

CITY OF JOHNSTOWN, PENNSYLVANIA

**RESOLUTION NO. 10144**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF JOHNSTOWN, PENNSYLVANIA  
AUTHORIZING THE UPDATE OF CITY LOAN PROGRAM GUIDELINES

**WHEREAS**, the Loan Committee met and reviewed the loan program guidelines at a public meeting held December 20, 2018; and,

**WHEREAS**, the committee discussed updating the guidelines, and;

**WHEREAS**, clarifying membership, flexibility of loan structures, terms, percentage of participation were desirable for the effective operation of the three loan funds;

**NOW, THEREFORE, BE IT RESOLVED** that the City of Johnstown adopts the loan program guidelines as submitted.


ADOPTED:

January 16, 2019

By the following vote:

Yeas: Mayor Janakovic, Rev. King, Mrs. Mock, Mr. Vitovich, Mr. Britt. (5)

Nays: Mrs. Stanton, Mr. Williams. (2)

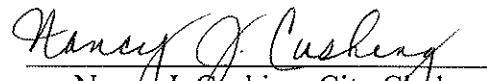


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Frank J. Janakovic, Mayor  
Marie Mock, Deputy Mayor

ATTEST:

I do hereby certify that the foregoing is a true and correct copy of Resolution No. **10144** as the same adopted by the City Council of the City of Johnstown Pennsylvania.



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Nancy J. Cushing, City Clerk

	<u>Enterprise Zone</u>	<u>Job Creation</u> 51% or certain block groups	<u>UDAG</u>
<b>Low/Mod Job Creation</b>			
<b>Time period to create projected jobs:</b>	3 years	3 years	3 years
<b>Subordination to other loans:</b>	yes	yes	yes
<b>Security:</b>	Mortgage or judgment note or financing statement or general assignment or UCC, or some alternative form	Mortgage or judgment note or financing statement or general assignment or some alternative form	Mortgage or judgment note or financing statement or general assignment or some alternative form
<b>Personal guarantees required:</b>	P.G. optional	P.G. optional	P.G. optional
<b>Interest Rate:</b>	3%	3%	3%
<b>Term:</b>	3 years for inventory + working capital 7 years for equipment or furnishings 7 yrs leasehold renovations/site+infrastructure 12 years for building/land acquisition	3 years for inventory + working capital 5 years for equipment or furnishings	3 years for inventory + working capital 7 years for equipment or furnishings 7 years for leasehold improvements 12 years for building/land acquisition
<b>Structure:</b>	Not set.	Not set.	Not set.
<b>Other:</b>	Micro Enterprise \$25,000 70% of total in CDB \$25,000 50% of total rest of city No code or building violations 30 days to cure	Micro Enterprise \$10,000 70% of total in CBD \$10,000 50% rest of city No code or building violations 30 days to cure	Micro Enterprise "smaller amounts" + job creation Reasonable commencement time No code or building violations 30 days to cure
<b>Licenses/Permits Required:</b>	Occupancy Permits Building Permits Cabaret License (Entertainment) Amusement Tax License Certificate of Sewage Compliance	Occupancy Permits Building Permits Cabaret License (Entertainment) Amusement Tax License Certificate of Sewage Compliance	Occupancy Permits Building Permits Cabaret License (Entertainment) Amusement Tax License Certificate of Sewage Compliance
<b>Required Documentation:</b>	<ol style="list-style-type: none"> <li>Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements</li> <li>Narrative describing the need for job loan funds</li> <li>Evidence of site control such as a title, lease, agreement of sale, or option</li> <li>Summary of the sources and uses of all funds for the project</li> <li>Evidence of financial commitments</li> <li>Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)</li> <li>Personal Financial Statement</li> <li>Credit Report</li> </ol>	<ol style="list-style-type: none"> <li>Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements</li> <li>Narrative describing the need for job loan funds</li> <li>Evidence of site control such as a title, lease, agreement of sale, or option</li> <li>Summary of the sources and uses of all funds for the project</li> <li>Evidence of financial commitments</li> <li>Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)</li> <li>Personal Financial Statement</li> <li>Credit Report</li> </ol>	<ol style="list-style-type: none"> <li>Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements</li> <li>Narrative describing the need for job loan funds</li> <li>Evidence of site control such as a title, lease, agreement of sale, or option</li> <li>Summary of the sources and uses of all funds for the project</li> <li>Evidence of financial commitments</li> <li>Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)</li> <li>Personal Financial Statement</li> <li>Credit Report</li> </ol>

Low/Mod Job Creation

Enterprise Zone

Time period to create projected jobs:

3 years

Subordination to other loans:

yes

Security:

Mortgage or judgment note or financing statement or general assignment or UCC, or some alternative form

Personal guarantees required:

P.G. optional

Interest Rate:

3%

Term:

3 years for inventory + working capital  
7 years for equipment or furnishings  
7 yrs leasehold renovations/site +infrastructure  
12 years for building/land acquisition

Structure:

Not set.

