

LOCAL GOVERNMENT CAPITAL PROJECT LOAN PROGRAM

Program Guidelines | November 2020



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Section I – Introduction

The **Local Government Capital Project Loan Program** is administered by the Governor’s Center for Local Government Services of the Pennsylvania Department of Community and Economic Development (DCED). It was established to provide low-interest loans to municipalities with populations of 12,000 or less for the purchase of equipment and the purchase, construction, renovation or rehabilitation of municipal facilities. The program offers small local governments, who find the cost of borrowing at conventional rates to be prohibitive, an opportunity to secure needed funds at an interest rate of 2.0% per annum. Requests for assistance may be submitted any time throughout the year.

Section II – General Information

A. Authority for Loans

1. Authority for the Local Government Capital Project Loan Program is provided in Act 46 of 1997, as amended the Local Government Capital Project Loan Fund Act 71 of 2013.
2. The Department will provide low-interest loans to qualifying municipalities.

B. Objective of Local Government Capital Project Loan Program

1. The Local Government Capital Project Loan Program provides financial aid from the commonwealth to municipalities for the purchase of equipment and the purchase, construction, renovation or rehabilitation of facilities.
2. The program is intended to give small local governments, who find the cost of borrowing at conventional rates to be prohibitive, an opportunity to secure needed funds at an interest rate of 2.0% per annum.
3. Repayment will be made over a period not to exceed either the useful life of the equipment, or 15 years for the purchase, construction, renovation or rehabilitation of facilities.

C. Eligible Applicants

1. A municipality with a population of 12,000 or less is eligible to apply for funds.

D. Loan Limitations

1. Loans for equipment may not exceed \$50,000 for a single piece of equipment or 50% of the total cost of the piece of equipment, whichever is less. The purchase of multiple pieces of equipment is allowable but the total loan cannot exceed \$50,000 or 50% of the total cost of equipment, whichever is less. The term of the loan shall not exceed the useful life of the equipment.
2. Loans for facilities may not exceed \$100,000 for a single facility or 50% of the total cost for purchasing, constructing, renovating or rehabilitating the facility, whichever is less, and shall be for a term not to exceed 15 years.

3. The remainder of project costs shall be provided as local share. The local share may include, as appropriate, grants or loans from other sources, or assets or revenues of the municipality.
4. The minimum amount of a loan is \$1,000.
5. Eligible municipalities may submit no more than one application per state fiscal year.
6. Loans may not be used for operating expenditures or for the refinancing or reduction of a debt or obligation.
7. Loan repayments shall include principal plus interest at the rate of 2.0% per annum, payable quarterly on the unpaid principal. Such repayments will commence not later than two months after the date of the loan agreement and be payable on the first day of each quarter thereafter throughout the term of the loan.
8. A delinquency charge of 6.0% per annum shall be imposed for a loan repayment that is made 30 or more days after the original due date.

E. Definitions

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

1. Department – The Department of Community and Economic Development
2. Fund – The Local Government Capital Project Loan Fund.
3. Equipment – Any truck, car, bulldozer, backhoe, grader, high lift, forklift, street sweeper, other mechanized vehicle or data processing equipment, including any computer, terminal, printer, expansion unit, display unit or related component of a data processing system.
4. Facilities – Any structure used to house offices or equipment and the land on which the structure is situated.

Section III – Application Requirements

A. Application Procedures

1. Applicants will utilize the Department’s Electronic Single Application for Assistance.
 - a. The Electronic Single Application can be accessed at www.esa.dced.state.pa.us.
 - b. Electronic Single Application questions can be directed to the Department’s Customer Service Center at 1-800-379-7448 or 717-787-3405 or e-mail at ra-dcedcs@pa.gov.
 - c. Applications may be electronically submitted by eligible applicants to the Department at any time during the fiscal year, subject to the availability of funds.
 - d. Applicants will be prompted to include information, as outlined in the appendices at the end of these guidelines, as addenda to the Electronic Single Application.
 - e. Applicants will be prompted to print and sign a required signature page as part of the Electronic Single Application. An application shall not be deemed complete until the signature page and any addenda not attached to the Electronic Single Application are received by the Department.

