



The Downtown Upstairs Program Guidelines

Urban
Redevelopment
Authority
of Pittsburgh

Overview

The Downtown Upstairs Fund is intended to stimulate the economic revitalization of downtown Pittsburgh by creating the opportunity for downtown housing and office space amongst the buildings with vacant upper floors. These developments will create a diverse, lower cost supply of housing and office space that will attract residents and office tenants to the downtown. To accomplish this goal, the Upstairs Fund will provide financing for building owners and developers who intend to convert vacant and/or under-utilized upper floors of downtown buildings to residential and/or office uses. The overall strategy is to promote economic development in the Golden Triangle.

There are also façade renovation programs available through the Urban Redevelopment Authority and the Pittsburgh Downtown Partnership for businesses located in downtown Pittsburgh. The façade programs and Vacant Upper Floors programs are great companions for a complete building renovation.

There are two sub-programs of the Downtown Upstairs Fund: (1) The Life Safety Program and (2) The Vacant Upper Floors Program. Eligible developers with eligible projects can utilize one or both of these programs. The guidelines for these programs are described below.

Downtown Upper Floors Life Safety Program

I. Statement of Purpose

The Downtown Upper Floors Life Safety Program is designed to promote downtown residential and upper floor commercial development for mixed use buildings located within the City's Golden Triangle. The program will provide matching deferred payment loans for upper floors life safety improvements that are necessary to create residential living spaces or commercial office space in the now vacant upper floors. This program will complement and support other public and private investments and encourage the use of the upper floors of buildings in the downtown area.

II. Eligibility

The program will be available to property owners within the Golden Triangle. The project applicant must owe no outstanding property taxes, fees, judgments, or liens on the property. Buildings housing adult bookstores or similar adult uses are not eligible for this loan program. In addition, building owners with billboards on their buildings must agree to their removal when the leases expire.

III. Eligible Use of Funds

These funds can be used for all improvements and related architectural costs (by a registered architect), involved in the life safety restoration of eligible buildings. All improvements are subject to review and approval by the City of Pittsburgh Bureau of Building Inspection and the URA before work on a project begins. Roof repairs are not included.

Eligible improvements include **the addition or repairing of:**

- 1) second means of egress,
- 2) additional windows (as required to meet fire regulations)
- 3) sprinkler systems
- 4) fire separation from the first floor commercial space
- 5) fire/smoke alarm systems and notifications
- 6) fire proofing of stairwells
- 7) installation or renovation of elevators

IV. Financial Terms

- A. Loan Size: This program will fund 75% of the eligible life safety improvements, not to exceed a maximum amount of \$100,000. Loans will be allocated on a first come first serve basis.
- B. Loan Security: This loan shall be secured by a mortgage, which will be subordinate to any senior debt, including Vacant Upper Floors Program loan
- C. Term: The program will provide deferred payment loans to eligible applicants. No monthly payments are due and no interest charge is made or accrued.
- D. Interest Rate: 0%
- E. Payment: Payment is due upon the sale or transfer of ownership of more than a 33 percent interest in the property (excluding a transfer by inheritance), the full principal amount is due on the loan at that time.
- V. Conditions of the Loan
 - Fees: Each Downtown Upper Floor Life Safety Loan Program applicant and loan recipient, where applicable, must pay the following fees:
 - 1 A \$350 loan application fee is required, plus any additional registration or closing fees, payable at the closing of the loan.
 - 2 A 2% due diligence fee.
 - 3 ½ of 1% of the loan amount for the construction inspection fee.
 - The deferred loan is to be matched by private investment in the life safety improvements. The level of investment varies with the amount of the total project cost.

VI. Design Standards

The Life Safety improvements must be done based on the City of Pittsburgh Code of Ordinances. The URA and City of Pittsburgh Bureau of Building Inspection staff will review all life safety designs to ensure that they are consistent with the approved Code of Ordinances. Historic buildings or buildings located in historic districts shall be subject to additional historic design and review standards administered by the Department of City Planning.

The Vacant Upper Floors Program

I. Statement of Purpose

To assist owners/developers of downtown buildings to create upper floor residential units and commercial space in previously vacant or underutilized space.

II. Project Eligibility

The following criteria will be used to determine whether a project application is eligible for the Vacant Upper Floors Program:

- **Area Eligibility:** Projects must be located in downtown Pittsburgh within the Golden Triangle boundaries.
- **Eligible Real Estate:** Projects must have no more than eight (8) floors..
- **Applicants:** Eligible applicants may include owners of real estate and developers with an equitable interest in eligible real estate.
- **Gap Financing:** The Vacant Upper Floors Program is intended to finance the “project gap,” that is, the amount between the Total Project Cost and the amount of private and other financing that can be supported by the project.
- The applicant must not be delinquent or in default on federal, state, or local taxes (including BID Assessment) or existing private or publicly financed loan and will be required to sign an affidavit to that effect.

III. Eligible Uses of Funds

It is expected that the following life safety items will be funded in part by the Downtown Upper Floors Life Safety Program where eligible and when funds are available.

- 1) Fire Suppression
- 2) Fire Escape
- 3) Upper Floor Egress
- 4) Elevator installation or upgrade

If there is still a development “gap” in the proforma, the following items may be eligible for a Vacant Upper Floors Program loan.

- 1) Parking dedicated to the planned upper floor use.

