

General Neighborhood Assistance Program

Program Guidelines | May 2009

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Section I – Introduction

Under the Article XIX-A of the Tax Reform Code of 1971, known as the Neighborhood Assistance Act (Act 48-1994) (72 P.S. §8901-A, *et. seq.*), as amended, the Pennsylvania Department of Community and Economic Development (the “Department”) is authorized to administer the Neighborhood Assistance Program (NAP). There are four components to this program: the NAP Tax Credit, the Neighborhood Partnership Program (NPP), the Enterprise Zone (EZP) Tax Credit Program and the Special Program Priorities (SPP).

The purpose of these guidelines is to define the eligibility requirements and procedures necessary for Neighborhood Organizations and Business Firms to utilize or obtain tax credits for approved projects that will improve Distressed Areas under the General NAP. The goal of this program is to encourage investments by Business Firms in projects for Affordable Housing Programs, Community Services, Crime Prevention, Education, Job Training or Neighborhood Assistance in partnership with Neighborhood Organizations that provide such assistance and services.

Terms in **bold** used throughout these guidelines are defined in Section II.

NAP tax credits can be used in support of projects approved by the Department and are available to a **Neighborhood Organization** seeking contributions or to a **Business Firm** that makes a contribution to a Neighborhood Organization for an approved project. The tax credits awarded are 55% of the amount of a Business Firm’s contribution to the project. Projects must serve **Distressed Areas** or support **Neighborhood Conservation**.

Under the EZ program, a **Private Company** within a distressed area that has been designated as an Enterprise Zone may seek tax credits to rehabilitate, expand or improve buildings or land which promote **Community Economic Development**. The tax credits awarded are 25% of the project amount with a maximum of \$500,000. See the “Enterprise Zone Tax Credit” guidelines on the Department’s website at www.newPA.com.

Under the SPP, projects that meet the guidelines for special priorities designated from time to time by the Department are eligible for tax credits at 75% of a Business Firm’s contribution to a Neighborhood Organization’s project and 35% of a qualified investment in a project by a **Private Company**. See the “Special Program Priorities” guidelines on the Department’s website at www.newPA.com.

Under the NPP, Business Firms that make a substantial long-term contribution over a minimum of five (5) years to support an **Affordable Housing, Community Economic Development, Crime Prevention, Education, Job Training and Neighborhood Assistance** approved project are eligible for a tax credit of 75% of the amount of the contribution (or 80% in the case of a commitment to contribute for six (6) years or longer.) See the “Neighborhood Partnership Program” guidelines on the Department’s website at www.newPA.com.

Section II – Definitions

The following capitalized terms shall have the meanings given to them in this section, except where the context clearly indicates a different meaning:

Affordable Housing Programs: The renovation, repair, rehabilitation, construction or preservation of housing for Low Income households (including expenses for predevelopment, land acquisition, site control and clearing title, market studies, environmental costs, energy conservation and green building services, design services and legal and other technical assistance services). A Low Income household is defined as a person and his or her immediate family for which, during the twelve months immediately preceding the date of application for services: (1) total income does not exceed 150% of the federal poverty level as established annually by the federal Office of Management and Budget; or (2) total income does not exceed 80% of the median income of the targeted area; or (3) total income meets the income requirements of another applicable government program.

Business Firm: A business entity authorized to conduct business in this Commonwealth and subject to taxes imposed under Articles III (Personal Income Tax), IV (Corporate Net Income Tax), VI (Capital Stock – Franchise Tax), VII (Bank and Trust Company Shares Tax), VIII (Title Insurance Company Shares Tax), IX (Insurance Premiums Tax) or XV (Mutual Thrift Institutions Tax) of the Tax Reform Code of 1971. The term “Business Firm” includes Pass-Through Entities, defined below.

Commitment Letter: A letter from a Business Firm to a Neighborhood Organization that states a specific contribution of money, goods and/or services to be contributed to an eligible NAP project.

