September 26-27, 2019

PROJECT DEVELOPMENT 102

“Show Me the Money”

Driving growth to every corner of Philadelphia
Part 2 - Presenters

Lawrence McComie  
*PIDC*  
Facilitator

Omar W. Dudyk  
*PNC Bank*

Peter Silow  
*PIDC*

Karen L. Fegely  
*Commerce Department*  
*City of Philadelphia*

Melissa Kim  
*LISC*

Sarah Stroney  
*PIDC*

Driving growth to every corner of Philadelphia
Driving growth to every corner of Philadelphia

PRE-DEVELOPMENT FUNDING SOURCES

Karen L. Fegely
Deputy Commerce Director,
Neighborhood Business Services
Department of Commerce
City of Philadelphia
Tools for Neighborhood Commercial Development
Fueling Growth in Neighborhoods & Supporting Success in Philadelphia

Sept 27 2019
PACDC/PIDC Project Development 102
Overall Goals

1. Grow the economy by creating family-sustaining **jobs** for all Philadelphians

2. Grow **talent** and prepare all Philadelphians for jobs that pay family-sustaining wages

3. Encourage equitable growth in **neighborhoods** without displacement
Comprehensive Strategy

Organizations
➢ Corridor Management
➢ CDC Tax Credit & Support Grants

Neighborhoods
➢ NBARD
➢ Commercial Real Estate Acquisition Loan Fund
➢ Community Design Collaborative Service Grant
➢ NED Planning
➢ NED Construction
➢ Corridor Cleaning
➢ Streetscape Improvements

Businesses
➢ Storefront Improvement Program
➢ InStore Forgivable Loan
➢ Business Security Cameras
➢ Technical Assistance & Access to Capital
Stimulate new business attraction and to create an environment to sustain commercial activities within the corridors.

Make commercial corridors more appealing to developers and brokers to motivate to fill vacancies and improve existing properties.

Market corridors to businesses, developers, anchor institutions, and consumers.

Evaluating best practices.

Select corridors
- Profiling the Market
- Pursuing Business Attraction
- Assessing the Real Estate
- Identifying appropriate funding streams

Marketplace

Neighborhood Business Attraction & Real Estate Development (NBARD)
Real Estate

- Allow more business owners to purchase their properties and community based nonprofits to purchase, renovate, and rent commercial space.
  - Wealth building
  - Local control of marketplace
  - Anti-displacement

- PIDC Program

- Commerce is seeking to support another lender to provide one-on-one technical assistance and a combination of loan and grant funds.
Design Grants typically provide between $15,000 and $35,000 in services - donated by volunteers with expertise in architecture, landscape architecture, engineering, cost estimating, historic preservation, and more.

Preliminary design can help nonprofits go to the next level — gain support, get funding, hire consultants, and build projects.

Nonprofits can apply. Applications are accepted on a rolling basis. A $5,000 administrative fee is required to offset direct costs. Scholarships may be available.
Neighborhood Economic Development (NED) Planning Grant

- Up to $50k
- Must respond to RFP
- Eligible activities include market study, feasibility analysis, architect and engineering, and other professional services needed for the development of commercial or mixed use projects
- Very competitive! Awarded projects will demonstrate:
  - #Expertise
  - #Job Creation
  - #Community Context
Neighborhood Economic Development (NED) Construction Grant

- $300-500K
- Must respond to RFP
- Neighborhood-based organizations constructing or renovating commercial properties
- Very competitive! Awarded projects will demonstrate Feasibility, Plan for Site Control, Expertise, Job Creation, and Community Context
- CDBG Funds trigger Historic, Environmental reviews & Davis Bacon Act prevailing wage requirements.
Fit-Out & Equipment

- Business Attraction & Expansion
- Up to $50k
- Rolling Application
- ONLY new or expanding businesses
- ONLY targeted commercial corridors
- PREFERENCE for projects that will increase foot traffic, activate key real estate, improve the retail mix, support business ownership among neighborhood residents, minorities, immigrants, or women.
Good Design is Good Business

