

## **COVID-19 Small Business Recovery Loan Fund**

**Guidelines June 11, 2020**

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### **Statement of Program Purpose**

The COVID-19 outbreak has forced small businesses across Pittsburgh to shut down. Revenue for many of these small businesses, especially in neighborhood business districts, has dropped 70-90% or more. Most have laid off employees and require patient capital to continue to pay fixed costs such as rent, utilities, payroll, and insurance to stay in business.

In response to this need, on Tuesday, March 17, 2020 the URA launched a COVID-19 small business emergency loan program offering up to \$15K, 0% interest loans. Since inception, demand has outpaced funding ability.

Despite its good intentions, federal and state action have proven insufficient, in size and scope, to address the enormous and specific needs of local small businesses; many local small businesses may have trouble accessing SBA and state emergency funds through CWCA.

It is critical the URA be positioned to meet the growing and critical needs of Pittsburgh small businesses.

As Pittsburgh emerges from the immediate economic fallout from COVID-19, small businesses will need substantial support to stabilize, ramp up, and grow in the face of uncertain economic times. Steep and sudden losses in GDP combined with a slow and uncertain recovery will make availability of capital to invest in small businesses extraordinarily important.

The COVID-19 Small Business Recovery Fund (Program) will provide funds for Pittsburgh small businesses affected by COVID-19 working to recover and position to stabilize and grow when the economy returns to pre COVID-19 conditions. The existing COVID-19 small business emergency fund will be merged into the Program.

The Program will target neighborhood-serving small businesses, minority and/or women owned businesses, businesses in low- and moderate-income communities, and those small businesses most adversely affected by the COVID-19 crisis.

### **Program Funding:**

The Program will be funded with a combination of Community Development Block Grant funding, private corporate contributions, and other local, state, and federal monies as appropriate.

### **Program Terms and Conditions:**

#### **Recovery Loans**

Loan Amount: up to \$75,000

Interest rate: 0% for first year, 2% for balance of loan term

Loan payment deferral period: one year

Loan Terms: 7 years

Fees: none

Pre-payment penalties: none

Collateral / security: personal guarantees not required, business and corporate guarantees as appropriate, other security as deemed appropriate by the URA.

Use of funds: hiring and payroll, inventory, sales/marketing, e-commerce, rent, utilities, insurance, and other approved fixed costs related to business recovery.

### **Emergency Loans**

Loan Amount: up to \$15,000

Interest rate: 0%

Loan payment deferral period: 6 months

Loan Terms: 3 years

Fees: none

Pre-payment penalties: none

Collateral / security: personal guarantees not required, business and corporate guarantees as appropriate, other security as deemed appropriate by the URA.

Use of funds: hiring and payroll, rent, utilities, insurance, and other approved fixed costs related to business emergency operation needs. Took out inventory, sales/marketing, e-commerce and added insurance.

### **Eligibility requirements**

Applicants must:

- Be located in the city of Pittsburgh (for at least 2 months prior to applying)
- Have been in business at least 6 months prior to March 1, 2020
- Must have fewer than 30 FTE employees
- Must demonstrate pre-COVID crisis business viability
- Must be in good standing with other public debt (including URA) and current on taxes (individual and business) or have approved payment plans.
- Have appropriate business registrations with the city of Pittsburgh
- Loans must satisfy the conflict of interest and any other requirements established by CDBG regulations.
- Must provide statement of need due to COVID-19 crisis and post-COVID-19 business plan narrative as to health & safety compliance measures business will be tasked with complying with.
  - Statement of need will include: How the business has been negatively affected by COVID-19, what will happen to the business if funding is not secured, list of other means or channels of funding (secured and/or applied for) the business has or could obtain to address funding needs, and any other information/data to substantiate the need for COVID-19 emergency/recovery funding.

Other conditions:

- ELF borrowers and other existing URA small business borrowers can apply

- Businesses that have received a loan from either SBA Paycheck Protection Program (PPP) or SBA Economic Injury Disaster Loan (EIDL) for COVID-19 in 2020 can apply but are prohibited from allocating these funds for the same use.
- Priority will be given to supporting neighborhood business district serving businesses; including independently owned, locally owned, small businesses.
- Priority will be given to supporting M/WBE businesses and businesses located in CDBG eligible census tracts.
- Businesses funded with CDBG monies must meet all CDBG eligibility requirements.

### **Loan Application Process**

The URA has established written application processes and procedures that will facilitate the application process and will best serve the objective of the Program. The procedures may be amended from time to time at the sole discretion of the URA by direction of the URA Director of Commercial and Business Lending, the URA Executive Director, or the URA Board of Directors.

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.

#### Loan Approval and Disapproval

1. The URA, in its sole discretion, may approve or disapprove loan applications.
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 the Program 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 review committee. Upon affirmative recommendation from URA designated review committee, final loan approval will be made by the URA's Director Commercial and Business Lending.
4. Approval shall be conveyed in a written commitment to the Borrower. Action will not be taken toward closing the loan until the Borrower executes and returns to the URA a copy of the commitment letter.
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.
6. Applicants may withdraw their application at any time.

### **Loan Conditions**

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. The 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.

### **Program Application Evaluation Criteria**

#### **Business Evaluation**

The purpose of the Program is to support small businesses who demonstrate pre COVID-19 crisis viability and viability to repay the loan post COVID-19 crisis.

The historical performance of the business will be evaluated and, if applicable, 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.
2. Financial Performance of the Owners: This involves an evaluation of the personal tax returns of the prior year, 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. 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.

#### **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.

### **Public Benefit Evaluation**

The purpose of the Program is to support neighborhood serving small businesses, minority and/or women owned businesses, and those small businesses most adversely affected by the COVID-19 crisis.

Further, the purpose of the Program is to preserve and create jobs and improve to quality of life for Pittsburgh. Banks, savings and loan associations, non-independently owned gas stations, adult entertainment establishments, check cashing outlets, establishments with gambling, home-based businesses, businesses whose primary activity is income producing real estate development, landlords, and furniture and appliance rental shops are not eligible for the COVID-19 Small Business Recovery Loan Fund.

Loan applications will also be evaluated based:

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

### **Waiver of Guidelines**

The Director of Commercial and Business Lending, Executive Director, the Deputy 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.

### **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.

### **Additional Information**

For additional information, please contact the Urban Redevelopment Authority at (412) 255-6547 or reach out to Rochelle Lilien, manager of business lending, at [rlilien@ura.org](mailto:rlilien@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 Urban Redevelopment Authority of Pittsburgh.

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