



PHILADELPHIA INDUSTRIAL DEVELOPMENT CORPORATION

REAL ESTATE
FINANCING
ECONOMIC DEVELOPMENT

Philadelphia Industrial Development Corporation (PIDC)

PHILADELPHIA INDUSTRIAL DEVELOPMENT CORPORATION (PIDC) is a private, not-for-profit Pennsylvania corporation, founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce to promote economic development throughout the city.

PIDC's central strategy is to leverage financing and real estate resources to retain and to grow employment in Philadelphia. Clients range from the traditional base of commercial and industrial businesses to the developers of large, public purpose facilities, in all neighborhoods of Philadelphia.

A thirty-member Board of Directors appointed by the Mayor of Philadelphia and the President of the Greater Philadelphia Chamber of Commerce governs PIDC. The Staff includes 55 full-time employees and the annual budget is funded largely from service fees generated by PIDC's business activities.

PIDC has closed close to 5,200 individual transactions (including \$8 billion of financing, 1,900 acres of land sales, and five million square feet of leased space) with combined project costs of \$14 billion, which have contributed to retaining and creating over 436,000 jobs in Philadelphia.

PIDC provides a variety of financing and real estate services to clients in all neighborhoods in Philadelphia. **For more information on PIDC and its services, please contact Sam Rhoads at (215) 496-8132.**

Philadelphia Industrial Development Corporation

2600 Centre Square West
1500 Market Street
Philadelphia, PA 19102
www.pidc-pa.org



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Loan and Development Incentives

Job Creation Tax Credit

BACKGROUND:

The City of Philadelphia has enacted a job creation tax credit against business privilege tax liability. Under the program, eligible businesses may claim a credit of an amount equal to 2% of the annual wages or \$1,000, whichever is higher, for each qualified new full-time job created in the City of Philadelphia.

ELIGIBILITY:

To qualify for the credit, a business must demonstrate the ability to create at least 25 new full-time jobs, or increase workforce by at least 20% within the required 5-year period. The business must also demonstrate financial stability, project viability and the intention to maintain operations within the City for a period of 5 years from the date the tax credit certificate is submitted to the Philadelphia Department of Revenue.

In order to qualify, a new job must be full-time and have an average hourly rate at least 150% of the federal minimum wage. The job must be created within the City of Philadelphia within 5 years of the start date, which is set by the Department of Revenue and after which the business may begin creating eligible jobs. The credit is available for a period of 5 years from the start date, and may be recaptured in the event that the business fails to create the required number of jobs or maintain existing operations.

PROCEDURE:

Businesses should submit a complete application to the Philadelphia Department of Revenue. If the application is approved, the Department will issue a commitment letter containing the number of new jobs to be credited and the maximum job credit the taxpayer may claim.

Additional information on the Job Creation Tax Credit can be obtained by contacting the Department of Revenue at:

City of Philadelphia
Department of Revenue
Technical Staff
1401 JFK Blvd. – 6th Fl.
Philadelphia, PA 19102
(215) 686-6433

Applications and instructions are also available on-line at:

<http://www.phila.gov/revenue>



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Commonwealth of Pennsylvania Redevelopment Assistance Capital Program (RACP)

- Background:** The RACP grant is administered by the Commonwealth's Office of the Budget (OB) for the acquisition and construction of economic, cultural, or civic improvement projects. Because the grant is funded from tax-exempt bonds, the OB requires the Applicant/Grantee to be a municipality or a public authority, and the funds to support a non-profit institution's project. PAID, the Applicant/Grantee, acts as an intermediary between the OB and the Sub-Applicant/Sub-Grantee who ultimately receives the funds.
- All project related documents and requests for payment must be first approved by PAID who then submits them to the OB. PAID receives the grant disbursements and issues the checks to the Sub-Grantee.
- Uses:** Acquisition.
- 1) Site Preparation.
 - 2) New Construction or Renovation.
 - 3) Interest During Construction.
 - 4) Permits.
- Financing:** The RACP grant is operated on a reimbursement basis as expenses are incurred and paid.
- Process and Timing:** The timing varies according to each project; however, the process includes the following that may span three or more years:
- 1) Commonwealth of Pennsylvania Capital Budget legislative authorization.
 - 2) Governor's award notification letter that permits PAID to submit an application to contract with the Commonwealth for the specified capital project and grant amount.
 - 3) Application submission by PAID and the Sub-Grantee and subsequent review by the OB.
 - 4) Grant agreement execution, compliance review by PAID and the OB.
 - 5) Submission of payment requests/disbursements of the grant and construction monitoring by PAID and the OB.
 - 6) Final audit completed by the OB to ensure project compliance with RACP regulations. Retained RACP funds disbursed.
- Fees:** PAID charges an administrative fee equal to 1 percent of the grant amount. No portion of the fee may be paid from the proceeds of the grant. The first 25 percent of the fee is due upon executing the Sub-Grant Agreement between PAID and the Sub-Grantee. The remaining portion is paid in installments as the Sub-Grantee draws the funds over the life of the project.

