



**New Markets Tax Credit Loan Fund (NMLF)
Program Guidelines**

I. Statement of Purpose

The NMLF is a Community Development Entity (CDE) subsidiary of Pittsburgh Urban Initiatives LLC. The purpose of the NMLF is to use a New Markets Tax Credit (NMTC) allocation to create an interest-only loan for 7 years for City of Pittsburgh small businesses to invest in fixed asset and large capital expenditures that facilitate business and job growth, including equipment and real estate investments. The NMLF will provide a NMTC instrument for transactions smaller than typical leveraged NMTC real estate deals and provide capital directly to operating businesses.

The NMLF program is designed to stimulate the growth of new and existing businesses in the City of Pittsburgh.

The NMLF will target manufacturing, distribution, and technology- and innovation-based, high job growth potential companies.

The NMLF is part of the Urban Redevelopment Authority's (URA) strategy to promote job creation and increase the City of Pittsburgh's tax base.

II. Program Funding

The NMLF may be funded in part through the City of Pittsburgh, the Commonwealth of Pennsylvania Department of Community and Economic Development (DCED), the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) Pittsburgh Development Fund repayments, NMTC investor equity, and other sources.

III. Eligibility

The following criteria will be used to determine whether an applicant is eligible for a NMLF loan.

A. Area Eligibility

All NMLF projects must be located within the City of Pittsburgh's eligible NMTC areas (see <http://www.cohnreznick.com/nmtc-mapping-tool?fs> for guidance).

B. New Markets Tax Credit Eligibility

All NMLF projects must comply with New Markets Tax Credit rules and regulations. Pittsburgh Urban Initiatives (PUI)/URA will require all applicants to complete an initial NMTC Compliance Questionnaire (attached to these guidelines) and receive a third party tax opinion by PUI counsel prior to closing. The third party tax opinion will be paid for by the borrower.

C. Types of Businesses

Eligible businesses are defined to include commercial and industrial businesses, advanced technology concerns, and manufacturing firms.

Banks, savings and loan associations, non-independently owned gas stations, used car lots, bars, adult entertainment establishments, beer distributors, non-profit organizations, check cashing outlets, and furniture and appliance rental shops are not eligible for NMLF loans. Further, businesses not meeting NMTC compliance requirements (see attached questionnaire for guidance) are not eligible to receive financing.

D. Other Eligibility Requirements

1. Loans must satisfy the conflict of interest and any other requirements established by CDBG and NMTC regulations.
2. The applicant must not be delinquent or in default on federal, state or local taxes or any existing private or publicly financed loan and will be required to sign an affidavit to that effect.
3. The proprietor, partner, director or any shareholder of the business must not have been convicted of a felony.

IV. Eligible Activities

- A. Machinery and equipment, including acquisition, delivery and installation, limited to items directly related to the operation of the business
- B. Leasehold improvements, including façade renovations
- C. Real estate, including acquisition, construction and soft costs associated with real estate projects

Loan proceeds may not be used for: refinancing existing debts (including leveraged buy-outs); speculative acquisition of real estate; or distribution or payment to the owners, partners, shareholders, or beneficiaries of the applicant or members of their families.

V. Parameters of Loan

- A. Loan Size: The maximum loan amount shall be \$1,500,000. The minimum loan amount is \$500,000.
- B. Private Sector Investment: Loans can be made in conjunction with a private lending source; NMLF loans should be no more than 40 percent of the project costs.

