

Pennsylvania Industrial Development Authority

Program Guidelines | October 2008

> ready > set > succeed



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Section I – General

A. Introduction

The Pennsylvania Industrial Development Authority (PIDA) provides low-interest loans to local nonprofit industrial development corporations (IDCs) for eligible businesses that commit to creating and/or retaining jobs and to IDCs directly for the development of industrial parks and multi-tenant facilities.

PIDA funding may be used in conjunction with other state financing programs or with programs operated by the statewide economic development network of local economic development providers. All loan applications for PIDA financing must be submitted through an IDC. Attached to these guidelines is a list of IDCs operating within Pennsylvania. IDCs may elect to submit applications on behalf of a developer.

B. Eligibility

1. Eligible Applicants

- a. Applicants must be business enterprises whose project is currently located or will be located within the Commonwealth of Pennsylvania.
- b. These businesses must be engaged in one or more of the following activities at the project site:
 - manufacturing;
 - industrial (including warehouse and distribution centers);
 - agri-business;
 - computer or clerical operation centers;
 - office buildings used as national or regional headquarters;
 - research and development facilities.
 - Keystone Innovation Zone (KIZ) Company
- c. IDCs seeking to develop multiple-tenant facilities or industrial park projects are also eligible for funding under PIDA.

2. Eligible Activities

- a. PIDA financing is available to eligible businesses for projects involving the acquisition, renovation, expansion or new construction of land and building.
- b. PIDA financing is available to IDCs for multi-tenant facility projects involving the acquisition, renovation, expansion or construction of a building that will house two or more eligible businesses.
- c. PIDA financing is also available to IDCs for industrial park projects involving the acquisition and development of land for eventual sale to eligible businesses.

3. Eligible Costs

- a. Land costs may include, but are not limited to, acquisition, site preparation and testing, utilities, site mapping, legal and other related costs. To be eligible, land costs must be directly associated with the purchase, renovation or new construction of a building or production facility that will be used for an eligible purpose.
- b. Building costs may include, but are not limited to, building acquisition, construction, renovation and engineering, architectural, legal and other related costs.

4. **Restrictions**

- a. **No Delinquencies.** The borrower and its principals may not be delinquent or in default of any existing private or public loan relating to the borrower, unless they have entered into a workout agreement satisfactory to the respective creditor(s) and are fully in compliance with the terms of that agreement. For purposes of the program, a “principal” of a borrower is any record or beneficial owner of 20% or more of an ownership interest in the borrower.
- b. **Taxes Current.** The borrower and its principals must be current in payment of all applicable state and local taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are fully in compliance with the terms of that agreement.
- c. **Conflicts of Interest.** The borrower and its principals and managerial officers must disclose any potential conflicts of interest with any officials or employees of the department or any officers or employees of the industrial development corporation which is submitting an application on behalf of the borrower.

C. Ineligible Activities

- 1. Businesses engaged in service, commercial or retail operations are not eligible for funding under the PIDA program.
- 2. Projects relating to any of the following activities are not eligible:
 - Refinancing any portion of the total project cost.
 - Projects that have commenced before receiving approval of the PIDA loan, unless the borrower has received non-prejudicial approval (permission to proceed with the project at their own risk) from PIDA to commence.

D. General Program Requirements

1. **Eligible Businesses**

a. **Loan Limits and Participation Rates**

- The amount PIDA lends is always based on the unemployment rate of the area where the project is located.
- Currently, PIDA can lend from 30% to 70% of the land and building costs, up to \$2,000,000 for any one project.
- PIDA will consider loans of up to 75% of the cost of eligible KIZ projects.
- Attached to these guidelines is the current participation and interest rate for each county.
- Exception: (1) Projects that are located in the following areas are eligible for PIDA loans up to \$2,250,000: state enterprise zones, state Act 47 municipalities, federal empowerment zones, federal enterprise communities, brownfield sites, and Keystone Opportunity Zones, and Keystone Opportunity Expansion Zones. (2) Multi-tenant projects are eligible for PIDA loans up to \$2,250,000 regardless of location.