Loan and Development Incentives

PIDC Growth Loan Program

- BACKGROUND:** The PIDC Growth Loan Program is generally available to any industrial or commercial enterprise located, or planning to locate, in Philadelphia. The program is intended to finance job-creating activities and is funded from a variety of federal and local sources. Prevailing wage requirements apply to this program.
- USES:**
- ◇ Property Acquisition
 - ◇ Construction / Building Renovation
 - ◇ Machinery and Equipment
 - ◇ Environmental and Energy-related costs
 - ◇ Soft Costs - legal, accounting, engineering, architectural fees, permits, appraisals and other related expenditures
- FINANCING:** PIDC Staff evaluates and underwrites each transaction and utilizes the most appropriate funding sources, which can vary with market conditions.
- Loan Amount: While individual loan commitments rarely exceed \$500,000, exceptional requirements can justify larger amounts. PIDC debt usually funds approximately 40% of project cost with a 10% minimum equity commitment.
- Term: Loan terms are matched with amortization of related asset types;
- a) Property, Construction, Renovation – 15 year maximum term
 - b) Machinery & Equipment – 7 year maximum term
 - c) Furniture, Fixtures, Equipment – 5 year maximum term
- Interest Rate: Individual transactional characteristics and market conditions will determine specific interest rates, which are typically below market.
- Collateral: All PIDC Growth loans are secured with fixed assets. Cash flow to support debt service must be demonstrated.
- PROCESS AND TIMING:** Client submits a completed application to PIDC for staff review at least three weeks prior to the PIDC Board meeting at which the application is to be considered. The application is scheduled for review and consideration by the PIDC Loan Committee, the PIDC-LDC Board of Directors and the City Director of Commerce. Following application approval, PIDC– LDC issues a commitment letter to applicant. Settlement of the loan may occur once the terms of the commitment are satisfied.
- FEES:** Fees will vary with each transaction and may include: Application: \$500 nonrefundable fee, payable at time of application submission. Origination: 1.5% of the financing amount provided, payable upon the client's acceptance of PIDC's commitment letter.
- Settlement: 1% of the financing amount, payable at settlement



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Loan and Development Incentives

PIDC HUD-108 Loan Program

- ELIGIBILITY:** The HUD-108 Loan Program is available to any industrial or commercial firm located, or planning to locate, in Philadelphia. The company must be in business at least five years and show a record of profitability. The company must create jobs and/or improve blighted areas and must demonstrate an ability to service existing and proposed debt.
- USES:** ♦ Acquisition ♦ Site preparation ♦ Construction / reconstruction
 ♦ Machinery and Equipment acquisition ♦ Rehabilitation ♦ Infrastructure improvements and related project costs
- FINANCING:** The minimum amount per transaction is \$250,000. The maximum amount is \$5,000,000 or \$35,000 per job created, whichever is less. Prevailing wage requirements apply to this program. The loan term cannot exceed the underlying bond maturity of the funding program. The term of the loan will match the useful life of the assets and the term of the senior, private lender when feasible. Payments will be made under an equal, monthly payment (mortgage) amortization schedule.
- PIDC's loan rate generally reflects a spread over the weighted average yield of Treasuries with maturities of between 1 and 20 years. Rates will be quoted on a monthly basis in the form of a range of rates that will serve as guidelines for a typical borrower. Actual rates may be higher due to market conditions at the date of loan closing or due to borrower credit. Prepayment restrictions may apply.
- All loans must be fully secured. Maximum loan to value is 80% on real estate. PIDC will maintain a position on property and equipment depending upon the credit quality and nature of the project. Additional security will be required as appropriate. Cross collateralization with other loans may also be required. PIDC reserves the right to require a debt service reserve fund and/or personal guarantees depending upon the creditworthiness of the borrower, the nature and value of the collateral and the risk associated with the project.
- TIMING AND PROCEDURE:** The client submits a completed application to PIDC for staff review. The package must include a description of project, three years of CPA-reviewed or certified financial statements and three years of CPA-prepared projections. The PIDC staff will assess the application for creditworthiness. Creditworthy applications are then scheduled for review and consideration by 1) PIDC Loan Committee, 2) PIDC Board of Directors, 3) City Director of Commerce. Following application approval, PIDC issues a commitment letter to applicant. Settlement of the HUD-108 Loan may occur once the terms of the commitment are satisfied.
- FEES:** Application Fee: \$500, payable at the time of application submission – nonrefundable, Processing Fee: 1.5% of the amount of HUD financing provided through PIDC participation in the project is due to PIDC upon acceptance of the commitment letter.

