

PIDC BACKGROUND

PIDC is:

- Philadelphia's economic development corporation since 1958
- Non-profit, joint venture between the City of Philadelphia and the Greater Philadelphia Chamber of Commerce
- Certified as a Community Development Financial Institution ("CDFI")

Over the past 55 years, PIDC has settled over 6,200 transactions – including \$11.4 billion of financing and 3,000 acres of land sales – which have leveraged over \$21 billion in total investment and assisted in retaining and creating hundreds of thousands of jobs in Philadelphia.

FINANCIAL SERVICES OVERVIEW

PIDC offers a broad range of financing products designed to encourage economic growth in Philadelphia.

SMALL BUSINESS LENDING

- Term Loans
- Working Capital
- Credit Enhancement

PROJECT FINANCE

- Low-cost 1st & 2nd Mortgage Financing
- Energy Efficiency Loans
- Tax Advantage Financing

TAX EXEMPT FINANCING

- Bonds
- Leasing

GRANTS

- PA Redevelopment Assistance Capital Program
- Other Federal, State & Local Grants



REVOLVING LOAN FUND - BACKGROUND

PIDC funds the majority of its small business financing activities through revolving loan funds

- Over 20 revolving loan funds with 400 loans for more than \$110 million outstanding, built up since the mid-1970's
- Sources include Federal, State, Local and Internal funds
 - Federal: HUD (CDBG, UDAG), EDA, SBA, EPA, DOE
 - Other: Enterprise Zones, Garment Assistance, Emerging Businesses
- Policy Requirements:
 - Employment retention and growth (low-moderate income)
 - Elimination of slum & blight
 - Environmental clean-up, building efficiency, stormwater management

CASE STUDY - U.S. EDA REVOLVING LOAN FUND

- \$1.6 million funded in 1993 from the U.S. Economic Development Administration under Title IX of the Public Works and Economic Development Act
- Required match of \$750,000 yielded total initial capitalization of \$2.35 million
- Revolving loan fund established to address impact of three military base closures in Philadelphia on small businesses

CASE STUDY - U.S. EDA REVOLVING LOAN FUND

- Historic Performance:
 - 21 loans placed totaling \$8.1 million
 - Average loan = \$385,000
 - \$1.0 million written-off; \$1.5 million interest earned
 - Borrowers include: manufacturers, printing, other services
- Current Status:
 - 6 loans with \$2.1 million principal balance
 - \$900,000 available to lend

CASE STUDY - U.S. EDA REVOLVING LOAN FUND

- Loan Terms:
 - \$75,000 - \$750,000, up to 40% of project cost
 - low-interest (2.75%) amortizing over asset life, up to 15 years
 - Secured on a subordinated basis
- Marketing
 - Business Development Group identifies potential borrowers
- Approvals:
 - Internal: credit analysis and risk rating
 - External: regulatory compliance
 - tax status, prevailing wages, eligibility, environmental compliance, necessary and appropriate determination

CASE STUDY - U.S. EDA REVOLVING LOAN FUND

- Post Approval:
 - Documentation
 - Disbursement
 - Repayment: delinquency, work-out, reservation, write-off
 - Covenant monitoring
- Reporting:
 - Quarterly reports to EDA required

LESSONS LEARNED

- Broad eligibility of uses vs. narrow policy goals
- Long-term relationship requires good documentation
- Efficient approval process fundamental to client satisfaction
- Credit quality
- Positive funding source relationship
- Start-up, business development

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