PITTSBURGH ENTREPRENEUR FUND
Program Guidelines

Urban Redevelopment Authority of Pittsburgh

I. Statement of Purpose

The Pittsburgh Entrepreneur Fund (PEF) is a convertible loan fund that provides capital for new and growing innovation-based businesses, including emerging technology-based firms, such as Information Technology, Life Sciences and Sustainable/Green and other emerging industry clusters. PEF is available to all start up and growing businesses within the City of Pittsburgh that meet the eligibility criteria below and can be used for working capital, laboratory, computer and scientific equipment, leasehold improvements, real estate, investments to lower energy usage, and other sustainable or Green elements.

PEF closes funding gaps that growth businesses commonly face as they move from start-up to commercialization and fast growth.

PEF is part of the Urban Redevelopment Authority's (URA) strategy to create high-wage jobs and grow the City of Pittsburgh's tax base by assisting entrepreneurs and stimulating business growth in the City of Pittsburgh.

II. Program Funding

PEF may be funded in part through the City of Pittsburgh, the Commonwealth of Pennsylvania Department of Community and Economic Development, the U.S. Department of Commerce's Economic Development Administration (EDA), 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 a prospective borrower/applicant (Borrower or Applicant) is eligible for a PEF loan:

A. Area Eligibility

PEF projects must be located within the City of Pittsburgh.

B. Types of Businesses

Eligible businesses include emerging advanced technology concerns, advanced manufacturing firms, and other emerging industry cluster businesses as described above.

Ineligible business include, but are not limited to, 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.

C. Other Eligibility Requirements

1. Loans must satisfy the conflict of interest and debarment requirements and all other requirements established by the CDBG regulations, state ethics, and all requirements of funding sources.
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 applicant must not have been convicted of a felony.

IV. Eligible Uses

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.

D. Land costs, including acquisition and site preparation.

E. Building costs, including acquisition, construction and rehabilitation.

F. Soft costs associated with property development, including legal, architectural, engineering, surveys and other related costs.

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

V. Parameters of the convertible loan

A. Loan Size: The maximum loan amount shall be the lesser of $200,000 or 60% of the total project cost, not to exceed the project gap. The minimum loan amount is $20,000.

B. Private Sector Investment: Loans will generally be made in conjunction with a private investment source.

C. Private Investment / Equity Requirements: Private share of project may include Venture Capital, Angel Capital, Stock Purchases, Investor Equity, Intellectual Property, and/or private debt.

D. Loan Security: Loan security will include business assets and assets being financed.

E. Insurance: Borrower shall 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 lienholder (where applicable), Lender Loss Payee, and additional insured. Further, title insurance and collateral assignment of life insurance may be required.

F. Term: The loan term is 3 years. Conversion to equity may occur at any time during the loan term period as set forth in detail in Section H below. If conversion does not occur during the loan term, the unpaid balance of the loan will be due and payable immediately upon the expiration of the loan term.

G. Interest Rate: The interest rate shall generally be above market to reflect the risk and return of the project being financed. Such interest rate shall generally not exceed the interest rate other lenders and shall be fixed for the term of the loan.

H. Conversion: The loan may be converted into equity shares of Borrower/Applicant upon certain triggers, including but not limited to, additional rounds of investment and the sale of company. Any conversion(s) will be made at the sole discretion of the URA.

I. Fees:

1. Application Fee: The Application Fee of $350 is non-refundable. This fee counts towards the applicant's equity requirement.

2. Due Diligence Fee: Two percent (2%) of the total PEF 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 PEF loans are assessed an annual loan servicing fee of one-half of one percent (0.5%) of the outstanding principal balance, due and payable at loan closing and on each yearly anniversary thereafter. The loan servicing fee assessed at closing is based on the original loan amount and can be paid or financed at closing.

4. Construction Inspection Fee: One-half of one percent (0.5%). If PEF financing is applied to construction costs, then a URA construction monitor is required. If the construction inspection is provided by a private lender. The construction inspection fee will be eligible for financing through PEF loan funds.

