



Empire State New Market Corporation

Request for Proposals

2010 New Markets Tax Credit Program for New York State

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Response Date: February 16, 2010

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I. Overview

The Empire State New Market Corporation (“ESNMC”) seeks an entity (“Entity”) experienced with the federal New Markets Tax Credit (“NMTC”) program to enter into an agreement (“Agreement”) to apply for a 2010 allocation of NMTCs and if successful, operate a NMTC program in New York State. The Entity will be a Community Development Entity (“CDE”) or a controlling entity of a CDE that has previously received and successfully deployed an allocation of NMTCs. The Entity will commit that if it receives a 2010 allocation from the federal Community Development Financial Institutions (“CDFI”) Fund, a certain percentage of its allocation will be invested in New York State. If successful, the Entity will serve as the controlling entity, primarily responsible for deal structuring, underwriting, closing, asset management, and compliance. ESNMC will be primarily responsible for sourcing deals, relying upon the existing pipeline of the Empire State Development Corporation (“ESDC”).

II. Background

ESNMC is a wholly-owned subsidiary of the New York State Urban Development Corporation d/b/a/ ESDC, a public benefit corporation which is New York State’s economic development agency. ESDC’s Chairman & CEO serves also as the Acting Commissioner of the New York State Department of Economic Development (DED). Together, ESDC and DED strive to create a healthy business environment and improve employment opportunities throughout New York State.

Together ESDC and DED have over 570 employees, located in a central office and 10 regional offices around New York State. Each region has a director and several originators who are familiar with local businesses, industrial development agencies and local government. The ESDC and DED regional staff have a wealth of experience identifying economic and community development projects with potential to retain/create jobs, and pulling together a broad range of funding sources to bring these projects to fruition. This infrastructure will prove invaluable to identifying additional NMTC-eligible projects throughout New York State in urban, suburban, and rural areas.

ESDC has an active pipeline of NMTC-eligible projects. ESDC has approved but not yet funded over \$93 million in loans and grants for 73 operating companies and real estate developments in New York State. It is estimated that 25% of these projects are in NMTC-eligible areas.

The projects to which ESDC has committed funds are ideal candidates for NMTC transactions for several reasons. First, their receipt of State assistance generally evidences strong community support. Second, these projects are generally ready to close within a year or two, but a NMTC investment is often needed to fill a final gap. Third, the ESDC committed funds are a good source of leverage for NMTC transactions.

ESNMC will provide the ESDC pipeline to the Entity for inclusion in a general pipeline to be submitted in a 2010 NMTC allocation application. ESNMC will support the application with further information about its pipeline projects and New York State, as needed, and will review the application prior to submission. ESNMC expects that the inclusion of this pipeline, together with any other information about ESNMC’s background and capacity, as appropriate, will combine well with the experience of a CDE that has already deployed an allocation of NMTCs successfully to create a compelling application for a new allocation.

ESNMC was awarded its first NMTC allocation -- \$30 million – in June 2009. Additionally, ESDC entered into an agreement similar to the one described above with Enhanced Community Development, LLC, with

respect to a \$60 million NMTC allocation awarded in November 2009, half of which will be deployed in New York State. ESNMC and ESDC anticipate that these two allocations will be fully committed to projects by mid-2011. ESNMC/ESDC will not apply for a second NMTC allocation until 2011 at the earliest.

III. Scope of Services

ESNMC expects to enter into an Agreement with the Entity to apply for the 2010 round of NMTC allocation to be made by the CDFI Fund.

The Entity will prepare and submit an application to the CDFI Fund for a 2010 NMTC allocation. The Entity will commit to ESNMC that if it receives an allocation, a certain percentage of its allocation will be invested in New York State. If the Entity receives an allocation, it will serve as controlling entity, primarily responsible for deal structuring, underwriting, closing, asset management, and compliance. ESNMC will be primarily responsible for sourcing deals, relying upon ESDC's existing pipeline and network of 10 regional offices.

With regard to eligible projects in ESDC inventory, the right of first refusal to develop those projects will be offered first to ESNMC to utilize its existing allocation, then to Enhanced Community Development to utilize its existing allocation, and then to the Entity selected as a result of this RFP for the 2010 allocation.

The Agreement may be extended for an additional one or two years (i.e. to include a 2011 and/or 2012 NMTC allocation) should ESNMC and the Entity agree to do so.

The Entity will not be compensated for its services directly by ESNMC. Rather, its compensation will come from NMTC transactions that it will close.