B. Application Requirements

Applicants shall submit to the Department a Single Application, which shall include the following:

1. A description of the proposed project, including each piece of equipment or each facility, and the proposed use of such equipment or facility.
2. A statement concerning the impact of the project on the health, safety and welfare of the residents of the municipality.
3. A budget or outline of the financing of the proposed project including information on the sources of funding for the project - (Projected number of residents that will be directly impacted by funded project).
4. A municipal resolution authorizing the submission of the application and committing the local share of the funds per Attachment A of these guidelines.
5. A statement of commitment for all sources of funding.
6. Evidence of compliance with the Flood Plain Management Act (32 P.S. § 679.101-679.601), or a resolution indicating intent to so comply. (Currently all municipalities are in compliance.)
7. A copy of the municipal audit report for the last fiscal year. (If already filed, the audit is not required.)
8. A plan specifying how the loan will be repaid. (Refer to Section V, E. of these instructions).
9. A copy of plans/specifications, if requested, for the project.
10. Evidence of compliance with approval requirements of the Local Government Unit Debt Act, (53 Pa. C.S. §§ 8001-8285) when appropriate.
11. If the application requests a score for intergovernmental cooperation, a resolution or letter of commitment from other municipalities participating in the project must be submitted.

C. Nondiscrimination

No assistance shall be awarded to an applicant under this program unless the applicant certifies that the applicant shall not discriminate against any employee or against any person seeking employment by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the Pennsylvania Human Relations Act, which prohibits discrimination on the basis of race, color, religious creed, ancestry, age, sex, national origin, handicap or disability, or in violation of any applicable federal laws. All contracts for work to be paid with grant funds must contain the commonwealth's official nondiscrimination clause.

D. Conflict of Interest Provision

An officer, director, or employee of an applicant who is a party to or has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant, and may not vote on action of the applicant concerning the project, nor participate in the deliberations of the applicant concerning the project.

E. Project Records

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The program office requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the program office, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

F. Pennsylvania Prevailing Wage Act

The Pennsylvania Prevailing Wage Act (43 P.S. §165-1 et. seq.) may be applicable to a project funded under this program. Prevailing Wage requirements are generally applicable to grants for construction, reconstruction, demolition, alterations, repair work, renovations, build-out and installation of machinery and equipment in excess of \$25,000. If applicable, the applicant is responsible for including prevailing wage rates in all bid documents, specifications, and construction contracts pertaining to the project funded under this program. The Department of Labor and Industry (L & I) has final authority to make prevailing wage applicability determinations. Questions may be directed to (717) 787-3681.

Section IV – Project Requirements

A. Factors in Awarding Loans

1. The Department will allocate 50 percent of the funds available in the Local Government Capital Project Loan Fund for equipment loans and 50 percent of such funds for facility loans. The Department may reallocate program funds as needed to maximize the use of such funds in accordance with the Local Government Capital Project Loan Fund Act (72 P.S. §§ 1601-D et seq.).
2. If the Department receives more applications for loans than there are funds available during any application period or funding cycle, it will rank the applications in order of priority according to the following criteria:
 - a. Financial disadvantage as measured under the Department’s Early Warning System.
 - b. The impact of the purchase of equipment or the purchase, construction, renovation or rehabilitation of facilities on the health, safety or welfare of the residents of the municipality.
 - c. Commitment for the sharing of the equipment or facilities among two or more municipalities.

B. Loans for Facilities

1. Loan proceeds for facilities may be used for facility (and the land on which the facility is situated) acquisition, construction, renovation and rehabilitation including planning and design costs.
2. Loans for construction, renovation or rehabilitation will be approved only under the condition that construction, renovation or rehabilitation begins within 6 months of the loan execution date.
3. The loan shall be secured by a mortgage which shall be recorded in the office of the recorder of deeds of the county in which the land is located.
4. Mortgage title insurance in the aggregate amount of the loan, insuring the interest of the Department as mortgagee, subject only to exceptions approved by the Department, shall be procured and paid by the municipality and delivered to the Department.
5. For construction, renovation or rehabilitation of facilities, a copy of the approved plans and specifications shall be submitted to and will be retained by the Department. The municipality is responsible for complying with all applicable Federal, State and local laws. If a change to the plans and specifications is required by a governmental agency or similar body, the municipality shall furnish all additional labor and materials necessary to complete the project and the improvements in compliance with the changes to the plans and specifications. The municipality shall complete the facility project on or before the completion date as specified in the loan agreement unless an unforeseen condition may occur that would prevent completion on the specified date. In this case the municipality shall notify the Department of the reasons for the delay and the anticipated completion date. Additions or changes may not be made to the plans and specifications or to any construction contract without the prior approval of the original approving agencies. Written notification of these approvals, additions or changes shall be submitted to the Department.
6. The Department may conduct periodic inspections during construction and will conduct a final inspection after completion and prior to issuance of the final payment from the note proceeds. In lieu of the final inspection, the Department will accept a copy of the Uniform Construction Code Certificate of Occupancy & Use.
7. Proceeds of loans for the construction, renovation or rehabilitation of facilities, will be disbursed to the municipality as follows:
 - a. 30 percent at the time of settlement.
 - b. An additional 50 percent when 50 percent of the total costs of construction, renovation, or rehabilitation (the Facility Project) are completed to the satisfaction of the Department.
 - c. The balance of the loan when (the Facility Project) is completed and inspected by the Department. Prior to final disbursement, the Department may require copies of certificates, opinions of counsel, permits, letters, grants, authorizations, and resolutions and approvals of government authorities, which the municipality shall procure and retain in its possession including certificates, opinions of counsel, permits, letters, grants, authorizations, and resolutions and approvals from governmental authorities which the municipality shall procure and retain in its possession. The facility project constructed shall comply with all applicable building, zoning and planning statutes, ordinances, regulations, and restrictions. The facility project shall be completed in accordance with the plans and specifications and the municipality shall provide the Department with a UCC certificate of occupancy & use prior to final loan disbursement.
8. Proceeds of loans for the acquisition of a facility shall be disbursed as a lump sum disbursement at settlement.

