



PITTSBURGH MICRO-ENTERPRISE LOAN PROGRAM

Urban
Redevelopment
Authority
of Pittsburgh

Program Guidelines

I. Statement of Purpose

The Pittsburgh Micro-Enterprise Loan Program, which shall be referred to as Micro-loan or the Program, is a pilot program designed to stimulate the growth of new and existing businesses in the City of Pittsburgh. The program provides below market-rate financing to small businesses based on determination of need, where the applicant is unable to finance the proposed project with equity, bank financing and other private and public financing.

The Program 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.

The Program is part of the URA's strategy to create new jobs, encourage new business start-up and expansion and grow the City of Pittsburgh's tax base by assisting entrepreneurs and stimulating business growth in the City of Pittsburgh.

The Program is part of the URA's strategy to create great urban places and improve the overall quality of life and economic vitality of neighborhoods throughout the City of Pittsburgh.

The URA's and the City of Pittsburgh's commitment to the guiding principles of p4. P4 is an effort to forge a new model of urban growth and development that is innovative, inclusive and sustainable. This model is based around a central, unifying framework—p4: People, Planet, Place and Performance—and launched at an international summit organized by Sustainable Pittsburgh in April 2015. For more information on p4, please visit <http://www.p4pittsburgh.org/>.

II. Program Funding

Micro-loans 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 Micro-loan:

A. Area Eligibility

Projects must be located within the City of Pittsburgh.

B. Types of Businesses

Eligible businesses are defined to include though are not limited to retail businesses, service enterprises, small batch manufacturing firms, makers, and advanced technology concerns.

Banks, savings and loan associations, non-independently owned gas stations, multi-level marketing enterprises, 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 the Program.

C. Other Eligibility Requirements

1. Loans must satisfy the conflict of interest and any other requirements established by the CDBG regulations.
2. The applicant, including the business and its principals, 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. Businesses must be registered with the City of Pittsburgh, to register visit <http://pittsburghpa.gov/finance/taxes/new-bus-reg.html>
4. For the purposes of this Program, a Micro-Enterprise is a small business located within the City of Pittsburgh having ten (10) or fewer employees.

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. Micro-Loan Parameters

- A. Loan Size: The maximum loan amount shall be the lesser of \$20,000 or 90% of the total project costs, whichever is less. The minimum loan amount is \$5,000.
- B. Contribution Requirements: Each project shall require a minimum contribution requirement by the applicant of at least ten percent (10%) of the total project, of which no less than 5% shall be a cash equity investment.
- C. Loan Security: All loans may be secured with a pledge of assets, which include but are not limited to, lien positions on land, buildings, business assets, equipment, inventory, personal residence and/or personal guarantees.
- D. Term: Up to three (3) years for working capital, up to five (5) years for equipment, and up to the seven (7) years for leasehold improvements. There is no pre-payment penalty.
- E. Interest Rate: The interest rate shall not exceed the rate of 2.0% per year and shall be fixed for the term of the loan and shall be set as of the Loan Review

F. Fees

1. Application Fee: Application to the Micro-Loan Program requires a \$150 Application Fee, of which \$50 is due a time of application submission and is non-refundable. The balance of \$100 due upon approval and return of signed Commitment Letter, is non-refundable. The Application 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, and is due at the time of loan closing.
3. Filing Fees: All filing fees will be the responsibility of the applicant (i.e., Mortgages, UCCs, Assignment of Leases and Rents).

VI. Loan Application Processing

The URA has established written application processes and procedures that will facilitate the application process and will best serve the objective of the Micro-Loan program. The procedures may be amended from time to time and shall be binding upon all Borrowers.

All loan applications shall be made using URA forms. The Borrower shall submit all information that the URA requires, including any documentation needed to establish the eligibility of the Borrower, Borrower's principals and guarantors, if any, and the feasibility of the proposed use.