Storefront Improvement Program

- Façade improvements on commercial corridors
- 50% of costs (up to $10k for single storefront, $15k for double or corner)
- Rolling Application
- ONLY targeted commercial corridors
- Property owner or Business owner
- Storefront must be occupied by a business that provides goods and services the community
- Design Review Committee
- Exploring ways to improve access
Omar W. Dudyk
Vice President, Relationship Manager
Community Development Banking
The PNC Financial Services Group
Catalyzing Opportunity for All

Borrowing from LSC

September 27, 2019
Together with residents and partners, LISC forges resilient and inclusive communities of opportunity across America—great places to live, work, visit, do business and raise families.
Our Impact

We create opportunities for people to thrive.

- **400,500** affordable homes for more than a million people
- **439** schools and early childhood centers for **100,000+** students
- **391** fields and recreational spaces for more than **600,000** kids
- **90** financial opportunity centers serving **79,000** people over the last five years
- **188** food and health-related projects serving thousands of families

Plus 100s of other retail, arts and community projects
Core Components of LISC Investing

Charitable purpose is clear and compelling
- AMI restrictions, job creation and/or preservation
- Located in LISC footprint or in a low-to-moderate income area

Structure resembles a loan
- Collateral is available and repayment event is identified
- Borrower has financial capacity and experience with project type

Momentum
- Neighborhood stakeholders and political climate is supportive of the project
- Capacity considerations: on staff, consultants, partnerships
Our Core Products
What We Offer

Financing during all states of real estate development.

**Standard Products**
- Predevelopment
- Acquisition
- Construction
- Mini-Permanent
- Permanent
- Bridge
- Lines of Credit (includes working capital, project based and revolving)

**Project Types**
- Affordable Housing
  - Multi & Single Family
  - Rental & For sale
- Commercial/Industrial Development
  - Commercial & Industrial/Manufacturing
  - Small Business
  - Healthy food-related retail, urban farms
  - Tenant Improvements
- Community Facilities
  - Facilities for Arts and Culture
  - Health centers and clinics
  - Education-based or social services programs
- Mixed Use
## LISC National Lending Products

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Predevelopment</th>
<th>Acquisition</th>
<th>Construction</th>
<th>Mini-permanent Loans</th>
<th>Permanent</th>
<th>Bridge Loans</th>
<th>Working Capital Line of Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>To pay due diligence expenses, deposits, and other early phase costs</td>
<td>To pay purchase price and closing costs for property acquisition</td>
<td>To pay hard and soft construction costs for new or renovation projects</td>
<td>To provide longer-term loans for projects requiring stabilization or interim financing</td>
<td>To provide long-term, fully amortizing financing</td>
<td>To bridge the timing gap between project or program costs and receipt of cash from committed sources</td>
<td>To provide flexible capital to meet organizational cash flow needs or pay project-based expenses</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Amount

- **Predevelopment**: $0- $1,500,000
- **Acquisition**: Up to $8 million
- **Construction**: Up to $8 million
- **Mini-permanent Loans**: Up to $8 million
- **Permanent**: Up to $8 million
- **Bridge Loans**: Up to $5 million
- **Working Capital Line of Credit**: Up to $3 million

### Term (Years)

- **Predevelopment**: Up to 2
- **Acquisition**: Up to 3
- **Construction**: Up to 3
- **Mini-permanent Loans**: Up to 7
- **Permanent**: Up to 25
- **Bridge Loans**: Up to 3
- **Working Capital Line of Credit**: Up to 2

### Collateral

- **Predevelopment**: Some flexibility – generally secured
- **Acquisition**: Real estate collateral with LTV of up to 90%
- **Construction**: Real estate collateral with LTV of up to 90%
- **Mini-permanent Loans**: Real estate collateral with LTV of up to 90%
- **Permanent**: 1st lien on real estate collateral with LTV of up to 90%; additional collateral required for any amount in excess of 80%
- **Bridge Loans**: Bridge receipts and/or real estate collateral
- **Working Capital Line of Credit**: Flexible; generally secured