Other:

Micro Enterprise

\$25,000 70% of total in CDB  
\$25,000 50% of total rest of city

No code or building violations  
30 days to cure

Licenses/Permits Required:

Occupancy Permits  
Building Permits  
Caberet License (Entertainment)  
Amusement Tax License  
Certificate of Sewage Compliance

Required Documentation:

1. Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements
2. Narrative describing the need for job loan funds
3. Evidence of site control such as a title, lease, agreement of sale, or option
4. Summary of the sources and uses of all funds for the project
5. Evidence of financial commitments

6. Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)

7. Personal Financial Statement  
8. Credit Report

Job Creation  
51% or certain block groups

3 years

yes

Mortgage or judgment note or financing statement or general assignment or some alternative form

P.G. optional

3%

3 years for inventory + working capital  
5 years for equipment or furnishings

Not set.

Micro Enterprise

\$10,000 70% of total in CBD  
\$10,000 50% rest of city

No code or building violations  
30 days to cure

Occupancy Permits  
Building Permits  
Caberet License (Entertainment)  
Amusement Tax License  
Certificate of Sewage Compliance

1. Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements
2. Narrative describing the need for job loan funds
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8. Credit Report

UDAG

3 years

yes

Mortgage or judgment note or financing statement or general assignment or some alternative form

P.G. optional

3%

3 years for inventory + working capital  
7 years for equipment or furnishings  
7 years for leasehold improvements  
12 years for building/land acquisition

Not set.

Interest only, deferred payments possible

Micro Enterprise

\*smaller amounts\* + job creation

Reasonable commencement time

No code or building violations  
30 days to cure

Occupancy Permits  
Building Permits  
Caberet License (Entertainment)  
Amusement Tax License  
Certificate of Sewage Compliance

1. Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements
2. Narrative describing the need for job loan funds
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7. Personal Financial Statement  
8. Credit Report

City of Johnstown  
Department of Community and Economic Development  
Job Development Revolving Loan Program  
GUIDELINES

**Purpose**

The City of Johnstown and its Department of Community and Economic Development (DCED) maintains an economic development strategy designed to stimulate private investment and generate employment opportunities throughout the City. One of the most effective tools used in our strategy is the federally funded Job Development Loan (JDL) Program.

The City of Johnstown utilizes its Community Development Block Grant (CDBG) to supplement existing economic development incentives such as the Pennsylvania Industrial Development Authority Loan, Small Business Administration Loan, Cambria County Industrial Development Authority Mortgage (Bond) Financing, Southern Alleghenies Revolving Loan Program, and our own Enterprise Development Loan Program.

Small businesses wishing to undertake new or expanding projects within the City may qualify for the Job Development Loan Program. At the time of initial inquiry, interested parties will be informed of the basic requirements for qualifying loan recipients.

**Program Eligibility and Statutory Considerations**

Any project or activity undertaken with Federal Community Development Block Grant (CDBG) funds must comply with the provisions of the Housing and Community Development Act of 1974 (42 USC 5301) and regulations promulgated by HUD to implement the Act (24 CFR Part 570). Although there are many additional laws and regulations, which govern the CDBG Program, primary emphasis must be given to compliance with the project eligibility and statutory objectives of the CDBG Program. These detailed regulations are available for review at the DCED main office. Eligible economic development activities and their corresponding use of CDBG funds are discussed in the CDBG regulations at 24 CFR 570.203 which states:

*"The provision of assistance to a private for-profit business, including but not limited to grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support for any activity where the assistance is appropriate to carry out an economic development project."*

From this information, it is evident that Job Development Loans, which provide financial assistance to private sector commercial enterprises, meet the basic economic development eligibility requirements of the CDBG regulation and demonstrates that such a Program is appropriate in carrying out the City's economic development strategy. In addition to meeting the specific eligibility definitions of the CDBG regulations, all activities must address the primary objective of the Act – *"the development of viable, urban communities, including decent housing and suitable living environment, and expanding economic opportunity, principally for persons of low and moderate income."*

**Eligible and Ineligible Activities**

The CDBG Job Development loan may be used for working capital, machinery and equipment, inventory, building/land acquisition, and construction/renovations. However, if Jobs Development Loan funds are used for construction/renovation of a structure, the loan recipient and subsequent contractors must adhere to Davis-Bacon wage determinations. See DCED staff for more information on Davis-Bacon wage determinations.

Job Development loan proceeds may not be used to refinance an existing long-term indebtedness and cannot be expended for an activity that commenced prior to the date of initial application for the loan. In certain cases where project timing becomes critical, the investor may be permitted to obtain interim short term financing in anticipation of the City's Job Development Loan. The City will not, however, issue any type of written approval or commitment prior to the Job Development Loan closing date.

### Eligibility Requirements

Eligible projects must have/plan for the following:

- 1) private non-residential economic development project
- 2) location within corporate limits of City of Johnstown
- 3) total project cost of at least \$10,000
- 4) plan to create one full time job for every \$15,000 loaned from City
- 5) does not include plan for purchase of an existing business, unless new jobs are to be created

Job creation is our primary concern in all new/expanding business projects. Therefore, the City can only lend money based on the number of jobs to be created. For example, if the total cost of a project in the CBD is projected at \$200,000, and eight (8) employment opportunities would result from the project, the maximum \$50,000 loan could be made. If the same \$200,000 project were planned, but only three (3) employment opportunities would result, the maximum level of CDBG assistance would be \$15,000 times 3 jobs, or \$45,000.