Community Economic Development: Activities that revitalize or stabilize Distressed Areas through one or more of the following: (1) The construction or rehabilitation of commercial or industrial buildings that will result in employment opportunities; (2) the removal or elimination of physical blight; or (3) for the NPP, multi-year initiatives that will have a significant impact in a Distressed Area or toward Neighborhood Conservation.

Community Services: Any type of counseling and advice, emergency assistance or medical care furnished to individuals or groups in a Distressed Area that has a primary or secondary benefit to the stabilization or revitalization of the area.

Confirmation Letter: A letter from the Department to a Neighborhood Organization that states the approval of a project, the amount of tax credits awarded and the reporting requirements.

Crime Prevention: Any activity that aids in the reduction of crime in a Distressed Area.

Department: The Pennsylvania Department of Community and Economic Development.

Distressed Area: Any impoverished area in this Commonwealth that is certified as distressed by the Department and the certification is approved by the Governor. The certificate shall be made on the basis of federal census studies and current indices of social and economic conditions. The area must demonstrate, in comparison to county and statewide averages, a high incidence of one or more of the demographic factors set forth below: persistent unemployment, or underemployment, dependence upon public assistance, overcrowded, unsanitary or inadequate housing, crime and delinquency, school dropouts or other evidence of low educational attainment, vacant and dilapidated properties, blight or other generally accepted indicators of widespread social problems. The following are deemed Distressed Areas: Enterprise Zones, Keystone Opportunity Zones, Keystone Opportunity Expansion Zones, Keystone Opportunity Improvement Zones, Federal Enterprise Communities, Empowerment Zones, Act 47 Municipalities, Cities of the First Class, Cities of the Second Class, Cities of the Second Class A or Cities of the Third Class and former commercial and industrial sites that have been vacant for at least one year prior to application.

Education: Scholastic instruction or scholarship assistance for an individual residing in a Distressed Area that enables the individual to prepare for better life opportunities.

Enterprise Zone: A specific location with identifiable boundaries within a Distressed Area that is designated by the Secretary as an Enterprise Zone. See “Enterprise Zone” guidelines on www.newPA.com for further details.

Job Training: Instruction for an individual residing in a Distressed Area that enables that individual to acquire vocational skills to become employable or be able to seek a higher grade of employment.

Neighborhood Assistance: Financial assistance, labor, material or technical advice furnished to aid in the physical improvement of any part or all of a Distressed Area.

Neighborhood Conservation: Projects or services that address the decline of a neighborhood or the needs of a vulnerable population and have a primary or secondary benefit to the stabilization of a Distressed Area.

Neighborhood Organization: A nonprofit organization approved by the Department which performs Community Services, offers Neighborhood Assistance, provides Job Training, Education or Crime Prevention or promotes Community Economic Development in a Distressed Area, which holds a ruling from the Internal Revenue Service that the organization is exempt from the income taxation under the provisions of the Internal Revenue Code.

Normal Course of Business: Those acts, which are engaged in by a Business Firm with a view toward winning financial gain.

Notification Letter: A letter from the Department to a Business Firm that states the approval of a project and requests proof of contribution to receive the awarded tax credits.

Pass-Through Entity: A limited liability company, general partnership, limited partnership, Pennsylvania S-corporation, business trust, joint venture or other unincorporated entity that for federal income tax purposes is classified as a partnership.

Private Company: Under the EZ program only, any agricultural, industrial, manufacturing or research and development enterprise, as defined in the Pennsylvania Industrial Development Authority Act or any commercial enterprise, as defined in the Pennsylvania Economic Development Financing Law.

Secretary: The Secretary of the Department of Community and Economic Development.

Section III – Program Administration

A. Submission of Applications

To apply for funding, the applicant must submit the electronic on-line DCED Single Application for Assistance located at <http://www.newpa.com/programFinder.aspx>. The required NAP Application Content (Section IV) may be attached electronically to the application on the Addenda tab, or submitted via US Mail with the Signature page. Please reference the Web ID number on any documents sent with the signature page. If you need additional assistance, contact the Customer Service Center at: 1-800-379-7448 or 717-787-3405.