b. **Other Required Investment**

- Loans are made in conjunction with another source or sources of financing for the eligible costs incurred, such as another lender, equity from the owners or investors, or other sources.
- Matching lending sources with a priority or shared lien position with PIDA must have either equivalent or longer terms than the PIDA loan.

c. **Interest rate**

- 3% Fixed interest rate.

d. **Terms**

- Up to 15 years.
- However, the PIDA term may not exceed the term of any matching lending source with a mortgage prior to or shared with the PIDA mortgage.

e. **Collateral**

- All loans must be secured by no less than a second mortgage on the property financed.
- However, PIDA reserves the right to increase its collateral position based on a case-by-case review of the creditworthiness of the project.

f. **Fees**

- PIDA charges a non-refundable loan commitment fee of 1% of the approved loan amount.
- A check in the required amount must be made payable to PIDA and returned to PIDA with the signed and executed PIDA Commitment Letter.
- This loan fee may be included as part of the PIDA project cost.

g. **Job Creation or Retention**

- For each \$35,000 loaned, PIDA requires that at least one full-time job be retained and/or created at the project site within 3 years after the PIDA loan has closed. (Multi-Tenant and Industrial Park projects are not subject to this requirement.)

h. **Financially Responsible Buyer or Tenant**

- The PIDA Act requires that a “financially-responsible” buyer or tenant occupy each facility funded through PIDA.
- PIDA conducts a thorough review of each application to determine that the business is able to repay all the debt associated with the project while maintaining its normal business operations.

i. **Industrial and Agri-business Operations**

- Industrial and agri-business operations must have at least 25 jobs at the project site within three years after the PIDA loan has closed and a minimum total project cost of \$200,000.
- In multiple-occupancy projects that have industrial enterprise occupants, the industrial enterprise occupants plus the combined total of PIDA-eligible employees (that is, employees of all manufacturing, and research and development occupants) must equal at least twenty-five (25) within three (3) years.

j. **National/Regional Headquarters and Computer/Clerical Operation Centers**

- National/regional headquarters and computer/clerical operation centers must have at least 125 jobs at the project site within three years after the PIDA loan has closed, and a minimum total project cost of \$1,500,000. National/regional headquarters must also have facilities in at least two other states.

k. **Aggregate Limits on PIDA Financing**

- A borrower may not be approved for more than the maximum amount of PIDA financing in any 12-month period EXCEPT when the facility to be financed is located in a different municipality, OR in instances when the operation’s products are not related in any way, thereby encouraging diversification.

2. IDCs - Multi-Tenant Facilities

- a. In addition to the criteria specified above, Multi-Tenant Facility projects must also meet the following criteria:
- No one tenant or its affiliate can occupy more than 80% of the building.
 - The IDC or developer **must** enter into straight lease agreements with the tenants.
 - A feasibility study must be submitted with the application.

3. IDCs - Industrial Park Projects

- a. In addition to the criteria specified above, Industrial Park projects must also meet the following criteria:
- As land is sold to eligible businesses, PIDA requires a pre-determined amount to be paid by the IDC to release each acre from its mortgage.
 - A feasibility study must be submitted with the application.

Section II – The Application Process

A. Application Instructions

1. All applicants ready to apply for funding must utilize the DCED Electronic Single Application for Assistance. All applications for PIDA financing must be submitted through an IDC. Any applications submitted directly to PIDA by an eligible business will be returned to the business with instructions to contact an IDC.
2. The PIDA Board meets monthly. In order to be eligible for consideration at the next month's PIDA Board meeting, the deadline for receiving both electronic and hard copy PIDA applications is 5:00 p.m. the first business day of the month preceding the PIDA Board Meeting.
3. To apply for funding, the applicant must submit the electronic on-line DCED Single Application for Assistance located at www.esa.dced.state.pa.us. Print 1 original and 2 copies of the entire Single Application for Assistance and send via US mail to the Pennsylvania Industrial Development Authority office along with the required supplemental information and the Signature Page. Please reference the Web ID number on any documents sent with the signature page or sent via e-mail.
4. Required Supplemental Information:
 - a. Complete fiscal year end financial statements (accountant prepared) for the prior three years and one year projections. Start-up businesses should submit three-year projections.
 - b. Signed and dated personal financial statements for any principal. A principal is any individual having ownership of 20% or more in the business.
 - c. Ownership breakdown of the occupant of the facility and the owner of the real estate (if different than the occupant). List names, percent of ownership, Federal Employer Identification Number, and social security numbers. Any principal who owns more than 50% of the occupant or owner of the real estate should also submit a list of other businesses in which the principal has 51% or more controlling interest in order for PIDA to determine if this is a small or large business loan. In some instances, small businesses may receive 10% more funding from PIDA than large businesses. A

small business is defined as a business that has less than 50 full-time existing worldwide employees, including all affiliates.