C. Loans for Equipment Purchases

1. The municipality shall deliver to the Department a note, security agreement and financing statements describing the specific equipment, which shall be filed with the Department of State, Corporations Bureau and the prothonotary's office in the county where the equipment is physically housed or used, and other documents in conformity with 13 Pa. C.S. Division 9 (relating to Secured Transactions, Sales of Accounts, Contract Rights and Chattel Paper) necessary to create and perfect a security interest in favor of the Department in the property acquired either in whole or in part by the municipality with proceeds from the Department loan.
2. If a portion of the proceeds of a Department loan is used by the municipality for the purchase or other acquisition of any motor vehicle, the municipality shall supply to the Department the title to the vehicle being purchased and shall insure that a valid encumbrance is recorded in favor of the Department.
3. If other sources are supplying funding in addition to the Department, the Department will accept a subordinate lien position.
4. For new or used equipment purchases or procurement, the municipality shall submit one complete set of specifications of the item of equipment. The municipality is responsible for complying with applicable Federal, State or local laws with respect to equipment procurement.
5. Loan proceeds for the acquisition of equipment shall be disbursed to the municipality at the time of settlement as a lump sum disbursement.

D. Insurance

1. When requested, the municipality shall maintain the following types and amounts of insurance from insurers approved by the Department, and shall provide the Department with evidence of a valid policy or policies of insurance naming the Department as a co-payee:
 - a. Construction coverage.
 - Workers' compensation insurance and employer's liability insurance.
 - Combined coverage, comprehensive general liability insurance, and owner's protective liability insurance.
 - Builder's risk on the project and the improvements including the materials, equipment and other personal property located on the mortgaged property which are used or intended to be used in the project and the improvements; with extended coverage, vandalism, and malicious mischief; and with no more than a \$250 deductible provision for all losses.
 - b. Fire coverage.
 - c. Liability coverage.
 - d. Collision coverage.
 - e. Boiler coverage.
 - f. Flood Insurance.
2. Policies issued shall contain standard mortgagee clauses making losses thereunder payable to the Department, the municipality and other mortgage holder. Policies or copies shall be deposited with the Department. Within 30 days prior to the expiration date of each of the policies, the municipality shall deliver to the Department satisfactory evidence of the renewal of each of the policies.

3. In the event of loss or injury to the mortgage property, the municipality shall give immediate notice to the Department of the estimated monetary amount of the loss. The municipality shall make prompt proof of loss and furnish copies to the Department. The Department may make proof of loss if not made promptly by the municipality. A concerned insurer shall be authorized and directed by the municipality to make payment for the loss or injury to the Department and any other mortgage holder jointly. The insurance proceeds or a part may be retained and applied by the Department toward payment of a loan outstanding by the Department to the municipality in priority and proportions as the Department deems proper. At the option of the Department, the proceeds may be applied or paid in whole or in part toward the restoration or repair of the damaged property, or for other purposes and upon conditions the Department designates.

E. Interest

1. The total amount of interest earned by the investment or reinvestment of all or a part of the principal of a loan shall be returned to the Department for deposit into the Fund and will not be credited as payment of principal or interest on the loan.

