, credit reports, appraisals and feasibility studies.
4. An applicant may withdraw a loan application from consideration for funding at any time by giving written notice to the DOED. The applicant shall bear the cost of any and all expenses incurred to that point in connection with either the preparation or processing of the loan application or documentation.
5. An applicant shall bear the cost of any and all expenses incurred in the preparation of loan documentation which shall be satisfactory to the DOED. All or a portion of these expenses may be financed.

V. LOAN APPLICATION EVALUATION CRITERIA

The following information, which will be requested to aid in the evaluation of the loan application, will be the minimum amount of information required. The DOED reserves the right to request any and all information it deems necessary to evaluate a proposal for SBDC funding.

A. Financial Evaluation

The current performance of the business and the financial status of the proposed owners will be evaluated to determine repayment ability. The evaluation will include, but may not be limited to the following criteria:

1. Financial Status of the Business: This involves an evaluation of prior years' and present financial performance. Financial statements and tax returns for the past three (3) years are to be provided.
2. Financial Status of the Owners: This involves an evaluation of the prior three (3) years personal tax returns, personal financial statements, and credit history. The same evaluation of a guarantor, if applicable, will also be conducted.

3. Projected Cash Flow: Profit and Loss Statements and Cash Flow Statements for the next three (3) years are required.
4. Collateral/Security Analysis: An analysis of the assets securing the loan showing evidence of their useful life should be submitted. Appraisals, when necessary, are to be provided.

B. Business Evaluation

An evaluation of the proposed or present business will include, but may not be limited to the following criteria:

1. Business Plan: The business plan should demonstrate that a market exists for the product or service. Management and business experience of the owners and managers should also be provided.

C. Public Purpose Evaluation

Because there may be insufficient funds to approve all eligible applications, priority will be given to those applications showing a significant "public purpose" or "benefit" based upon an evaluation of the following criteria:

1. The total number of jobs created/retained.
2. The quality of jobs in terms of salary, skill level, stability, etc.
3. The ratio of SBDC dollars to private investment.
4. The amount of alternative funding from sources other than the SBDC dollars invested in the project.
5. The projected tax revenues to Allegheny County and the community in which the project is located.
6. The overall benefit to the community or neighborhood.
7. Projects in Distressed/Act 47 communities and Enterprise Zone communities.

D. General Requirements

1. The applicant's status on delinquencies or defaults on federal, state or local taxes, or on any publicly or privately financed loan will have an effect on eligibility.
2. The conviction of a felony or other serious crime on behalf of any owner, director, principal, shareholder, or partner will have an effect on eligibility.
3. The SBDC loan principal may be due and payable in full in the event the business relocates during the term of the loan.

APPENDIX 1

DISTRESSED COMMUNITIES

<u>MUNICIPALITY</u>	<u>TYPE</u>	<u>MUNICIPALITY</u>	<u>TYPE</u>
AVALON	BORO	WEST MIFFLIN	BORO
BRACKENRIDGE	BORO	WHITAKER	BORO
BRADDOCK	BORO	WILKINSBURG	BORO
BRADDOCK HILLS	BORO	WILMERDING	BORO
BRENTWOOD	BORO		
BRIDGEVILLE	BORO		
CARNEGIE	BORO		
CASTLE SHANNON	BORO		
CHALFANT	BORO		
CLAIRTON	CITY		
CORAOPOLIS	BORO		
DRAVOSBURG	BORO		
DUQUESNE	CITY		
EAST DEER	TWP		
EAST MCKEESPORT	BORO		
EAST PITTSBURGH	BORO		
ELIZABETH	BORO		
ELIZABETH	TWP		
FRAZER	TWP		
GLASSPORT	BORO		
GLENFIELD	BORO		
HARRISON	TWP		
HEIDELBERG	BORO		
HOMESTEAD	BORO		
INGRAM	BORO		
LEETSDALE	BORO		
LIBERTY	BORO		
LINCOLN	BORO		
MCKEES ROCKS	BORO		
MILLVALE	BORO		
MOUNT OLIVER	BORO		
MUNHALL	BORO		
NEVILLE	TWP		
NORTH BRADDOCK	BORO		
NORTH VERSAILLES	TWP		
PITCAIRN	BORO		
PORT VUE	BORO		
RANKIN	BORO		
SHARPSBURG	BORO		
SPRINGDALE	BORO		
STOWE	TWP		
TARENTUM	BORO		
TURTLE CREEK	BORO		
VERONA	BORO		
VERSAILLES	BORO		
WALL	BORO		
WEST ELIZABETH	BORO		
WEST HOMESTEAD	BORO		

MARCH 8, 2006

The following schedule is to be utilized in determining a prospective employee's household income with regard to low/moderate income criteria as defined in Federal Regulation 570.3 (N) and (O). The size of the prospective employee's family is to be compared with the total income in determining low/moderate income people.

CHECK HOUSEHOLD SIZE

CHECK ONE INCOME LEVEL

_____ 1 person. . . Total income is _____	Above _____	Below _____	\$32,150
_____ 2 person. . . Total income is _____	Above _____	Below _____	\$36,700
_____ 3 person. . . Total income is _____	Above _____	Below _____	\$41,300
_____ 4 person. . . Total income is _____	Above _____	Below _____	\$45,900
_____ 5 person. . . Total income is _____	Above _____	Below _____	\$49,550
_____ 6 person. . . Total income is _____	Above _____	Below _____	\$53,250
_____ 7 person. . . Total income is _____	Above _____	Below _____	\$56,900
_____ 8 person. . . Total income is _____	Above _____	Below _____	\$60,600

To further indicate an employee's income profile, prior to hiring please maintain a copy of this report in their personnel file.

I understand that the information contained herein is subject to verification by authorized government officials.

SIGNATURE

DATE

APPENDIX 3

SCHEDULE OF FEES

1.	APPLICATION FEE	_____ UP TO \$100,000	\$250.00
		_____ ABOVE \$100,000	\$400.00
2.	YEARLY SERVICE FEE		\$250.00
3.	COMMITMENT FEE		\$500.00