

Minority Business Recovery and Growth Loan Fund

Program Guidelines November 12, 2020

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, adjust to the COVID-19 regulations, and plan for future growth.

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.

Some of the businesses that have been hit the hardest are minority-owned businesses. Federal Reserve Banks' 2020 report "Can Small Firms Weather the Economic Effects of COVID-19?", reported that minority-owned small businesses were significantly more likely to show signs of limited financial health—by factors such as profitability, credit scores, and propensity to use retained earnings as a primary funding source.

Historic and structural challenges that minority businesses have always faced have only grown during the COVID-19 crisis. In an effort to reduce some of the inequity and open access to capital, the URA will be focusing this program entirely on minority-owned businesses across the city of Pittsburgh.

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:

Minority Business Recovery and Growth Loan Fund

Loan Amount: up to \$100,000

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

Loan payment deferral period: 1 year

Loan Terms: 7 years

Fees: none

Pre-payment penalties: none

Collateral / security: personal guarantees or 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, real estate development, leasehold improvement, and other approved fixed costs related to business recovery or growth.

Eligibility requirements

Applicants must:

- Be at least 51% minority-owned. The Small Business Administration (SBA) defines a minority-owned business as one in which the majority (at least 51%) of the company is owned and run on a daily basis by a member (or collection of members) of the following ethnic or racial groups: African Americans, Black Americans, Asian Pacific Americans, Hispanic Americans, Subcontinent Asian-Americans and Native Americans.
- Have been in business since September 1, 2019
- Have fewer than 50 FTE employees
- Demonstrate pre-COVID crisis business viability
- 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
- Provide statement of need and a recovery or growth narrative addressing health & safety compliance measures with which the business will be tasked.
 - Statement of need will include: How the business has fared in the COVID-19 environment and the next steps for business recovery or growth, including other funds secured.

Other conditions:

- URA's Emergency Loan Fund (ELF) borrowers and other existing URA small business borrowers can apply.
- Priority will be given to supporting neighborhood business district serving businesses; including independently owned, locally owned, small businesses.
- Priority will be given to businesses located in CDBG-eligible census tracts and whose owners are economically disadvantaged.
- 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

1. 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.

2. Any use of loan funds must comply with Federal, State and local regulations concerning historic properties and environmental review.

3. 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.

4. 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.

5. 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 minority-owned, neighborhood serving 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, landlords, and furniture and appliance rental shops are not eligible for the Minority Business Recovery and Growth Loan Fund.

Loan applications will also be evaluated based on:

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 -owned business enterprises.

Waiver of Guidelines

The Director of Commercial and Business Lending, the Executive Director, the Deputy Executive Director, or the Board of Directors of the URA may adjust or 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:

1. Notify the appropriate community-based organization of applications received from businesses in their neighborhoods.
2. 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. 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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