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Committee of the Whole Meeting
Council Chambers - May 26, 6:30 PM
Restaurant and Other Grant Disbursement Procedures

Sara Hailstone read from the City of Allentown's Business Financing Programs PowerPoint presentation. She began with the program history of 2004 in regards to the excess sewer capacity funds in the amount of \$540,000 that were approved by City Council and transferred to the Allentown Economic Development Corporation to service the new loan and grant programs according to the Resolution. Based on the research that the Department of Community and Economic Development did, research of programs throughout the Commonwealth and programs throughout the United States they came up with a number of programs. The programs have not received additional funding since 2004. Financing incentives were reduced from nine programs to four programs in September of 2009 to better address the needs of the changing economic climate.

Current financing programs - grant or loan application expense programs that are eligible:

- Building fadeout
- Equipment
- Energy Improvement
- Façade Improvement
- Landscaping
- Signage

Current financing programs - grant or loan application expense programs that are not eligible:

- Rent
- Furniture
- Employees
- Fees
- And other soft cost

The three existing loan programs are the Façade Loan, City Business Opportunity Program, and Upper floors for Housing Loan Program. The guidelines for the loan programs includes requirements up to a 10-year term for loans, 0 to 3% interest rate, significant cash flow, evidence of sufficient collateral, must be secured by a first or second mortgage lien, personal guarantees from the owners, all city taxes and fees must be current, all plans must be approved by Zoning, Building Standards, Health and Fire.

The City's Business Opportunity Loans

Date	Business	Amount received	Total Project Investment	Jobs Created	Loan
September 2009	Bada Bing	\$30,000	\$116,422	5	Repaid
September 2009	Made in Brazil	\$37,100	\$146,000	14	
November 2004	Ramos Realty	\$30,000	\$125,000	4	
June 2004	Allentown Brew works	\$90,000	\$7,278,946	84	
September 2009	Cosmopolitan	\$50,000	\$3,300,000	35-50	
October 2007	New York Urban	\$19,366	\$58,100	10	

The current grant programs include Restaurant Row Incentive Grants and the Façade Grant.

- A three-year lease term minimum
- Must be a business in the Allentown Business District
- A full-service restaurant (has to serve both lunch and dinner)
- A signed enumeration agreement that the restaurant would remain active for five years with same ownership or the full grant must be repaid.
- All city taxes and fees must be current.
- All plans must be approved by Zoning, Building Standards, Health and Fire.

Based on the US Department of Labor, 66% of new establishments were still in existence two years after their birth. 44% were still in existence four years after birth. The new establishments disappeared two years after their birth. These survival rates do not vary by industry, according to the US Department of Labor, Allentown program success rate is greater than the national average according to the Small Business Administration and the Department of Labor. They are going to look at the number of jobs being created.

Testimonials from businesses

Mc Givern Bindery

Bada Bing

Made in Brazil

Allentown Brew Works

The business owners' spoke on the success of their businesses and why they would not have been able to open their businesses without the grant programs. They want to bring people back to the city. They suggested Council look at the Parking Authority to lower the meters by restaurants.

Council was concerned about the process. They wanted to know why Johnny Mananas failed. They appreciated the business owners' service, but they wanted to know if the process was a good one and wanted to improve the process. They wanted to know about the Neighborhood Rehabilitation Grant. When were rent and soft costs pulled from the loan process? And does it make sense that two organizations are handling the same pot of money? Will this process be an ordinance or resolution? Council does not want to micromanage

businesses. Council wants to provide the best services for their citizens. Council wanted to know if they were grants or loans and if it is a failure what is happening in the process to avoid or correct this failure.

Duane Tolson stated that there is a process and there has always been a process. He said to Council that he can provide copies of the grant applications. It is a typical application. The grant application provides the history, business plan, bank account numbers, attorneys, management of organizations, what was the loan used for (itemized), projection on employees, mortgage payment history, liability insurance, leases, two contractor quotes, projected budget, cash flow, and any projections for the business. Once they have all the information, they will send it to a committee for review. The Committee makes a vote for the package of the grant. The program went from nine to four some of the programs seemed outdated. At one time they allowed rent to be paid. Businesses failed because of lack of funding. It is a committee that approves the grants. At this time, they do not have a formal application.

Calls the Committee

Erlinda Aguiar

Committee Members

Scott Unger

Nate Kline

Joyce Marin

Dave Paulus

Mike Panne

Roger Cerute

Council wanted to know how the Committee Members got on the committee. When were rent and other soft costs removed from the program? They could not understand how the money was transferred. What is the role of the Mayor in the grant proposal? It is a half of million dollars that comes from the citizens of Allentown and Council is charged to give grants to businesses. Other than public safety there is nothing more important than economic development and they are in favor of economic development. They wanted to know the difference between the grant and loan guidelines. They wanted to know how many loans were given out in the last two years and the process of which it was given out. The Council wanted to know were there any successful loan programs. How will the grant money be secured and what role will the Mayor have.

Sara Hailstone stated that the Mayor is the last signature. He has the ability to veto. Council wants to know the procedures, eligible requirements, and the best use of the funds. Partner organizations are doing the jobs that are being created. Sara Hailstone stated that the legal department is reviewing the information on the businesses that have not been successful.