LOWER MERION TOWNSHIP
SMALL BUSINESS RETENTION (FORGIVABLE) LOAN PROGRAM

SUMMARY
The Office of Community and Economic Development (OCED), through the use of CDBG funds, is providing up to $265,000 for the Small Business Retention Loan Program (Program) to help retain locally owned small businesses and maintain commercial vibrancy in the commercial areas of the Township. The forgivable loan program is designed to assist eligible businesses that are in serious jeopardy of closing due solely to the recent COVID-19 pandemic and associated economic impacts.

The Program is available to existing, locally owned, eligible (eligibility as defined below) businesses located within the commercial areas of the Township and have been in operation for a minimum of twelve (12) months preceding the application submittal date. Micro enterprises are also eligible¹. There is no application fee.

Depending on the number of employees, a business may be eligible for a forgivable loan of up $5000 or $10,000. The Program will offer loans which will be forgiven with no principal or interest due if the business remains in continuous operation for at least two (2) years after the loan closes, or 27 months if a three month extension is granted. The forgivable loan is, in effect, converted to a grant if the business remains in continuous operation for at least two years².

Funding will occur as quickly as possible after approval and closing conditions are met. The Office of Community and Economic Development will begin to accept applications starting on June 8, 2020 and close accepting applications on June 22, 2020. The Township reserves the right to extend the deadline if there are not a sufficient number of applications for the funding available under this program. Funding successful applications will continue until funds are depleted or no longer necessary.

LOAN GUIDELINES
The intent of the Small Business Retention Loan Program is to assist eligible businesses that are in serious jeopardy of permanent closure due solely to the recent COVID-19 pandemic and associated economic impacts. A review of both the financial history and the current financial condition of the business will be used to determine need and potential eligibility. The Program will provide direct financial assistance to existing, locally owned, eligible businesses, with a preference for businesses retaining an employee(s) who are residing in Low to Moderate Income household if not for their existing employment at the business location, or for a minimum of 12 months preceding the application submittal date. Applicants will also be considered if the business was open as of February 1, 2020, and the business owner/operator has a history of successful history of successful operations.

Loan applications will be accepted beginning June 8, 2020, and end on June 22 unless extended by the Township due to insufficient applications to utilize the funds available under this program.

¹ Microenterprise business is defined as having five or fewer employees including business owner; and the business owner must have a household income at or below 80% of the Area Median Income.
² Avoid job loss caused by business closures related to social distancing by providing short-term working capital assistance to small businesses to enable retention of jobs held by low- and moderate-income persons. - CDBG/Coronavirus
LOAN AMOUNT
A business may be eligible for a forgivable loan of up to $10,000. The Program will offer loans, which will be forgiven with no principal or interest due if the business remains in continuous operation for at least two (2) years after the loan closes and 24 to 27 months after monthly payments begin. The forgivable loan is, in effect, converted to a grant if the business remains in continuous operation for at least two years.

The maximum forgivable loan amount is determined by the number of FTE* Employees retained for the existing business as indicated below:

- Five or less FTE employees = $5,000 Maximum forgivable loan
- Six to twenty FTE employees = $10,000 Maximum forgivable loan

USES OF LOAN FUNDS
The Program loan funds can be used for:
- Fixed assets (leasehold improvements or equipment to provide for COVID-19 counter measures or social distancing)
- Operational expenses
- Payroll of existing employees
- Rent

Program loan funds should not be used for facade improvement, construction, or signage. Home-based businesses or those businesses located in residentially zoned districts are not eligible. Ineligible uses for the funds also include, but are not limited to, franchise fees, attorney/legal fees, and accounting fees.

ELIGIBILITY
The Program is available to existing, locally-owned, eligible businesses or non-profits located on the first-floor within the commercial areas of the Township. Franchise businesses, and independent contractors are not eligible. A review of tax returns and current financial statements must indicate that the business was operational for a minimum of 12 months preceding the application and was viable and financially sound prior to the COVID-19 pandemic. The applicant must show that the loan is necessary for the business to remain in operation and that no funds have been received from CARES Act programs or any other local, state, or federal loan/grant programs.

Other requirements include:
- The business must occupy grade level space and have an active street presence;
- The business must maintain regular and/or daily business hours; and, generate most of its revenues by maintaining in-stock merchandise that is available for purchase, or offering services for walk-in customers;
- The business must be up to date of all taxes prior to February 1, 2020;
- The business must be properly licensed and permitted;
- Preference will be given to businesses that can provide proof of the legal right to the property in which it conducts its business throughout the 2-year term of the forgivable loan;
- Preference will be given to businesses that can demonstrate they have been profitable for at least the last 2 years prior to March 2020;
- The business must document loss of business income is COVID-19 related;
The business must certify that they have not received any other Cares Act funding or any other local, county, state, or federal funding;

Documentation of Employee Household Income (salary, wages, and any other income)

Staff will review applications for the duration of funding availability. Complete applications will be submitted to the Office of Community & Economic Development (OCED) in the Lower Merion Township Building and Planning Department for consideration. The OCED may approve, reject, or conditionally approve the application.

