

## Avenues of Hope Commercial Real Estate

### Program Guidelines July 2021

#### Program Summary

Administered by the Urban Redevelopment Authority of Pittsburgh (URA), The Avenues of Hope Commercial Real Estate (ACRE) program will provide patient, capital to small businesses and small developers in support of AoH projects in order to:

- Lower barriers to development for local and minority developers and small businesses;
- Increase access to capital for local and minority developers and small businesses;
- Improve potential project cash flow;
- Increase the long-term economic viability of projects;
- Provide local and minority small businesses and developers with equitable development tools to realize the goals of their project(s) and the larger neighborhood plan; and
- Encourage quality, locally controlled, wealth building and economic stability opportunities for AoH communities.

#### Funding

The ACRE is intended to increase the amount of patient capital to local and minority developers and small businesses implementing commercial, residential, or mixed-used developments in AoH communities. Funding for the program maybe be sourced by local, state, federal, private, and/or philanthropic dollars, including U.S. Department of Housing and Urban Development’s Community Development Block Grant (“CDBG”), the URA, the Commonwealth of Pennsylvania, and/or other public/ private/philanthropic dollars.

Priority will be given to local and minority small businesses and developers that demonstrate that their project benefits the community and is financially feasible—including evidence of project financing. Funding can be used for soft and hard costs related to real estate development project.

#### Eligibility

The following criteria will be used to determine whether an applicant is eligible:

##### Area Eligibility

Projects must be located in a URA designated Avenue of Hope neighborhood, which are Perry North & South, Sheraden, Hill District, Larimer, Homewood, Allentown/Beltzhoover, or Hazelwood neighborhoods.

##### Types of Businesses

Eligible businesses are defined to include real estate development companies, non-profit organizations, for-profit businesses, and non-profit CDCs engaged in real estate development projects.

##### Other Eligibility Requirements

- Investment funded by CDBG must satisfy all requirements established by the CDBG regulations and the City of Pittsburgh’s Office of Management and Budget.
- The applicant must not be delinquent or in default on federal, state or local taxes or on any existing private or publicly financed loan and will be required to sign an affidavit to that effect.
- The URA will not invest at a dollar threshold that would result in the URA to holding a majority controlling interest in the real estate project.
- Successful applicants will be required to provide necessary reporting on job creation, housing units, financial performance, and other reporting as required.
- URA may require applicants to work with a technical assistance provider, including Neighborhood Allies and other providers.
- The project must have a financing gap that cannot be filled by other sources, as confirmed by the URA.
- The applicant must have appropriate business registrations with the City of Pittsburgh.
- Priority will be given to minority and women-owned developers.
- Priority will be given to development projects under \$3M in total project costs.
- Priority will be given to projects that promote the URA’s and City of Pittsburgh’s goals around M/WBE business expansion and housing affordability.

**Eligible Activities**

- Land costs, including acquisition and site preparation.
- Building costs, including acquisition, construction and rehabilitation.
- Soft costs associated with property development, including legal, architectural, engineering, surveys and other related costs.

Funds may not be used for: distribution or payment to the owners, partners, shareholders, or beneficiaries of the applicant or members of their families, and exclusive of reasonable developer's fees acceptable to the URA. Notwithstanding anything to the contrary contained in these Guidelines, CDBG funds may only be used for CDBG eligible activities and uses.

**Parameters**

- A. Size: The maximum amount shall be \$200,000. The minimum amount is \$50,000.
- B. Private Sector Investment: Investments shall be made in conjunction with a private lending source, which could include owner equity, private debt, or other government debt.

- C. Equity Requirements: Each project shall contain a minimum cash equity investment by the applicant of ten percent (10%) or higher of the total project cost.
- D. Security: All investment must be fully secured with a pledge of real estate assets involved in the program, as well as lien positions on land, buildings, personal residence and/or any other assets, as required. Personal guarantees may also be required. Appropriate security shall be determined by the URA in its discretion.
- 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; satisfactory to the URA naming URA 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: 20 years, or sale (whichever is sooner); URA may consider extending term of investment to an amortizing loan on a case-by-case basis.
- G. Interest Rate: 1%
- H. Fees:
  - 1. Application Fee: The Application Fee of \$350 is non-refundable. This fee counts towards the applicant's equity requirement.
  - 2. Filing Fees: All filing fees will be the responsibility of the applicant.
  - 3. Misc. Closing Fees: If the URA is acting as a primary lender, additional fees for items such as appraisals, title insurance, etc., may be charged at closing.

### **Application Processing**

The URA has established written application processes and procedures that will facilitate the application process. The procedures may be amended from time to time and shall be binding upon all Applicants.

All applications shall be made using URA forms. The Applicant shall submit all information that the URA requires, including any documentation needed to establish the eligibility and credit worthiness of the Applicant, Applicant's principals and guarantors, if any, and the feasibility of the proposed use.

### **Approval and Disapproval**

1. The URA, in its sole discretion, may approve or disapprove applications.
2. The URA will maintain a log of each application. If the Applicant fails to supply the required documentation within three (3) months of the application date, with no justifiable written explanation, the application will be voided and removed from the application file.
3. All applications for the Program will be processed through an internal review and approval process. At the URA's sole discretion, review and approvals shall be conducted by a/the designated review committee. Upon affirmative recommendation from URA designated review committee, final approval will be made by the URA Director of Commercial and Business Lending.
4. Approval shall be conveyed in a written commitment to the Applicant. Action will not be taken toward closing the investment until the Applicant executes and returns to the URA a copy of the

commitment letter.