For the purpose of employment projection calculations, a full-time equivalent employee is defined as any employee or employees who work a 40-hour week. As an illustration, the creation of two (2) part-time positions for persons working 20 hours per week would result in the creation of one (1) full-time equivalent employment opportunity.

### Type of Available Assistance

Job loan funds are available to private development projects in the form of a loan, which may be subordinated to any form of existing or proposed private financing involved in the project. All loans made under this program will be secured in a manner deemed most appropriate by the City. Security may be in the form of a mortgage, a judgment note, a financing statement, a general assignment, or some alternative form that provides adequate security for the loan. Personal guarantees may be required in order to complete the collateral arrangement.

### Micro-Enterprise Loan Component

As an extension of the Job Development Loan Program and as a means of extending assistance to smaller enterprises, funding assistance is available in smaller amounts for certain activities which create or retain jobs. Eligible applicants and activities are as per the regular Job Development Loan Program. The following Micro-Enterprise Loan program also has the following requirements:

- 1) Funding assistance is available for projects creating of one or more full-time equivalency job(s)
- 2) The maximum loan for projects in the Central Business District is \$10,000 or 70% of the total project cost, whichever is less. Elsewhere in the City, the maximum loan is up to \$10,000 or 50% of the total project cost, whichever is less
- 3) The interest rate is 3% per annum and the maximum term is three (3) years for projects involving inventory and/or working capital, and five (5) years for projects involving equipment and other interior furnishings.

For the purposes of this component, a micro-enterprise is a small business located in the City of Johnstown having five (5) or fewer employees.

### Program Participation in Project Financing

With the exception of projects located in the CBD, the Jobs Development loan requested must not exceed thirty-three percent (33%) of the total investment in the project with a maximum of \$50,000.00, but also must correspond with the \$15,000 borrowed/ per job ratio. For projects located in the defined CBD, the loan must not exceed fifty percent (50%) of the total investment in the project with a maximum of \$50,000.00. DCED staff will verify projects noted as being in the Central Business District.

Applicants are required to pledge five percent (5%) of the total project cost as an owner's equity injection. This investment must be in the form of a new capital outlay or an unpledged asset. The remaining sixty two percent

(62%), forty five percent (45%) in the case of the CBD, of the total project cost can be acquired from financial institutions, investors, etc. These sources of financing must be documented and a letter of commitment must be supplied to the City for the loan packet.

A complete financing plan for a one hundred thousand dollar (\$100,00) project outside of the CBD would look like the following, a request for thirty three thousand (\$33,000) from the City, owner's equity amount of five thousand (\$5,000), and sixty two thousand (\$62,000) from other private sources.

The Job Development Loan is generally to be the only source of City financing for the project. Commingling a Job Development Loan with a City Enterprise Development Loan is prohibited, except for especially significant economic development projects as determined on a case-by-case basis by DCED. Other forms of subsidized public financing, such as the state of Pennsylvania's PIDA, MELF, or SBF loans, may be used in conjunction with CDBG Job Development financing. However, the amount of the City's Job Development loan must be the minimal amount needed to render the project financially feasible.

### Interest Rate and Terms of Repayment

All loans made under this program will be amortized at an interest rate of three percent (3%) provided that the original projection of employment opportunities generated by the project is fulfilled. Interest penalties for failure to meet employment projections are described in a separate section. Terms for loans vary on the use of the City's loan funds:

- Building/land acquisition building construction – 12 yrs
- Building renovations, leasehold improvements, machinery, equipment – 7 yrs
- Working capital, inventory – 3 yrs

Job Development loans can be subordinated to any existing or proposed private financing involved in the project. All loans made under this program will be secured in a manner deemed most appropriate by the City. Security may be in the form of a mortgage, a judgment note, a financing statement, a general assignment, or some alternative form that provides adequate security for the CDBG loan. Personal guarantees may be required in order to complete the collateral arrangement.

### Job Creation Requirements

The Jobs Development Loan program is funded by the City's Community Development Block Grant (CDBG) program, whose regulations **require** that its programs benefit low/moderate income (l/m) individuals. When CDBG funds are used by the City to make loans to new and existing businesses, the loan must create or retain permanent jobs of which at least 51% are either filled by or made available to low/moderate income persons (low/mod income guidelines are attached to this application).

Loan recipients achieve the CDBG l/m benefit by filling 51% of their required new jobs with l/m persons (required jobs are defined as those that must be created to maintain one job per \$15,000 borrowed ratio). Loan recipients are required to document the household income of individuals at the time of hiring for proof of l/m status.

First Consideration: The loan recipient must take proper steps to ensure that low/moderate income individuals were given **first consideration** during the hiring/job development process. This practice also makes it easiest to fill and/or make available 51% of the jobs with l/m persons. A provided form is required to be completed during a candidate's first interview with the potential employer. The purpose of the form is to determine and verify household income and can help the employer identify l/m income applicants.

A loan recipient can reach a 51% benefit - even if they do not fill 51% of required jobs with l/m persons. This can be

achieved if the employer can prove that the jobs not taken by l/m person were available to l/m persons because they were given first consideration. The jobs must not require special skills (those that require more than a year of training or work experience) and education beyond high school, unless the employer thereby agrees to provide training. This option in reaching a 51% benefit is grounded in the following definition: "a l/m jobs activity is one which creates or retains permanent jobs, at least 51% of which, on a full-time equivalent basis, are either held by l/m persons or considered to be available to l/m income persons".

