



Commonwealth Financing Authority
Harrisburg PA, 17120

March 20, 2008

To Whom It May Concern:

You are invited to submit a proposal to the Commonwealth Financing Authority (CFA), in accordance with the enclosed request for proposals (RFP) for the Building PA Program.

All information regarding this RFP is contained in the RFP itself. Questions regarding the RFP may be directed Scott Dunkelberger at (717) 720-1418. Fifteen copies of all proposals must be submitted to the Commonwealth Financing Authority, Commonwealth Keystone Building, 400 North Street, 4th Floor, Harrisburg, Pennsylvania 17120-0225. Proposals will be accepted by the Commonwealth Financing Authority until further notice.

We expect that evaluation of the proposals and selection of fund managers will be completed at the next scheduled CFA Board meeting following submission.

Sincerely,

A handwritten signature in black ink that reads "Scott D. Dunkelberger".

Scott D. Dunkelberger
Executive Director

Enclosures

**REQUEST FOR PROPOSALS
TO PROVIDE
THE COMMONWEALTH FINANCING AUTHORITY WITH
INVESTMENT STRATEGY PROPOSALS FOR THE BUILDING PENNSYLVANIA
PROGRAM**

**ISSUED BY
THE COMMONWEALTH OF PENNSYLVANIA
COMMONWEALTH FINANCING AUTHORITY**

Issuing Office: Commonwealth Financing Authority
Commonwealth Keystone Building, 4th Floor
400 North Street
Harrisburg, PA 17120-0225

TABLE OF CONTENTS

PART I.	GENERAL INFORMATION FOR APPLICANTS	#3
PART II.	WORK STATEMENT	#6

PART I
GENERAL INFORMATION FOR APPLICANTS

A. **PURPOSE.** This request for proposal (RFP) provides interested applicants with sufficient information to enable them to prepare and submit proposals for consideration by the Commonwealth Financing Authority to receive funding for real estate projects under the Building Pennsylvania Program.

B. **ISSUING OFFICE.** This RFP is issued for by the Commonwealth Financing Authority (the "Authority") ("Issuing Office"). The Issuing Office is the sole point of contact for the Authority for this RFP. All communications concerning this RFP must be directed in writing to:

Scott D. Dunkelberger
Executive Director
Commonwealth Keystone Building, 4th Floor
400 North Street
Harrisburg, PA 17120-0225

C. **SCOPE.** This RFP contains instructions governing the proposals to be submitted and the material to be included therein, including:

- a description of the services to be provided;
- other requirements to be met by each proposal.

D. **PROBLEM STATEMENT.** The Authority is seeking to make investments with fund managers to implement development "strategies" that will have a positive impact on local community and economic development efforts in Pennsylvania communities. The Building Pennsylvania Program will provide mezzanine or gap financing to complement other secured debt and equity financing to the successful fund manager applicants to invest in real estate projects that are components of the strategy. The loaned funds must be invested in industrial, commercial and multiuse building projects located in this Commonwealth which will be acquired and developed, redeveloped or revitalized, in accordance with the provisions of this section.

The Authority may select multiple fund managers in which to makes investments as described in this RFP.

E. **TYPE OF CONTRACT.** It is proposed that if a contract(s) is entered into as a result of this RFP, it will be for an amount that will be contingent to the eventual earnings from investments made by the applicant. Negotiations may be undertaken with applicants whose proposals, price and other factors show them to be qualified, responsible and capable of performing the work. The selected applicants will be expected to enter into a master loan agreement and the selected applicants will be subject to the specifications and requirements set forth in this package.

F. REJECTION OF PROPOSALS. The Authority reserves the right to reject any and all proposals received as a result of this request.

G. INCURRING COSTS. The Authority is not liable for any cost incurred by applicants prior to issuance of a contract.

H. QUESTIONS. In order to allow sufficient time for the Issuing Office to respond to questions concerning the contents of the proposal, such questions must be submitted to the Issuing Office in writing on or before the time and date specified in the cover letter to this RFP.

