

McKean County Redevelopment Authority

ECONOMIC LOAN FUND

PROGRAM MANUAL

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ECONOMIC LOAN FUND PROGRAM MANUAL

I. Program Introduction

The McKean County Redevelopment Authority operates an Economic Loan Fund to provide 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 County of McKean for the purpose of creating jobs.

The Economic Loan Fund Program applications are processed through the Board of the McKean County Redevelopment Authority and administered by the McKean County Redevelopment Authority.

The information provided in this manual should provide the applicant with a summary of policies, procedures, administrative processes, criteria and compliance standards for the Economic Loan Fund applicants to apply for assistance and to maintain compliance in the event that project funding assistance is approved.

II. Applicant Eligibility

Eligible applicants include, but are not limited to: (1) manufacturing; (2) industrial; (3) business-to-business services; (4) advanced technology firms; and (5) other business types looking to create additional jobs in the County that will pay well above minimum wage and provide some fringe benefits.

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

III. Eligibility and Fundability Program Guidelines

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

1. Eligibility

The Board of the McKean County Redevelopment Authority must determine that the assistance is necessary and appropriate. The necessary and appropriate determination requires the Board 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.

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The following factors will be used to determine whether or not the project is viable:

- The firm's need for the assistance;
- The municipality's need for the activity; and

- 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 McKean County Redevelopment Authority agreeing to create (or retain) at least one (1) job for each \$50,000 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 ELF 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 McKean County Redevelopment Authority 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 MCRA Economic 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

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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 Economic Loan Fund applicant and incorporated into the Economic Loan Fund application.

IV. Application Procedures

1. Submit a completed application to the McKean County Redevelopment Authority by the last day of the month.
2. The board of the Redevelopment Authority reviews the application at the next regularly scheduled board meeting, which is the (3rd) Thursday of the month.
3. Approval of the project by the Board of the Redevelopment Authority.
4. Project Closing

Approved loans will be secured by a mortgage, note or other instrument established by the Board of the Redevelopment Authority. The Board 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 Executive Director of the Redevelopment Authority who shall disburse the loan funds once all requirements have been met.

V. Economic Loan Fund and Loan Fees

1. Application Fee: An application fee in the amount of \$500.00 for loans over \$20,000 is due and payable to the McKean County Redevelopment Authority with the submission of the completed application. Loans under \$20,000 will have an application fee of \$100.00, also due and payable to the MCRA 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 closing to the MCRA for legal services provided to the MCRA 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 \$500,000 but no more than 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 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

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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 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 five (5) 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 Board 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 MCRA Board.
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.

(**Note:** The MCRA 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.

VI. Project Performance Requirements

1. Project Employment: The MCRA will only consider projects which create and retain jobs. The applicant must guarantee to create or retain at least one (1) job for each \$50,000 of the MCRA Economic Loan Fund amount.
2. Private Participation: The MCRA Economic Loan Fund 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, regulation, special conditions, directives and resolutions.

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4. The applicant and principals must be current in payment of all applicable state, local, and federal taxes and must submit documentation of such to the

MCRA upon submission of the application. Applicant shall also provide proof that state, local, and federal taxes are being kept up to date on an annual basis for the term of the loan.

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 MCRA to monitor the loan account.