

Downtown Business Incentive Grant

Program Guidelines

Main Street Waynesboro, Inc.
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Current as of November 7, 2007

Downtown Business Incentive Grant
Waynesboro, PA

I. Statement of Purpose

The Downtown Business Incentive Grant (DBIG) is intended to provide financial incentives that encourage high traffic retail and commercial businesses to locate downtown and be able to compete favorably against malls and big box retailers.

DBIG will be financed by a grant obtained by Main Street Waynesboro, Inc. from the Pennsylvania Department of Community and Economic Development. The program will be administered by the Greater Waynesboro Chamber of Commerce, who will be responsible in conjunction with Main Street Waynesboro, Inc. for the marketing, packaging and approval of all grants.

II. Area Eligibility

DBIG grantees must be located on Main Street in Waynesboro, Pennsylvania between Fairview Ave. and Clayton Avenue or agree to locate within those borders prior to the disbursement of the grant.

III. Eligible Borrowers

Businesses qualifying for grants through DBIG must be for profit and are preferred to be high traffic:

Retail/Professional Trade...Establishments engaged in selling goods, services or merchandise to the general public for personal or household consumption and rendering services incidental to the sale of such goods.

Hospitality and Recreational Businesses...A for-profit small business enterprise which operates a hotel, motel, or other lodging facility and which employs at least three (3) full-time equivalent employees at the time an application is submitted to DBIG. The term also includes a for-profit enterprise which operates a restaurant or food service operation open to the public and employs at least three (3) full-time equivalent employees at the time the application is submitted to the DBIG. Also included in the definition is a for-profit enterprise which operates a recreational/amusement facility open to the public which employs at least three (3) full-time equivalent employees at the time an application is submitted to the DBIG.

Preference will be given to those businesses that enhance or compliment the existing business mix in downtown. Main Street Waynesboro, Inc. reserves the right to reject redundant businesses and to adjust the preferred business mix at any time.

IV. Eligible Activities/Costs

Market Based Rent Rebates...DGIB will provide 100% rebate for one year up to \$1000 per month, 66% rent rebate for year two up to \$660 per month; and 33% rent rebate for year three up to \$330 per month. Rent rebates would be available for new businesses that move into downtown and for existing businesses that expand their retail space.

Build-out and Equipment Purchases...DBIG will provide a dollar for dollar match up to \$50,000 for monies spent by an eligible business for any combination of rehab, build-out or equipment purchases for their business.

Purchase of Property...DBIG will provide a one-time grant of up to \$25,000 for the purchase of a building as an alternative to a rent rebate. The owner would have to operate his/her business (as outlined in eligible businesses above) out of the building for at least three years. Funding for build-out and equipment purchases would also be available.

V. Ineligible Activities/Costs

Refinancing...The refinancing of existing debt is expressly prohibited.

Investor-Developer...DBIG cannot be used for real estate speculation. The beneficial owner of the real estate of a project site must operate a business in the owned property for three years.

Related Party Transactions...DBIG cannot be used for costs associated with a transaction where the buyer and seller are one and the same or are related to each other by blood, marriage or law.

Supplanting Private Sector Capital...DBIG shall not supplant private sector capital where such financing is readily available at reasonably available terms and conditions; *however, DBIG may be used to encourage private investment by reducing financing risk to such private lenders.*

VI. Grant Parameters

Private Sector Investment...DGIB grants will be made in conjunction with a private sector lender, equity from the owners or investors, or other private sources.

Equity Participation...The applicant company must agree to contribute a minimum of twenty (20%) of the total project cost in the form of corporate or personal equity.

Grant Security...All grants must be secured at the highest position available on one or more of the following assets: land; building(s); machinery; equipment; or other assets. In addition, the DBIG will generally require a corporate guarantee

or its equivalent, and may require personal guarantees of principals and *spouses*. The DBIG must have a collateral position on the assets unless otherwise specifically waived.

Terms...Grantees must stay in business on Main Street for three years. If a grantee fails or discontinues such business, the grant must be repaid to Main Street in full within three years of termination of said business.

Fees...Main Street Waynesboro, Inc. will charge reasonable and customary fees as established by the Board of Directors for the processing of DBIG. Such fees shall include, but not necessarily be limited to, an application fee of \$250.

VII. Conditions of the Grant

- A. The grant recipient must generate one (1) new full-time equivalent job, within three (3) years of the grant award. (A full-time equivalent job is defined as 2,080 hours of compensated work per year.)
- B. The grant recipient business must generate high foot traffic and maintain retail hours that are convenient to consumers. Specifically the business must remain open until 8:00 p.m. on Friday nights, 5:00 p.m. on Saturday nights. Industry standards will dictate other hours during the week. Businesses with limited or unreasonable hours will not be eligible for grant funding. Main Street Waynesboro, Inc. reserves the right to periodically review traffic counts and retail hours to determine compliance.
- C. An applicant may place orders, sign sales agreements, and make security deposits on machinery and equipment and real estate prior to DBIG approval without prejudicing the review of its application. **IN THESE INSTANCES, THE APPLICANT IS PROCEEDING AT ITS OWN RISK.**
- D. An applicant may not receive more than the maximum grant amount established for the DBIG during the thirty-six (36) month period from the date of the last DBIG disbursement.
- E. The applicant and principals must not be delinquent or in default on any existing private or publicly financed loan and will be required to sign an affidavit to that effect.
- F. The applicant and principals must be current in the payment of all applicable federal, state, and local taxes.
- G. Updating...Each applicant shall update the information given to the Main Street in the application if conditions change or to the extent that the information given originally becomes inaccurate or misleading. If a project is approved and it is subsequently determined that the application contained material misrepresentations, or funds are used for ineligible activities, the grant will be considered in default and subject to immediate recall. In addition, the project may be referred to the appropriate authorities for criminal investigation.