I. AMENDMENT TO THE RFP. If it becomes necessary to revise any part of this RFP, an amendment will be issued to all applicants who received the basic RFP.

J. RESPONSE DATE. To be considered, proposals must arrive at the Issuing Office on or before the time and date specified in the cover letter to this RFP. Applicants mailing proposals should allow sufficient mail delivery time to insure timely receipt of the proposal. The proposal shall be enclosed and sealed in an envelope which is clearly marked "**Proposal for CFA Building Pennsylvania Program RFP**". It is the responsibility of each applicant to ensure that its proposal is received at the Issuing Office prior to the date and time specified in the cover letter to this RFP, regardless of medium used. In the event that, due to inclement weather, natural disaster, or other cause, the Commonwealth offices are officially closed on the date the proposals are due, the deadline for submission shall be automatically postponed until the next Commonwealth business day, unless the applicants are otherwise notified by the Authority. The time for submission of proposals shall remain the same.

K. PROPOSALS. To be considered, applicants must submit a complete response to this RFP, using the format provided in Part II. Each proposal must be submitted in fifteen (15) copies to the Issuing Office. No other distribution of proposals will be made by the applicant. A cover letter, signed in ink by an official authorized to bind the applicant to its provisions, must be included with each proposal stating that the proposal will remain valid for at least sixty days. Moreover, the contents of the proposal of the successful respondent will become contractual obligations if a contract is entered into.

L. ORAL PRESENTATION. Applicants who submit proposals may be required to make an oral presentation of their proposal to the Authority. Such presentations provide an opportunity for the applicant to clarify the proposal to insure thorough mutual understanding. The Issuing Office will schedule these presentations

M. DISCLOSURE OF PROPOSAL CONTENTS. Proposals will be held in confidence and, will not be revealed or discussed with competitors. All other material submitted with the proposal becomes the property of the Commonwealth Financing Authority and may be returned only at the Authority's option. Proposals submitted to the Authority may be reviewed and evaluated by any person other than competing contractors at the discretion of the Authority. The Authority has the right to use any or all ideas presented in any proposal. Selection or rejection of the proposal does not affect this right.

N. **NEWS RELEASES.** News releases pertaining to this project may not be made by the selected applicant without prior Authority approval, and then only in coordination with the Issuing Office.

O. **PERIOD OF CONTRACT.** The contract will be entered into as soon after the final selection as feasible, subject to the availability of funds. The contract will be in a form that will be negotiated upon approval of the applicant.

P. **APPLICANT'S REPRESENTATION AND AUTHORIZATION.** Each applicant by submitting its proposal understands, represents and acknowledges that:

1. The applicant understands and acknowledges that all information provided by, and representations made by, the applicant in the proposal are material and important and will be relied upon by the Issuing Office in awarding the contract(s). Any misstatement shall be treated as fraudulent concealment from the Issuing Office of the true facts relating to the submission of this proposal. A misrepresentation shall be punishable under Section 4904 of Title 18 P.C.S.A.

2. To the best knowledge of the person signing the proposal for the applicant, the applicant, its affiliates, subsidiaries, officers, directors and employees are not currently under investigation by any governmental agency and have not in the last four years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding on any public contract, except as disclosed by the applicant in its proposal.

3. To the best of the knowledge of the person signing the proposal for the applicant and except as otherwise disclosed by the applicant in its proposal, the applicant has no outstanding, delinquent obligations to the Commonwealth including, but not limited to, any state tax liability not being contested on appeal or other obligation of the applicant that is owed to the Commonwealth.

4. The applicant is not currently under suspension or debarment by the Commonwealth, or any other state, or the federal government, and if the applicant cannot certify, then it shall submit along with the proposal a written explanation of why such certification cannot be made.

5. Each contractor, by submitting its proposal, authorizes all Commonwealth agencies to release to the Authority information related to liabilities to the Commonwealth including, but not limited to taxes, unemployment compensation, and workers' compensation liabilities.

