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# Enterprise Zone

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## City of Bethlehem Enterprise Zone

### Overview

The City of Bethlehem Enterprise Zone (EZ) is an economic development program that offers financial incentives for eligible companies that are currently located or are planning to locate within the City. Incentives include: 1) low-interest grants-to-loans up to **\$350,000** through the Enterprise Zone Revolving Loan Fund (EZRLF) and 2) up to **\$500,000** in Tax Credits for each eligible project.

### Funding Opportunities

#### **Grant-to-Loan Program**

##### Who is eligible to apply?

- ❖ “Industrial”, “manufacturing” and “technology-oriented businesses”

##### How much is available?

- ❖ The maximum application amount is \$350,000 or 30% of project costs, whichever is less

##### What are eligible expenses?

- ❖ Acquisition of machinery & equipment, building improvements, building and/or equipment modernization, new building construction, site improvements, infrastructure, cost of prepared business lease space, 40% of inventory or working capital needs, Phase I environmental assessment (for projects that involve acquisition of real property), hazardous waste testing (if financing not available from conventional sources), and third party expenses (engineering, architectural, consulting, legal, etc.)

##### Are there requirements associated with grant funds?

- ❖ One full-time job must be created or retained for each \$35,000 increment of the EZ Grant request. Companies must create jobs within 3 years. If the required jobs are not created within a reasonable period of time, sanctions, such as an increase in the loan interest rate or an accelerated loan payment schedule up to and including immediate repayment at a higher interest rate, may be enacted against the recipient
- ❖ Jobs created/retained must be full-time, substantially above federal minimum wage levels (family sustaining), with some fringe benefits
- ❖ Matching funds equal to the requested loan amount are required

Due to changes in the 2014-2015 Pennsylvania State budget, it will be more difficult to ascertain funding through the Machinery & Equipment Loan Fund and Small Business First Fund. The EZ grant-to-loan program offers companies an opportunity to receive similar funding.

#### Grant-to-Loan Approval Process:

1. Rolling application period
2. The applicant must plan to incur eligible project expenses
3. The applicant must collaborate with PADCED Regional Offices as well as the Enterprise Zone Coordinator in order to gauge the viability of project
4. The applicant will work with the Enterprise Zone Coordinator in order to determine a below-market interest rate based on financials, loan amount, etc.
5. The Enterprise Zone Coordinator will prepare the PADCED Single Application for Assistance, which will include a draft of the loan agreement and information provided by the applicant
6. Upon approval of the PADCED, grant funds will be released to the City of Bethlehem EZRLF and loaned out to the applicant

Consideration of a company's request for a grant-to-loan application will largely depend on the community and economic impact of the proposed project.

The State offers grants-to-loans in order to encourage company investment in designated Enterprise Zone communities. Companies are not only investing in themselves, they are also investing in the community and economy of the area in which their employees work and live. Applying for a grant-to-loan increases the portfolio of the EZRLF, and once the outstanding loans are paid back, funds can continue to be reinvested into other projects that enhance the prosperity and livability of the City. The goal is to create a healthy RLF that can be effectively utilized long after the Enterprise Zone designation expires.

## **Tax Credit Program**

#### Who is eligible to apply?

- ❖ "Business Firm" as defined in Article XIX-A "Neighborhood Assistance Tax Credit" of the Tax Reform Code of 1971
- ❖ "Private Company" as defined in Article XIX-A "Neighborhood Assistance Tax Credit" of the Tax Reform Code of 1971, which include:
  - Companies defined in the Pennsylvania Industrial Development Act as "industrial", "manufacturing", "research & development" or "agricultural"
  - Companies defined in the Economic Development Financing Law as "Commercial Facilities"

#### How much is available?

- ❖ Private companies contributing to 3 or less projects: The maximum application amount is \$500,000 or 25% of project costs, whichever is less.
- ❖ Private companies contributing to 4 or more projects: The maximum application amount is \$1,250,000 or 25% of project costs, whichever is less.

What are eligible expenses? Acquisition, rehabilitation, expansion, improvement to building(s), improvement to land, engineering and architecture.

What are qualified investment sources?

- ❖ Except for financing secured through Commonwealth of Pennsylvania program assistance, the following: Business equity, private loans, working capital and loans from federal or local sources

What are considered to be ineligible investment sources?

- ❖ Grant funds from any source
- ❖ Loans issued, guaranteed, or capitalized by a commonwealth agency or state-related authority, including but not limited to sources such as local EZRLF funds, Pennsylvania Industrial Development Authority, and Commonwealth Financing Authority
- ❖ Revenue derived from the sale of NAP tax credits
- ❖ Equity or revenue derived or benefiting from other State or State-administered tax credits, including but not limited to the Low-Income Housing Tax Credit, federal Rehabilitation Investment Tax Credit (RITC) and State Historic Preservation Incentive Tax Credit

Tax Credit Approval Process:

1. The applicant must plan to incur eligible expenses
2. The applicant must collaborate with PADCED Regional Offices as well as the Enterprise Zone Coordinator
3. The application period will open in late March and, no later than May 1<sup>st</sup>, the applicant must submit the [PADCED Single Application for Assistance](#)
4. PADCED is required to review applications within 90 days of receipt
5. By July 1<sup>st</sup>, if the application is eligible and approved, PADCED Secretary will award tax credits to the applicant and establishes amount
6. Once awarded, PADCED will offer a tax credit project approval to the applicant that outlines terms and conditions of the award
7. The approval letter must be signed and returned by the applicant to the PADCED within 60 days of the offer, at which point it will become an executed contract
- 8. Applicant may begin incurring eligible expenses**
9. A blank Application for Tax Credit Under the Neighborhood Assistance Program Enterprise Zone Program form is included with the award letter
10. The form should be completed by the investor and returned to PADCED when the qualified investment is complete

Is there a deadline to complete the qualified investments?

- ❖ Yes, companies awarded tax credits on July 1<sup>st</sup> need to complete the qualified investments within one calendar year. If qualified investments can not be completed within this period, PADCED may consider extending the original activity period for up to an additional year.

Is there flexibility with the use of approved tax credits?

- ❖ A private company awarded tax credits has 3 options: 1) Retain & use, 2) Sell, 3) Pass through to another eligible entity.

*Additional Benefits*

Eligible companies located in the EZ receive priority consideration for the following:

- ❖ Other DCED grants and business development loan funds
- ❖ Bidding on state government contracts
- ❖ Applying for financial assistance to clean-up contaminated sites under Act II
- ❖ Any resource administered by state government that would assist in leveraging imminent business investment and job creation in an Enterprise Zone
- ❖ Availability of State Liquor License