

# SHIPPENSBURG ENTERPRISE DEVELOPMENT LOAN PROGRAM

**\* Application Packet \***  
**Revised October 31, 2016**

**Sponsored By:**

BOROUGH of SHIPPENSBURG with funds provided by the *Pennsylvania Department of Community and Economic Development*- (Previously "Department of Community Affairs").

**For additional information contact:**

Borough of Shippensburg  
Borough Manager  
Enterprise Zone Program  
PO Box 129  
Shippensburg, PA 17257  
(717) 532-2147

# ENTERPRISE ZONE GUIDELINES

The following are guidelines to be used for applicants for funding from the ENTERPRISE ZONE LOAN REVOLVING FUND of the BOROUGH of SHIPPENSBURG. They are to be used by all applicants and may be modified or added to as appropriate.

BOROUGH TREASURER shall review financials and references and report to the Loan Review Committee.

The loan Review Committee will meet and evaluate the loan application. If approved, it will be forwarded to the BOROUGH COUNCIL.

Upon approval of BOROUGH COUNCIL, a commitment letter will be sent to applicant setting forth all terms.

Documentation will be prepared and reviewed.

## LEGAL DOCUMENTATION:

### STANDARD DOCUMENTS REQUIRED:

- A. Loan agreement
- B. Promissory note
- C. Personal and/or corporate guarantees
- D. Good standing certificate
- E. Tax clearance certificate
- F. Financial statements
- G. Opinion of corporate counsel
- H. Mortgage
- I. Evidence of equity contribution
- J. Certificate of incumbency

All documents will be assembled in final form.

Upon receipt of all required documents, settlement will be scheduled for **not more than fifteen (15) days**. All fees collected at settlement, for legal, accounting, recording, etc.

\*\*\*Note – The borrower is responsible for all fees incurred in the obtaining of the loan including all legal and related fees.

## **\* \* LOAN APPROVAL PROCESS \* \***

1. Application filed by potential borrower.
2. Staff checks application for completeness. (7 days)
3. Loan Review Committee reviews request. (Committee meets on the fourth Tuesday of the month.)
4. Request approved or denied by Loan Review Committee.
5. If approved, Borough Council reviews Loan Review Committee recommendation. (Council meetings are held on the first and third Tuesday, of each month.)
6. If approved by Council, settlement to take place within fifteen (15) days of completion of all necessary documentation including all legal documents.

## \* \* DELINQUENT LOANS and DEFAULT \* \* PROCEDURES

*Once a loan has become delinquent, the following procedures shall be put into effect:*

1. The BOROUGH contacts the borrower and arranges for payment.
2. In the event of no payment within twenty (20) business days, past payment due date, the BOROUGH forwards registered letter to borrower.
3. If no payment is received within thirty (30) days past payment due date, the BOROUGH notifies borrower and any first lien holder of default status.
4. Borrower is given sixty (60) days to correct the default, during which time the BOROUGH will provide the borrower with technical assistance to remedy the default.
5. If no payment is received within the sixty (60) days, the BOROUGH consults legal counsel to request foreclosure. At this time a meeting is held with the BOROUGH and any first lien holder to coordinate the foreclosure.
6. The BOROUGH has at their discretion the option of waiving any or all of the default procedures at any point in time.
7. All interest charges, late payment penalties, service fees, and any other charges accruing will continue during the procedures outlined above.

# APPLICATION FOR BOROUGH OF SHIPPENSBURG ENTERPRISE DEVELOPMENT LOAN PROGRAM

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Title: \_\_\_\_\_

Email: \_\_\_\_\_

Legal Status:

Sole Proprietorship \_\_\_\_\_

Partnership \_\_\_\_\_

Corporation \_\_\_\_\_

Non-Profit \_\_\_\_\_

Other (Specify) \_\_\_\_\_

Date of Incorporation or Start-up: \_\_\_\_\_

Owners: (Attach additional sheets if necessary)

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Accountant:

Firm: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Attorney:

Firm: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Brief history of business: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Brief description of business: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Brief description of need for borrowing: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Type of Loan:

- Acquisition of land \_\_\_\_\_
- Acquisition of building \_\_\_\_\_
- New construction \_\_\_\_\_
- Building rehabilitation \_\_\_\_\_
- Purchase of machinery/equipment \_\_\_\_\_
- Working capital  
(Only inventory and personnel) \_\_\_\_\_

Type of Project:

- Business start-up \_\_\_\_\_
- Expansion of business at existing site \_\_\_\_\_
- Development of an additional site \_\_\_\_\_
- Relocation \_\_\_\_\_

Address of site: (if new)

\_\_\_\_\_  
\_\_\_\_\_

Character of project:

Manufacturing	_____
Industrial	_____
Retail	_____
Commercial	_____
Other (Please specify)	_____

Start date of project: \_\_\_\_\_

Total cost of project: \_\_\_\_\_

Requested loan: \_\_\_\_\_

(Cannot exceed **80% of project cost or the loan maximum as determined by BOROUGH COUNCIL** whichever is smaller.)

