

## **INTRODUCING PAWTUCKET'S BUSINESS DEVELOPMENT CORPORATION...**

The Pawtucket Business Development Corporation (PBDC) serves as a gap financing resource for small and medium-sized businesses in the City of Pawtucket. Its purpose is to encourage businesses to increase or retain employment, renovate existing commercial buildings, expand the tax base and promote private enterprise. PBDC acts as a stimulus for economic development while prudently managing the financial resources available to businesses.

Since the PBDC was revived in 1993, the nonprofit corporation has provided 66 business loans, totaling \$3,843,700. These PBDC loans produced some \$29,726,003 in bank financing for these businesses. In 2014, one new loan was approved. Also during the year, there were preliminary reviews and discussions with several potential borrowers, but for a variety of reasons formal applications were not submitted. PBDC also considered one loan modification.

### **PBDC'S MISSION**

Here are ten guidelines that the PBDC Committee use when reviewing loan applications submitted for consideration:

1. PBDC will loan a maximum of \$100,000 per borrower. This guideline may be waived by the Loan Review Committee if extenuating circumstances exist.
2. The primary focus of the Revolving Loan Program is to provide financing to small and medium-sized companies. To qualify, the business must be located in Pawtucket or relocating to the City. It must create or retain jobs and must demonstrate the need for the funds as well as the financial strength to repay the loan.
3. The Loan Review Committee will consider the total project costs that will be incurred by a potential borrower by weighing the leveraging of other funds, the availability of additional capital, the equity invested, the number and quality of the jobs created or retained, the impact on local taxes and the total amount of PBDC funds required.
4. PBDC will require an overall project leveraging ratio of \$1.00 of private funds (debt or equity) injected into the project for every \$1.00 of PBDC funds. The leveraging ratio for ventures funded exclusively under the commercial/retail program may be lowered to \$0.50 of private funds to \$1.00 of PBDC funds. The leveraging of projects involving the acquisition and improvement by real estate will only require \$3.00 private funds to \$1.00 PBDC funds.
5. Equity from business owners or stockholders of not less than ten percent (10%) will be required in all of the loan categories with the exception of commercial/retail ventures, which require twenty percent (20%).

6. Ventures supported by PBDC loan programs should result in the creation or retention of jobs. It is expected that no less than one (1) job shall be created or retained per \$20,000 of PBDC funds. This job generation should be reflected in the business plan and financial projects prepared by the company.
7. Transaction costs of undertaking the loans made by PBDC will be passed through to the borrower. While there is a nominal application fee, if an affirmative decision to lend is made by PBDC, the borrower will be required to make a good faith deposit. Transaction costs will be minimized whenever possible.
8. Borrowers will be made aware and shall acknowledge that since federal funds may be involved in the financing that certain monitoring of financial statements and employment records will occur.
9. Ineligible businesses and uses of PBDC loan funds under these programs include the following: certain types of service companies (e.g., publishers) and passive investment.
10. Debt consolidation or refinancing. Note: Subject to the availability of unrestricted funds, loans to not-for-profit corporations may be possible, subject to the restriction regarding use of funds, job generation and financial covenants pertaining to for-profit entities.