PART II WORK STATEMENT

Background Information

The Commonwealth Financing Authority (“Authority”) was established by the act of April 1, 2004, (P.L. No. ___, No. 22) (the “Act”). The Act provides the Authority with the power to issue bonds to fund several programs which are under the oversight of the Authority’s Board. In addition to the bonding authority, the newly created programs under the auspice of the Authority are:

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| • Business In Our Sites Program | \$300 million |
| • First Industries Program | \$150 million |
| • New Pennsylvania Venture Capital Investment Program | \$60 million |
| • Building Pennsylvania Program | \$150 million |
| • Core Industries | \$75 million |
| • New Pennsylvania Venture Guarantee Program | \$250 million |
| • Second Stage Loan Program | \$50 million |

This Request for Proposal (RFP) specifically relates to the Building Pennsylvania Program. The scope of work requested through this RFP is fully outlined below.

Specific Functions

General Statement of Work –

- I. The Building Pennsylvania Program is an initiative intended to address the mezzanine or gap financing needs of the Pennsylvania real estate development community by providing \$150M in loans to real estate fund managers, leveraged by another \$150M of private equity, to make substantial funds available for real estate projects within the Commonwealth of Pennsylvania. The CFA is intending to make investments in “strategies” that will have a positive impact on local community and economic development efforts in Pennsylvania communities. The individual fund manager’s strategy may or may not include specific building projects that are presently identified as a component part of the strategy. The CFA Board will select strategies to receive Building PA investments based on impact of the strategy, the need for public funds to implement the strategy, and the fund manager’s ability to carry out the strategy. Eligible projects ultimately benefiting from the CFA’s investment in a strategy include acquisition, development, redevelopment, and revitalization of buildings for industrial, commercial or mixed-uses.

- II. In order to increase the amount of capital available in traditionally underserved areas, the Authority has earmarked that 50% of the funds be made available for those strategies impacting areas other than cities of the first and second class. All loans are made pursuant to the statutory authority of the Commonwealth Financing Authority.

Specific Information Required from the Applicant

The following information must be included in the fund manager's proposal:

- I. The fund manager's name and address and FEIN.
- II. The resumes of the individuals responsible for the investment decisions of the fund manager.
- III. The fund manager's history of investments in real estate projects, including the number of previous investments in Pennsylvania and elsewhere, types of projects completed, i.e. industrial, commercial, residential, etc., rates of return and capital raised. Also include a brief description of at least three completed projects, including size, cost, current usage, pictures and maps (if available) and a statement evaluating its success.
- IV. The fund manager's proposed strategy including the following information:
 - a. A description of the proposed approach by the fund manager to invest in real estate projects located in this Commonwealth, including the types of eligible projects to be constructed with Building PA funds.
 - b. A copy of the fund managers business plan, Private-Placement Memorandum or similar documentation.
 - c. A discussion of the Commonwealth's geography and economic climate and how the proposed Building PA investment will impact the economic conditions and viability of the host community and/or region of the Commonwealth.
 - d. Statement by the fund manager of the amount of the loan being requested, the amount of match pledged, and the proposed general repayment terms of the Authority's loan. The repayment terms should reflect the ability of the project to generate adequate income to repay the loan based on the local markets lease rates and absorption rates. It should also be noted what percentage of the matching funds will be coming from debt and/or equity and the source of these funds.
 - e. A pro-forma which supports "d" above.
 - f. Support letters from banks interested in backing your strategy, government agencies, past clients or tenants, or future businesses that will be affected by the development described in your strategy.
 - g. A list of potential projects to be completed under the defined strategy providing as much specific information as possible (i.e. square footage, maps, possible tenants, usage, timeline, etc.)

Responsibilities

The following information represents program requirements and policy targets that will assist applicants in preparing their proposal. The entire Building PA Guidelines can be accessed on the www.newpa.com website.

- I. That the fund manager will invest in industrial, commercial or multiuse real estate projects located in this Commonwealth which will be acquired and developed, or redeveloped or revitalized.