The scope of services above does not require that ESNMC have an ownership interest in the CDE that will submit the NMTC application or that ESNMC will be compensated for its role in sourcing NMTC transactions. However, ESNMC may look favorably upon a partial ownership interest (albeit noncontrolling) in the CDE and in financial compensation – whether in the form of fees or profit participation – from CDE activities. Responses to this RFP should indicate what role, if any, is contemplated for ESNMC with regard to CDE ownership and financial compensation.

IV. Qualifications

The Entity will be a CDE or a controlling entity of a CDE that has received and successfully deployed an allocation of NMTCs.

V. Submission Requirements

A. Content

The following information should be provided in each proposal, in the order listed below:

1. Identifying Information
 - a. Full legal name, address, and type of legal entity.
 - b. Federal Employer Identification Number.
 - c. Name, telephone number and e-mail address of the representative who is authorized to discuss and/or negotiate the proposal.
2. Organization/Ownership
 - a. Organizational chart depicting all subsidiaries and affiliates, including all CDEs
 - b. Text explaining ownership (corporate and/or individual) of all entities (Two pages maximum.)
3. Prior NMTC Applications, Allocations & Investments
 - a. Table listing prior NMTC applications submitted; allocations received; reasons for rejection, if appropriate; and allocations deployed (One page maximum.)
4. Proposal for ESNMC, including:
 - a. Amount of proposed NMTC allocation request
 - b. Percentage of NMTC allocation received to be committed to New York State
 - c. Intended roles for respondent and ESNMC, including:
 - i. Proposed ownership of CDE
 - ii. Proposed compensation for both respondent and ESNMC
 - d. Draft proposed agreement between applicant and ESNMC (Two pages maximum, including draft proposed agreement.)
5. Summary of Proposed NMTC Application
 - a. Business Strategy
Describe and quantify your experience making NMTC and similar loans/ investments over the last 5 years. If you have made any loans/ investments in New York State in the last 10 years, please specify the name and location of the borrower/ investee, the dollar amount and any other relevant information. With a 2010 allocation, what types of financial products do you intend to offer? What percentage of loans/ investments will be used to support real estate developments and operating businesses? For the latter, what percentage will be used for capital projects as opposed to working capital? (Question 14) What percentage of investments will be made in non-metropolitan counties? (Question 26)
 - b. Community Impact: What percentage of loans/ investments will be made in areas with 30% poverty, 60% median family income or 1.5 times the national unemployment rate (Question 27)? Discuss and quantify your track record of achieving and measuring positive community development and economic impact.
 - c. Management Capacity: Describe and quantify your institutional and individual experience in each of the following areas: (1) deploying capital (Question 34); (2) raising capital (Question 35); (3) asset and risk management (Question

- 36); (4) program compliance (Question 36); and (5) maintaining accountability to low-income communities (Question 38). Please name the individuals who will be primarily responsible for (1) preparing the NMTC allocation application; (2) structuring and closing loans/ investments; (3) asset management; and (4) NMTC compliance. Please attach their resumes. If you will answer Yes to Question 41(b) or (d) or No to Question 41(c), please explain why.
- d. Capitalization Strategy: Describe your experience raising NMTC investments and your strategy for doing so should you be awarded a 2010 allocation. Provide your proposed fee structure, including the proposed load, asset management fee, exit fee and any other fees. (Four pages maximum, exclusive of resume attachments.)
6. Other Information: Other background information relevant to your proposal to ESNMC, including a description of collaborations/ partnerships with other organizations, if any. (One page maximum.)

B. Requirements/ Questions

1. Submission
Your response marked "NMTC RFP Response" must be received no later than **12:00 PM on Monday, February 16, 2010** by:

Ingrid Nathan
Empire State Development Corporation
633 Third Avenue
New York, NY 10017
(212) 803-3133
inathan@empire.state.ny.us

Your response must include **five (5) hard copies and one (1) electronic copy on computer disk** in Adobe Acrobat or Microsoft Word/Excel/PowerPoint.

2. Questions
Questions regarding this RFP should be e-mailed to Ingrid Nathan at the e-mail address above by Monday, February 8, 2010. Answers to all questions of a substantive nature will be e-mailed to all recipients of this RFP in the form of a formal addendum.

VI. Selection Criteria

The criteria upon which ESNMC will base its selection of the successful respondent, if any, may include the following:

- A. ESNMC's estimation of respondent's likelihood of receiving a 2010 NMTC allocation.
- B. Respondent's experience deploying loans and investments not only in real estate developments but also in capital projects for operating businesses.
- C. Amount of 2010 NMTC allocation for which respondent intends to apply and which ESNMC determines it will be reasonably likely to receive.
- D. Percentage of 2010 NMTC allocation respondent will commit to deploy in New York State.
- E. Terms of draft agreement with ESNMC, including proposed ESNMC fees and ownership percentage of applicant CDE.