### Personal Guarantees if For Profit Borrower

- **Predevelopment**: Required
- **Acquisition**: Required
- **Construction**: Required
- **Mini-permanent Loans**: Required
- **Permanent**: Required
- **Bridge Loans**: Required
- **Working Capital Line of Credit**: Required

### Loan Fees

- **Predevelopment**: 1% of loan amount plus legal fees
- **Acquisition**: 1% of loan amount plus legal fees
- **Construction**: 1% of loan amount plus legal fees
- **Mini-permanent Loans**: 1% of loan amount plus legal fees
- **Permanent**: 1% of loan amount plus legal fees
- **Bridge Loans**: 1% of loan amount plus legal fees
- **Working Capital Line of Credit**: 1% of loan amount plus legal fees
LISC Funding Sources

- Foundations and other institutions
- Government and Public Agencies
- Insurance Companies
- Bond Issuance
- National Banks
Risk-Based Pricing

<table>
<thead>
<tr>
<th>RR</th>
<th>Term &lt; 5 years</th>
<th>Term 5 – 10 years</th>
<th>Term &gt; 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>II</td>
<td>5.00%</td>
<td>5.75%</td>
<td>6.25%</td>
</tr>
<tr>
<td>III</td>
<td>5.00%</td>
<td>5.75%</td>
<td>6.25%</td>
</tr>
<tr>
<td>IV</td>
<td>6.00%</td>
<td>6.75%</td>
<td>7.00%</td>
</tr>
<tr>
<td>V</td>
<td>7.00%</td>
<td>7.50%</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

Some subsidies can be used to blend down rates, subject to availability

Fees

- **Documentation Fee** = Lesser of $5,000 or half of closing fees
- **Closing Fee** = Up to 1% of Loan Amount
- **Legal Fees** = Varies based on loan type
Affiliates

**National Equity Fund**
$14.5 billion invested in housing since 1987

**New Markets Support Company**
$1 billion invested for economic development

**immito**
$100 million expected in annual small business lending (company launched in 2018)
Project Examples
Lural Lee Blevins Veterans Center

HELP USA
845 North 12th Street
Adaptive re-use of Spring Garden School into 37 apartments for seniors 55 and over and formerly homeless veterans.

$13.3 million
Total Development Costs

$11.5 million
NEF Low Income Housing Tax Credit Equity

$500,000
LISC Permanent Loan
Roberto Clemente Homes

Nueva Esperanza
3921 North 5th Street

Adaptive re-use of Roberto Clemente Middle School into 38 units of affordable housing and 5,000 square feet of commercial space.

$17.2 million
Total Development Costs

$11.6 million
LISC Construction Bridge Loan on Housing Condo

$1 million
LISC Permanent Loan on Housing Condo

$940,000
LISC Construction Loan on Commercial Condo

$440,000
LISC Permanent Loan on Commercial Condo
MaKen Studios

Shift Capital
3401 and 3525 I Street
Adaptive re-use of two industrial buildings into rentable spaces for artists, nonprofits, small businesses, and small manufacturers.

$17.9 million
Total Development Costs

$1.5 million
LISC Construction Loan
El Corazon Cultural Center

Taller Puertorriqueño
2600 North 5th Street

The region’s largest Latino cultural center provides space in El Centro del Oro for creative arts, cultural programming, and youth activities.

$11.5 million
Total Development Costs

$2.5 million
LISC Bridge Loan
4050 Apartments

People’s Emergency Center
4050 Haverford Avenue
New construction of 20 affordable apartments for low-income artists.

$7.8 million
Total Development Costs

$5.8 million
NEF Low Income Housing Tax Credit Equity

$100,000
LISC Predevelopment Grant
Contact

Katya Noreika
Lending Program Officer, Philadelphia LISC
718 Arch Street, Suite 500-South
Philadelphia, PA 19106
215.923.0573
knoreika@lisc.org
OVERVIEW OF PIDC FINANCING

Lawrence McComie
Vice President, Project Finance
PIDC
WHO WE SERVE

PIDC works with companies of all sizes in every area of Philadelphia. We work on projects big and small with businesses, developers, and non-profits in every sector.