- a. An “industrial” project is defined as a project that will produce single tenant, multi-tenant or small business incubator facilities to house activities related to advanced materials, agriculture and food processing, alternative energy, business support centers, construction, life sciences, manufacturing, national or regional headquarters, research and development, and technology.
 - b. A “commercial” project is defined as real estate that will house for-profit businesses that provide goods or services to individuals or businesses. Eligible commercial projects must do one of the following:
 - 1.) When fully occupied, provide at least twenty (20) full time positions
 - 2.) House at least two for-profit businesses.
 - c. A “multi-use” project is defined as real estate located in a developed part of a municipality that will combine primarily first floor commercial space with upper floor residential space in the same building.
- II. At least 50% of the funds made available for the program must be utilized for projects located in areas other than cities of the first or second class.
 - III. Building PA Funds shall comprise no more than 25% of the total debt and equity financing for an individual project.
 - IV. No investments may be made by fund managers in real estate projects which are primarily residential or primarily recreational.
 - V. Fund managers will invest Building PA proceeds in projects that are consistent with or identified as a priority investment in a local or regional comprehensive or economic development plan. Please provide a copy or excerpts from this plan showing how your strategy works in union with the comprehensive plan. Additionally, each project must demonstrate at least one of the following principles:
 - a. The project is located within the municipal boundaries of a borough, cities of the second class A or third class, or a township that has a median household income below the state average. Areas that have experienced a recent major plant closing or have a historic decline in retail and commercial businesses are also eligible with prior approval of the CFA.
 - b. The project supports a state designated Main St., Elm St. or Enterprise Zone plan or is part of a local revitalization effort within the central business district of a municipality.

- c. The project is revitalizing a blighted area or makes use of a brownfield or mine scarred property.
- d. The project will create a multi-tenant building for industrial (as defined above) uses. Of particular interest are small business incubators located within state designated Keystone Innovation Zones or buildings that incorporate the use of solar energy.
- e. The project is located within an area of a community suffering from a historic decline of population or property values, or will provide needed services (ex: grocery store) to an adjacent declining area.
- f. The project demonstrates community support through the leveraging of local public resources and/or partnerships between the private and public sector. Projects are also eligible if they are located within a state designated Community Action Team community or Brownfield Action Team site, a Keystone Opportunity Zone, KOEZ, Keystone Innovation Zone, Act 47 municipality or federally designated Enterprise Zone or Enterprise Community.
- g. The project will increase resources for competitive and emerging industries in Pennsylvania such as:
 - 1.) Life Sciences
 - 2.) High Technology
 - 3.) Advanced Manufacturing and Materials
 - 4.) Business Services
- h. There must be a financial return mechanism to the CFA. The rate of return need not be high or substantial in every financial transaction approved, but the goal of the CFA Board is to achieve an adequate rate of return while balancing the goal of economic development within the Commonwealth.
- i. The fund applicant must be willing to provide all pertinent information requested by the Board and its staff so that a complete due diligence review of the proposed investment transaction can be conducted

Contract Terms

- I. The board shall select for contract negotiation one or more fund managers who are determined the best qualified to provide the services described in the request for proposals

- II. The authority may enter into contracts with one or more fund managers. The contracts shall include all of the following provisions:
 - a) The terms of repayment of the principal and payment of interest and other return to the authority.
 - b) That the fund manger will raise and invest in real estate projects located in this commonwealth at least \$1 of non public equity for every \$1 of Building PA loan funds received by the fund manager.
 - c) That the fund manager will provide the board with its annual audited financial statements for the duration of the loan. Financial statements shall be prepared in accordance with generally accepted accounting principles.
 - d) That the fund manager will invest in industrial, commercial and multiuse real estate projects located in this commonwealth which will be acquired and developed, or redeveloped or revitalized.
 - e) Any other provisions required by the board.

- III. Standard of Care: A fund manager awarded a contract under this section shall exercise that degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of funds, considering the probable income to derived there from as well as the probable safety of their capital.