For example, a loan recipient who receives \$80,000 in loan funds must create 5 jobs. 51% of those 5 jobs (3 jobs) must be filled or made available to l/m persons. All of the following scenarios would ensure that the recipient is in compliance with CDBG regulations

- 3 positions filled with l/m persons (51%)
- 1 or 2 of the 3 required positions filled with l/m persons, as long as all three positions were available to l/m persons and have supporting documentation
- None of the three required positions with l/m persons, as long as all three positions were available to l/m persons and have supporting documentation

Presumed Benefit: Section 105 (c) 4 of the CDBG authorizing regulation provides that, for the purposes of determining whether a job is held or made available to a l/m income person, the person may be presumed to be l/m income if either of the following is true:

- The person resides in a block group\* that has at least a 20% poverty rate
- The business is located in a block group\* that has at least a 20% poverty rate
- Subdivision of a census tract that consists of blocks with the same initial digit and the smallest geographic unit for which the Census Bureau tabulates sample data

In such cases, the business is presumed to benefit l/m persons. The following chart lists those block groups in the City of Johnstown that have a poverty rate in excess of 20%:

Census Tract # / Neighborhood Name	Block Group #	Poverty Rate
Tract 1/ Downtown	BG 1	50.3%
Tract 2/ Kernville – all block groups	BG 1	37.6%
	BG 2	41.6%
Tract 3/ Hornerstown	BG 1	31.3%
	BG 2	44.4%
Tract 4/ Walnut Grove	BG 2	36.60%
Tract 5/ Lower Moxham	BG 2	24.2%
Tract 6/ Upper Moxham	BG 1	26.7%
	BG 3	21.8%
Tract 8/ Old Conemaugh Boro – all block groups	BG 1	29.0%
	BG 2	34.4%
Tract 10/ Prospect/Minersville	BG 2	57.3%
Tract 11/ Cambria City – all block groups	BG 1	26.5%
Tract 12/ Morrellville	BG 1	24.2%
	BG 3	21.4%
	BG 4	27.3%
Tract 13/ Oakhurst	BG 1	75.20%
Tract 14/ Coopersdale	BG 1	30.7%

\* See DCED for further description of block group boundaries

If the assisted business is not located in or the prospective employee(s) does not reside in one of the above designated block groups, the business must maintain employee/applicant income documentation to prove they filled or made available 51% of their required jobs to l/m persons (low/mod income guidelines are attached to this application).

### **Job Retention Requirements**

In order to consider requests for loan assistance in cases involving job retention rather than creation, there must be clear and objective evidence that permanent jobs will be lost without CDBG loan funds. For these purposes, "clear and objective" evidence that jobs will be lost would include:

- Evidence that the business has issued a notice to affected employees or made a public announcement to that effect
- Analysis of relevant financial records which clearly and convincingly shows that the business is likely to have to cut back employment in the near future without the planned intervention

To meet the l/m income jobs standard, 51% or more of the retained jobs must be either:

- Known to be held by l/m persons at the time CDBG assistance is provided
- For jobs not held by l/m persons, they must be reasonably expected to "turn over" to l/m persons within two years. "Turn over" in the case means the jobs must be filled or available to l/m persons in the manner described in the previous section

### **Penalty for Failure to Meet Employment Projection**

The borrower must meet his/her employment projection within three (3) years from the date of loan closing. Failure to meet the employment projection within this period of time will result in a penalty of immediate repayment equal to One-Hundred Ten percent (110%) of the outstanding loan balance. If the entire repayment is not received within sixty (60) days, the outstanding balance of the loan, including interest, will be subject to an interest penalty of fifteen percent per annum.

### **Monitoring**

At the time of monitoring for compliance with the threshold requirements of the loan, the loan recipient must provide all information requested by the City. Monitoring information needed and not provided when requested is just cause for voiding an application and/or for the immediate repayment of the loan, penalties, and legal costs.

### **Licenses**

The applicant must be up to date with all licenses and fees required by the City of Johnstown. If the applicant is not up to date on the licenses and/or fees, the City of Johnstown holds the right to deny the loan request. These licenses and fees include the following:

- Occupancy Permit
- Cabaret License for all Entertainment Service Businesses
- Amusement Tax License for all Gaming Machines located within the business
- Building Permit for all businesses that will be conducting renovations
- Certificate of Sewage Compliance, when purchasing a property.

Any and all outstanding code violations with the City's Code Department will also forfeit your loan application.

### **Required Documentation**

A complete package including the following must be submitted to City's DCED to be considered for loan funds

1. Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements
2. Narrative describing the need for job loan funds



3. Evidence of site control such as a title, lease, agreement of sale, or option
4. Summary of the sources and uses of all funds for the project
5. Evidence of financial commitments
6. Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)
7. Personal Financial Statement
8. Credit Report

#### **Applicability of Other Federal Requirements**

Since the City's source of funds for the Job Development Program is the HUD Community Development Block Grant Program, participants must indicate a willingness to comply with certain Federal requirements, including but not limited to the following:

1. Section 3 obligations to provide to the greatest extent feasible opportunities for training and employment of local lower income residents and contractors
2. Executive Order 1126 obligation to practice nondiscrimination and affirmative action in employment policies
3. Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires the City to obtain proof of flood insurance coverage from loan recipients whose property is located in special flood hazard areas. The Act requires that flood insurance coverage remain in effect for the entire economic or useful life of the property. DCED will assist applicants in determining the application of this requirement on a case-by-case basis
4. Labor Standards (Davis-Bacon Prevailing Wage Rates) are applicable to construction work financed in whole or in part with Job Development Loan funds

#### **Loan Services and Fees**

At time of closing, the successful borrowers are required to pay a loan servicing fee of one percent (1%) of the City's portion of the loan with a minimum of a \$200.00 to the City of Johnstown. Successful borrowers will be provided with all relevant information at the time of the loan closing.