- C. Equity Requirements: Each project shall contain a minimum cash equity investment by the applicant of 10 percent or higher of the total project cost.
- D. Loan Security: All loans must be fully secured with a pledge of assets, which include but are not limited to, lien positions on land, buildings, business assets, and/or any other assets deemed necessary to secure the loan. Typically, personal and corporate guarantees are required for individuals and entities owning 20 percent or more of the borrowing entity.
- E. Insurance: Borrower shall be required to maintain insurance providing adequate coverage against the perils of fire, hazard, extended coverage, public liability, and other insurance as the URA may require; in form and substance satisfactory to the PUI/URA naming the NMLF as Mortgagee (where applicable), Lender Loss Payee, and additional insured. Further, title insurance and collateral assignment of life insurance may be required as necessary.
- F. Term: Up to 8 years, up to 7 years interest only
- G. Interest Rate: Approximately 3-3.5 percent, subject to the loan size and PUI/URA underwriting
- H. Fees:
 1. Application Fee: - The application fee of \$250 is non-refundable. This fee counts towards the applicant's equity requirement.
 2. Third Party Tax Opinion: Borrower will be required to make a payment of \$7,500 upon executing a term sheet. This money will be used to pay for a third party tax opinion.
 3. Due Diligence/NMTC Allocation Fee: Three percent of the total NMTC loan, which may be financed as part of the total project cost; Upon acceptance of a loan commitment, one-half of the due diligence fee is due and is non-refundable. The remaining one-half of the due diligence fee is due at closing.
 4. Construction Inspection Fee: One-half of one percent; If financing is applied towards construction costs, then a URA construction monitor is required. If the construction inspection is provided by a private lender, no URA construction inspection fee is required. The construction inspection fee will be eligible for financing through NMLF loan funds.
 5. Filing Fees: All filing fees will be the responsibility of the applicant (i.e., Mortgages, UCCs, Assignment of Leases and Rents).

VI. Conditions of the Loan

- A. The applicant must generate one new full-time equivalent job for each \$30,000 of NMLF proceeds within 3 years of the date of closing of funds to the applicant. New employment is defined as first-time hires, or employees who have been employed by the business for less than 6 months.

- B. Fifty-one percent or more of the new non-supervisory full-time equivalent jobs created by the project shall be made available to low- and moderate-income persons. The applicant will be required to fill all new entry-level, non-supervisory, jobs by first considering for employment, and interviewing, candidates referred by CareerLink; or alternatively, applicants secured through independent means that satisfy the criteria of the Workforce Investment Act (WIA). Workforce Investment Act eligibility may only be determined by CareerLink.
- C. Any project over \$250,000 in total cost must comply with the URA's requirements for a Minority- and Woman-owned Business Enterprise (M/WBE) Plan. The M/WBE Plan will document the applicant's strategy to purchase materials and services from M/WBE owned businesses. The M/WBE Plan must be approved prior to loan closing.
- D. Any use of loan funds must comply with Federal, State and local regulations concerning historic properties and environmental review.
- E. Pittsburgh Urban Initiatives/URA reserves the right to require loan applicants to find and use technical assistance in such areas as business planning, marketing, accounting, cash management, and inventory control. When determined appropriate, the URA will contract with a third-party provider for this technical assistance.

VII. Standard Application Evaluation Criteria

A. Business Evaluation

The historical performance of the business, if applicable, and the proposed owners will be evaluated to assess the ability to repay the loan. Specifically, this evaluation will include:

1. Financial Performance of the Business: If applicable, this involves an evaluation of prior 3 years financial performance, including an examination of tax returns, balance sheets, income statements, and cash flow statements;
2. Financial Performance of the Owners: This involves an evaluation of the personal tax returns of the prior 3 years, a personal financial statement and a credit bureau check;
3. Market Performance: This involves an evaluation of the relevant local and national markets and a demonstration of the expectation for a strong potential market for the product or service; and
4. Management Ability: This involves an evaluation of the experience and skills of the proprietor, partners, or directors. This includes general business experience as well as specialized experience in the particular industry.

B. Project Evaluation

The merits of the proposed uses of the funds will also be assessed to determine the ability to repay the loan. Early stage companies must demonstrate sufficient cash flow in order to repay the loan. Specifically, this evaluation will include:

1. Projected Income and Expenses: This involves an assessment of the validity and risk of the income and expense projections;

2. Projected Financial Statements: A thorough credit analysis will be performed using both historical and projected financial statements;
3. Value of the Assets and Collateral: Appraisals, when appropriate, will be required to assist URA in evaluating the ability to secure the loan; and
4. Changes in Market Strategy and/or Management Strategy: A complete business plan will be required. Any proposed significant changes in the business plan, market strategy, or management team will be reviewed.

C. Public Benefit Evaluation

Loan applications will be evaluated based on additional criteria measuring public benefits.

