

CITY OF LANCASTER'S
ENTERPRISE LOAN PROGRAM

Purpose:

The City of Lancaster has established a Small Business Loan Program to provide special rate financing to small businesses locating or expanding in the City of Lancaster. Loans will be made to stimulate business growth, job retention and job creation opportunities and to enhance the local community tax base. While the program is principally designed to provide gap financing to applicants, the City will consider being a primary lender for qualified small business start-ups and non-profit economic development projects.

Targeted Businesses:

Companies engaged in the following businesses shall have priority consideration under the Program:

- a. Commercial.
- b. Retail.
- c. Manufacturing/Industrial.
- d. Mixed Use (residential and commercial/retail).

Targeted Geographical Area:

The Small Business Loan Program will be made available to those businesses located or planning to locate within the City of Lancaster.

Loan Amount:

- a. Micro Enterprise Loan (start-up business): The fixed asset financing and working capital up to 90% of the total financing needed; not to exceed \$20,000.
- b. Enterprise Loan: Fixed asset financing up to 80% of the total financing needed; not to exceed \$250,000. Working capital loans may be considered but limited to \$20,000 for qualified applicants.

The City reserves the right to determine the loan amount based on the intended use of the proceeds and the financial and capital assets of the applicant.

Eligible Costs:

The following lists the manner in which the proceeds may be used:

- a. Infrastructure Development.
- b. Purchases or improvement of machinery and equipment necessary for operation.

- c. Property acquisition.
- d. Property Improvement; including leasehold improvements.
- e. Working capital

Borrower:

Any legal borrowing entity that provides a good or service for sale, or which is developing property for lease to commercial, retail or industrial uses including:

- a. Owner.
- b. Not for Profit Organization.
- c. Limited Partnerships.

Term of Loan:

Determined by the needs of the project and the economic life of the asset being financed, but not to exceed the term of private sector financing or 15 years for fixed assets, whichever is less. For machinery and equipment, the term shall equal to the anticipated useful life of the equipment or five years, whichever is less. For working capital the maximum term is five to seven years.

Interest Rate:

Negotiable as determined by the project need but normally the rate will match the current PA Department of Community and Economic Development interest rates for their small business financing programs. While this will establish the minimum rate, the final rate will be dependent on the financing structure and the applicant's ability to pay. Non-profit agencies will be charged the current PA Department of Community and Economic Development interest rate for small business financing programs.

Equity Requirements:

Owner must provide a minimum of 10% of the total financing required. The eExact form of owner equity may be negotiated prior to loan approval.

Collateral:

Depending on the project and the financial status of the applicant, the following will be considered as suitable collateral:

- a. Personal guarantees of all principals owning or controlling more than 20% of the business
- b. Personal guarantees of other individuals or parties subject to credit reports and confirmation of the assets being pledged
- c. Personal property of the applicant or immediate family members including homes, second homes, investment properties and stocks pledged to the City. Personal property not permitted is vehicles, boats, motorcycles, clothing, jewelry, etc.
- d. An escrow fund established and controlled by the City.

Depending on the project, the following documents will be required as part of the financing structure:

- a. Personal guarantees of all principals from all individuals owning or controlling more than 20% of the business.
- b. Security Agreement.
- c. Environmental indemnification of the City of Lancaster.
- d. Affidavit of Business Purpose
- e. Open-End Real Estate Mortgage.
- f. Promissory Note.
- g. Loan Agreement

Loan Fees:

The loan processing fee is 1% of the loan amount at the time of settlement. The borrower shall also pay all closing costs including the City's legal fees, up to \$5,000. The exact fee shall be provided prior to closing.

Default:

If there is material default of the loan, the City may at its discretion establish a new interest rate on the outstanding balance of the loan from the date of occurrence, to the LIBOR Rate, plus 2%.

Conditions:

The Project must show the following:

- a. Demonstrate ability to repay the debt;
- b. Demonstrate need for financing;
- c. Create/retain one full-time equivalent job for every \$35,000 of loan funds borrowed.

Documentation Requirements:

In order to be considered for the Program, the following information must be presented:

- a. Completed application with the Credit Report Authorization Form.
- b. Business Plan. Please provide details on any co-owned or affiliate business.
- c. Brief history and description of the business; including market and projected business future.
- d. Detailed description of project and anticipated benefit from the loan.
- e. Personal financial statements and three years personal income tax returns from each owner of 20% or more of the company.
- f. Management resume of all owners and key staff.
- g. Historical business financial statements (or tax returns) for the past three years.
- h. Current business financial statement (less than 90 days old).
- i. Income Projections with explanations.
- j. Existing debt/loan schedule (see "Existing Debt Schedule Form" attached to the application).

Loan Approvals:

The Loan application will be reviewed by the Housing and Economic Development Administrator, the Director of Economic Development and Neighborhood Revitalization, and the Director of Administrative Services. A recommendation to approve the loan will be presented to the Mayor for final approval.

