Allegheny M/W/DBE Contractor Working Capital Loan Program

The Allegheny M/W/DBE Contractor Working Capital Loan Program (WCLP) program is designed to provide accounts receivable financing for small contractors executing public agency contracts in Allegheny County. The WCLP provides market-rate gap financing to small contractors based on the WCLP applicant’s need to finance working capital for their public agency contracts.

Through the Redevelopment Authority of Allegheny County (RAAC) the WCLP is designed to promote opportunities for those groups who have not had ready access to contract financing in the Allegheny County, including minority-and woman-owned businesses and disadvantaged business enterprises. Funds for the program will be provided by RAAC’s Economic Development Fund (EDF) in partnership with the local banking community.

I. Eligibility

The following criteria will be used to for WCLP loans:

A. Area Eligibility

WCLP applicants must be located within Allegheny County.

B. Types of Businesses

Eligible businesses are defined to include all Allegheny County W/M/DBE contractors domiciled in Allegheny County and certified by Allegheny County’s Office of Minority, Women Disadvantaged Business Enterprises that perform public agency (local, state, and federal) contracts in Allegheny County.

C. Other eligibility Requirements

1. An applicant has to hold a binding contract with a local, state or federal agency to be performed in Allegheny County in order to be eligible for financing under the WCLP program.
2. Applicants must self perform at least 60% of the work specified under the contract securing the loan.

II. Eligible activities

Working capital for financing of contracts with local state and federal agencies in Allegheny County.

III. Parameters of Loan

A. Loan Size: Loan amounts are limited to 80% of the contract securing the loan with a minimum loan of $10,000 and maximum loan of $100,000 and WCLP
providing no more than 50% of the total loan. RAAC will seek participation for the balance of funding from local financial institutions.

1. Maximum Borrowing Amount: The total aggregate principal amount of loans outstanding under the Program to any Borrower shall not exceed $100,000 (the "Borrowing Limit"). The Borrowing Limit includes (i) current Program loans, including both principal loan balances already drawn down and still outstanding and principal loan balances not yet drawn down, and, (ii) unfunded but committed principal loan amounts (i.e. future loans authorized under the Program but not yet closed or funded).

B. Private Sector Investment: Typically loans shall be made in conjunction with a private lending source but in its discretion RAAC can decide to solely fund a loan.

C. Loan Security: All loans must be fully secured with an assignment of contracts, accounts receivable, and other collateral if required. Typically personal guarantees are required from all owners and company officers.

D. Insurance: Borrowers shall be required to maintain insurance providing adequate coverage against the perils of fire, hazard, extended coverage, public liability and other insurance as RAAC may require in form and substance satisfactory to the RAAC naming RAAC as Lender Loss Payee, and additional insured.

E. Loan Term: Up to one year or the term of the contract securing the loan whichever is less.

F. Interest Rate: The prime interest rate as published in The Wall Street Journal will be charged and set at the time of the loan closing. The interest rate will increase or decrease when changes to the prime interest rate occur.

G. Payments: Interest and principal payments are applied as assigned payments from borrower’s customer are received by RAAC.

H. Fees:

1. Application Fee: The application fee of 1% of the loan amount is collected from the borrower’s first payment for work completed with its customer.

2. Administrative Servicing Fee: The administrative service fee of 1% of the loan amount is collected from the borrower’s last payment for work completed with its customer.

IV. Conditions of Loan
A. Individual advances will not exceed 80% of any eligible invoice with total advances not exceeding the maximum loan amount.
B. Applicants are to use Program Managers designated by RAAC to assist loan applicants in completion of the application, project planning, and general business assistance required to complete the project and ensure payment of the loan.
C. Any use of loan funds must comply with all Federal, State and local regulations applicable to applicant’s project.

V. Standard Application Evaluation Criteria

A. **Business Evaluation** The historical performance of the business, if applicable, and the owners will be evaluated to assess their ability to repay the loan and complete work under the contract. Specifically, this evaluation will include:

1. **Financial Performance of the Business**: If applicable, this involves an evaluation of prior three (3) years financial performance, including an examination of tax returns, balance sheets, income statements and cash flow statements.

2. **Financial Performance of the Owner**: This involves the evaluation of the personal tax returns of the prior three years, a personal financial statement, and a credit bureau check.

3. **Market Performance**: This involves an evaluation of the relevant local and national markets and a demonstration of the expectation for a strong potential market for the product or services.

4. **Management Ability**: This involves an evaluation of the experience and skills of the proprietor, partners, or directors. This includes general business experience as well as specialized experience in the particular industry.

B. **Project Evaluation**

The merits of the proposed uses of the funds will also be assessed to determine the ability to repay the loan. Early stage companies must demonstrate sufficient cash flow in order to repay the loan. Specifically, this evaluation will include:

1. **Project Income and Expenses**: An analysis of the income and expense projections for the contract to be financed.

2. **Value of the Contract and Collateral**: Analysis of the contract and its proceeds to determine if it meets this program’s 80% loan to value ratio requirement.
C. Public Benefit Evaluation

Loan applications will be evaluated based on additional criteria measuring public benefits including one or more of the following factors:

1. The degree to which completion of the project depends on the RAAC loan.

2. The support provided to minority and woman-owned businesses and disadvantaged business enterprises by the project.

3. The total number of jobs created

4. The impact on the area in which the project is located.

5. The general benefit to Allegheny County.

VI. Waiver of Provisions

The Executive Director or the Board of Directors of the RAAC may waive certain provisions of these guidelines based on a determination of the private and public benefits of the project.

VII. Notification

RAAC reserves the right to announce all loan commitments publicly.