

PITTSBURGH BUSINESS GROWTH FUND

Program Guidelines

I. Statement of Purpose

The Pittsburgh Business Growth Fund (PBGF) Program is designed to stimulate the growth of new and existing businesses in the City of Pittsburgh. The PBGF provides market-rate gap financing to small businesses based on determination of need, where the applicant is unable to finance fully the proposed project with equity, bank financing and other private and public financing.

The PBGF is part of the Urban Redevelopment Authority's (URA) strategy to promote opportunities for those groups who have not had ready access to business financing in the City of Pittsburgh, including minority- and woman-owned businesses.

II. Program Funding

The PBGF may be funded in part through the City of Pittsburgh, the Commonwealth of Pennsylvania Department of Community and Economic Development, and the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) sources.

III. Eligibility

The following criteria will be used to determine whether an applicant is eligible for a PBGF loan:

A. Area Eligibility

PBGF projects must be located within the City of Pittsburgh.

B. Types of Businesses

Eligible businesses are defined to include wholesale and retail trades, service enterprises, commercial and industrial businesses, advanced technology concerns, and manufacturing firms.

Banks, savings and loan associations, non-independently owned gas stations, used car lots, bars, adult entertainment establishments, beer distributors, non-profit organizations, check cashing outlets, and furniture and appliance rental shops are not eligible for PBGF loans.

C. Other Eligibility Requirements

1. Loans must satisfy the conflict of interest and any other requirements established by the CDBG regulations.
2. The applicant must not be delinquent or in default on federal, state or local taxes or any existing private or publicly financed loan and will be required to sign an affidavit to that effect.

3. The proprietor, partner, director or any shareholder of the business must not have been convicted of a felony.

IV. Eligible Activities

- A. Machinery and equipment, including acquisition, delivery and installation, limited to items directly related to the operation of the business.
- B. Working capital for new sales growth. This will primarily include accounts receivable and inventory.
- C. Leasehold improvements, including façade renovations.

Loan proceeds may not be used for: refinancing existing debts (including leveraged buy-outs); acquiring real estate; or distribution or payment to the owners, partners, shareholders, or beneficiaries of the applicant or members of their families.

V. Parameters of Loan

- A. Loan Size: The maximum loan amount shall be the lesser of \$150,000 or 40% of the total project cost, not to exceed the project gap. The minimum loan amount is \$10,000.
- B. Private Sector Investment: Typically, loans shall be made in conjunction with a private lending source.
- C. Equity Requirements: Each project shall contain a minimum cash equity investment by the applicant of ten percent (10%) or higher of the total project cost.
- D. Loan Security: All loans must be fully secured with a pledge of assets, which include but are not limited to, lien positions on land, buildings, personal residence and/or any other assets. Typically, personal guarantees are required.
- E. Insurance: Borrower shall be required to maintain insurance providing adequate coverage against the perils of fire, hazard, extended coverage, public liability and other insurance as the URA may require; in form and substance satisfactory to the URA naming URA as Mortgagee (where applicable), Lender Loss Payee, and additional insured. Further, title insurance and collateral assignment of life insurance may be required as necessary.
- F. Term: Up to 5 years for working capital, up to 7 years for equipment, and up to 15 years for leasehold improvements. Generally the term to maturity shall not exceed the term of the private lender.
- G. Interest Rate: The interest rate shall not exceed the rate of the private lender. Such interest rate shall be fixed for the term of the loan and shall be set as of the Loan Review Committee approval date. In "Target" areas, as determined by the URA Board of Directors, the interest rate may be reduced.
- H. Fees:
 1. Application Fee: The Application Fee of \$250 is non-refundable. This fee counts towards the applicant's equity requirement.

2. Due Diligence Fee: Two percent (2%) of the total URA loan, which may be financed as part of the total project cost. Upon acceptance of a loan commitment, one-half of the due diligence fee is due and is non-refundable.
3. Loan Servicing Fee: All PBGF loans are assessed an annual loan servicing fee of one-half of one percent (.5%) of the outstanding principal balance, due and payable on the anniversary of the loan closing. The initial fee, based on the original loan amount, will be paid at closing and can be financed.
4. Construction Inspection Fee: One-half of one percent (.5%). If URA financing is applied towards construction costs, then a URA construction monitor is required. If the construction inspection is provided by a private lender, no URA construction inspection fee is required. The construction inspection fee will be eligible for financing through PBGF loan funds.
5. Filing Fees: All filing fees will be the responsibility of the applicant (i.e., Mortgages, UCCs, Assignment of Leases and Rents).