Number of permanent jobs created or maintained within 36 months of loan: \_\_\_\_\_

\*\*\*Note: One job must be created for each \$30,000.00 loaned<sup>[1]</sup>.

See **JOB CREATION/RETENTION** for details.

Other existing or satisfied EDLP \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

<sup>[1]</sup> This requirement may be waived for non-profit entities that do not engage in manufacturing, industrial, retail, commercial, or export related businesses as set forth in the "Eligible Borrowers" section of the Program Guidelines.



**VERIFICATION**

I verify that the statements made in this application are true and correct. I understand that false statements herein are made subject to the penalties of 18 Pa. Cons. State § 4904, relating to unsworn falsification to authorities.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**Include:**

**\$250.00** non-refundable application fee.

Three (3) business references and three (3) trade references.

Additional materials as listed on the **APPLICATION REQUIREMENTS** Checklist. (You need not duplicate information contained in this application).

# APPLICATION REQUIREMENTS

## **\* \* Checklist \* \***

The following is a list of information required for the EDLP application:

### **EXPANSIONS:**

1. A Business Plan, including marketing strategy and market demand analysis.
2. A statement of the anticipated benefits to the community from the proposed financing, including the number of permanent jobs to be created or maintained (at the end of **12**, **24**, and **36** months.)
3. A balance sheet and income statement for the previous three (3) years.
4. A current balance sheet and income statement (less than six (6) months old).
5. Corporate and/or personal income tax returns for the previous three (3) years.
6. A pro forma balance sheet and income statement for two (2) years following the loan closing.
7. A projected cash flow statement for two (2) years following the loan, when applying for working capital.
8. A source and use of funds statement, including commitment letters from other lending sources.
9. A complete outline of current debt.
10. Environmental Phase 1 audit, if purchasing land or building.
11. Cost estimates and drawings of rehabilitation work.
12. Machinery/equipment quotations.

## **START-UPS:**

1. A business plan of the proposed business venture, including a statement of marketing strategy and market demand analysis.
2. Resumes of principals.
3. A statement of the anticipated benefits to the community from the proposed financing, including the number of permanent jobs to be created (at the end of **12, 24, and 36** months.)
4. Corporate and/or personal income tax returns for the previous three (3) years.
5. Personal financial statements of all key principals.
6. A pro forma balance sheet and income statement for two (2) years following the loan closing.
7. A projected cash flow statement for two (2) years following the loan, when applying for working capital.
8. A source and use of funds statement, including commitment letters from other lending sources.
9. A complete outline of current debt.
10. Environmental Phase 1 audit, if purchasing land or building.
11. Cost estimates and drawings of rehabilitation work.
12. Machinery/equipment quotations.

## **\* \* PROGRAM GUIDELINES \* \***

### **BOROUGH OF SHIPPENSBURG Enterprise Development Loan Program**

#### **PURPOSE:**

The purpose of the Enterprise Development Loan Program (EDLP) is to assist private businesses meet their capital improvement and working capital needs, to achieve the long-term goal of stabilizing and diversifying the economy and promoting long-term employment growth or stability or retention in the private sector.

#### **GOALS:**

The goals of the Enterprise Development Loan Program are to:

1. Improve standards of living by revitalizing the area designated as the “Enterprise Zone”
2. Attract new businesses to the area
3. Create and maintain job opportunities within the designated area
4. To increase the capabilities of local government to respond effectively to local business expansion opportunities and constraints in financially disadvantaged communities

#### **PROGRAM AREA:**

The program area shall be restricted to the area designated as “Enterprise Zone” by the Department of Community and Economic Development (Department of Community Affairs).

*(Map available upon request).*

### **ELIGIBLE BORROWERS:**

Eligible applicants shall include for profit manufacturing, industrial, retail, commercial, and export related businesses.

Non-profit entities may be considered for loans if they can adequately document that the project under consideration is in keeping with the goals and objectives established by the Department of Community and Economic Development.

