

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1692 Session of
1989

INTRODUCED BY S. H. SMITH, ITKIN, GEIST, DISTLER, FARGO,
COLAFELLA, FOX, J. L. WRIGHT, REBER, McVERRY, TANGRETTI,
MRKONIC, MORRIS, WOZNIAK, HALUSKA, MARSICO, DIETTERICK,
LAUGHLIN, STAIRS, RAYMOND, E. Z. TAYLOR, SERAFINI AND BISHOP,
JUNE 13, 1989

REFERRED TO COMMITTEE ON APPROPRIATIONS, JUNE 13, 1989

AN ACT

1 Amending the act of July 2, 1984 (P.L.555, No.111), entitled, as
2 amended, "An act creating a small business incubator program;
3 providing for grants, loans and loan guarantees to small
4 business incubators; specifying the conditions of and
5 requirements for grants and loans; providing for seed grants;
6 and making appropriations," further providing for grant
7 conditions.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 Section 1. Section 4 of the act of July 2, 1984 (P.L.555,
11 No.111), known as the Small Business Incubators Act, amended
12 July 9, 1986 (P.L.1193, No.101) and July 9, 1987 (P.L.233,
13 No.41), is amended to read:

14 Section 4. Incubator grants, loans and loan guarantees.

15 (a) Application.--A local sponsor may submit an application
16 to the board to obtain a grant, loan or loan guarantee to
17 establish an incubator. Each application shall:

18 (1) Demonstrate that:

19 (I) A facility exists that can be transformed into

1 an incubator at a specified cost; or

2 (II) In the case of new and expansion construction,
3 appropriate existing facilities are not available within
4 the geographic area and an incubator facility will be
5 constructed or expanded at a specified cost.

6 (2) Demonstrate the ability to
7 directly provide or arrange for the provision of business
8 development services for tenants of the incubator. These
9 services shall include, but not be limited to, financial
10 consulting assistance, management and marketing assistance
11 and physical services.

12 (3) Demonstrate a potential for sustained use of the
13 incubator facility by eligible tenants, through a market
14 study or other means.

15 (4) Demonstrate the ability to manage and operate the
16 incubator facility in accordance with section 5.

17 (5) Include other information as the board may require
18 through guidelines.

19 (b) Review of application.--The board shall review and
20 accept applications based on the following criteria:

21 (1) Ability of the local sponsor to carry out the
22 provisions of section 5.

23 (2) Economic impact of the incubator on the community.

24 (3) Conformance with areawide and local economic
25 development plans if such exist.

26 (4) Location of the incubator, in order to encourage
27 geographic distribution of incubators across the State.

28 (5) Such other criteria as may be established by the
29 board through guidelines.

30 (c) Grant and loan conditions.--

1 (1) Grants and loans awarded or guaranteed shall be used
2 only for the acquisition and leasing of land and buildings,
3 the construction, rehabilitation and expansion of buildings
4 or other facilities and the purchase of equipment and
5 furnishings, which are necessary for the creation and
6 operation of the incubator.

7 (2) Grants, loans and loan guarantees may not exceed 50%
8 of total eligible project costs, or \$650,000, whichever is
9 less. The maximum grant amount awarded in any project may not
10 exceed \$240,000. Grants shall be provided only to projects
11 located in municipalities that can demonstrate to the
12 satisfaction of the board population growth of less than 2%
13 over the preceding five-year period or in municipalities
14 designated as distressed under the act of July 2, 1984
15 (P.L.520, No.105), known as the Business Infrastructure
16 Development Act.

17 (3) Funds loaned shall be secured by lien positions on
18 collateral at the highest level of priority which can
19 accommodate the borrower's ability to raise sufficient debt
20 and equity capital. When the obligation of a local sponsor is
21 guaranteed, the financial institution holding the obligation
22 shall be required to adequately secure the obligation.

23 (4) Grants, loans and loan guarantees for an incubator
24 in which the facility is currently leased shall only be made
25 if the applicant intends to buy the facility. These loans
26 shall be secured by a leasehold mortgage.

27 (5) Payment of interest and principal on loans may be
28 deferred at the discretion of the board.

29 (6) Interest on all loans shall be determined by the
30 secretary and published as a notice in the Pennsylvania

1 Bulletin and shall not be required to be equal throughout
2 this Commonwealth.

3 (7) Funds may be lent for a maximum of ten years or the
4 useful life of the property, as established by the United
5 States Department of Treasury, whichever is greater.

6 Section 2. This act shall take effect in 60 days.