

**Hermitage
Community
Economic
Development
Commission**

Revolving Loan Fund Program Manual

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October 2006

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Attachments:

- A. Emergency/Interim Assistance Program
("Local" Revolving Loan Fund)
- B. Pennsylvania Department of Community and Economic Development
Single Application for Assistance ("Application")

REVOLVING LOAN FUND PROGRAM MANUAL

I. Program Introduction

The City of Hermitage, Mercer County, Pennsylvania operates an Industrial/Business Revolving Loan Fund (RLF) to provide funding assistance in the form of low-interest financing for eligible economic development projects.

The program is designed to stimulate the expansion of business and industry in the City of Hermitage for the purpose of creating jobs.

The Revolving Loan Fund Program applications are processed through the Hermitage Community and Economic Development Commission (HCEDC) and administered by the City of Hermitage Office of Community and Economic Development.

This manual has been developed to provide a summary of policies, procedures, administrative processes, criteria and compliance standards for the Revolving Loan Fund applicants to apply for assistance and to maintain compliance in the event that project funding assistance is approved.

II. Applicant Eligibility

The following types of firms are eligible for Revolving Loan Fund Program financing: (1) manufacturing; (2) industrial; (3) business-to-business services; (4) advanced technology firms; and (5) other firms meeting additional criteria. In evaluating these other firms, the following criteria will be considered: (1) job quality, as indicated by full-time positions paying well above minimum wage and providing some fringe benefits; (2) higher multipliers in the form of secondary spin-off jobs; (3) community economic base diversification as a part of an effort to build economic base or “export” firms in communities which had lost previous concentrations of such firms; and (4) counter-cyclical insulation provided by firms with markets located outside the economic region.

Loans may be made for strategically important infrastructure projects to entities eligible to receive funding.

The City of Hermitage Revolving Loan Fund Program is designed to target economic development projects in the Local Economic Revitalization Tax Assistance (LERTA), the Shenango Valley Enterprise Zone (SVEZ) and the Keystone Opportunity Zone (KOZ) areas. Small business enterprises with industrial, manufacturing, or technology based projects located in the these areas will be given preferential consideration.

III. Eligibility and Fundability Program Guidelines

The City's Revolving Loan Fund Program is designed to emphasize the following areas of compliance:

1. Eligibility

The Hermitage Community and Economic Development Commission and the Office of Community and Economic Development must determine that the assistance is necessary and appropriate. The necessary and appropriate determination requires the City to conduct and document a financial analysis of the proposed activity. This analysis is to result in an accurate portrayal of the business's need for assistance and the comparative public benefit to be derived by the community. The necessary and appropriate determination is to ensure that the amount of assistance is not excessive, considering the actual needs of the business and the extent of public benefit to be derived.

To adequately make the necessary and appropriate determination there specific factors shall be considered:

- a. the firm's need for the assistance;
- b. the municipality's need for the activity; and
- c. whether the level of assistance to the business is commensurate with the public benefit to be received.

To assess the business's need for assistance requires determination as to whether the activities can proceed without funds and, if they cannot, whether the terms of the proposed financing are appropriate considering the business's financial condition and the municipality's objectives.

2. Fundability

The project must be designed to create jobs that benefit the public and the applicant will be required to enter into a legally binding agreement with the City of Hermitage agreeing to create (or retain) at least one (1) job for each \$30,000 of loan proceeds.

For projects that are designed to retain jobs documentation must be provided to demonstrate that the jobs would actually be lost without assistance. Jobs are considered retained only when it can be clearly and objectively demonstrated that without assistance, the jobs would be lost.

Applicants must adhere to a three year employment schedule. Within 90 days of project completion, the RLF recipient must verify employment. Actual employment may vary depending on the use of the loan, start-up, and other circumstances unique to the industry.

Failure to comply with the employment provisions of the loan agreement will be a default of the loan agreement.

3. Nondiscrimination/Civil Rights

The City of Hermitage, and all recipients of loans from said fund, will certify that they comply with Title VI of the Civil Rights Act of 1964, and all requirements holding that no person in the United States shall, on the grounds of race, color, religious creed, handicap, ancestry, national origin, age, or sex be excluded from participation in, be denied benefits of, or be subject to discrimination in any program or activity. No loan shall be made to an applicant unless the applicant will verify in writing to the Hermitage Revolving Loan Fund that he/she will not discriminate against any employee or against any applicant for employment because of race, color, religious creed, handicap, ancestry, national origin, age, or sex including, but not limited to, the following: employment, upgrading or promotional transfer, recruitment or recruitment advertising, layoffs or termination, rates of pay or other forms of compensation and selection for training, including apprenticeship. A standard of assurances and conditions will be executed by the Revolving Loan Fund applicant and incorporated into the Revolving Loan Fund application.

