

# **PITTSFIELD ECONOMIC REVITALIZATION CORPORATION**

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**PERCloans.com**

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## **COMMUNITY DEVELOPMENT MICRO-LOAN PROGRAM**

### **GENERAL**

The Pittsfield Economic Revitalization Corporation (PERC) makes micro-loans to qualifying microenterprises that are owned by low- and moderate-income citizens and families in Pittsfield. The micro-loans are designed to provide financing to microenterprises unable to obtain such financing in the private market. The source of funding for this program is the federal U. S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program made available to PERC by the City of Pittsfield.

Micro-loan applicants are encouraged to also apply for specialized technical assistance through the Community Development Technical Assistance Grant Program. The requirement for matching funds may be waived, at the discretion of PERC, for qualified applicants that meet low- to moderate-income guidelines.

### **ELIGIBILITY REQUIREMENTS**

- Project must be located in Pittsfield
- Company must meet all of the following criteria:
  - Independently owned microenterprise consisting of a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise;
  - The microenterprise is owned by a Pittsfield resident that is qualified by income to receive assistance by meeting HUD low- to moderate-income guidelines;
  - The microenterprise does not have a net worth more than \$500,000; and
  - The microenterprise does not have an average income after Federal income taxes for the preceding two years in excess of \$250,000.
- The company must document that it is unable to secure financing through conventional sources.
- All micro-loans are subject to an evaluation as defined by HUD guidelines. The evaluation involves: (1) a verification that costs are reasonable, (2) a confirmation of other sources of funds, (3) a determination that these federal funds are not being substituted for non-federal funds, (4) a determination that the project is financially feasible, (5) a determination that the return on equity is not unreasonably high, (6) a determination that funds can be disbursed on a pro-rata basis, and (7) an assessment and documentation of public benefits. Additional underwriting guidance is taken from the SBA 504 Standard Operating Procedure.

## **APPLICATION**

- (1) The staff of the Department of Community Development (DCD) will be responsible for processing of CDBG micro-loan applications.
- (2) The applicant will be responsible for all costs associated with the preparation of the application and for any closing fees, including PERC's legal fees.
- (3) The applicant shall pay two points at closing to PERC to cover micro-loan processing and servicing expenses.

## **APPROVAL**

CDBG micro-loan applications will be reviewed by PERC's Finance Committee, which will make a recommendation on the micro-loan application to the PERC Board of Directors. When possible, an applicant will receive approval or disapproval at PERC's next monthly Board meeting when a completed application is submitted at least ten days before a scheduled meeting.

## **PROGRAM REQUIREMENTS**

- (1) Micro-loan proceeds are to be used to finance the construction or acquisition of fixed assets and other microenterprise assets, such as equipment and inventory, and/or working capital needs.
- (2) Micro-loans cannot exceed ninety-five percent (95%) of the applicant's project costs; the maximum micro-loan amount is \$15,000.
- (3) The applicant will be required to invest a minimum of five percent (5%) of project costs from personal resources.
- (4) The term of the micro-loan will not exceed five (5) years.
- (5) The interest rate will be set at loan closing based on the Wall Street Journal prime rate plus 1%. The rate will be fixed for the term of the micro-loan.
- (6) Any person owning twenty percent (20%) or more of the applicant company, and the Chief Executive Officer of the applicant company, regardless of his/her ownership in the company, must personally guarantee the micro-loan to PERC.
- (7) The applicant shall seek to provide a sufficient amount of collateral for the micro-loan, including a mortgage on the owner's residence, if available, in a form acceptable to PERC.

## **INELIGIBLE PROJECTS**

- \* Restaurants and cafés.
- \* Businesses that sell alcoholic beverages.
- \* Real estate investment unless property is owner-occupied for business purposes.
- \* Acquisition of land for which the specific proposed use has not been identified.
- \* General promotion of the community as a whole.
- \* Assistance to professional sports teams.
- \* Assistance to privately owned recreational facilities that serve a higher-income clientele.
- \* Businesses that have unresolved non-compliance finding for previous CDBG assistance.