Payments to the City's loan servicing agent are generally due on the first day of each month commencing upon the borrower's receipt of the coupon booklet, unless agreed to otherwise. Payments not received within fifteen (15) days of the payment due date will be considered late. Late payments must be accompanied by a flat late payment fee of thirty dollars (\$30.00) plus the loan payment.

#### **City Review of Requests for Assistance**

DCED will maintain a log on each loan application. If documentation is incomplete three (3) months after the application date, with no justifiable written explanation, the application will be voided and removed from the application file. The completed loan package will be reviewed by DCED staff, the City's attorney and the designated loan review committee who will reach a final determination on any funding action to be taken. Provided that all necessary documentation is in order, the City will be capable of reacting to requests for CDBG assistance in a prompt and timely manner. The applicant will be notified, in writing, of any action taken by the City relative to his/her request for assistance. Successful applicants will be contacted to establish a mutually convenient date for the loan closing. All private funds must be available for project implementation before the CDBG loan closing can take place.

#### **Loan Review Committee**

The Loan Review Committee has been established to review all loan applications and documentation relative to the Job Development Loan Program. The Committee will coordinate the lending process and make decisions and recommendations on underwriting issues (i.e., determination of credit worthiness of borrower). The Committee is

made up of seasoned underwriting analysts from both the public and private sector; 1<sup>st</sup> Summit Bank, Northwest Bank, First Commonwealth Bank, AmeriServ Financial, Johnstown Redevelopment Authority, Johnstown Area Regional Industry, Somerset Trust and First National Bank.

The committee will meet on an as needed basis at 2 pm on the third (3<sup>rd</sup>) Wednesday of the month(s) when loan applications have been properly and fully submitted. Applicants You will be notified by the City of Johnstown's Department of Community and Economic Development when your committee meeting will occur and you will be encouraged to attend the meeting in order to answer any questions that may arise on your application. Applicants You are required to submit their your loan packet in full the second (2<sup>nd</sup>) Monday of the month one week in advance of meetings in order to allow proper time for distribution and review.

### Delinquent and Uncollectable Loans

Any Job Development loan which becomes delinquent, more than 30 days late, shall trigger a written notice of such delinquency from the City of Johnstown Department of Community and Economic Development. Written delinquency notices shall continue to be sent to the loan recipient on a monthly basis, up to three (3) months delinquent. If the loan is not brought current by resuming payments, restructuring the loan agreement and/or becomes unresponsive for a period of three (3) months delinquent, the loan shall be turned over to the City of Johnstown Solicitor for legal action.

### Special Requirements

All executed loans must benefit the City of Johnstown. To insure this, the agreements between the loan recipient and the City contains a provision that if the business relocates outside the corporate limits of the City before the loan is repaid, the outstanding balance, penalty or interest shall become payable within sixty (60) days. Any balance remaining after the sixty days will be affixed with an interest rate at least two (2) points above the New York prime rate.

Reasonable activity must commence as planned and be maintained in completing the project financed by the loan. If the activity is not started or completed within a reasonable and agreed upon time, the unused loan funds will be returned to the City and portions drawn by the recipient will be immediately due and payable to one hundred and ten percent (110%) of that amount. The loan recipient must provide documented proof of mitigating circumstances for delay and receive acceptance by the City in order to eliminate or reduce the penalty.

Further information relative to the Job Development Loan Program may be obtained by contacting the City of Johnstown's Department of Community and Economic Development at (814) 533-2045.

City of Johnstown  
Department of Community and Economic Development  
Enterprise Zone Revolving Loan Program  
GUIDELINES

**Purpose**

The City of Johnstown is a state designated Enterprise Zone Loan and has established these guidelines to provide financial assistance to small and medium sized businesses that are industrial, manufacturing, or technology oriented companies within or locating within the state designated Enterprise Zone of the City's corporate limits. Projects considered for Enterprise Zone Loans will generally be those with a minimum project cost of \$100,000.00. Smaller projects may be better served by using the City's Job Development Loan Program. The applicant should provide evidence of the potential for creation of a significant number of jobs within the designated three (3) year requirement period

**Eligible and Ineligible Activities**

Eligible activities include building and land acquisition, new building construction, building and site improvements, machinery and equipment, and inventory of new and expanding businesses. However, if Enterprise Zone Loan funds are used for construction/renovation of a structure or on-site improvements, the loan recipient and subsequent contractors must adhere to the state prevailing wage determinations. Contact Johnstown DCED staff or Pennsylvania Department of Labor and Industry for more information on state prevailing wage determinations:

The Enterprise Zone Loan may be used in a pro-rated form and combined with new financing or private funds for the project. Enterprise Zone Loan proceeds may not be used to refinance an existing long-term debt and cannot be expended for an activity that commenced prior to the date of initial application for the loan. In certain cases where project timing becomes critical, the investor may be permitted to obtain interim short term financing in anticipation of the City's Enterprise Zone Loan. The City will not, however, issue any type of written commitment prior to the Enterprise Zone Loan closing date.

