

Chester Economic Development Authority



Enterprise Zone Revolving Loan Fund

General Program Guidelines

EZRLF PROGRAM GOALS

1. Primary goals of the Chester EZRLF

The basic goals of the Chester EZRLF include the following:

- To support the retention, creation and attraction of small to mid-sized businesses and industries in and to the City of Chester Enterprise Zone.
- To expand employment opportunities for Chester residents by supporting the growth and expansion of small to mid-sized businesses and industries in the Chester Enterprise Zone.
- To enhance small to mid-sized businesses and industries in the Chester Enterprise Zone.
- To operate the EZRLF so as to meet the requirements and comply with the guidelines of the Pennsylvania Department of Community and Economic Development Enterprise program.

EZRLF PROGRAM POLICIES

1. Type of Financing

The EZRLF will make a direct loan to a business subject to that business obtaining financing or providing its own equity. EZRLF financing will thus leverage private or personal investment.

2. Business Eligibility

Priority businesses include:

- Manufacturing
- Industrial
- Business to business services , including warehousing and distribution
- Advanced technology firms
- Firms that meet additional criteria

In evaluating these other firms, the following criteria must be considered: (1) job quality; (2) community economic base diversification; and (3) commercial, retail and arts and cultural related businesses in the Central Business District. Eligible commercial and retail uses will be limited and will exclude bars (though the restaurant portion of a business would be eligible), tattoo parlors, adult entertainment and other uses incompatible with revitalization of the Central Business District. CEDA reserves the right to decline applications for commercial and retail uses that fail to enhance a mix of products or services in the Central Business District.

Applicants must be credit-worthy and the purpose of the loan must be economically feasible.

3. Project Eligibility

In order to be eligible for EZRLF assistance funding must be used for the following:

- Acquisition of land and building
- Construction activities
- Leasehold improvements
- Expansion or modernization of facilities, machinery or equipment
- Hazardous waste testing preliminary to site clean up
- Up to 40% of total documented working capital costs on a case by case basis.

Activities that are specifically ineligible for financing under the Chester EZRLF program include:

- 1) Residential purposes
- 2) Refinancing of existing debt
- 3) Real estate speculation
- 4) Rent or distribution or payment to the owners, partners or shareholders or beneficiaries of the applicant or members of their families
- 5) Payment of back taxes; and payment of judgments or fines
- 6) Manufacture or sale of products used in illegal or illicit activities
- 7) Operations established for the manufacture, sale or distribution of sexually oriented materials, products or services
- 8) Operations of primarily religious oriented services or activities
- 9) Operations of private clubs, hot tub facilities or massage parlors
- 10) Waste facilities or processing centers

4. Geographic Eligibility

In accordance with State guidelines, eligibility for Chester EZRLF loans is restricted to:

- Companies located in the Chester Enterprise Zone
- Companies relocating to the Chester Enterprise Zone
- Companies starting up in the Chester Enterprise Zone

EZRLF ADMINISTRATIVE PROCEDURES

1. Loan Application

The basic steps in the application and approval process for an EZRLF loan are as follows:

- Request EZRLF loan program information
- Screen potential applicant for eligibility
- Submit EZRLF loan application and supporting documentation
- Loan administrator review of application (due diligence)
- Loan committee review of application
- Loan committee recommendation on approval or denial of loan

- CEDA Board approval or denial of loan and terms
- Loan closing
- Loan monitoring

2. Loan Review Process

The EZRLF loan committee will review the loan application presented by the loan administrator and will recommend approval or denial of the loan application based on the merits of the proposal. Ability to repay the loan, likelihood of success of the business, amount of matching investment and other factors will be considered by the committee.

3. Loan Monitoring

Loan recipients may be required to provide monthly financial statements during the first twelve (12) months of the loan and quarterly financial statements thereafter.

4. Loan Fees

Fees for the EZRLF loan program are as follows:

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| • Loan Application Fee | \$100.00 |
| • Loan Processing Fee | \$100.00 |
| • Attorney Fees | Cost |
| • Documentation preparation fees | Cost |
| • Filing Fees | Cost |

5. Employment Requirement

The EZRLF recipients will be required to create one job for every \$30,000 of EZRLF funding. Some allowance can be made for jobs that will be retained.

6. Loan Evaluation

At a minimum, the evaluation criteria for approving an EZRLF loan shall include the following:

- Compliance with the requirements of the Chester EZRLF program
- Compliance with standard underwriting requirements regarding ability to repay the loan.
- Compliance with City of Chester Building Codes
- Compliance with all applicable federal, state and local taxes by the businesses and principals of the businesses.
- Businesses and principals of the businesses cannot be delinquent or in default of any existing private or public loan.

LOAN PROGRAM PARAMETERS

1. Maximum Loan Amount

The maximum loan amount for any EZRLF loan shall be \$100,000. On a case by case basis loans in excess of this amount will be considered.

2. Minimum Loan Amount

The minimum loan amount shall be \$30,000.00.

3. Loan Interest Rate

The EZRLF loan rate shall be as follows:

- Loan term at or below 7 years will be equal to the prime rate
- Loan terms from 7 to 10 years will be the prime rate plus 0.5%

4. Term of Loan

- a. Loans involving real estate – Maximum of ten (10) year term.
- b. Loans involving equipment, inventory and or working capital – Maximum of seven (7) years.

5. Collateral Requirements

EZRLF loans will be secured by appropriate levels of collateral. These may include notes, mortgages, personal guarantees, security agreements, assignment of contract revenues, etc. Collateral will be sufficient to recapture one hundred percent (100%) of the loan if default occurs.

6. Bank Participation Requirements

EZRLF applicants are encouraged to seek additional financing from other lenders. Loan applications from start-up businesses will be given preference if the business owner completes a business plans or participates in trainings with agencies such as Entrepreneur Works or the Small Business Development Center.

7. Equity Requirements

All EZRLF loans shall require that the business applicant supply a minimum of ten percent (10%) of the proposed cost in equity.

8. Additional Requirements

All projects that involve the acquisition of real estate or buildings that have been previously used for manufacturing or industrial uses may be required to have a Phase I Environmental Review completed.

EZRL loans will have no prepayment penalty.

Any project being funded with EZRLF funds must commence within 120 days of the loan closing. Provision shall be made for immediate or accelerated repayment or penalty if the activity is not started or completed within a reasonable time and agreed-upon time, unless there are mitigating reasons accepted by the EZRLF Loan Committee.

In the event that any EZRLF loan recipient relocates outside of the boundaries of the City of Chester prior to the full repayment of the EZRLF loan, the loan will be accelerated with the outstanding balance due and payable within sixty (60) days of the relocation.

Other terms and conditions as may be established by the Chester Economic Development Authority.