Market Sector Focus
- Manufacturing & Industrial
- Corporate & Commercial Development
- Small Business
- Neighborhood Business & Development
- Non-Profits
TYPES OF PIDC REAL ESTATE FINANCING

**Commercial Mortgage Loan**
- Small Businesses or Non-profits
- $50,000-$500,000
- 20% cash equity
- 5-15 year term
- Amortization up to 15 yrs
- Fixed rate. Prime +50 bp

**Flexible Real Estate Debt**
- Businesses, Real Estate Developers, Non-profits
- Disadvantage Populations
- Low-to-moderate income communities
- Jobs or community goods & services
- $500,000-$5,000,000
- 20% cash equity
- Usually subordinate
- 10-20 year term
- Rate varies based on risk and impact

**RACP Bridge Loan**
- Businesses, Real Estate Developers, Non-profits
- Job creation & impact
- Projects over $1M
- State grant program
- Requires 50-50 match
- PIDC offers a bridge loan program for RACP funding

**New Markets Tax Credits**
- Businesses, Real Estate Developers, Non-profits
- Competitive based on high impact: jobs or community goods & services
- Projects over $5M
- Equity investment into project ~20-25%
NEW MARKET TAX CREDITS

• Awarded $313 Million total allocation since 2007
• Funded 31 development projects and businesses to eliminate blight, create jobs, and transform neighborhoods in Philadelphia
• Leveraged approximately $472 million in additional private sector investment to date
PURPOSE

The New Markets Tax Credit (NMTC) Program was designed to stimulate investment in low-income communities.

HOW?

By offering a 39% federal tax credit for investments made in businesses or economic development projects in some of the most distressed communities in the nation.
KEY CONCEPTS

- **CDFI Fund**: Community Development Financial Institutions Fund (arm of U.S. Treasury that administers program)
- **CDE**: community development entity (PIDC)
- **LIC**: low-income community (as defined by Census Tract Data)
- **LIP**: low-income person
- **QALICB**: qualified active low-income community business (Project Borrower)
- **QEI**: qualified equity investment (investment that triggers the credit)
- **QLICI**: qualified low-income community investment
HOW IT WORKS: LOCATION

- Must be located in eligible census tract using 2015 data:
  - Poverty rate >20% and median family income <80% of the statewide or metropolitan area MFI

- Typical projects awarded NMTC are located in severely distressed census tracts:
  - Poverty rate >30% and median family income <60% or have unemployment >1.5 x the national average

- CDFI Fund and Policy Map have mapping tools to determine eligibility
HOW IT WORKS:
OTHER WAYS TO QUALIFY

- The project may also qualify if the site is located in at least two of the following zones designated for redevelopment:
  - Heavy distress >25% poverty and <75% AMI
  - SBA HUB Zone
  - Brownfield sites as defined under 42 U.S.C. 9601 (39)
  - Food Desert or Low Access
  - Federal Medically Underserved Areas
  - Federal, State or local designated zones for redevelopment (KOZ, Promise Zone, Choice Neighborhood)
  - Other zones include HOPE VI area, Indian Reservations/Tribal areas, designated areas of Appalachia, and FEMA designated counties
QUALIFYING A PROJECT

Business is located in **low-income community** and performing (or will perform) **qualified business activity** in that low-income community:

- Income: > 50% of total gross income is derived from qualified business
- Property: > 40% of tangible property is within LIC and < 5% property is nonqualified financial property.
- Employees: > 40% of services performed by employees are in LIC
- If real estate development, investment must fund **new construction or substantial rehabilitation** defined as 25% of total budget (no acquisition–only or take-out financing). This does **not** apply to an operating company.
- Measurable community impacts (job creation, goods and services, etc.)
QUALIFYING A PROJECT