- H. Inspection...Each applicant that applies for or receives assistance through the DBIG, upon reasonable request of Main Street Waynesboro, Inc., shall permit duly authorized representatives of Main Street Waynesboro, Inc., to inspect the physical plant, books, and records of business.
- I. Waivers...Waivers of policies may be considered on a case-by-case basis.

VIII. Application Procedures

- A. The applicant will submit the DBIG application to Main Street Waynesboro, Inc., at 5 Roadside Ave. Waynesboro, PA 17268.
- B. Main Street Waynesboro, Inc. will review the application to ensure that it meets the basic eligibility criterion for the DBIG.
- C. The Greater Waynesboro Chamber of Commerce staff will perform an administrative review of each project to ensure completeness, eligibility, and conformance with statutes, guidelines, policies, and other matters related to the DBIG.
- D. Main Street Waynesboro, Inc. through its DBIG Review Committee, will conduct a thorough business credit analysis, collateral determination, and program review in accordance with commercially acceptable evaluation criterion.
- E. Main Street Waynesboro, Inc. will make every effort to approve or reject grant applications and formally notify the applicant within 30 days of receipt of the completed grant application.
- F. Upon formal acceptance by the applicant of Main Street Waynesboro, Inc.'s commitment, funds will be encumbered. A request for disbursement may then be made.
- G. Ten days prior to the grant closing date, the grantee will certify to the Main Street Waynesboro, Inc. that:
 - 1. All other sources of funding will be in place at the time of closing;
 - 2. The use of all funds remains as presented in the project application;
 - 3. All parties agree to the collateral as approved by DBIG;
 - 4. All other conditions of the commitment letter have been satisfied;
 - 5. Main Street Waynesboro, Inc. has the correct FEIN and Social Security numbers of the applicant, beneficial owner(s), and guarantors; and
 - 6. The grant award date has been established.
- H. Any material changes requested by an approved applicant of collateral, or terms must be reviewed and approved by Main Street Waynesboro Inc. Board of Directors, upon a recommendation of the DBIG Review Committee.

XI. Disbursement Procedures

- A. Rent rebates will be disbursed on a monthly basis upon presentation by the grantee to the administrator of a receipt for rent payment.

- B. Matching build-out funds will be disbursed upon inspection of completed purchases or renovations and presentation of receipts.
- C. Building purchase funds will be disbursed after purchase is completed and owner has retail operation in place.

XII. Evaluation Criteria

- A. Business Evaluation...The historical performance of an existing business will be evaluated to assess its ability to repay the grant if requirements are not met.

Specifically, the evaluation will include:

Financial Performance Of The Business...this involves an evaluation of the prior three (3) years' financial performance, including an examination of income statements, balance sheets, cash flow statements, and notes to the financial statements.

1. Financial statements should be prepared by an independent accountant. If the applicant's internal financial statements are submitted, the accountant's qualifications must be provided. Internally prepared financial statements must include appropriate notes. If the most recent year-end financial statement is more than six (6) months old, a more recent interim statement must be submitted.
2. Payment on notes payable to officers and investors who own twenty percent (20%) or more of the applicant must be subordinated and amortized at a term equal to or greater than the DBIG term.
3. Notes receivable from officers and shareholders reflected on the applicant's balance sheet must be repaid prior to loan disbursement.

Market Performance...This involves an evaluation of the local and national market and the applicant's current and projected position or market share.

Management Ability...This involves an evaluation of the experience and skills of the proprietor, partners, or directors. Included in the evaluation is an assessment of the general business experience as well as specialized experiences in the particular industry. Resumes of all principals with twenty percent (20%) ownership as well as company officers and plant managers must be provided.

Start-Up Businesses...Newly formed enterprises are eligible to apply as long as they meet all DBIG requirements and conditions. Applicants must be able to demonstrate management and industry experience or expertise, along with expectations for a strong potential market for their

product or service, including a three (3) year pro-forma financial projection.

- B. Project Criterion...The merits of the proposed uses of funds will be assessed to determine the ability to repay the loan. Specifically, the evaluation will include:

Projected Sales and Revenues...This involves an assessment of the validity and risk of the sales and revenue projections.

Financial Statement Analysis...A thorough credit analysis will be performed using both historical and projected financial statements. Projections should be done for one complete twelve (12) month period following the anticipated award date of DBIG. (Start-up businesses must submit three (3) year projections.)

Changes in Market Strategy and/or Management Strategy... Any proposed significant changes in the business plan, market strategy, or management team prior to the DBIG disbursement must be reviewed by the DBIG Review Committee.

Public Benefit Criterion...All applications will be evaluated to analyze the potential public benefit of the projects, which shall include:

1. The total number of full-time equivalent jobs to be created and/or retained;
2. The number of consumers to be attracted to shop in downtown;
3. The private investment to be leveraged as a result of the DBIG investment;
4. The increase percentage of sales or receipts of the grantee.

C. FEE STRUCTURE

DOWNTOWN BUSINESS INCENTIVE GRANT (DBIG)

Application (Non-Refundable) \$250

Effective November 7, 2007

I have reviewed the fee structure associated with the application and by my signature, acknowledge that I am responsible for payment.

Signature

Date