- d. Brief profile of the occupant: date founded; state and date of incorporation; product description; three major customers and percentage of total sales to each; total number of customers; and resumes of the principals/management.
- e. A copy of the executed sales agreement for land and/or building acquisition.
- f. Statement of current zoning of the project site.
- g. If the project contemplates bank financing and the bank is requiring a first or participating first mortgage, the application **must** include a firm bank commitment letter or the application will not be accepted.
- h. If the project involves building acquisition, a complete appraisal of the building prepared by an MAI (Member, American Institute of Real Estate Appraisers) or state-certified appraiser, and an appraisal brief must be attached. The appraisal must be no more than six months old. (The appraisal brief form is attached to these guidelines.)
- i. If the project is for an expansion to the existing facility, list the acreage and size of the current facility and ownership, and the size of the expansion. If there is an existing mortgage, provide an appraisal brief and a letter from the mortgagee stating the original loan amount, purpose of the mortgage debt, balance, and maturity date.
- j. If the project involves construction or acquisition of an additional building by the business, list the size and location of the current facilities and the distance between the current and new facility, the reason for relocation, the number of full-time employees from each current facility that will be transferred to the new site, and the acreage and size (square footage) of the new building.
- k. Projects involving new construction, renovation, and infrastructure/site preparation costs should include at minimum a non-binding letter from an architect, engineer, or contractor stating that the costs are reasonable for the project.
- l. If the business or an affiliate received a previous PIDA loan, include the date, amount, recipient, and PIDA project and loan number for the prior loan(s).
- m. Include a statement reflecting the number of existing full-time jobs. If a job-creation loan, include the number of full-time new jobs within three years that will be created at the project site.
- n. Complete the attached Wage Rate Survey Fringe Benefit Analysis.
- o. Phase I Environmental Site Assessment.

B. Application Submission and Approval Procedure

1. All applications for PIDA financing must be submitted through a PIDA-certified IDC. A list of IDCs currently certified to submit loan applications for PIDA Board approval can be found on the newPA.com website with the PIDA program information.
2. The IDC must review and approve the PIDA application submitted by a borrower before the IDC submits the application to PIDA. Upon receipt of a completed application to PIDA, it will undergo an administrative, financial and legal review. Additional information, if needed, generally will be obtained via telephone to accelerate the approval process. However, if necessary, a fact-finding meeting may be required.

3. All loans must be approved by the PIDA Board of Directors. Prior to the Board meeting, PIDA notifies the IDC of the PIDA staff's expected recommendation to the PIDA Board.
4. Upon approval, a commitment letter is mailed to the IDC outlining the terms and conditions of the loan. The commitment letter must be executed and returned within 30 days of receipt accompanied by a non-refundable commitment fee (equal to 1% of the PIDA loan amount).
5. Any material changes in the application, collateral or terms must be reviewed by the PIDA staff and approved by the PIDA Board.
6. An attorney in the Office of Chief Counsel, Department of Community and Economic Development, is also assigned to coordinate and schedule the loan closing.
7. The PIDA loan will not close until the project is completed and the analyst has reviewed and approved the affidavit of cost. Therefore, the business should arrange for interim financing. Multi-tenant and industrial park projects do not have to be completed before the loan is closed.

C. Application Evaluation Criteria

All applications will be evaluated based on the following criteria:

1. Compliance with PIDA law, regulations and guidelines.
2. For applications from businesses, the number of jobs to be created and/or retained.
3. For multi-tenant and industrial park applications from IDCs, the feasibility of the project.
4. The financial stability of the project.