NOT qualified business:
- Leasing residential rental property (less than 80% of revenue)
- Golf course, massage parlor, suntan facility, gambling, sale of alcoholic beverages off-site
- Farming
- Collectibles/intangibles (less than 5% of property)
PROJECT READINESS

- Is Your Project Ready?
  - Is the Development Team in Place?
  - Established Sources and Uses with defined budget gap?
  - Do you have site control?
  - Were all environmental issues addressed? A Phase I will be required.
  - Do you have zoning approval, building permit, etc.?
  - Real estate projects will require commercial pre-leasing
DEVELOPER/SPONSOR READINESS

- CDE Due Diligence
  - Developer experience / track record
  - Cash equity (10% - 20%)
  - Quality of commercial leases
  - Strength of other Development Team Members, especially, if Sponsor is an operating company
  - Value of Collateral
  - Value of Guarantors
  - Experienced NMTC Legal Counsel
NEW MARKETS TAX CREDITS

Investor

New Markets Tax Credits

Qualified Equity Investment

Community Development Entity (PIDC)

Application

CDFI Fund (U.S. Treasury)
New Market Tax Credit Allocation & Agreement

Qualified Active Low Income Community Business

Low Income Community

Driving growth to every corner of Philadelphia
PROJECT STRUCTURE:
LEVERAGE MODEL

- Each $10 million in tax credit allocation:
  - Generates $3.9M in tax credits (39% of $10M allocation), which is then sold to an investor at prices per credit ranging between $0.81 - $0.85. Net result (approximately): $3.2M in equity as investor’s capital contribution to the CDE.
  - CDE uses the capital contribution from the NMTC Investor (“B” Note), along with a market-rate leverage loan (“A” Note) from a 3rd party or an affiliate of the Borrower to make qualified low-income community investments (QLICIs) to the project.
PROJECT STRUCTURE: LEVERAGE MODEL

- At end of 7 years, Borrower is provided an option to purchase the “B” Note (from the CDE) at a nominal price ($1,000 average).

- The “A” Note is typically refinanced at end of the 7-year NMTC Compliance Period.
LEVERAGE MODEL SUMMARY

- **Leveraged Lender**: $7 Million loan @ 6%
- **Tax Credit Investor**: $3.2 Million “equity” & owns 100%
- **Investment Fund**: $3.9M Tax Credits & $3.9M Debt Service payments & return of principal
- **CDE Sponsor**: $300,000 fees & closing cost
- **CDE**: $10 Million QEI (99.99% Interest)
- **Borrower (QALICB)**: A-loan $7 Million @ 6%
- **Debt Service Payment**: $300,000 fees & closing cost
- **B-Loan $2.7 million**: Project Sponsor Equity

Driving growth to every corner of Philadelphia
IMPACT REPORTING

Seven-year reporting requirement
CDFI Fund looks for:

- Jobs
- Commercial Goods and Services
- Community Goods and Services
- Flexible Lease Rates
- Housing Units
- Minority Business Support
- Environmentally Sustainable Features
- Healthy Food Financing
- Community Transformation
- Local Community Support

Outputs are measurable “units” of impact

- New jobs created
- Square footage of real estate developed
- Housing units created
- Increase in primary care patient visits, charter school seats created, social service clients served, etc.

Outcomes are important but harder to demonstrate

- Improved public health
- Community development/transformation
- Catalytic economic impact leading to future investments

CDE may request QALICB to enter into Community Benefits Agreement (CBA)
CONTACTS

Lawrence McComie
lmccomie@PIDCphila.com
215.496.8145

Sarah Stroney
sstroney@PIDCphila.com
215.496.8115
RACP & TAX EXEMPT FINANCING

Peter Silow
Manager, Conduit Financing
PIDC

Driving growth to every corner of Philadelphia
Redevelopment Assistance Capital Program