5. Filing Fees: All filing/recording fees will be the responsibility of the Borrower/Applicant (i.e., Mortgages, UCCs, Assignment of Leases and Rents).

6. Loan Repayment: Unconverted loans shall be repaid in accordance with amortization schedule set at time of loan commitment and memorialized in the promissory note. Automatic debiting of Borrower/Applicant's account will be required.

7. Loan Delinquency and Default: Unconverted loans shall be deemed delinquent if payment is not received within thirty (30) days of the payment due date or as otherwise set forth in the loan documents evidencing the loan.

8. Loan Disbursement: Loan proceeds shall be disbursed in accordance with disbursement schedule set forth in loan commitment letter.

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 PEF. The procedures may be amended from time to time and shall be binding upon all Borrower/Applicants. An application fee of $350 per development will be charged. The application fee is non-refundable.

All loan applications shall be made using URA forms. The Borrower/Applicant shall submit all information that the URA requires, including any documentation needed to establish the eligibility and credit worthiness of the Borrower/Applicant, Borrower/Applicant'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 Borrower/Applicant must meet URA deadlines for submission of documents at each stage of the application process. The Borrower/Applicant's failure to meet the stated deadlines may result in the cancellation of the application.

3. All applications will be processed through a review and approval process. In the URA's/PEF's sole discretion, review will be conducted by either (1) an advisory PEF Committee comprised of local technology-based economic development organizations, local university technology transfer and entrepreneurship offices and others, or (2) an advisory Business Loan Review Committee. Upon affirmative recommendations, final loan approval will be made by the Business Development Center Manager or Economic Development Director. The advisory PEF Committee will review applications where convertible debt is being considered.

4. Approval shall be evidenced by a written commitment to the Borrower/Applicant. Further action may not be taken toward closing the PEF loan until the Borrower/Applicant executes and returns to the URA a copy of the commitment letter with the 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/Applicant in writing. If appropriate, the rejection letter shall state the reason for the rejection of the loan application.

B. Withdrawal of Application

Any Borrower/Applicant may withdraw the loan application at any time before closing by giving written notice to the URA. The Borrower/Applicant shall bear any costs incurred including, but not limited to, credit reports, appraisals, and application fees.

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/Applicant 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 a property during the PEF loan term is not permitted without the prior written consent of the URA.

VII. Conditions of the Loan

A. The Borrower/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 existing 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. The Borrower/Applicant 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 PEF loan is used for construction, alteration, or repair activities to which the Davis Bacon Prevailing Wage Act, 40 U.S.C. §§ 3141 *et seq.,* and/or Pennsylvania Prevailing Wage Act, 43 P.S. §§ 165-1, *et seq.,* applies, the Borrower/Applicant must ensure that such prevailing wage rates are paid for the entire project.

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. The 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 may contract with a third-party provider for this technical assistance.

H. The Borrower/Applicant must agree to all other terms and conditions set forth in the loan documents provided by the URA.

VIII. Standard Application Evaluation Criteria

A. Business Evaluation

The proposed owners and the historical performance of the business, if applicable, will be evaluated to assess the Borrower/Applicant's 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 of financial performance, including an examination of tax returns, balance sheets, income statements, and cash flow statements.

2. 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.

3. Management Ability: This involves an evaluation of the experience and skills of the proprietor, partners, strength of advisory board, or directors. This includes general business experience as well as specialized experience in the particular industry.

4. Intellectual Property: This involves an evaluation of the intellectual property and / or licensing and the degree to which it is protected.

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 PEF 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.

9. The degree to which the project supports growing and emerging technology industry sectors in the City.

URA loans are made for the purpose of certain public benefits. Failure to meet requirements set forth herein may result in a breach of the loan documents and legal action by the URA.

IX. Waiver of Provisions

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

X. Notification

The 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 at (412) 255-6547 or reach out to Rochelle Lilien, manager of business lending, at rlillien@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.

Urban Redevelopment Authority of Pittsburgh
412 Boulevard of the Allies, Suite 901
Pittsburgh, PA 15219
Phone: 412-255-6547 Fax: 412-255-6542 TDD: 412-255-6644 Web site: www.ura.org

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