4. Construction Wage Rate Standards

The applicant for Revolving Loan Funds will agree that all construction work that is associated with this project will be subject to the regulations issued by the Secretary of Labor, pursuant to the Prevailing Wage Act.

This insures that all laborers and mechanics employed by contractors or sub-contractors in the construction of projects shall be paid wages at rates not less than that prevailing on similar construction in the locality as determined by the Secretary of Labor in conjunction with the Prevailing Wage Act.

While the use of public funds for economic development permits local governments to leverage private funds and create employment, it is an area that invites high public exposure and scrutiny. Therefore, RLF applicants and applications shall be reviewed in accordance with the program regulations.

IV. Application Procedures

1. Submission of a complete application to the Hermitage Community and Economic Development Commission by the twenty-fifth (25th) day of the month. The application form shall be the Pennsylvania Department of Community and Economic Development Single Application for Assistance.
2. Review of the project by the Hermitage Community and Economic Development Commission Project Review Committee.
3. Approval of project by the by the Hermitage Community and Economic Development Commission, which meets the first Thursday of each month.
4. Approval of project by the Hermitage Board of Commissioners.
5. Project Closing.

Approved loans will be secured by a mortgage, note or other instrument established by the Project Review Committee. The Committee reserves the right and option to require the personal guarantees of the owners, additional security and/or collateral, and co-signers as additional repayment sources.

All documents as required by the loan commitment shall be submitted to the offices of the City's legal counsel who shall disburse the loan funds once all requirements have been met.

(Note: It is recommended that an applicant submit a pre-application letter of project intent to the Hermitage Community and Economic Development Commission. The letter should disclose the basic project type, location, total cost, funding to be requested and job creation, as well as any other important project information. By completing this preliminary step the applicant may avoid unnecessary costs associated with the application process for projects not meeting the basic program criteria. However, a positive review of the pre-application letter is in no way a guarantee of project approval.)

V. Revolving Loan Fund Application and Loan Fees

1. Application Fee. An application fee in the amount of \$500.00 is due and payable to the City of Hermitage Community and Economic Development Commission with the submission of the completed application.
2. Legal fees. Legal fees in an amount not-to-exceed \$750.00 is due and payable upon loan approval to the City Solicitor by the applicant for legal

services to be provided to the City of Hermitage by its solicitor during the loan closing.

3. Filing fees. The applicant shall be responsible for the cost of any filing or recording costs including terminations or releases related to the loan.

Loan Terms and Conditions

1. Loan Amount. The maximum loan amount is \$100,000 or 50% of the total eligible project cost. A special exception may be made when the economic development project can demonstrate that the increased level of assistance can be justified based on the need for the assistance and the increased public benefit to be received.

2. Interest Rates. The interest rate will be fixed on the date of first approval or the date three (3) business days prior to the date the borrower schedules the closing, whichever is lower. Notwithstanding the foregoing, if the borrower requests final documents in excess of three (3) days prior to closing and the interest rate on the date of the borrower's request for documents is lower than the initial stated rate, then the interest rate shall be the rate in effect on the date the final documents were produced rather than the date three (3) business days prior to the date the borrower schedules the closing. The interest rate is to be established as follows: 60% of Wall Street Journal Prime rate for 5 year loans, 60% of Wall Street Journal Prime plus .5% for 7 year loans, and 60% of Wall Street Journal Prime plus 1% for 10 year loans. Interest rates for business park site acquisition and infrastructure loans may be modified subject to committee review and evaluation.

3. Terms. Loans used for real estate will have a repayment period of up to ten (10) years. Loans used for machinery and equipment will have a repayment period of up to seven (7) years. In projects where two or more uses of funds are planned, loan terms may be blended. The terms for business park site acquisition and infrastructure loans are negotiable subject to committee review and evaluation.

4. Private Sector Investment. Loans will be made in conjunction with a private sector lending source and equity from the owners or investors. Cash equity in an amount not less than 10% of the total project is required.