Fees are subject to change. Please confirm all transaction fees with PIDC prior to application
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Loan and Development Incentives

Small Business First (SBF) Loan Program

ELIGIBILITY: The SBF Loan Program is generally available to any small business (100 employees or less), which are industrial, manufacturing, export service, technology-based or computer related. Hospitality and export related businesses are also eligible with certain restrictions.

USES:

- ◇ Property Acquisition (land and buildings) ◇ New Construction ◇ Building renovation
- ◇ Machinery and equipment purchases and upgrades
- ◇ Working capital (includes employee training costs and new personnel and inventory)
- ◇ Environmental compliance/pollution prevention ◇ Municipal or commercial recycling
- ◇ Hospitality and export related companies – with certain restrictions

FINANCING: SBF currently may lend up to 40% of the eligible project cost or \$200,000, whichever is less. One full-time job must be created or preserved within three years from completion of the project for each \$25,000 loaned from SBF. Working capital loans cannot exceed \$100,000 or 40% of the total project costs. The current SBF interest rate is 5%. The maximum loan term for real estate is 15 years; the maximum loan term for machinery and equipment is 10 years; the maximum loan term for working capital is 3 years.

All loans must be secured; sufficient cash flow to support debt service must be demonstrated.

TIMING AND

PROCEDURE: Client submits a completed application to PIDC for staff review at least three weeks prior to the PIDC Board meeting at which the application is to be considered. The application is scheduled for review and consideration by:

- 1) PIDC Loan Committee
- 2) PIDC-LDC Board of Directors
- 3) Pennsylvania Department of Community & Economic Development.

Following application approval, PIDC– LDC issues a commitment letter to applicant. Settlement of the SBF Loan may occur once the terms of the commitment are satisfied.

FEES: Application Fee: \$500, payable at the time of application submission – nonrefundable

Origination Fee: 1.5% of the amount of financing provided through PIDC, payable upon acceptance of PIDC's commitment letter

Legal Fee: not to exceed \$1,500, payable to PIDC for the preparation of loan documents necessary for settlement. This fee is due at the time of closing.

Fees are subject to change. Please confirm all transaction fees with PIDC prior to application.



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Loan and Development Incentives

The Welcome Fund Program

OVERVIEW: The Philadelphia Welcome Fund provides a source of low-cost capital generally available to industrial or commercial firms located, or planning to locate, in Philadelphia. The Fund is intended to finance projects that create and sustain new employment.

This Program provides an opportunity for prospective immigrants to invest in U.S.-based commercial enterprises, qualifying the investors for conditional green card status. The Program is under the oversight of the United States Citizen Immigration Services (USCIS), which has selected PIDC to serve as a Regional Center.

The Philadelphia Welcome Fund has a minimum loan amount of \$2,000,000 can be combined with additional PIDC loans. Projects must create a minimum of 10 direct or indirect jobs per \$500,000, sustained over a period of at least 2 years. Loan amount is determined on a case-by-case basis, following an evaluation of all project elements including cost, job creation, collateral and financial condition of the business. While the loan term is 5 years, PIDC can assist in securing additional take-out or permanent financing.

USES: ◇ New Construction ◇ Property Acquisition ◇ Building Rehabilitation ◇ Tenant Improvements

 ◇ Machinery and Equipment ◇ Bridge Loans ◇ Working Capital ◇ Equity Investments

RATES: The Philadelphia Welcome Fund provides a low-cost source of capital. Rates are set at 2.75% and are fixed over the five-year term of the loan.