• Administered by the Office of the Budget

• Acquisition and construction of regional economic, cultural, civic, recreational, and historical improvement projects.
The Process:

- RACP projects are authorized in the Redevelopment Assistance section of a Capital Budget Itemization Act.
- Application Period to submit “e-application”
- Projects receive award letters
- Submit application to Commonwealth
**RDA-300**

Commonwealth of Pennsylvania

REDEVELOPMENT ASSISTANCE CAPITAL PROJECT

**PROJECT INFORMATION**

**PROJECT NAME:** Very Big Building  
**PROJECT PHASE:** 1 of 1

**GRANTEE:**  
**SUB-GRAANTEE(S):** Company ABC

**County:** Philadelphia  
**Municipality:** Philadelphia

**OCCUPATIONAL CATEGORY:**
- 1,507,951
- 215
- 215
- 215
- 215

**CONTACT PERSON:** Evelyn Small

**Organization:** Philadelphia Authority for Industrial Development (PIDC)

**Address:** 1500 Market Street, 3500 Centre Square West, Philadelphia, PA 19102

**Phone:** (215) 496-8020

**Email:** psilow@PIDCphila.com

**FUNDING SOURCES**

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
<th>Description</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>REDEVELOPMENT ASSISTANCE FUNDS</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MATCHING FUNDS</td>
<td>$2,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Local Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Private Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Land</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Federal Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FUNDS</td>
<td>$2,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PROJECT ADMINISTRATION**

**Will the Applicant administer the project?** Yes

**Administrators:**  
- Applicant's Staff
- Sub-Applicant's Staff
- Designated Administrator

**Are Cooperative Agreements attached?** No

**APPLICANT AUTHORIZATION**

I, the undersigned, hereby certify that to the best of my knowledge and belief, the data in the application are true and correct and the submission of the application has been duly authorized by the governing body.

Signature & Title of Authorized Official

Date

Driving growth to every corner of Philadelphia
### Project Information

**Project Name:** Very Big Building  
**Phase I**  
**Grantee:** Company ABC

### Budget Categories

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Budget Category</th>
<th>RACP Reimbursement</th>
<th>Match Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operation &amp; Maintenance</td>
<td>Typical Match</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Administration</td>
<td>Typical Match</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Legal</td>
<td>Typical Match</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Preparing/Accounting</td>
<td>Typical Match</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Interest During Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Architectural Engineering</td>
<td>Typical Match</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Land (if used, select A, B, or C below)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Construction (attach construction cost breakout)</td>
<td>$1,000,000</td>
<td></td>
<td>$1,000,000</td>
</tr>
<tr>
<td>9</td>
<td>Other (specify &amp; itemize below)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>TOTAL PROJECT COST</td>
<td>$1,000,000</td>
<td></td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

### Project Financing

Approval of the Project Financing Plan is hereby requested.

**Commonwealth’s Approval**

Applicant:  
**PAID**  
Commonwealth of Pennsylvania  
Office of the Budget

**Applicant’s Authorization**

- Signature of Authorized Official
- Title: Assistant Secretary

** SEAL**
• RACP is a slow and long process!

• There is a need to “bridge” the RACP funds until they are received.

• Depending on project and award schedule, you may not receive funds until your project is complete.
Site Visit #1 and Next Steps

• The Commonwealth assigns consultant to project. They gather any open items omitted from the original application.

• From their reporting a Grant Agreement is drafted.

• The Grant Agreement is circulated in Harrisburg and signed by six offices.
Site Visit #2
Special Conditions & Compliance

• The Grant Agreement contains special conditions that must be met to satisfy the Grant Agreement.

• Compliance Items such as certified payrolls and U.S. Steel requirements must be met as well.
Special Conditions Satisfaction Letter

- Eligible for reimbursement
- Receive up to 97.5% of grant dollars
- 2.5% or greater is held for retainage
Final Close Out Audit

• Auditor from Office of Budget goes on site
• Release of retainage
PAID Background

Overview:
• Managed by PIDC, PAID is a public authority created by the City of Philadelphia pursuant to the Economic Development Financing Financing Law adopted by the Commonwealth of Pennsylvania in December 1967.