F. Financial Record Requirements

1. The municipality is required to establish and maintain separate files and records of project transactions. This will include applications, correspondence, loan contracts, paid invoices and canceled checks. Loan proceeds and local matching funds shall be deposited in a special project account.
2. The Department may require the completion and submission of financial statements or audits, or both, prior to satisfaction of indebtedness.

Section V – Instructions for Completion of Single Application

Follow the instructions provided in the Single Application packet for the completion of the Single Application for the Local Government Capital Project Loan Program. In addition to the requirements set forth in the Single Application for the Project Narrative, the following items must also be addressed:

A. Objective of Project

Summarize the nature of the project the applicant expects to undertake using this loan. The narrative should address the requirements of the Single Application provided on the back of page 4 as well as the evaluation criteria for the Local Government Capital Project Loan Program and provide at a minimum the following information:

1. What is the need, objective, and end product of the project?
2. Describe the process by which this project will be accomplished.
3. Describe and provide support for the local commitment for the project.
4. Provide sufficient detail to clearly explain the project's financing.

B. Facilities

If the loan is for a building project, indicate the type of project. Provide a description of the project, the intended use of the facility, the cost per square foot, the total cost of the project and the amount of the loan requested. The amount of the loan requested cannot exceed \$100,000 or 50% of the project cost, whichever is less.

C. Equipment

If the loan is for the acquisition of equipment, provide a description of the piece of equipment to be acquired, the intended use for the equipment, the total cost of the equipment and the amount of the loan requested. The amount of the loan requested cannot exceed \$50,000 or 50% of the project cost, whichever is less.

D. Impact On Health, Safety And Welfare

Indicate whether the project will have an impact on health, safety or welfare of the residents of your municipality. If so, explain how it will impact your residents. For example, if you are purchasing a police car you might indicate that this purchase is necessary to replace an aging vehicle that is often out of service and will allow the municipality to maintain police services on a more consistent basis.

E. Finance Outline

1. Indicate the amount the loan represents to the total project cost. State the amount of the loan requested and when the funds are needed. Applicants should be aware that funds are available approximately 90-120 days after awards are made.
2. Indicate the amount of funds the municipality will be contributing from funds already available. These funds should represent existing amounts budgeted and/or available from reserve funds. Indicate where the funds are on deposit or provide a further explanation of their source.
3. Indicate the amount of bank financing that will contribute to the project, if appropriate.
4. Indicate the amount of other participation in the financing of the project, if applicable.
5. Indicate the term of the loan being requested. The term of the loan for the purchase of equipment cannot exceed the useful life of the equipment and the term of the loan for facilities cannot exceed 15 years.

F. Project Budget

Complete the project budget in the Single Application for Assistance and attach a more detailed line item budget if appropriate. The total of all expenditures should equal the total revenue sources.

G. Documentation

The following documentation must also be sent to DCED staff:

1. A resolution authorizing the filing of the application per Attachment A.
2. For intermunicipal projects, include resolutions of all governing bodies of municipalities participating in the project as per Attachment A.

Section VI – Contact Information

- A. For more information on the program, please contact:

Governor’s Center for Local Government Services
Department of Community and Economic Development
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, PA 17120-0225

(888) 223-6837
E-mail: ra-dcedclgs@pa.gov

- B. Persons with a disability who wish to submit an application in accordance with the provisions stated herein and who require assistance with that application or persons who require copies of this notice in an alternate format (large type, braille, etc.) should contact the Governor’s Center for Local Government Services, (888) 223-6837, to discuss how the Department may best accommodate your needs.

Attachment A

SAMPLE

Name of Municipality
Resolution Number _____

WHEREAS THE PENNSYLVANIA DEPARTMENT OF COMMUNITY and ECONOMIC DEVELOPMENT makes available low interest loans for building and facility projects through the Local Government Capital Project Loan Program,

WHEREAS THE _____ (*Name of Municipality*) will be submitting an application for a low interest loan under the Local Government Capital Project Loan Program,

NOW THEREFORE, BE IT RESOLVED AND IT IS HEREBY RESOLVED BY THE _____ (*Governing Body*) of the _____ (*Name of Municipality*) that the _____ (*Name of Municipality*) is hereby authorized to make application for such a loan and be it further resolved that the proper officers of the municipality are hereby authorized to execute all such applications, agreements, contracts or other documents necessary to apply for and to secure such aid.

AND BE IT FURTHER RESOLVED that the _____ (*Governing Body*) of the _____ (*Name of Municipality*) hereby allocates municipal resources in the amount of _____ (*Amount of Local Share*) to said project.

Adopted _____ (DATE) _____ Governing Body

Attest _____ Municipality

Signature
President/Chairman