5. If an application is disapproved, the URA shall notify the Applicant in writing, via either letter or email. If appropriate, the rejection letter shall state the reason for the rejection of the application.

6. Applicants may withdraw their application at any time. The Applicant shall bear any costs incurred including, but not limited to, credit reports, appraisals, and application fees.

### **Closing**

The closing will be scheduled at a time acceptable to the URA and to the Applicant.

### **Taxes and Assessments**

All taxes and assessments against the property and business which are due and payable shall be paid before or at closing, where applicable, and the Applicant shall provide evidence satisfactory to the URA that such payments have been made.

### **Assumption**

Investment may be assumed only if approved by the URA in writing prior to the assumption. The URA may charge an assumption fee. In the event of a transfer of all or part of the business or property, the URA may accelerate the term.

Refinancing of existing debt on property that is security for ACRE during the term is not permitted without the prior written consent of the URA.

### **Conditions**

- A. The project must generate one (1) new full-time equivalent job for each \$30,000 of URA proceeds within three (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 six (6) months.
- B. Fifty one percent (51%) or more of the new non-supervisory fulltime equivalent jobs created by the project shall be made available to low- and moderate-income persons. The project 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). WIA eligibility may only be determined by CareerLink.
- C. Program funds may require Davis Bacon Wage Rates or State Prevailing Wage Rates if any of the URA's investment is used for construction or renovation expenses. The URA will advise if this is necessary. If so, the applicant must ensure that Davis Bacon Wage Rates or Prevailing Wage Rates are paid for the entire project, where applicable.
- D. Any project over \$250,000 in total cost must comply with the URA's requirements for a Minority- and Woman-owned Business Enterprise (MWBE) Plan. The MWBE Plan will document the Applicant's strategy to purchase materials and services from minority- and woman-owned businesses. The MWBE Plan must be approved prior to closing.
- E. If a project involves a construction contract of \$200,000 or more, the Applicant may be required to comply with the Pittsburgh Works ordinance (Ordinance No. 18 of 2000) which

requires that 35% of all employee work hours on the project be performed by City of Pittsburgh residents. Subcontractors with contracts exceeding \$25,000 are also subject to the ordinance. A copy of the ordinance is available upon request.

- F. Any project including a structure of more than 100,000 square feet, a grocery store with a floor area of more than 25,000 square feet, a library, cultural institution or institution of higher education will be required to pay at least Prevailing Wages to Building Service, Food Service, Hotel, and Grocery Employees by: (i) Contractors, and (ii) Funding Recipients. All such Prevailing Wages shall be based on job classification for all work performed, provided such employees work on the Project or Contract at least (50) hours per year.
- G. Any use of funds may need to comply with Federal, State and local regulations concerning historic properties and environmental review.
- H. URA reserves the right to require 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.
- G. The Applicant must agree to all other terms and conditions set forth in the investment documents provided by the URA.
- H. URA reserves the right to limit a developer's fee.
- I. The URA reserves the right to request company data, including but not limited to, number of staff, total dollars raised through investment, and company financial statements.
- J. Applicants are required to acknowledge the URA's investment, in construction signage, store window stickers, and press opportunities, as relevant in a manner consistent with the URA's then-current Public Acknowledgement Standard Operating Procedure.
- K. Any requirements imposed by the use of HUD funding shall become conditions of the investment.

### **Standard Application Evaluation Criteria**

#### **A. Applicant Evaluation**

The viability of the real estate development and the developing entity will be assessed.

Specifically, this evaluation will include:

1. Financial Performance of the Applicant: If applicable, this involves an evaluation of the prior three (3) years financial performance, including an examination of tax returns, balance sheets, income statements and cash flow statements.
2. Financial Performance of the Applicant: This involves an evaluation of the personal tax returns of the prior three (3) years, and a personal financial statement.
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.
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 real estate development.

5. Business and Personal Credit: This involves an evaluation of the credit history of the business and its principals. This includes review of business and personal credit history.
6. Public Record Review: This involves an evaluation of public records of the business and its principals. This includes review of prothonotary records, tax checks, federal excluded party database, and other public record sources.

B. Project Evaluation

The merits of the proposed uses of the funds will also be assessed to determine the ability to repay the investment. Specifically, this evaluation will include:

1. Value of the Assets and Collateral: Appraisals, when appropriate, will be required to assist URA in evaluating the ability to secure the equity.
2. Potential changes in the Market: An analysis of the project in relation to the immediate area and current changes, or expected changes, in market conditions.

C. Public Benefit Evaluation

Applications will be evaluated based on additional criteria measuring public benefits.

1. The degree to which the feasibility of the project depends on the URA's investment. The 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 minority- or woman-owned business enterprises.

URA loans and investments are made for the purpose of certain public benefits. Failure to meet requirements set forth herein may result in an assessment by the URA of damages.

IX. Waiver of Provisions

The Executive Director, Lending Director, or the Board of Directors of the URA may waive certain provisions of these guidelines based on a determination of the private and public benefits of the project.

X. Notification

URA reserves the right to:

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

**Additional Information**

For additional information, please contact the Urban Redevelopment Authority at (412) 255-6547 or reach out to Rochelle Lilien, Manager of Business Lending, at [rlilien@ura.org](mailto:rlilien@ura.org). Our TDD number for the hearing impaired is (412) 255-6644.

The Urban Redevelopment Authority of Pittsburgh 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 Urban Redevelopment Authority of Pittsburgh.

Urban Redevelopment Authority of Pittsburgh

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