Mission:
• Issue tax-exempt bonds on behalf of non-profit organizations, qualified manufacturers, other exempt organizations and the City of Philadelphia.
• Acquire, improve, sell and lease real estate in the City.
• Facilitate special economic development projects for the City.
• Serve as a conduit for governmental grant funding.
Strong Public Finance Experience

• **Tax-Exempt Experience:**
  – Since 2006, PAID has issued 184 financings on behalf of 103 borrowers totaling in excess of $6.1 billion.
  • Average Annual Volume: 11 bond financings
  • Range of Deal Size: $800K - $362 Million (Average $33 Million)

• **Traditional Tax-Exempt Financing Programs:**
  – Public Offerings
  – Private Placements
  – Direct Bank Purchases

• **Innovative Tax-Exempt Financing Programs:**
  – Tax-Exempt Equipment Lease-Purchase Program
  – Recovery Zone Facility Bonds
  – Pooled Loan Program
Driving growth to every corner of Philadelphia

Serving All Major Market Sectors

- **Education**
  - Charter Schools
  - Private Elementary and Secondary Schools
  - Colleges and Universities

- **Healthcare & Social Services**
  - Retirement Communities
  - Hospitals and Research Centers

- **Cultural**
  - Museums
  - Performing Art Centers

- **Housing**
  - Student Housing
  - Senior Residential Facilities

- **Manufacturing**

- **Local Government**
# Representative PAID Financings

<table>
<thead>
<tr>
<th>Institution</th>
<th>Rating</th>
<th>Amount</th>
<th>Term</th>
<th>Type</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temple University</td>
<td>Aa3/A+</td>
<td>$130,440,000</td>
<td>30 years</td>
<td>Revenue Bonds</td>
<td>July 2015</td>
</tr>
<tr>
<td>Chestnut Hill College</td>
<td>Non-Rated</td>
<td>$19,220,000</td>
<td>25 years</td>
<td>Revenue Bonds</td>
<td>July 2014</td>
</tr>
<tr>
<td>Philadelphia Performing Arts Charter School</td>
<td>BB-</td>
<td>$55,500,000</td>
<td>30 years</td>
<td>Revenue Bonds</td>
<td>June 2013</td>
</tr>
<tr>
<td>Wistar Institute</td>
<td>Non-Rated</td>
<td>$16,000,000</td>
<td>25 years</td>
<td>Recovery Zone Facility Bonds</td>
<td>February 2010</td>
</tr>
<tr>
<td>Liberty Property Trust</td>
<td>Non-Rated</td>
<td>$2,915,000</td>
<td>7 years</td>
<td>Tax-Exempt Equipment Lease</td>
<td>April 2010</td>
</tr>
<tr>
<td>Safe Pac Pasteurization, LLC</td>
<td>Non-Rated</td>
<td>$35,930,000</td>
<td>30 years</td>
<td>Variable Rate Demand Revenue Bonds</td>
<td>Pooled Loan Program</td>
</tr>
<tr>
<td>City of Philadelphia</td>
<td>Multiple Ratings</td>
<td>$339,995,000</td>
<td>23 years</td>
<td>Lease Revenue Refunding Bonds</td>
<td>October 2007</td>
</tr>
</tbody>
</table>

* Rating of Initial Credit Provider
Competitive Fee Structure

Three Components to PAID Fee:

1. **Application Fee:** $2,000 (covers TEFRA publication fee (if applicable))

2. **Administrative Fee:** Tiered Pricing Schedule
   - **New Money:**
     - 37.5 basis points (0.375%) on the 1st $10 Million
     - 25 basis points (0.25%) on the 2nd $10 Million
     - 12.5 basis points (0.125%) on the 3rd $10 Million
     - 6.25 basis points (0.0625%) on any amounts above $30 Million
   - **Refundings:**
     - 25 basis points (0.25%) for refundings of existing PAID Bonds