D. Limitations and Penalties

1. Three years after the closing of the PIDA loan, PIDA will initiate a job survey to determine if the job projections have been met.
 - Failure to meet the job projections may result in an increase in the interest rate.
2. Any material misrepresentation in any application or misuse of loan funds for ineligible activities may be cause for rejection of an application or calling a PIDA loan in default. In addition, the matter may be referred to the appropriate authorities for criminal investigation.
3. PIDA must receive on an annual basis financial statements and evidence of adequate property and business interruption insurance for the life of the loan.
4. Borrowers may prepay a PIDA loan at any time without financial penalty.
5. Upon reasonable request of PIDA or the IDC, the borrower shall permit duly authorized employees of the Commonwealth or the IDC to inspect the facility, books and records of the borrower.

E. Contact Information

- A. Electronic Single Application for Assistance questions should be directed to:

Pennsylvania Department of Community and Economic Development
Customer Service Center
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, Pennsylvania 17120-0225

Phone: (800) 379-7448 or (717) 787-3405

- B. Inquiries and hard copies of Single Applications for the PIDA program should be directed to:

The Pennsylvania Industrial Development Authority
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, Pennsylvania 17120-0225

Phone: (717) 787-6245

Fax: (717) 772-2890

F. Checklist of Requirements for a Complete and Comprehensive Industrial Appraisal

- An independent appraisal of an acquisition project prepared by either an MAI (Member, American Institute of Real Estate Appraisers) or a PA Certified Appraiser is required. The appraisal should be of the property “as is,” and should not presume any improvements thereto.
- The appraisal should contain the customary certification, limiting conditions, and appraiser’s qualifications.
- The complexity of the appraisal would depend on the size, value, and complexity of the property.

APPRAISAL BRIEF FOR REAL ESTATE PROJECTS

I. LOCATION

Street Address _____

City, Twp., _____

Boro, County _____ Zip _____

II. LAND DETAILS: Topography _____

Area _____ Ac./Sq.Ft. Dimensions _____

Present Zoning _____ Flood Condition _____

Comments _____

III. BUILDING DETAILS: Date Constructed _____ Remaining Economic Life _____

Building Size _____ Total Sq. Ft. _____

Construction _____ Condition _____

Stories _____ Ceiling Hgt. _____ Column Spacing _____

Last Occupant _____

Comments _____

IV. SERVICES & FACILITIES DETAILS: Sprinkler Air Conditioning Electric

Water: Public Private Sewerage: Public Private Gas Truck Docks RR Siding

Cranes Heating _____

Proximity to Highways _____

Parking Facilities & No. of Cars _____

Total Annual Real Estate Taxes \$ _____ Actual Estimated

Highest and Best Uses of Bldg. _____

V. APPRAISAL DETAILS: (Values Derived by Three Basic Approaches - Assume that the building is in as-is condition, vacant at time of sale, and includes no machinery or equipment)

Market \$ _____ Income \$ _____ Cost \$ _____

Appraisal Value as of _____ \$ _____

Land Value \$ _____ Per Ac./Sq.Ft. \$ _____

Building Value \$ _____ Per Sq.Ft. \$ _____

Complete appraisal of this property made by _____ (Signature)

_____ (Name of Firm)

(See next page for specifics on Appraisal Preparation)

**WAGE RATE SURVEY
FRINGE BENEFIT ANALYSIS**

<u>DESCRIPTION</u>	<u>EXISTING</u>	<u>3RD YEAR</u>
Total Annual Payroll (For All <u>Full Time</u> Employees – Do Not Include Benefits)	_____	_____
Fringe or Voluntary Costs For The Year Paid By The Company excluding Social Security, Workers' Compensation and Unemployment Compensation (For All <u>Full Time</u> Employees): Group Life Insurance, Profit Sharing Contribution, Sick Days, Medical/Dental Insurance, Rest Periods, Holidays, Retirement Plan Contributions, Vacation, Bonus Payouts, Child Care, Other Fringe Costs (Safety Shoes, Education, Bereavement, etc.)		

Total Fringe or Voluntary Costs:	\$ _____	\$ _____
% Benefit: (Total Fringe or Voluntary Costs/Total Annual Payroll)	_____ %	_____ %

Company Name: _____