1. The degree to which the feasibility of the project depends on the NMLF loan; The applicant must demonstrate the inability to raise all of the project funds through private lenders or equity. Pittsburgh Urban Initiatives/URA reserves the right to reject an application based on the corporate or personal net worth of the applicant.
2. The nature of jobs created and/or retained per URA dollar invested
3. The percentage of jobs going to low- to moderate-income persons and the quality of those jobs in terms of skill levels, salary, stability, etc.
4. The total number of jobs created
5. The percentage of sales or receipts generated outside of Pittsburgh
6. The projected tax revenues to the City
7. The impact on the neighborhood and quality of life
8. The support of M/WBE

The NMLF loans are made for the purpose of certain public benefits. Failure to meet requirements set forth herein may result in an assessment by the PUI/URA of liquidated damages.

VIII. Waiver of Provisions

The president or the board of directors of PUI may waive certain provisions of these guidelines based on a determination of the private and public benefits of the project.

IX. Notification

Pittsburgh Urban Initiatives/URA reserves the right to:

- A. Notify the appropriate community-based organization of applications received from businesses in their neighborhoods; and
- B. Announce all loan commitments publicly.

X. Additional Information

For additional information, please contact the URA's Center for Innovation and Entrepreneurship at (412) 255-6669 or via our website at www.ura.org.

The Urban Redevelopment Authority of Pittsburgh (URA) does not discriminate on the basis of race, color, sex, religion, marital status, disability, age, sexual orientation, or national origin. No person, solely on the basis of any of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan and grant programs operated by the Center for Innovation and Entrepreneurship of the URA.

Pittsburgh Urban Initiatives LLC (PUI) strategically invests in office, retail, mixed-use and community facility developments designed to rehab blighted sites in the City, acting on opportunities to drive investments in low-income communities that sit adjacent to stabilized markets. In 2012, PUI focused on neighborhoods and bringing activity to Pittsburgh's riverfronts. By increasing the NMTC allocation available in Pittsburgh, the PUI has been able to bring increased investment activity to the Pittsburgh real estate market to close deals that "but for" the credits would not be possible.

About the New Markets Tax Credit (NMTC) program:

The NMTC program provides tax credits to investors who make "qualified equity investments" in investment vehicles called Community Development Entities (CDEs) which are required to invest in low-income communities. Pittsburgh Urban Initiatives LLC (PUI) is a URA-sponsored CDE, which is governed by a board consisting of the URA executive director and staff, foundations and community development professionals that represent low-income communities throughout the City.

The PUI board vets projects as they are presented. In addition, the URA has a loan underwriting team with outside NMTC expertise as well as local experience.

Pittsburgh Urban Initiatives LLC
New Markets Loan Fund Compliance Questionnaire

The New Markets Loan Fund (NMLF) uses the subsidy from New Markets Tax Credits (NMTC) to provide below-market rates and terms on small business loans in the City of Pittsburgh. The NMTC program imposes requirements on the borrower in addition to those in other URA loan programs. This questionnaire assesses whether the borrower will be able to meet these requirements.

Completed forms should be e-mailed to:

Rebecca Davidson-Wagner
President, Pittsburgh Urban Initiatives
rwagner@ura.org

Tom Link
Director of Center for Innovation and Entrepreneurship
tlink@ura.org

David Scheltz
Director of New Markets Tax Credit Operations
617-367-4300
Affirmative Investments, Inc.
33 Union Street, 2nd Floor
Boston, MA 02108
dscheltz@affirmativeinvestments.com

If you have any questions about this form or NMTC compliance requirements, please contact David Scheltz.

Borrower Contact Information

Borrower Name:	
Corporate form of Borrower:	
Date Submitted:	
Person Completing Form:	
Contact for Follow Up Information	
Name:	
Telephone Number:	
Email Address:	

Project Location

Provide the street address of the tangible assets financed with the Requested Loan

Street:	
City:	
State:	
Zip Code:	

NMTC Prohibited Activities Check

Does the Borrower conduct or plan to conduct any of the following activities at the Project Location? Conducting any of the following would disqualify you from this loan program.