3. **Authority Counsel Fee:** Capped at $10,000
Streamlined Approval Process

• Complete PAID Financing Application

• Bi-Monthly PAID Board Meetings
  – Draft Documents are not Required for PAID Board Approval

• Two Week Turnaround for Mayor and Commonwealth Approval
  – City Council Approval is not Required
Benefits of Utilizing PAID

• Competitive Pricing

• Streamlined and Flexible Application Process
  – Two Week Turnaround for Governmental Approval
  – Borrower Selects Working Group Professionals

• Dedicated Professionals Focused on Tax-Exempt Issuances
  – Experience with a Variety of Tax-Exempt Financing Programs

• Access to Additional Financial and Real Estate Services
  – Low Cost Direct and Subordinate Lending
  – Commonwealth and Local Grants
  – Development and Management of Request for Proposals for Land Sales
  – Assistance with Property Acquisition
  – Property Management

• PAID’s Fee Revenue is a Bottom Line Contribution to the City’s Economic Development Efforts
PAID Tax-Exempt Team

Nicole I. Krippel
Manager, Tax Exempt Financing
Financial Services

nkrippel@PIDCphila.com
215.496.8107
PAID Tax-Exempt Team

Peter Silow
Manager, Conduit Financing
Financial Services

psilow@pidcphila.com
215.496.8193
CASE STUDY – MISSION FIRST

Sarah Stroney
Vice President, Project Finance
PIDC

Driving growth to every corner of Philadelphia
New Market West - Before
5901-31 Market Street
New Market West - Before
5901-31 Market Street
New Market West - After
5901-31 Market Street
New Market West  5901-31 Market Street

**Project Description**

- 93,000 SF 4-story building
- Transit-oriented
- Offices for non-profits Horizon House & ACHIEVEability
- Includes health care service
- Day care center
- Ground level retail
- Current use: vacant, publicly-owned land, abandoned gas station
- Highly distressed census tract:
  - 35.4% poverty rate

**Impacts**

- Community anchor and catalyst for development
- 61 temporary construction jobs
- Retained jobs: 279
- New jobs: 85
- 87% of jobs will earn Living Wage
- 750 patients served annually
- 100-seat early-childhood program
- Home ownership counseling
- Retail goods & services
# New Market West

5901-31 Market Street

<table>
<thead>
<tr>
<th>Uses</th>
<th>Sources</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Costs</td>
<td>Senior Loan – TD Bank</td>
<td>$15.5</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>PIDC HUD 108</td>
<td>$ 2.2</td>
</tr>
<tr>
<td>Tenant Fit-Outs</td>
<td>BEDI Grant</td>
<td>$ 2.0</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>LISC Loan</td>
<td>$ 3.2</td>
</tr>
<tr>
<td>Closing Costs/Reserves</td>
<td>NMTC Equity</td>
<td>$10.4</td>
</tr>
<tr>
<td>Deferred Fee</td>
<td>Sponsor Equity</td>
<td>$12.3</td>
</tr>
<tr>
<td></td>
<td>RACP Grant (bridge by Sponsor)</td>
<td>$ 5.0</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td></td>
<td><strong>$51.2</strong></td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td></td>
<td><strong>$51.2</strong></td>
</tr>
</tbody>
</table>

Driving growth to every corner of Philadelphia
NMTC FINANCING STRUCTURE

Leverage Loan:
- PIDC HUD 108
- LISC Leverage Loan
- PIDC BEDI Grant
- Horizon House Loan
- Mission First Loan

Investment Fund:
- PIDC
- CCG
- PNC

Investor: PNC
- $19.6 million
- $11.25 million
- $4.85 million
- $10.29 million
- $3 million

Investor: PNC
- $10.4 million
- $5 million
- $10.5 million
- $3 million

Direct Senior Loan:
- TD Bank
- $15.5 million

New Market West, LLC
- $10.4 million
- $11.25 million
- $4.85 million
- $10.29 million
- $3 million