Under the NAP, projects are approved for one fiscal year. All project applications must be approved by the Secretary prior to the receipt of contributions.

The Department will have two rounds of applications each fiscal year. The deadline for the first round is July 1st and the deadline for the second round is October 1st. Please check www.newPA.com for status on the availability of tax credits.

Applicants in either round whose proposals are approved but who do not obtain contributions by the following March 15th shall notify the Department so that the Department may reallocate the tax credits.

B. Review of Proposal

Applications will be reviewed and ranked based upon the following factors:

1. Current application is complete and concise with measurable goals and outcomes
2. The application is geared toward **Community Economic Development** or **Neighborhood Conservation**
3. The applicant describes a strong history of meeting goals and objectives
4. The project does not appear duplicative of other projects or services existing in the same local community at the time of the application
5. Describes linkages and/or collaboration with other organizations or initiatives in the area
6. The Neighborhood Organization has a strong history of soliciting contributions
7. Clearly addresses the requirements detailed in Section IV of this document
8. Total number of applications received statewide, geographic distribution of approved projects and the total amount of credits available
9. Where applicable, conformity to the Keystone Principles & Criteria for Growth, Investment and Resource Conservation.

C. Approval Process

1. The Secretary will approve or disapprove projects for the NAP and establish the amount of tax credits to be provided to a Neighborhood Organization or a Business Firm.
2. A Neighborhood Organization will receive a **Confirmation Letter** that contains the following:
 - a. Approval of the Project
 - b. Copy of the Notification Letter to contributor(s) that provided Commitment Letters
 - c. Application for Tax Credits
 - d. Reporting Requirements
3. Upon the approval of a project, a Business Firm will receive a **Notification Letter** from DCED and the application for tax credits

D. Eligible Activities

The following are eligible activities for NAP projects: Affordable Housing Programs, Community Economic Development, Community Services, Crime Prevention, Education, Job Training, Neighborhood Assistance and Neighborhood Conservation.

Section IV – NAP Application Content

The following information is required for a NAP application. The ability to clearly describe a project by following the format below will increase competitiveness.

- A. **Place** – Describe the neighborhood in which this project will take place. Provide physical boundaries (street locations are ideal.) An entire county is too large an area to qualify. (See definition of “Distressed Area” in the Guidelines). Include specific data about the neighborhood that substantiates the need for the project. Such data include, but are not limited to, population, unemployment rate, percentage of residents receiving public assistance, information on adequacy of housing, vacant buildings, crime and delinquency statistics, and school dropout rate. Include a brief description of the source of such data. The target population should relate to the target area, keeping the area as exact and minimal as possible.
- B. **Problem** – Provide a clear and specific description of the neighborhood needs that are to be addressed by the project. NAP activities must be specific to a problem that the organization seeks to address. For example, if the organization provides after school tutoring, the problem identified might be low educational attainment or a high dropout rate. If the organization is developing/renovating housing, the problem might be inadequate housing and a high rate of abandoned and dilapidated buildings. Describe how the problem impacts the place.
- C. **Project/Program Narrative** – This section should serve as a concise description of the NAP project that is being proposed to address the problem identified in the neighborhood. Describe the organization’s detailed approach, outlining what specific problems are to be addressed and how the project will promote the improvements to be made. Also, clearly outline the approach, plan and activities to accomplish the goals, objectives and outcomes. Include a detailed project schedule of activities that includes the key milestones and dates in the development and implementation of the project. This section should also identify project partners and other collaborators.
- D. **Proposed Outcomes** – Describe the project’s quantifiable, measurable and achievable results. What will the impact of the project be on the place and the problems identified in the application? What will change? How will the impact and change be measured? Describe the methods to evaluate progress and activities. Explain how outcomes are determined. Remember that measures of activity alone (e.g. number of clients seen, number of visits made) are not outcome measures.
- E. **Agency Profile** – Share a profile of the agency that exemplifies the agency’s capability to administer this project, including the date of incorporation, the overall mission or purpose of the agency, the primary services delivered by the agency, and the agency’s annual budget and staffing. Include a description of how this project and the agency are unique to the delivery of the goals. Also specify how this project is non-duplicative of any other projects in the community.
- F. **Contributors** – Identify committed, pledged or potential business sponsors that are contributing to the project. Include any commitment letters with the application. If no commitments have been acquired at the time of application, provide a detailed solicitation plan. The plan should include how the campaign will be conducted, when the solicitation will take place, who will conduct the campaign (position title) and the types of contributions that will be solicited. Please note that experience indicates that applications submitted with commitment letters are more likely to be funded for the full amount requested.
- G. **Attachments** – Submit the agency’s IRS Determination Letter.