**Eligibility Requirements**

Threshold requirements for Enterprise Zone loan funds include:

- 1) Non-residential economic development project
- 2) Total project cost of at least \$100,000.00
- 3) Location within the City of Johnstown corporate limits and within the designated Enterprise Zone
- 4) Creation of one new employment opportunity for every \$35,000 borrowed or retain one full time position for every \$15,000 borrowed.

For the purpose of employment projection calculations, a full-time equivalent employee is defined as any employee or employees who work a 40-hour week. As an illustration, the creation of two (2) part-time positions for persons working 20 hours per week would result in the creation of one (1) full-time equivalent employment opportunity. The City, at any time, may set the amount of Enterprise Zone Loan funds that can be borrowed depending on the availability of funds and other circumstances that prompt the City to set limits. Employers must be willing to sign a Statement of Assurance that they will make affirmative effort to produce the level of employment opportunities projected in the Enterprise Zone Loan Application.

**Type of Available Assistance**

Enterprise Zone Loan funds will be made available to private development projects in the form of a loan, which can be subordinated to any form of existing or proposed private funding involved in the project. All loans made under this program will be secured in a manner deemed most appropriate by the City. Security may be in the form of a mortgage, a judgment note, a financing statement, a general assignment, UCC, or combination of these that provides adequate security for the Enterprise Zone Loan. Personal guarantees may be required to complete the financial arrangement.

### Program Participation in Project Financing

The Enterprise Zone Loan requested generally cannot exceed thirty-three percent (33%) of the total project cost, or a maximum of \$350,000, as of the date of initial application. In this manner, at least three dollars of private investment must be leveraged for every one Enterprise Zone dollar loaned. However, if the project is located in the Central Business District (located in the Enterprise Zone) that percentage can be fifty percent (50%), with one dollar of private investment for every dollar of Enterprise loan funds.

Applicants are required to pledge five percent (5%) of the total project cost as an owner's equity injection. This investment must be in the form of a new capital outlay or an unpledged asset. The remaining sixty-two percent (62%) of the total project cost are acquired from financial institutions, investors, etc. These sources of financing must be committed, approved, and documented.

A complete financing plan for a one hundred thousand dollar (\$100,000) project would include the following: a request for thirty-three thousand dollars (\$33,000) from the City, owner's equity amount of five thousand dollars (\$5,000), and sixty-two thousand dollars (\$62,000) from other private sources.

The Enterprise Zone Loan is usually the only source of City financing for the project. Commingling a Job Development Loan with Enterprise Zone Loans is generally frowned upon prohibited, except for particularly significant economic development or revitalization projects.

Other forms of local and state subsidized financing such as Pennsylvania's Machinery and Equipment Loan Fund may be used in conjunction with Enterprise Zone financing, but the amount of the City's Enterprise Zone Loan funds will be the minimal amount needed to render the project financially feasible.

In cases of projects that involve multiple sources of public financing, the borrower must present a complete pro-forma analysis of the proposed project together with any additional documentation the City may require to demonstrate the need for Enterprise Zone financing. The City will make a determination relative to the project's need for Enterprise Zone financing, and may elect to deny the request. The City will inform the borrower of its determination as to the amount of the Enterprise Loan. Projects that involve multiple sources of public financing, must meet all Enterprise Zone Loan requirements.

### Micro-Enterprise Loan Component

As an extension of the Enterprise Zone Loan Program and as a means of extending assistance to smaller enterprises, funding assistance is available in smaller amounts for certain activities which create or retain jobs. Eligible applicants and activities are as per the regular Enterprise Zone Loan Program. The following Micro-Enterprise Loan program also has the following requirements:

- 1) Funding assistance is available for projects creating of one or more full-time equivalency job(s)
- 2) The maximum loan for projects in the Central Business District is \$25,000 or 70% of the total project cost, whichever is less. Elsewhere in the City, the maximum loan is up to \$25,000 or 50% of the total project cost, whichever is less
- 3) The interest rate is 3% per annum and the maximum term is three (3) years for projects involving inventory and/or working capital, and five (5) years for projects involving equipment, machinery, and other interior furnishings.

For the purposes of this component, a micro-enterprise is a small business located in the City of Johnstown having five (5) or fewer employees.

### Interest Rates and Terms of Repayment

All loans made under this program will be amortized at an interest rate of three percent (3%) provided that the original projection of employment opportunities generated by the project is fulfilled. Interest penalties for failure to meet employment projections are described in a separate section. Terms for loans vary on the use of the loan funds

- Building or land acquisition, building construction – 12 yrs
- Building/leasehold renovations, site/infrastructure improvements, machinery, equipment – 7 yrs
- Working Capital and Inventory – 3 yrs

The City reserves the right to adjust the interest rate and term from time to time reflecting economic trends, and/or negotiate interest rates and other terms for particularly significant projects.

