



LUZERNE COUNTY'S INNOVATION PROGRAM

Luzerne County has established the Innovation Program in accordance with the goals and objectives outlined herein. The Program, which will be administered by the Office of Community Development, will be capitalized using funds from the Community Development Revolving Loan Fund.

DEFINITION AND PURPOSE

Luzerne County has established the Innovation Program utilizing Community Development Block Grant (CDBG) funds and program income generated by loan repayments. The purpose of the program is to provide below-market rate loans to new businesses locating in the County, having five or fewer employees, one or more of whom owns the business. Loans will be made to stimulate business growth, provide assistance to low-moderate persons, create low-moderate and other job opportunities and to enhance the County's tax base.

PUBLIC ASSISTANCE

The County will provide loans only where the applicant can certify that the proposed project would not go forth without (but for) public financial assistance. Appropriate evidence to support this statement must be provided.

Furthermore, the amount of public assistance provided must be necessary or appropriate, taking into account the actual needs of the business and the income status of the proposed owner or the extent of public benefit expected to be derived from the microenterprise project.

PROGRAM REQUIREMENTS

Business Eligibility: The business must be a new venture that will consist of 5 or fewer employees, one or more of whom owns the business. The business must be working with one of the two established incubator facilities in Luzerne County:

Greater Hazleton CAN BE
103 Rotary Drive
West Hazleton, PA 18202
570 455-8334

Innovation Center @ Wilkes-Barre
7 South Main
Wilkes-Barre, PA 18701
570 270-4769

Business Development/Mentoring Assistance:

The role of the incubators is to provide mentoring and professional guidance in such areas as business plan development, marketing, legal and financial issues key to development of a new business. All loans will be processed through these facilities, contingent upon the business meeting the requirements of the Luzerne County Innovation Program and having successfully fulfilled all requirements of the incubator business development process. Loan applications must receive preliminary approval from the incubator review board in order to be considered for County funding. Final loan approval lies solely with the Luzerne County Board of Commissioners. A loan agreement will then be prepared; however, **a loan closing will not be scheduled until the environmental review process is completed. Prior to the release of funds evidence of actual expenses incurred for eligible activities (i.e. invoices, bills of sale, cancelled checks, payroll registers, etc.) must be submitted to this Office. All expenses submitted must be incurred after the date of preliminary approval.**

Employment Requirement: A minimum of one full-time job shall be created for each \$35,000.00 or portion thereof, borrowed from the County. Furthermore, 51% of all jobs created for the individual microenterprise assisted, must be made available to, low and moderate income persons. In the event the owner qualifies as a low-moderate income person, all jobs will be viewed as meeting the low-moderate income criteria and there will be no need to determine the income qualifications of the remaining employees. The total job commitment numbers, however, must be met. If a business does not meet its minimum employment requirements within three (3) years from the date of loan approval, the County shall call the loan with the outstanding balance due and payable within 30 days of the third anniversary date of the loan settlement. At its discretion, the County may extend the job creation period by one additional year if it is determined that the company has made every effort to satisfy the job creation requirements and it is reasonable to believe that granting an additional one year extension will provide the opportunity to successfully meet job creation requirements.

Loan Amount and Use of Funds: Fixed asset financing for land, building, working capital, and machinery & equipment only up to 49% of the total financing needed, not to exceed \$50,000.00. The County Commissioners may consider a higher percentage of County participation based on the unique nature of the business.

Loan Terms: For land and building acquisition, working capital, and building construction or renovation the term shall be equal to, but shall not exceed, the term of private sector financing or 15 years, whichever is less. For machinery and equipment, the term shall be equal to the anticipated useful life of the equipment or 7 years, whichever is less. Exceptions to the equipment term may be made to meet the terms of State or Federal business financing programs such as the U.S. Small Business Administration.

Interest Rate: The rate shall be 1 % for loans to low-moderate owners or 3% to owners creating low-moderate income jobs for 51% of the employees of the business.

Letters of Commitment: A Letter(s) of Commitment (subject to County funding) from all financial institutions and other sources of private financing stating the amount, term, and rate associated with the financing, must be submitted to the County with the Full Application. Loans provided by the County may be subordinated to private sector financing that equals or exceeds the County's loan participation level.

Collateral: Adequate collateral to secure the loan should be available. Personal guarantees shall be required of principals (and when necessary their spouses) and all individuals owning or controlling more than 25% of the business entity with an active role in daily business operations.

Loan Frequency: No application by a business for additional financing shall be considered until any outstanding loan provided by the County has been paid in full. Exceptions may be made for an individual wishing to purchase another business. However, under no circumstances shall financing exceed the \$50,000 maximum under the County Innovation Program. Businesses could potentially be eligible for consideration under other County economic development programs. In exceptional cases, it may be necessary to refinance an existing loan. Refinancing is restricted to restructuring the term and/or rate of the existing loan. Additional financing shall not be provided as part of a refinancing arrangement.

Credit History: Loans shall not be made to those businesses/individuals in any phase of bankruptcy, or in default on any debt, including other private or public sources, as determined by the County's Agents, in consultation with County Staff. A letter stating permission to pull credit report with a copy of driver's license is also required.

Default: If there is material default of the loan, the County may, at its discretion, establish a new interest rate of 1 point above PRIME on the outstanding balance of the loan from the date of occurrence, plus protective advances and reasonable costs and attorney fees as allowed by statute. In the event the borrower relocates the business outside the geographical boundaries of Luzerne County, the entire unpaid balance of the loan, together with interest thereon shall become due and payable as of the date of the relocation.

Appeal Process: Businesses who have been denied preliminary approval by the incubator review board may, at their request, appeal the decision to the Luzerne County Board of Commissioners. At said appeal the business owner must provide written notification as to why the loan was denied and offer evidence to demonstrate the merits of further review of the decision.

MBE/WBE: All non-profit agencies receiving funding through the Luzerne County Office of Community Development are encouraged to utilize the services of minority and/or women owned businesses.

EQUAL EMPLOYMENT OPPORTUNITY: No entities receiving funding through the Luzerne County Office of Community Development shall discriminate against any individual because of race, color, religion, sex, national origin, age, disability, or familial status.

SPONSORED BY THE LUZERNE COUNTY BOARD OF COMMISSIONERS:

Commissioner Maryanne Petrilla, Chairman
Commissioner Thomas P. Cooney
Commissioner Stephen A. Urban