VII. Timetable

RFP Publication:	January 25, 2010
Deadline for Questions:	February 8, 2010
Proposal Submission Deadline:	February 16, 2010
ESNMC Staff Recommendation:	February 24, 2010
ESNMC Board Approval:	Early March, 2010

VIII. Conflicts of Interest

Please submit a statement describing whether the representation of ESNMC would create any potential conflict of interest, or appearance of impropriety, relating to other clients/customers of the respondent or former officers and employees of ESNMC or ESDC. Indicate what procedures will be followed to direct, notify ESDC of, and resolve any conflicts.

Identify any past, pending or threatened litigation or administrative or state ethics board or similar body proceedings to which you or any of your partners are a party and which would either materially impair your ability to perform the services enumerated herein, or, if decided in an adverse manner, materially adversely affect the financial condition of your firm.

Any firm selected pursuant to this RFP will be required to advise the Corporation of any developments during the term of this appointment with respect to existing and/or any new civil or criminal legal investigations, pertinent litigation and/or regulatory action involving the firm or its employees which could impact the firm's role or ability to fulfill their obligations.

IX. General Terms & Conditions

The issuance of this RFP and the submission of a response by any firm or the acceptance of such response by ESNMC does not obligate ESNMC in any manner whatsoever. Legal obligations will only arise upon execution of a formal contract by ESNMC and the firm(s) selected by ESNMC.

ESNMC reserves the right (i) to amend, modify, or withdraw this RFP, (ii) to revise any requirements of this RFP, (iii) to require supplemental statements or information from any responding party, (iv) to accept or reject any or all responses thereto, (v) to extend the deadline for submission of responses thereto, (vi) to negotiate or hold discussions with any respondent and to correct deficient responses which do not completely conform to the instructions contained herein, and (vii) to cancel, in whole or part, this RFP, if ESNMC deems it in its best interest to do so. ESNMC may exercise the foregoing rights at any time without notice and without liability to any respondent or any other party for its expenses incurred in the preparation of responses hereto or otherwise. Responses hereto will be prepared at the sole cost and expense of the responding party.

A respondent accepts all provisions of this RFP by submitting a proposal and is responsible for the accuracy of its submission.

ESNMC will not reimburse any expenses incurred in connection with this RFP including the costs of preparing the response and/or providing any additional information and travel expenses relating to an interview. All material submitted in response to this RFP will become the sole property of the ESNMC. The ESNMC expressly reserves the right to utilize any and all ideas submitted in the proposals received unless covered by legal patent or proprietary rights.

No contact related to this solicitation with the ESNMC Directors, staff or consultants, other than as specified in this RFP, will be allowed during the pendency of this RFP. Any such contact by a Proposer will be grounds for disqualification.

All respondents to this procurement will be required to comply with ESDC's Terms and Conditions (Schedule A) and Insurance Requirements. Respondents will also be required to comply with State Tax Law Section 5-a and State Finance Law Section 139j-k, which are included in the Schedule A. ESDC's Policy regarding Permissible Contracts under State Finance Law Sections 139-j and 139-k will also apply. Respondents must complete and submit Offerer Disclosure of Prior Non-Responsibility and the Offerer's Affirmation of Understanding of and Agreement pursuant to the State Finance Law. Copies of that policy and the forms are available at <http://www.empire.state.ny.us/rfp> by going to the link on that page "vendors download required forms here." ***Respondents will also be required to comply with the Terms and Conditions of ESDC's Schedule A and Insurance requirements. Note that under Schedule A, Attachment 7.2, errors and omissions insurance will be required in the amount of \$1 million.***

It is the policy of the State of New York, and the ESNMC, to comply with all federal, State and local laws, policies, orders, rules and regulations which prohibit unlawful discrimination because of race, creed, color, national origin, sex, sexual orientation, age, disability or marital status, and to take affirmative action in working with contracting parties to ensure that Minority and Women-owned Business Enterprises (M/WBEs), Minority Group Members and women share in the economic opportunities generated by ESNMC's participation in projects or initiatives, and/or the use of ESNMC funds. ESDC's non-discrimination and affirmative action policies will apply to this initiative. MBE/WBEs are encouraged to respond. Questions regarding the Affirmative Action requirements should be directed to the ESDC Affirmative Action Office at (212) 803-3224.