- 2) Façade/Historic restoration.
- 3) Environmental remediation
- 4) Mechanical systems installation, upgrade, and distribution systems required for upper floor building use
- 5) Green building systems and associated costs and fees consistent with approved level of LEED Certification
- 6) Soft costs, including legal, design, engineering, survey, financing, developer fees and lease-up loss costs
- 7) Roof repair/replacement.

Additionally, if there is not funding availability under the Downtown Upper Floors Life Safety Program, or the costs to complete such items exceeds program guidelines, the life safety components not funded by the Life Safety Program may be included in the Vacant Upper Floors Program loan.

The primary target market for the Vacant Upper Floors Program will be buildings under development by their current owners or in partnership with their current owners. The advantage of this arrangement is to keep the overall project cost as low as possible by eliminating the costs of acquiring downtown properties. As a result, acquisition costs will not be financed using the Vacant Upper Floors Program.

IV. Financial Terms

Following is a guide for the loan parameters for the Vacant Upper Floors Program. Repayments may vary based on the specific financial conditions of each project.

- **Loan Size:** The maximum loan amount will be up to the lesser of:
 1. 30% of the Total Project Cost or
 2. \$400,000
- **Loan Security:** The loan will be secured primarily with the project assets (land and building). If necessary, other assets, which may include, but are not limited to, personal guarantees and/or other assets may be required.
- **Subordination:** The loan may be subordinated to other private debt, except for debt provided by the owner or the developer, if any.
- **Term:** Amortizations may extend up to 25 years, with a balloon payment due at maturity. The term of the loan typically matches that of the senior lender. and should not exceed 20 years.
- **Interest Rate:** The interest rate on the loan will be based on the project's ability to pay. The minimum interest rate is the lesser of three percent per annum (3%) or 75% of the prime rate (as published in the Wall Street Journal)
- **Deferral:** Deferrals of principal and interest and interest only payments are available, based on projected cash flow in the project. Typically, deferrals may not exceed an 18 month construction period. Simple interest will accrue during the deferral period.
- **Payment:** Typically, principal and accrued interest will be amortized and be due monthly commencing no later than the end of the deferral period. Under special

circumstances, the Vacant Upper Floors Program will allow a repayment schedule based on the economics of the specific project. However, no distribution of equity payments may be made to the project owner(s) until the Vacant Upper Floors Program is being repaid on a monthly basis.

V. Conditions of the Loan

The following conditions apply to Upstairs Loans:

- Equity Requirements: Each project will contain a minimum equity investment by the applicant of ten percent (10%) of the Total Project Cost. The equity may be invested in cash or the value of the real estate (less existing debt), as determined by a current MAI Appraisal.
- Insurance: The borrower will be required to maintain title insurance and insurance providing adequate coverage against fire, hazard, extended coverage, and public liability in a form and substance satisfactory to the URA, naming URA as Mortgagee (where applicable), Lender Loss Payee, and additional insured.
- Refinancing or Sale: Upon refinancing or sale of the project, all outstanding principal and accrued interest, if any, will be due immediately.
- Fees: Each Vacant Upper Floors Program applicant and loan recipient, where applicable, must pay the following fees:
 1. Application Fee: A \$350 loan application fee is required. If the borrower is applying for both Life Safety funds and the Vacant Upper Floors Program, only one fee is required.
 2. Financing Fee: A financing fee of one percent (1%) of the loan amount is required at the closing.
 3. Construction Inspection Fee: A construction inspection fee of .5% of the loan amount is required at closing.
- For projects with a total development cost of \$250,000 or greater, the applicant must submit a plan for minority-owned and woman-owned business enterprise participation in the project, including construction and on-going operations.
- The applicant and the applicant's architect and contractor must participate in the URA design review and construction review processes.
- Where applicable, use of loan funds must comply with Federal, State and local regulations concerning historic properties and environmental review. Applicants are required to adhere to historic renovation standards on certified properties or properties within the historic districts.
- The applicant is encouraged to deploy green building methods and systems consistent with a LEED certification process. This may allow for registration with the United States Green Building Council. LEED certification may be inappropriate, impossible, or economically infeasible for some projects. All projects must demonstrate a plan for maximum green building compliance that is feasible or relevant for the specific project. As needed, URA reserves the right

to have the applicant and/or the developer consult with a green building advisor to assist with the highest level of LEED certification

- URA reserves the right to require loan applicants to find and use technical assistance in such areas as planning, design, historic restoration, marketing, leasing, accounting, and property management.
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Both the Life Safety and the Vacant Upper Floors Programs have the following requirements:

I. Program Exceptions

No boundary exceptions will be considered under this program.

II. Additional Information

- Applicant must report on jobs created or retained during the course of the restoration.
- Applicants must report on the residential units developed with the program(s) including rent and tenant demographic information.
- Upon receipt of the application, the URA will check to see if the property and property-owner's taxes have been paid (includes real estate, business privilege and any liens).
- All applicants for loans or grants from the Urban Redevelopment Authority of Pittsburgh (URA) are requested to disclose if they are employees or related to a City or URA employee, a formal conflict of interest waiver must be presented to the URA's Board of Directors.

The Urban Redevelopment Authority of Pittsburgh does not discriminate on the basis of age; race; sex; religion; national origin; physical handicap, including impaired vision or hearing; or political or union affiliation. No person, solely on the basis of any of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan and grant programs operated by the Urban Redevelopment Authority of Pittsburgh.

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