Massage Parlor	
Hot Tub Facility	
Suntan Facility	
Country Club	
Racetrack	
Facility Used for Gambling	
Store whose principal purpose is the sale of alcoholic beverages for consumption off premises	
Development or holding of intangibles for sale	
Private or commercial golf course	
Rental of apartment units exceeding 80 percent of the Borrower's gross income	

"Portion of Business" Requirement

Does the Borrower have the ability to maintain a complete and separate set of books and records for its activities at the Project Location? This will be a requirement for loan approval.

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Narrative of Borrower's Business and Rationale for Loan Request

Please provide a narrative of the following:

- An overview of the business (its history, products, markets served, number of employees, and plans for growth);
- The purpose of the loan;and
- Why your business could benefit from the subsidy offered by this loan program.

Borrower Property Information	
<p><i>Does the Borrower own tangible property at locations other than the Project Location? Tangible property may include inventory, buildings, machinery and equipment, furniture and fixtures, and land, as well as any other asset the business classifies as tangible.</i></p> <p>Yes _____ No _____</p> <p><i>If yes, please complete the Tangible Property Schedule on the next page.</i></p>	
<p><i>Does the Borrower currently own or plan on owning any of the following Non-Qualified Financial Property?</i></p> <ul style="list-style-type: none"> Cash* Stock Debt Instruments** Partnership Interests Options Futures Contracts Forward Contracts Warrants Notional Principal Contracts Annuities <p><small>*Excluding cash held for reasonable working capital</small> <small>**Excludes debt with a maturity of 18 months or less</small></p>	<p>Yes_____ No _____</p> <p><i>If yes, please complete the Non-Qualified Financial Property Schedule on the next page.</i></p>
<p><i>Does the Borrower currently own or plan on owning any of the following Collectibles*?</i></p> <ul style="list-style-type: none"> Works of Art Rugs Antiques Precious Metals Coins Gems Stamps Alcoholic Beverages <p><small>*Exclude items held for sale to customers in the ordinary course of business. Coins exclude US legal tender and stamps exclude stamps used for postage.</small></p>	<p>Yes_____ No _____</p> <p><i>If yes, please complete the Collectibles Schedule on the next page.</i></p>

Tangible Property Schedule				
<i>Please list the addresses of all locations where the Borrower owns or leases tangible property. Add additional rows as necessary.</i>				
No.	Property Address (Street, City, State, ZIP)	Owned or leased?	Value of tangible property at location	Basis of Valuation
1.				
2.				
3.				
4.				

Tangible property valuation is left to the reasonable discretion of the borrower. Cost, fair market value, and book value are acceptable methods.

Non-Qualified Financial Property Schedule		Collectibles Schedule	
<i>Please list the value of the following financial assets owned by the Borrower, with values as of the most recent quarter end.</i>		<i>Please list the value of the following collectibles owned by the Borrower, with values as of the most recent quarter end. Exclude the value of items held for sale to customers in the ordinary course of business. Coins exclude US legal tender and Stamps exclude stamps used for postage.</i>	
<i>Property Type</i>	<i>Value as of most recent quarter end</i>	<i>Collectible Type</i>	<i>Value as of most recent quarter end</i>
Cash*		Works of Art	
Stock		Rugs	
Debt Interest		Antiques	
Partnership Interests		Precious Metals	
Options		Coins	
Futures Contracts		Gems	
Notional Principal Contracts		Stamps	
Annuities			
*Excludes cash held for reasonable working capital			

The undersigned representative of the Borrower hereby certifies that all information provided in this questionnaire is complete and accurate in all material respects. This loan program also requires that the Borrower certify that it will not:

- Relocate the business assets at the Project Location without prior consent of PUI and the URA.
- Maintain collectibles at the Project Location (other than those held primarily for sale in the ordinary course of business) at more than 5 percent of the average of the aggregate unadjusted bases of the property
- Conduct any of the following activities specified in the Prohibited Activities check at the Project Location.

These requirements will be incorporated into the loan agreement executed by the Loan Fund and the Borrower at closing.

Borrower Legal Name:	By:
Borrower Legal Address:	Title:
	Date: