

Neighborhood Assistance Program Neighborhood Partnership Program

Program Guidelines | June 2011

> ready > set > succeed



Table of Contents

Section I	Introduction	1
Section II	Definitions	1
Section III	Program Administration	3
A.	Submission of Applications	3
B.	Review of Proposal	4
C.	Approval Process	4
D.	Eligible Activities	4
E.	Application Requirements	5
F.	Annual Project Renewal	6
Section IV	NPP Application Content	6
Section V	Tax Credits	8
Section VI	Contact Information	9

Section I – Introduction

Under 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 Program (EZP) Tax Credit, and the Special Program Priorities (SPP).

The purpose of these guidelines is to define the eligibility requirements for the Neighborhood Partnership Program (NPP). Under the NPP, Business Firms may receive a state tax credit by making a substantial and long-term commitment of at least five (5) years in support of a Neighborhood Organization that is undertaking an approved project for **Affordable Housing, Community Economic Development, Community Services, Crime Prevention, Education, Job Training or Neighborhood Assistance**. Such businesses are eligible for a tax credit of 75% of the amount of the eligible contribution or 80% in the case of a commitment to contribute for six (6) years or longer.

The goal of the Neighborhood Partnership Program (NPP) is to foster the development of collaboration among Business Firms, Neighborhood Organizations, local government entities and residents to encourage high impact long term investment(s) in Distressed Areas. The objective of this collaboration is to produce a comprehensive, asset-based and relationship-driven approach to community development. This approach, when applied over the long term, not only produces an enhanced quality of life in the community, but also builds the capacity of communities to sustain development efforts and to adapt to changing economic and social conditions.

Section II – Definitions

Activity Period: The activity period is the time frame in which the applicant has to complete project activities and expend funds received. The activity period extends three (3) months beyond the contribution period to September 30 to ensure that the applicant can use all contributions received.

Affordable Housing Programs: The renovation, repair, rehabilitation, construction or preservation of housing for Low Income individuals (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 Individual* 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.

Amendment: An amendment must be issued for major changes in the scope or type of project being carried out. An amendment must also be issued for changes in the project ending date and increases/decreases in the amount of the contract. These can only be approved when requested prior to the contract end date of June 30.

Application for Tax Credit Under the Neighborhood Assistance Program: The application required for business contributors to receive and apply tax credits for contributions to the tax liability with the Department of Revenue. An application for tax credits along with proof of contribution and other related documents must

be submitted to the Department no later than six (6) months after the end of the contract period. As provided in other definitions the contract period ends June 30, and the deadline for Applications for Tax Credit Under the Neighborhood Assistance Program is December 31. (For example, Project X has a contract period of July 1, 2011 through June 30, 2012. Application for Tax Credits must be submitted no later than December 31, 2012, which is six (6) months after the contract end date.) Applications received after December 31 will not be processed and tax credits will not be applied to the contributor's tax liability account.

Award 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.

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) 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 or direct services, including 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.

Contract Period: A one-year period beginning July 1 and ending June 30, in which time business contributions can be solicited and received by the applicant.

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 certification 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 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.

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.

Modification: These involve minor changes to the objectives, timelines or goals of the project. Such requests should be submitted to the Community Empowerment Division. Requests must contain both the original and revised objectives, timeline or goals and other changes. Budget changes may also be requested as modifications where the amount of the contract does not increase. Grantees have unlimited flexibility between approved budget line items within each budget category. However, if there is a need for new budget line items or budget categories, Departmental approval is required. Such submissions must include a complete new budget form with the new line item(s)/budget category(s) included. These can only be approved when requested prior to the contract end date of June 30.

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 which 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 that 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 for 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.

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 www.esa.dced.state.pa.us. DCED also requires application addenda as a part of the application process. The required NPP 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 Single Application 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 all components of NAP, projects are approved for one fiscal year, July 1 through June 30. All project applications must be approved by the Secretary prior to the receipt of contributions.

The deadline for new applications and renewal applications for an existing NPP project is **August 1, 2011**. The application deadline for other NAP components (i.e. NAP, EZP and SPP) will be announced under separate guidelines. DCED will consider allocating any tax credits that remain after reviewing applications from all NAP components. The deadline for applications to be considered in this final application period will be **January 31, 2012**, if tax credits remain to be allocated. Please check www.newPA.com for a status on the availability of tax credits.

B. Review of Proposals

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

1. Complete and concise with measurable goals and outcomes, with a completed community measures report as described in Section IV, NPP Application Content;
2. Strength of the Neighborhood Partnership Plan;
3. Description of the Neighborhood Partnership Advisory Committee;
4. Demonstration of a strong history of meeting goals and objectives;
5. Not duplicative of other projects or services existing in the same local community at the time of application;
6. Demonstrates linkages and/or collaboration with other organizations or initiatives in their area;
7. 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.

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. A Business Firm will receive a **Notification Letter** from DCED including an application for tax credits.

D. Eligible Activities

The following are eligible activities for NPP projects:

1. **Affordable Housing** (renovate, repair, construct, preserve rented or owned housing for low to moderate income households);

2. **Economic Development** (construction or rehabilitation of commercial buildings resulting in job opportunities and/or removal of blight);
3. **Community Services** (counseling and advice, emergency assistance or medical care to individuals and/or group living in distressed areas);
4. **Crime Prevention** (reduction of crime in distressed area);
5. **Education** (scholastic instruction and/or scholarship assistance to enable individuals living in distressed areas to prepare for better opportunities);
6. **Job Training** (instruction to residents in distressed areas to become employable or eligible for a higher grade of employment); and
7. **Neighborhood Assistance** (financial aid, labor, material and/or technical assistance to physically improve a distressed area).

Outcomes related to these areas are required as detailed in Section IV, NPP Application content.

E. Application Requirements

1. **Commitment:** A Business Firm must pledge not less than \$50,000 in cash contributions yearly for a minimum period of five years. The minimum total Business Firm(s) annual commitment for a project is \$100,000. This could mean one (1) donor at \$100,000 or two (2) donors at \$50,000 etc. annually. There is no limit on the number of firms per project. Business Firms must actively participate on a Neighborhood Partnership Committee, provide in-kind support for the project for which they will also receive tax credits and demonstrate the intent to use the tax credits that are awarded. Prior use of NAP tax credits will be a factor in award decisions. NOTE: A letter indicating support of a project does not meet this requirement.
2. **Neighborhood Partnership Plan:** A plan prepared with the input of the Neighborhood Partnership Advisory Committee to revitalize a distressed community or neighborhood over a period of not less than five years. The plan includes a comprehensive examination of factors contributing to social and economic distress, an inventory of community assets that can be used or developed to address those factors, a selection of priority projects, a description of how those projects will be carried out, a vision of success and how development will be sustained following the completion of the NPP project(s). In addition, a description detailing the leveraging and coordination of additional public/private funds in the Distressed Area should be included. If applicable, the description should include how the additional funds will be obtained for this project and coordinated with the NPP tax credits. Where such leveraging and coordination is described but does not take place, the Department may exercise its prerogative to terminate the project.
3. **Neighborhood Partnership Advisory Committee:** The committee shall assist with the initial and subsequent planning of a Neighborhood Partnership Project and provide ongoing advice and counsel to the Neighborhood Organization carrying out the NPP project. The committee should include representatives of the following: residents of the Distressed Area, the Business Firm(s) and other stakeholders in the project, such as financial contributors, other community development organizations and local government entities. The committee shall review the NPP project's progress and serve as a vehicle to secure ongoing input on the project from community residents and other stakeholders. (In situations where an entity already exists that can carry out the advisory function described above, formation of an additional committee shall not be necessary.) The committee shall meet not less than quarterly. All meetings of the group shall be open to the public, except where confidential personnel or program client services information is to be discussed.

4. **Memorandum of Understanding (MOU):** A written agreement in the form of an executed Memorandum of Understanding negotiated between the Business Firm(s) and the Neighborhood Organization that outlines the nature and extent of financial and other commitments each is making to carry out the Neighborhood Partnership Plan and the mutual expectations and obligations of both parties. This agreement, at a minimum, should cover:
 - a. A pledge of not less than \$50,000 in cash contributions yearly for a minimum period of 5 years.
 - b. The duration of the pledge and project.
 - c. A schedule for the distribution of funds to the community development agency.
 - d. A timetable for the completion of key project activities and the expected outcomes of those activities.
 - e. A delineation of the type of participation and in-kind support the business sponsor will provide.
 - f. The circumstances under which the terms of the agreement may be changed or terminated.
 - g. Recognition of the business sponsor's support by the community development agency in project-related publications, press releases and signage at project rates.
 - h. Consultation between the two parties concerning progress and changes to the project.
 - i. Other mutual understandings concerning the relationship between the business sponsor and the community development agency.

F. Annual Project Renewal

Although NPP projects are anticipated to run for a minimum of five years, tax credits are allocated on an annual basis. Allocations and awards coincide with the state fiscal year (July 1 to June 30). A new application must be submitted annually.

Applications must be submitted via the Department's Single Application for Assistance on www.esa.dced.state.pa.us. A complete application includes the information requested in the NPP Application Content (Section IV).

Section IV – NPP Application Content

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

- A. **Place** – Describes the neighborhood or community in which this project will take place. Provide physical boundaries (street locations are ideal.) Refer to the definition of “Distressed Area” of these 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. Describe how the project fits with the overall community in which it is intended, how it supports current and planned activities and if it is feasible for the demographics and other statistics of the community. Place also looks to the planning process and the components thereof, including what other funds have been invested in the project that demonstrate a strategic alignment and means of sustainability.

- B. **Problem** – Provide a clear and specific description of the neighborhood needs that are to be addressed by the project. NPP 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 community.
- C. **Project/Program Narrative** – This section should serve as a concise description of the NPP 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. Be sure to specify the year of the NPP (example year 1 of 5, year 2 of 5, etc.) and include the relation of each year's goals to the long term strategic plan, changing circumstances in the community, results or outcomes from the previous year, or other factors. This narrative should 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. **Community Measures Report** – Outcomes identified by the applicant should describe quantifiable, measurable and achievable results that demonstrate the impact of the project on the place and problems identified. The application narrative should explain this impact and change, as well as how outcome measures relate to the NPP Project.

Outcome measures should be provided in the NAP Community Measures Report addendum to the DCED Single Application. These activity and impact measures must be provided along with other measures proposed or anticipated by the applicant. In providing both the required and applicant-specific measures, the following format must be adhered to:

1. **Inception Data (all applications):** Provide outcome measure data prior to receiving NPP tax credit assistance.
 2. **Projected Outcomes (all applications):** Provide outcome measure data that the applicant expects to achieve at the completion of the NPP project.
 3. **Actual Outcomes (for renewal applications only):** Provide outcome measure data that shows actual results achieved to date by the NPP project.
- 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. **Required Attachments** – Submit the following required attachments:
1. Executive Summary (or full copy) of the strategic Neighborhood Partnership Plan
 2. The Neighborhood Partnership Advisory Committee Membership Listing
 3. The MOU(s) between the applicant and the business partner(s) for the project. [if no change occurred (i.e. length of contribution or amount contributed, etc.), the original MOU can be submitted again. If changes occur, a new and updated MOU must be submitted with the application.]
 4. Complete job descriptions for any position to be either in part or fully funded by the requested NAP tax credits. The job description must include salary assigned to the position.
 5. Budget justification (which is an addenda) that includes a detailed line item presentation of the allocation of project funds.
 6. Agency's IRS Determination Letter
- Incomplete applications may not be funded in the initial round of application review.

Section V – Tax Credits

- A. Once the proposed project(s) of a Neighborhood Organization has been approved by the Department, the Business contributor needs to apply to the Department for the tax credit. Once received, 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(s), member(s) or partner(s). Pass-through requests should be sent directly to the Department of Revenue.
- C. A **Business Firm** or **Private Company** 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 below.

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.
- D. A Business Firm(s) shall receive tax credits equal to 75% for five (5) or more years or 80% for six (6) or more years of the total amount of the contribution.
- 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 NPP 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 may 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 unused tax credits for the next 5 succeeding calendar or fiscal years until the full credit has been allowed if the certification for credits has been requested through the Department. 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. Funds expended or contributions received outside of the contract period (July 1 through June 30) are not eligible for tax credits. Expenditures and/or contributions that occur before the final award decisions are announced could be at risk.
- J. A Business Firm must apply for the Tax Credits after proof of contribution is received from the neighborhood organization. The application must be received by the Department no later than December 31st or the tax credits lapse and can no longer be used.
- K. For Tax Credits totaling \$100,000 or more, a final audit of the project costs totaling the amount of the contributions accepted from project donors shall be submitted to the Department within 120 days following the expenditure of all funds or within thirty (30) days following the contract termination date September 30, whichever first occurs. The Audit Procedures for Closeout of Contracts is available at www.newpa.com/compliance.

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
200 South Broad Street, 11th Floor
Philadelphia, PA 19102
215-560-5830

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
301 5th Avenue, Suite 250
Pittsburgh, PA 15222
412-770-9038

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