### Job Creation Requirements

The Enterprise Zone Loan requires the creation of one new employment opportunity for every \$35,000 borrowed or retain one full time position for every \$15,000 borrowed. For the purpose of employment projection calculations, a full-time equivalent employee is defined as any employee or employees who work a 40-hour week. As an illustration, the creation of two (2) part-time positions for persons working 20 hours per week would result in the creation of one (1) full-time equivalent employment opportunity. The City, at any time, may set the amount of Enterprise Zone Loan funds that can be borrowed depending on the availability of funds and other circumstances that prompt the City to set limits. Employers must be willing to sign a statement of assurance that they will make affirmative effort to produce the level of employment opportunities projected in the Enterprise Zone Loan Application.

### Job Retention Requirements

In order to consider requests for loan assistance in cases involving job retention rather than creation, there must be clear and objective evidence that permanent jobs will be lost without Enterprise Zone Loan funds. For these purposes, "clear and objective" evidence that jobs will be lost would include:

- Evidence that the business has issued a notice to affected employees or made a public announcement to that effect
- Analysis of relevant financial records which clearly and convincingly shows that the business is likely to have to cut back employment in the near future without the planned intervention

### Penalty for Failure to Meet Employment Projections

Providing the required new jobs for unemployed or underemployed persons is an important part of the Enterprise Zone Loan Program. Failure to provide the projected number of jobs within three (3) years from the date of loan closing constitutes a default to the loan agreement and will trigger an immediate repayment of the loan.

The borrower will be monitored during and at the end of the three (3) years and information is to be provided by the borrower as evidence that the jobs have been created and properly filled by unemployed or underemployed persons.

### Monitoring

At the time of monitoring for compliance with the threshold requirements of the loan, the loan recipient must provide all information requested by the City. Monitoring information needed and not provided when requested is just cause for voiding an application and/or for the immediate repayment of the loan, penalties, and legal costs.

### Licenses and Taxes

The applicant must be up to date with all licenses and fees required by the City of Johnstown as well as City of Johnstown municipal taxes. If the applicant is not up to date on the licenses, fees and/or taxes, the City of Johnstown holds the right to deny the loan request. These licenses and fees include the following:

- Occupancy Permit
- Cabaret License for all Entertainment Service Businesses
- Amusement Tax License for all Gaming Machines located within the business
- Building Permit for all businesses that will be conducting renovations
- Certificate of Sewage Compliance when purchasing property

Any and all outstanding building or property maintenance code violations with the City's Code Department will also forfeit a your loan application unless loan monies will be utilized to address said code violations. There is a 30 window to cure violations from date of written notification from the Loan Committee or their designee.

### Required Documentation

A complete package including the following must be submitted to City's DCED to be considered for loan funds

1. Detailed description of the proposed project, including estimate of total cost, cash flow pro forma, projected balance sheets, and profit and loss statements
2. Narrative describing the need for job loan funds
3. Evidence of site control such as a title, lease, agreement of sale, or option
4. Summary of the sources and uses of all funds for the project
5. Evidence of financial commitments
6. Payroll records as of date of initial inquiry for the purpose of measuring the increase in employment opportunities and last three years financials (if a existing business)
7. Personal Financial Statement
8. Credit Report

### Loan Services and Fees

At time of closing, the successful borrowers are required to pay a loan servicing fee of one percent (1%) of the City's portion of the loan with a minimum of a \$200.00 to the City of Johnstown. Successful borrowers will be provided with all relevant information at the time of the loan closing.

Payments to the City's loan servicing agent are generally due on the first day of each month commencing upon the borrower's receipt of the coupon booklet, unless agreed to otherwise. Payments not received within fifteen (15) days of the payment due date will be considered late. Late payments must be accompanied by a flat late payment fee of thirty dollars (\$30.00) plus the loan payment.

### City Review of Requests for Assistance

City of Johnstown DCED staff will maintain a log on each loan application. If documentation is incomplete three (3) months after the application date, with no justifiable written explanation, the application will be voided and removed from the application file. The completed loan package will be reviewed by City of Johnstown DCED staff, the City's attorney and the designated loan review committee who will reach a final determination on any funding action to be taken. Provided that all necessary documentation is in order, the City will be capable of reacting to requests for assistance in a prompt and timely manner. The applicant will be notified, in writing, of any action taken by the City relative to his/her request for assistance. Successful applicants will be contacted to establish a mutually convenient date for the loan closing. All private funds must be available for project implementation before the loan closing can take place.

### Loan Review Committee

The Loan Review Committee has been established to review all loan applications and documentation relative to the Enterprise Zone Loan Program. The Committee will coordinate the lending process and make decisions and recommendations on underwriting issues (i.e., determination of credit worthiness of borrower). The Committee is made up of seasoned underwriting analysts from both the public and private sector, 1st Summit Bank, Northwest

~~Bank, First Commonwealth Bank, AmeriServ Financial, Johnstown Redevelopment Authority, Johnstown Area Regional Industry, Somerset Trust and First National Bank.~~

The loan review committee will meet on an as-needed basis at 2 pm on the third (3<sup>rd</sup>) Wednesday of the month(s) when loan applications have been properly and fully submitted. You will be notified by the City of Johnstown's Department of Community and Economic Development when your committee meeting will occur and you will be required to attend the meeting in order to answer any questions that may arise on your application. Applicants are required to submit their loan packet in full the second (2<sup>nd</sup>) Monday of the month a week in advance of meetings in order to allow proper time for distribution and review.