Section V – Tax Credits

- A. Once the proposed project(s) of a Neighborhood Organization has been approved and the Business Firm(s) has submitted its proof of contribution, the Department of Revenue will grant a tax credit against any of the following taxes due by the contributing Business Firm: Corporate Net Income Tax, Bank and Trust Company Shares Tax, Mutual Thrift Institutions Tax, Capital Stock – Franchise Tax, Insurance Premiums Tax or Title Insurance Company Shares Tax.
- B. In the case of a **Pass-Through Entity**, the Department of Revenue will grant a credit against the corporate net income or personal income tax, whichever is applicable, of the Pass-Through Entity's shareholder, member or partner.
- C. A Business Firm may not receive more than \$500,000 in tax credits for a contribution(s) toward an approved project(s) during a single fiscal year of the Commonwealth. The limit applies to all projects approved under the NAP, EZ, SPP, NPP or a combination of the programs, except as set forth in D. below.
- D. A Business Firm may receive up to \$1,250,000 in tax credits for contributions toward four (4) or more approved projects within the same fiscal year.
- E. Tax credits will not be given to a Business Firm that is a bank, bank and trust company, insurance company, trust company, national bank, savings association, mutual savings bank or building and loan association for activities that are a part of its **Normal Course of Business**.
- F. Approval for the allowance of tax credits for the NAP will be awarded to Neighborhood Organizations and Business Firms for one year only. Future tax credits will depend on the project being re-approved in a subsequent year. In certain cases, projects, including capital campaigns, which, by their terms, will take longer than one year to complete can be approved *generally* for multi-year periods. However, each year of the multi-year period must be approved individually. The Department will evaluate such a multi-year project's performance during earlier years when making the decision to approve or disapprove the applications for subsequent years. In the event that the number of applications for tax credits exceeds the amount of credits available, priority will be given to such subsequent year applications that have performed successfully in earlier years.
- G. A Business Firm may carry forward for an additional four years any tax credit not used in the tax year the contribution was made. A shareholder, member or partner of a Pass-through Entity may not carry forward any tax credit not used in the period the contribution was made.
- H. A Business Firm that has not used its tax credit within one year of the date the credit was granted by the Department of Revenue may apply to the Department to sell or assign all or part of the tax credit. The purchaser or assignee of the tax credits must use the credits in the tax year in which the purchase or assignment is made and may not carry forward, sell or assign the purchased/assigned credits. A shareholder, member or partner of a Pass-through Entity may not sell or assign any part of a tax credit.
- I. No credit will be given for any contributions received prior to the Secretary's approval of the project.

Section VI – Contact Information

Questions as to the applicability of these provisions in specific instances should be directed to the DCED regional office nearest you:

Southeast Regional Office
State Office Building
1400 Spring Garden Street
Philadelphia, PA 19130
215-560-2256

Northeast Regional Office
Oppenheim Building, 3rd floor
409 Lackawanna Avenue
Scranton, PA 18503
570-963-4571

Central Regional Office
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225
717-720-7300

Southwest Regional Office
1405 State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222
412-565-5002

Northwest Regional Office
100 State Street, Suite 205
Erie, PA 16503
814-871-4241