TIMING: Loans will take an average of 120-180 days to close. However, PIDC can review and approve investment eligibility within 30 days. Interim financing may also be available for eligible borrowers.

PROCEDURE: Clients should schedule a preliminary meeting with PIDC to review project eligibility. Completed loan applications will be scheduled for review and consideration by PIDC.

FEES: Application Fee: \$500, payable at the time of application submission - nonrefundable

Commitment Fee: 1.5% of the amount of financing provided through PIDC

Legal: Borrower is responsible for legal closing costs, estimated at \$5,000-\$10,000.

Fees are subject to change. Please confirm all transaction fees with PIDC prior to application.



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Loan and Development Incentives

PAID Tax-Exempt Bond Program

- ELIGIBILITY:** PIDC administers the Philadelphia Authority for Industrial Development (PAID) Bond Program. Tax-exempt bond financing is available to certain manufacturing facilities and/or non-profit 501(c)(3) facilities. Manufacturing is defined as the making or production of tangible property including processing that would result in a change in conditions of such property. Non-profits are charitable organizations, including certain institutions in the health care and educational industries.
- USES:**
- ◇ Land and Building Acquisition
 - ◇ New Construction
 - ◇ Building Rehabilitation
 - ◇ Machinery and Equipment Acquisition
 - ◇ Working Capital
 - ◇ Refining Existing Tax-Exempt Debt
 - ◇ Settlement and Legal Costs
- FINANCING:** All manufacturing borrowers of tax-exempt debt plus any of its affiliates can incur up to \$10 million of capital costs in the City during any six-year period beginning three years prior to the date of the bond closing. The manufacturer cannot have outstanding tax-exempt debt anywhere in the USA in excess of \$40 million. Non-profit entities cannot have more than \$150 million of outstanding tax-exempt debt. PAID issues bonds that are non-recourse to PAID and PIDC requiring the beneficiary (non-profit) or bank guarantor to be responsible for the repayment of the debt to the Bond purchases. The Bond purchaser and/or guarantor in consultation with investment broker or underwriter and borrowers determine collateral, amount, term and rate.
- TIMING AND PROCEDURE:** To apply, potential borrowers must complete the PAID Bond Financing application. PIDC and PAID's Boards must approve transaction. Prior to the Board meetings, a TEFRA advertisement and public hearing must occur. The application is then forwarded to the Commonwealth's Department for Community and Economic Development for its approval. PAID bond-financing process requires approximately 8 to 12 weeks.
- FEES:** An application fee of \$2,000 must be remitted to PIDC with the application: An origination fee is paid to PIDC at closing, and is calculated as a fraction of a percentage of the amount of the bond. Customary costs due at closing, including legal fees, are based on the time required to reach closing.

Fees are subject to change. Please confirm all transaction fees with PIDC prior to application.



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Employment and Training Program

ELIGIBILITY: This program is a coordinated effort between the PIDC (Philadelphia Industrial Development Corporation) and the PWDC (Philadelphia Workforce Development Corporation), which administers the employment and training programs for the City of Philadelphia.

The resource pool will offer a broad spectrum of qualified workers, ranging from unskilled persons who are eager to enter the labor market, to skilled persons who are unemployed because of the local employment climate or are seeking better career opportunities. Below is a description of how this range of skills can be assessed to meet your firm's openings.

Customized to the employer's needs, these benefits are:

◇ Financial Assistance for Businesses

- Customized Training – The PWDC designs, with an employer's agreement, training programs which focus on job specific skills needed by a single employer or a consortium of employers. The training is fully reimbursed and is usually conducted by an educational or training organization, or by an employer.
- Tax Incentives - The Business Services team has current eligibility information for companies interested in accessing Federal and State tax incentives associated with employees in designated categories.

◇ Economic Development

- Business Relocation/Expansion – Business Services Team is committed, in partnership with the region's Economic Development agencies, to helping businesses locate to or expand in the Philadelphia area. To that end, they know who to contact for assistance with financing, site location, licensing and regulatory issues, and any other economic development needs.

◇ Employee Retention & Development

- Childcare Assistance - Receive information on employee subsidies for child care solutions, which encompasses a developed list of accredited child care facilities and an "Employer Tool Kit" to help businesses address this critical aspect of workforce development.
- Immigration Regulations – Information & Assistance – Help guide through the regulations and procedures surrounding immigration laws as they pertain to employment, or with a specific issue pertaining to one or more employees.