### Delinquent and Uncollectable Loans

Any Enterprise Zone loan which becomes delinquent, more than 30 days late, shall trigger a written notice of such delinquency from the City of Johnstown Department of Community and Economic Development. Written delinquency notices shall continue to be sent to the loan recipient on a monthly basis, up to six (6) months delinquent. If the loan is not brought current by resuming payments, restructuring the loan agreement and/or becomes unresponsive for a period of three (3) months delinquent, the loan shall be turned over to the City of Johnstown's Solicitor for legal action.

For a Enterprise Zone loan to be deemed uncollectable and therefore subject to additional action(s) by the City of Johnstown, unsuccessful collection efforts shall have passed for a period of six (6) months from the date of transfer to said 3<sup>rd</sup> party collection agency. At the conclusion of said six (6) month collection period the loan may be deemed uncollectable via approval by City of Johnstown Administration (City Manager, Economic Development Director, and Finance Director) and the City's Loan Review Committee. If no concurrence can be reached by the City of Johnstown Administration or the City's Loan Review Committee, the loan will then be turned back to the 3<sup>rd</sup> party collection agency for an additional six (6) month collection period before write-off or collection/foreclosure of collateral by City of Johnstown Administration at the end of second said six (6) month collection period.

### Special Requirements

All executed loans must benefit the Enterprise Zone. To ensure this, the agreement between the loan recipient and the City will contain a provision that if the business relocates outside the Enterprise Zone before the loan is repaid, the outstanding balance shall become payable within sixty (60) days. Any balance remaining after that date will be affixed with an interest rate at least two (2) points above the New York prime rate.

Reasonable activity must commence as planned and be maintained in completing the project financed by the loan. If the activity is not started or completed within a reasonable and agreed upon time, the unused loan funds will be returned to the City and portions drawn by the recipient will immediately become due and payable at one hundred-ten percent (110%) of that amount. The loan recipient must provide documented proof of mitigating circumstances for a delay and receive acceptance from the City in order to eliminate or reduce penalty.

Further information relative to the Enterprise Zone Loan Program may be obtained by contacting the City of Johnstown's Department of Community and Economic Development at (814) 533-2045.

City of Johnstown  
Department of Community and Economic Development  
UDAG Revolving Loan Program  
GUIDELINES

Purpose

The City of Johnstown maintains an economic development strategy designed to stimulate private investment and generate employment opportunities throughout the City. One of the ways this strategy is being implemented is via the UDAG Revolving Loan Fund, a locally administered loan fund, capitalized by means of repayments on the former Federal Urban Development Action Grant (UDAG) projects, funded during the late-1970's and 1980's. The Federal UDAG program funded by U.S. Dept. of Housing and Urban Development centered on funding projects that created jobs via an injection of Federal funds, which in turn triggered an investment of private sector funding. As such, the UDAG Program was an early attempt at the creation of public/private partnerships in economic development. One of the more unique characteristics of the UDAG Program was that the initial grants were loaned by the City to private businesses. The repayment of these loans would then be returned to the City, which would create additional funds for community and economic development.

The City of Johnstown utilizes a portion of its UDAG repayments to fund a Revolving Loan Fund. UDAG loan funds are earmarked for those developmental activities deemed inappropriate for funding under the City's Job Development or its Enterprise Zone Loan Programs. ~~All loan committee (the committee) has been established to administer this program~~

Program Eligibility and Statutory Considerations

Any project or activity undertaken with UDAG RLF funds must comply with the provisions of the Housing and Community Development Act of 1974 (42 USC 5301) and regulations promulgated by HUD to implement Act (24 CFR Part 570), and must be eligible activities as identified by the Community Development Block Grant (CDBG) program. Although there are many additional laws and regulations that govern the CDBG Program, primary emphasis must be given to compliance with the project eligibility and statutory objectives of the CDBG Program. These detailed regulations are available for review in the City's Community and Economic Development Department (DCED). Eligibility of economic development activities is discussed in the CDBG regulations at 24 CFR 570.203 which states:

*The provision of assistance to private for-profit businesses, including but not limited to grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support; for any activity where the assistance is appropriate to carry out an economic development project.*

In addition to meeting the specific eligibility definitions of the CDBG regulations, all activities must address the primary objective of the Act which establishes as its primary objective the development of viable urban communities including decent housing and suitable living environment and expanding economic opportunity. The extension of UDAG financial assistance to private sector investors will be based in part on the number of employment opportunities that will be created or retained as a result of the transaction. Job production or retention is one of the threshold requirements that must be met in order to process a request for loan assistance. The threshold requirements will be explained in a later section of this document.

Eligible and Ineligible Activities

Eligible activities include building and land acquisitions, building construction, renovation, machinery and equipment, inventory, and working capital costs of new and expanding businesses. In general the UDAG funds may not be used for refinancing of existing debt and cannot be expended for any activity that commenced prior to the date of the initial application for the loan. The committee may grant an exception where a dissolution of partnership might cause an otherwise viable business to close. In certain cases where project timing becomes