5. Loan Security. All loans must be secured at the highest position possible and/or shared with other creditors on one or more of the following assets: land, buildings, machinery, equipment, accounts receivable, and inventory. Personal guarantees may be required for additional security. Review of the applicant's business and the owner's personal financial statements as applicable shall be undertaken in strict confidence by the HCEDC Project Review Committee or

financial consultant to the Hermitage Community and Economic Development Commission.

6. **Ownership.** The loan will immediately become due and payable upon the change of ownership. However, loans may be assumable if the purchaser applies and qualifies under the program guidelines and incurs all costs associated with the application and legal fees.

7. **Non-Prejudicial Approvals.** The borrower may request in writing “non-prejudicial approval.” If non-prejudicial approval is granted, the borrower may continue with the project at his or her own risk while the loan request is under review. Costs incurred following non-prejudicial approval may be included in the scope of the project. In these instances, the borrower is continuing at his or her own risk in the event the loan is not approved. In cases where non-prejudicial approval has not been granted, only costs incurred following submission of the application may be included in the scope of the project.

(**Note:** The City may modify the standard loan terms and conditions of the project when financial documentation or available cash justifies a modification or when standard loan terms weaken a project.)

VII. Project Performance Requirements

1. **Project Employment.** The City of Hermitage and the Hermitage Community and Economic Development Commission will only participate in projects which create and retain jobs. The applicant must guarantee to create or retain at least one (1) job for each \$30,000 of the Hermitage RLF loan amount.

2. **Private Participation.** The City of Hermitage RLF requires that the applicant provide minimum equity participation in the project of at least 10% of the total project cost. The program is also designed to maximize private and other sources of funding.

3. **Federal, State and Local Regulation Compliance.** The applicant agrees to comply with all applicable state and local laws, rules, regulations, special conditions, directives and resolutions.

4. The applicant and principals must be current in payment of all applicable state, local, and federal taxes.

5. Loan proceeds may not be used for refinancing existing debts, rent, or distribution of payment to the owners, partners, shareholders, or beneficiaries of the applicant or the members of their families.

6. Applicant shall provide a financial report on an annual basis or as otherwise required by the City of Hermitage to monitor the loan account.

CITY OF HERMITAGE

Office of Community and Economic Development
Hermitage Community and Economic Development Commission

EMERGENCY/INTERIM ASSISTANCE PROGRAM

The City of Hermitage, Mercer County, Pennsylvania operates an industrial/business Revolving Loan Fund to provide funding assistance in the form of low-interest financing for eligible economic development projects. The City of Hermitage has developed this emergency/interim assistance program to provide city businesses a source of accessible assistance to meet urgent needs during the time of an emergency.

EMERGENCY.

An emergency shall be a devastating, catastrophic event causing complete or substantial destruction to a business location or facilities resulting in the significant interruption of business operations. Emergencies shall include, but not be limited to: fire, lightning, explosion, smoke and natural disasters.

ELIGIBILITY.

The business must have been located and operated in the City of Hermitage prior to the incident creating the emergency.

FUNDABILITY.

The assistance must be used by the business in the state of emergency to re-establish uninterrupted business operations in the City of Hermitage.

Loan Terms and Conditions

1. **Loan Amount.** The maximum loan amount is \$3,500. A special exception may be made when the economic development project can demonstrate the increased level of assistance and funds are available.

(Note: Since the source of funds for the Emergency/Interim Assistance is the Local Revolving Loan Fund pool all loans are subject to funding availability and will be reviewed on a first-come, first-serve basis.)

2. **Interest Rates.** The interest rate will be fixed at 3%.

3. **Terms.** Loans used for emergency assistance will have a repayment period of two (2) years, commencing ninety (90) days from loan disbursement. Repayment of principal and interest will be deferred for ninety (90) days.

4. **Legal and Filing Fees.** Legal fees in the amount of \$125.00 are due and payable at the time of disbursement and the applicant shall be responsible for all filing and recording costs. Legal fees and recording costs may be paid from the loan proceeds.

5. **Loan Security.** All loans must be secured at the highest position available on one or more of the following assets: land, buildings, machinery, equipment, accounts receivable, and inventory, or personal guarantees may be required for additional security.

6. **Ownership/Relocation.** The loan will immediately become due and payable upon the change of ownership or relocation outside of the City of Hermitage.