◇ Workforce Development

- Supervisory Training/ Literacy, Language, & Computer Skills/ Skills & Job Task Analysis/ Labor Market information are just a few of the services that Business Services provide under workforce development. This is an area of expertise and specialty that goes far beyond the realm of just these categories. PWDC will work with companies to ensure that their workforce development

needs are met and if needed make the necessary referrals to partnering organizations that can assist in specified areas.

TIMING AND

PROCEDURE:

PIDC/PWDC employment and training services can be secured by completing an employment plan along with your financial assistance application. A resource pool of applicants can complete training, be pre-screened, referred and interviewed in time for your company's expansion or start-up. Time frames can be tailored to fit your company's needs.

FEES:

None

WWW.PWDC.ORG

215-557-2665

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Development Services Program

The Development Services Program is an important resource available to developers of major new projects within the City of Philadelphia. The program will assist developers in the approval and regulatory process, as well as the coordination of utilities and required public infrastructure improvements. The primary goals of the Development Services Program are to streamline the development process and to provide a focal point for any public participation.

With meetings chaired by a Deputy Director of Commerce, the program has been endorsed by the City Administration and involves the direct participation of various City agencies and departments, as well as both public and private utilities.

The program is available to any major development project involving either new construction or substantial rehabilitation of existing property. Staffed by the Philadelphia Industrial Development Corporation (PIDC), the program will assist the developer in:

- ◇ Determining the necessary regulatory and legal approvals
- ◇ Reviewing the requirements of affected utility providers
- ◇ Determining any necessary public actions
- ◇ Establishing a schedule for project implementation of approvals, utility activity, and public actions
- ◇ Determining any necessary public actions

The program does not eliminate or replace the standard approval process (e.g., zoning, building permits, etc.) nor does it substitute for the developer's legal responsibility to conform with all applicable laws, ordinances, rules or regulations.

A coordinating committee has been formed to participate in the program. Included are representatives of:

- | | |
|---------------------------------------|---|
| ◇ Fire Department | ◇ Department of Public Property |
| ◇ City Planning Commission | ◇ PECO Energy |
| ◇ City Commerce Department | ◇ Philadelphia Gas Works |
| ◇ Department of Licenses & Inspection | ◇ Philadelphia Industrial Development Corporation |
| ◇ Department of Public Property | ◇ Streets Department |
| ◇ Managing Director's Office | ◇ Water Department |

Developers interested in participating should contact Sam Rhoads, Senior Vice President, Development Client Program, PIDC at 215.496.8132.



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PIDC Nonprofit Pooled Loan Program

Program Description

- Permanent tax exempt bond program specifically designed to address the specialized borrowing needs of nonprofit organizations. Eligible participants are all legally qualified healthcare, education, cultural, and other 501(c)3, nonprofit organizations.
- Funds can be used for any qualified capital project, annual capital needs, capital and operating leases, interim financing, capitalized interest, refundings, debt service reserves, and issuance costs, including credit enhancement fees.

Cost-Effective

- Low cost because the tax exempt interest rate is based on Citizens Bank's credit rating. A homogenized interest rate for all borrowers of divergent credits provides the least expensive form of capital borrowing available.
- Bonds are issued at a variable interest rate, weekly mode, backed by Citizens Bank Letter of Credit.
- No cross defaults: Each borrower stands on its own credit.
- The Citizens Bank Letter of Credit pricing is based on the individual borrower's credit. There is a financial benefit to both infrequent borrowers with limited capital requirements as well as those with large annual capital needs.

Easy and Flexible

- Single, streamlined bond document.
- Although there is no minimum loan amount, to be financially viable, a \$1 million minimum borrowing is recommended. There is no maximum loan size.
- Use of funds and terms of repayment reflect individual participant requirements. Loan terms are customized for each borrower.
- Payments and pre-payments can be recycled at a lower cost than traditional "stand-alone" bond borrowings and without a new underwriting fee.
- Flexible timing, with bonds issued in tranches throughout the year. Bridge financing is also available as needed to match borrower's needs.

For More Information

- Contact Wendy Deats at PIDC at (215) 496-8104 or Irene Hannan at Citizens Bank (at 484-530-6630).