Loans are subject to the availability of funds. The OCED reserves the right to reject any application or approve less funding than requested. If the applicant is eligible for a partner program, the applicant may be requested to transfer his application to the partner program.

CLOSING REQUIREMENTS

There is no application fee. However, the following should be provided at the time of loan closing (some may not be applicable to all applications):

- Have supplied a written plan for how the Loan Program funds will be spent to support the existing business;
- Have supplied evidence of business property ownership or a current lease;
- Have supplied proof that at least one of the retained FTE employees was Low Moderate Income (LMI) before hire; or would be LMI if not retained;
- Have supplied financial information to indicate that your business has been profitable for at least the last 2 years prior to March 2020 have supplied a Certificate of Insurance naming Lower Merion Township as additional insured;
- Have supplied a Property Deed, or documentation of any Municipal Liens on property, if required.

LOAN TERMS

The Loan Program is designed to assist eligible businesses that are in serious jeopardy of closing due solely to the recent COVID-19 pandemic and associated economic impacts. OED staff will review the financial history and the current financial condition of the business to determine need and eligibility. Each approved business will be required to provide an annual update on the financial status of the business, beginning twelve (12) months from the date of the loan closing.

If accepted, the loan will be amortized monthly over a five-year (5-year) period, at a zero percent (0%) interest rate. Repayment shall commence on the fifth day of the sixth month following the date that the loan closes and the funds are dispersed. The applicant can request one deferral of three (3) months to begin making regular monthly payments.

Monthly payments shall be placed into an escrow account each month, based on the amortization schedule. After each business year the business will submit a balance sheet, an income statement, business tax returns (when available), and Estoppel Certificate if requested to the OCED to receive a refund of the loan payments made for the previous year of business. The loan will be deemed as being in default if the aforementioned financial statements are not presented to the OCED within sixty (60) days after the end of the business year. If the business operates continuously (defined as maintaining regular business hours and not closing for more than one (1) period of up to thirty (30) consecutive days, and remains in business for two (2) years after the loan closes and the funds are dispersed, the remaining balance shall be deemed as “forgiven.”
APPLICATION PROCESS
Complete the application form and email to Eric Persson at epersson@lowermerion.org. Please include a simple cover letter as a PDF. The letter should provide an overview of your business and explain how the Small Business Retention Loan Program will be used to help your business recover.

Following submittal of a complete application, OCED staff will schedule a meeting or phone call with the applicant. This meeting will provide a chance to discuss the business needs in more detail and confirm forgivable loan eligibility. It will also be determined if there are questions or more additional documentation is necessary. If the application is approved, OCED staff will schedule a grant closing.

LOAN DEFAULT
In the event of default or closing of the business, the remaining balance shall not be deemed as “forgivable” and will then be due in full. Occurrences of default include, but are not limited to, the following events:

- The business closes after re-opening;
- The business fails to maintain regular operating hours;
- The business modifies its operation and no longer meets current eligibility requirement;
- The business does not follow the approved business continuation plan;
- The business fails to make regular monthly loan payments;
- A loan payment is sixty (60) days past due;
- The business fails to submit complete financial documents and provide annual updates as required.

In the event of a default, the OCED may deem the loan as not forgivable and due in full. Until full payment is made, the remaining balance will be amortized over the balance of the remaining term at a nominal interest rate of 4% with payment due on a monthly basis. All legal fees incurred for payment collection will be the responsibility of the applicant.

MISCELLANEOUS
Neither the Office of Economic Development, Lower Merion Township, nor its affiliates shall be responsible for any negative results (real or perceived) associated with any recommendations pertaining to business and financial consulting, or any other matter associated with the loan and/or business. No warranties or guarantees are expressed or implied by the description of, application for, or participation in the Small Business Retention Loan Program. The OCED or Lower Merion Township, shall have the authority to make revisions and amendments to the regulation of this program, as it may deem necessary.

In the event that revisions or amendments are made to this program, they shall become effective as of the date of adoption and shall not be binding on any loan subsidy closed prior to that adoption date.

* “FTE”; means a "job" that is aggregated from permanent, part-time jobs. The part-time jobs must each provide at least 875 hours of employment per year.