VI. Conditions of the Loan

- A. The applicant must generate one (1) new full-time equivalent job for each \$30,000 of URA loan proceeds within three (3) years of the date of closing of funds to the applicant. New employment is defined as first-time hires, or employees who have been employed by the business for less than six (6) months.
- B. Fifty-one percent (51%) or more of the new non-supervisory full-time equivalent jobs created by the project shall be made available to low- and moderate-income persons. You will be required to fill all new entry-level, non-supervisory, jobs by first considering for employment, and interviewing, candidates referred by CareerLink; or, alternatively, applicants secured through independent means that satisfy the criteria of the Workforce Investment Act (WIA). WIA eligibility may only be determined by CareerLink.
- C. If any of the PBGF loan is used for leasehold improvements or façade renovations, the applicant must ensure that federal prevailing wage rates are paid for the entire project, where applicable.
- D. Any project over \$250,000 in total cost must comply with the URA's requirements for a Minority- and Woman-owned Business Enterprise (MWBE) Plan. The MWBE Plan will document the applicant's strategy to purchase materials and services from minority- and woman-owned businesses. The MWBE Plan must be approved prior to loan closing.
- E. If your project involves a construction contract of \$200,000 or more, you may be required to comply with the Pittsburgh Works ordinance (Ordinance No. 18 of 2000) which requires that 35% of all employee work hours on the project be performed by City of Pittsburgh residents. Subcontractors with contracts exceeding \$25,000 are also subject to the ordinance. A copy of the ordinance is available upon request.
- F. Any use of loan funds must comply with Federal, State and local regulations concerning historic properties and environmental review.
- G. URA reserves the right to require loan applicants to find and use technical assistance in such areas as business planning, marketing, accounting, cash management, and inventory control. When determined appropriate, the URA will contract with a third-party provider for this technical assistance.

VII. Standard Application Evaluation Criteria

A. Business Evaluation

The historical performance of the business, if applicable, and the proposed owners will be evaluated to assess the ability to repay the loan. Specifically, this evaluation will include:

1. Financial Performance of the Business: If applicable, this involves an evaluation of prior three (3) years financial performance, including an examination of tax returns, balance sheets, income statements and cash flow statements.
2. Financial Performance of the Owners: This involves an evaluation of the personal tax returns of the prior three years, a personal financial statement, and a credit bureau check.
3. Market Performance: This involves an evaluation of the relevant local and national markets and a demonstration of the expectation for a strong potential market for the product or service.
4. Management Ability: This involves an evaluation of the experience and skills of the proprietor, partners, or directors. This includes general business experience as well as specialized experience in the particular industry.

B. Project Evaluation

The merits of the proposed uses of the funds will also be assessed to determine the ability to repay the loan. Early stage companies must demonstrate sufficient cash flow in order to repay the loan. Specifically, this evaluation will include:

1. Projected Income and Expenses: This involves an assessment of the validity and risk of the income and expense projections.
2. Projected Financial Statements: A thorough credit analysis will be performed using both historical and projected financial statements.
3. Value of the Assets and Collateral: Appraisals, when appropriate, will be required to assist URA in evaluating the ability to secure the loan.
4. Changes in Market Strategy and/or Management Strategy: A complete business plan will be required. Any proposed significant changes in the business plan, market strategy, or management team will be reviewed.

C. Public Benefit Evaluation

Loan applications will be evaluated based on additional criteria measuring public benefits.

1. The degree to which the feasibility of the project depends on the PBGF loan. The applicant must demonstrate the inability to raise all of the project funds through private lenders or equity. The URA reserves the right to reject an application based on the corporate or personal net worth of the applicant.
2. The nature of jobs created and/or retained per URA dollar invested.

3. The percentage of jobs going to low- to moderate-income persons and the quality of those jobs in terms of skill levels, salary, stability, etc.
4. The total number of jobs created.
5. The percentage of sales or receipts generated outside of Pittsburgh.
6. The projected tax revenues to the City.
7. The impact on the neighborhood and quality of life.
8. The support of minority- or woman-owned business enterprises.

URA loans are made for the purpose of certain public benefits. Failure to meet requirements set forth herein may result in an assessment by the URA of liquidated damages.

VIII. Waiver of Provisions

The Executive Director or the Board of Directors of the URA may waive certain provisions of these guidelines based on a determination of the private and public benefits of the project.

IX. Notification

URA reserves the right to:

- A. Notify the appropriate community-based organization of applications received from businesses in their neighborhoods.
- B. Announce all loan commitments publicly.

X. Additional Information

For additional information, please contact the Urban Redevelopment Authority, Business Development Center at (412) 255-6669 or via our Web site at www.ura.org. Our TDD number for the hearing impaired is (412) 255-6644.

The Urban Redevelopment Authority of Pittsburgh does not discriminate on the basis of race, color, sex, religion, marital status, disability, age, sexual orientation or national origin. No person, solely on the basis of any of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan and grant programs operated by the Business Development Center of the Urban Redevelopment Authority of Pittsburgh.

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