Applications for loans to non-profit entities that do not engage in manufacturing, industrial, retail, commercial, or export related businesses may be considered by the Loan Review Committee provided that the non-profit entity is located within the Enterprise Zone and performs a service that is instrumental to the expansion or protection of business investment within the Enterprise Zone. The Loan Review Committee may waive the job creation requirements. At least 85% of the members of the Loan Review Committee present at the meeting at which the application is considered must vote in favor of the application for the loan to be issued. No more than \$250,000 of Enterprise Zone Loan Funds may be outstanding at any one time.

### **NONPROFIT BORROWERS:**

Nonprofit applicants will be considered on a case by case basis. Nonprofits must demonstrate the ability to repay the loan based on the documents supplied with the application. The information outlined in the above APPLICATION REQUIREMENTS Checklist serves as a summary of the required documents. Not all of items required of a for-profit entity are appropriate for a nonprofit, however, the applicant is encouraged to provide sufficient documentation to support the loan application.

### **ELIGIBLE COSTS:**

Acquisition of land or building, new building construction or building rehabilitation, the acquisition of machinery and equipment shall be eligible. Working capital needs are also eligible, however they will be limited to inventory and personnel costs.

### **JOB CREATION/RETENTION:**

For each **\$30,000.00 or portion thereof** loaned, one (1) full-time job shall be created. This requirement shall be met within thirty-six (36) months after job closing. If not met within the stipulated period, the interest rate on the loan may be adjusted to the New York prime rate plus two percentage points.

At least 50 percent of the jobs created will be at a level substantially above minimum wage, with some fringe benefits. In well-documented cases, retained jobs will be counted toward the one job per \$30,000.00 requirement.

For project applications involving international export sales, the upper limit on Enterprise Zone Program cost per job is increased to \$35,000.00.

## **LOAN TERMS and CONDITIONS:**

### **Amount:**

The maximum loan made to any one firm in a given year shall be \$200,000.00. Minimum loan amount shall be **\$15,000.00**. The maximum amount of the loan shall not exceed **80%** of the project cost as evidenced by documentation provided by the applicant.

The remaining **20%** of the project cost shall be equity contributed by the borrower. Any additional bank or other additional financing will be included in the calculation of the **80%** maximum. The borrower is responsible for the documentation of these conditions after completion of the project. If not met at the completion of the project, the interest rate may be adjusted to the New York prime rate plus two percentage points.

### **Interest rate:**

Loans shall bear a reasonable interest rate, which will be set by the Loan Review Committee. In no case shall the loan rate be less than two percent (2%). The established interest rate is the New York Prime Rate as published in The Wall Street Journal less three (3) percentage points. The rate on loans will be adjusted after the first payment in January of each year to the previous year end rate less three (3) percentage points (subject to the two percent [2%] minimum rate specified above). (Current interest rates can be obtained from the Borough of Shippensburg.)

### **Term:**

The maximum amortization shall be for twenty-five (25) years or in the case of machinery, equipment or other short lived assets, no more than the useful life of the asset, as provided by the Internal Revenue Service. A balloon payment shall be due and payable at the end of the tenth year for all loans having a useful life beyond ten (10) years.

The term of a working capital loan shall not exceed five (5) years.

**Collateral:**

Security shall be required as determined by the Loan Review Committee. In the case of fixed asset loans, security may be in the form of liens on the assets financed. Liens on other assets of the applicant may also be used to secure the loan.

The Loan Review Committee may also require corporate and/or personal guarantees of the principal stockholders/owners.

The lien position of a loan made by the EDLP may be subordinated and made inferior to a lien or liens securing other loans made in connection with the project.

**Prepayment:**

The borrower at any time without penalty may make prepayment of principal.

**REMOVAL FROM ENTERPRISE ZONE:**

If a business receiving loan assistance through the Enterprise Development Loan Program transfers its facility outside of the Enterprise Zone during the first three (3) years after loan closing, the BOROUGH may require that the outstanding balance of the loan become due and payable immediately.

If a business transfers its facility after three (3) years, the BOROUGH may require that the interest rate on the loan be increased to the New York prime rate plus two percentage (2%) points.

**THE GUIDELINES LISTED ABOVE ARE  
GENERAL GUIDELINES FOR THE PROGRAM.  
THE COMMITTEE RESERVES THE RIGHT TO MAKE EXCEPTIONS ON AN AS  
NEEDED BASIS OR FOR UNUSUAL CIRCUMSTANCES.**

**THE SHIPPENSBURG BOROUGH COUNCIL  
WILL MAKE THE FINAL DECISION REGARDING ANY EXCEPTIONS TO THE  
GUIDELEINES RECOMMENDED  
BY THE LOAN COMMITTEE.**