A. Loan Approval and Disapproval

1. The URA, in its sole discretion, may approve or disapprove loan applications in accordance with these guidelines.
2. The URA will maintain a log of each loan application. If the borrower fails to supply the required documentation within three (3) months of the application date, with no justifiable written explanation, the application will be voided and removed from the application file.
3. All loan applications for a Micro-Loan will be processed through an internal review and approval process. At the URA's sole discretion, loan review and approvals shall be conducted by a/the designated Micro-Loan review committee. Upon affirmative recommendation from URA designated review committee, final loan approval will be made by the URA's Director of the Center for Innovation and Entrepreneurship.
4. Approval shall be conveyed in a written commitment to the Borrower. Action will not be taken toward closing the Micro-Loan until the Borrower executes and returns to the URA a copy of the commitment letter with the \$100 acceptance fee. No construction activity or equipment purchases may occur prior to loan closing unless authorized by the URA prior to loan closing.
5. If a loan application is disapproved, the URA shall notify the Borrower in writing. If appropriate, the rejection letter shall state the reason for the rejection of the loan application.

B. Withdrawal of Application

Any Borrower may withdraw the loan application at any time before closing by giving written notice to the URA.

C. Loan Closing

The loan closing will be scheduled at a time acceptable to the URA and to the Borrower/Applicant.

D. Taxes and Assessments

All taxes and assessments against the property and business which are due and payable shall be paid before or at closing, where applicable, and the Borrower shall provide evidence satisfactory to the URA that such payments have been made.

E. Assumption

Loans may be assumed only if approved by the URA in writing prior to the assumption. The URA may charge an assumption fee. In the event of a transfer of all or part of the business or property, the URA may accelerate the balance of the loan.

Refinancing of existing debt on property that is security for the Micro-Loan during the Micro-Loan term is not permitted without the prior written consent of the URA.

VII. Conditions of Micro-Loan

- A. Applicants who are creating and/or looking to hire new entry-level, non-supervisory, jobs may be required to first consider for interview and employment, 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.
- B. Any use of loan funds must comply with Federal, State and local regulations concerning historic properties and environmental review.
- C. URA maintains the right to require loan applicants to complete at least five (5) hours of technical assistance in such areas as business planning, marketing, accounting, cash management, and inventory control. The URA will contract with a third-party provider(s) for this technical assistance.
- D. Applicant will be required to establish a checking account in the business's name and complete the URA issued Authorization Agreement for Direct Payments (ACH) form.
- E. The Borrower must agree to all other terms and conditions set forth in the loan documents provided by the URA.

VIII. Micro-Loan 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. The URA evaluates applications utilizing

standard loan underwriting criteria, including the 5 'c's of commercial credit: cash flow, capital, collateral, character and credit.

Specifically, this evaluation will include, but is not limited to the following:

1. Viability of the Business: If applicable, this involves an evaluation of one (1) year prior financial performance, including but not limited to an examination of tax returns, bank accounts, balance sheets, income statements and cash flow statements. Pre-Businesses will be evaluated based on how well the business is projected to perform.
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. Applicants with poor credit history will be considered, but may be required to attend financial literacy workshops as a requirement of the loan conditions.
3. Management Ability: This involves an evaluation of the capacity, experience and skills of the proprietor, partners, or directors. This includes general business experience as well as specialized experience in the particular industry.
4. Business and Personal Credit: This involves an evaluation of the credit history of the business and its principals. This includes review of business and personal credit history. Applicants with poor credit history will be considered, but may be required to attend financial literacy workshops as a requirement of the loan conditions.
5. Public Record Review: This involves an evaluation of public records of the business and its principals. This includes review of prothonotary records, tax checks, federal excluded party database, and other public record sources.

B. Project Evaluation

The merits of the proposed uses of the funds will also be assessed to determine the ability to repay the loan. Businesses 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. The applicant must demonstrate that the business is financially feasible, project costs are reasonable, and the business can repay the proposed assistance.
2. Projected Financial Statements: A credit analysis will be performed using both historical and projected financial statements.
3. Market Strategy and/or Management Strategy: A business plan will be required, using the URA template, which provides a narrative and overview of the business.

C. Public Benefit Evaluation

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

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.

1. The nature of jobs created and/or retained per URA dollar invested.
2. 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.

3. The impact on the neighborhood and quality of life.
4. The support of minority- or woman-owned business enterprises.

IX. 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.

X. 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.

XI. Additional Information

For additional information, please contact the Urban Redevelopment Authority, Center for Innovation and Entrepreneurship at (412) 255-6547 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 Center for Innovation and Entrepreneurship of the Urban Redevelopment Authority of Pittsburgh.

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