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Infrastructure Development Program

Program Guidelines

Commonwealth of Pennsylvania
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www.state.pa.us

Department of Community and Economic Development
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www.inventpa.com

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Section I – Introduction

A. General

The Infrastructure Development Program (IDP) makes grants and loans to eligible applicants for specific infrastructure improvements necessary to complement eligible capital investment by private companies and private developers.

B. Eligibility

1. Eligible Applicants:

- a. Municipalities (Boroughs, Townships, Towns, Counties, Cities, Home Rule)
- b. Industrial Development Authorities and Corporations
- c. Municipal Authorities
- d. Redevelopment Authorities
- e. Local Development Districts

Private companies or private developers cannot apply directly for assistance under this program. All applications must be submitted by an eligible applicant and must be accompanied by a letter of intent from the private company or private developer, which meets the criteria set forth in Section I, C, 1 and 2 of these guidelines. A private company or private developer who submits a letter of intent or an application directly to the Department of Community and Economic Development (DCED) will be referred to the appropriate eligible applicant.

2. Eligible Private Companies:

The following private companies are eligible for an IDP award of assistance:

- a. **Agricultural Enterprise** - An enterprise which is engaged in either of the following:
 - (1) The manufacture, development or preparation for sale of one or more farm commodities which adds value to those commodities.
 - (2) The conversion of a farm product into a marketable form, including, but not limited to, livestock by slaughtering, fruits and vegetables by canning and freezing, and forest products by secondary processing.
- b. **Industrial Enterprise** - An enterprise other than a mercantile, commercial, or retail enterprise. Examples include: warehouse and terminal facilities, and office buildings utilized as national or regional headquarters or computer or clerical operations centers.
- c. **Manufacturing Enterprise** - An enterprise which is engaged in the giving of new shapes, new qualities or new combinations to matter by the application of skill and labor.
- d. **Research and Development Enterprise** - An enterprise for the discovery of new, or the refinement of known, substances, processes, products, theories, and ideas, but does not include activities directed primarily to the accumulation or analysis of commercial, financial or mercantile data.

- e. **Export Service Enterprise** - A person, partnership, corporation or other for-profit business entity engaged in activities which increase the Commonwealth's share of domestic and international commerce. An export service enterprise shall be found to increase the Commonwealth's share of domestic and international commerce if more than half of its sales or services are rendered to customers outside of this Commonwealth.
- f. **Commercial Enterprise** - A for-profit business that provides goods or services to individuals or businesses, and is locating in a building or facility at a site formerly used for manufacturing, industrial, commercial, or retail purposes which has been unoccupied and unused for at least one year prior to the IDP application date.

Eligible private companies also must meet all of the following conditions:

- They must locate or expand at a Pennsylvania site.
- They must invest private (matching) capital at the site, as specified in Section I.C.1.
- They must create new jobs at the site, as specified in Section I.C.2.

3. **Eligible Private Developers**

Private developers eligible to receive assistance under the act are defined as any person, partnership, corporation or other business entity that is engaged in the development of real estate, for use by more than one private company (as defined in this section), and that is determined by the Department to be financially responsible to assume all obligations proposed to be undertaken, including, but not limited to, acquisition, development, construction, leasing, sale, operation and financing.

4. **Eligible Infrastructure Improvements**

To be eligible, all infrastructure improvement projects must be necessary for the operation of an eligible private company or companies at a specific site. The company site and the site of the related infrastructure improvement; however, do not have to be the same. (For example, the improvement could be made at a central sewage treatment site.)

Use of grant and loan funds is limited to:

- a. The construction or rehabilitation of the following:
 - (1) Drainage systems.
 - (2) Energy facilities which generate and distribute power.
 - (3) Sewer systems, including, but not limited to, the construction or repair of sewage collection lines and sewage treatment facilities.
 - (4) Transportation facilities directly affecting the site of the proposed private investment, including:
 - Roads providing access to the site.
 - Parking facilities.
 - Sidewalks.
 - Bridges.
 - Rails, including, but not limited to, the construction or rehabilitation of rail signals, rail crossings and intermodal facilities.
 - Ports, including, but not limited to, docking facilities, bulkheads, and intermodal facilities, but not warehouses.

- Waterways, including, but not limited to, channel realignment, dredging and the construction or rehabilitation of locks.
 - Airports, including, but not limited to, the construction or rehabilitation of runways, but not airport buildings.
 - Pipelines transporting natural gas, but not vehicles associated with the operation of the pipelines.
 - Facilities for the transmission of information, including, but not limited to, fiber-optic telecommunication lines.
- (5) Water supply facilities, including, but not limited to, water lines, and water storage, and water treatment facilities.
- b. The acquisition of land, rights of way, and easements necessary to construct eligible infrastructure improvements.
- c. At former industrial sites where a manufacturing or industrial facility has not been in operation for at least six months and at former commercial sites that have been unoccupied and unused for at least one year:
- (1) The acquisition of land and buildings by private developers.
 - (2) The construction of new multi-tenant buildings or the conversion of existing industrial buildings into multi-tenant buildings by private developers, for use primarily by eligible private companies. No portion of the IDP-financed multi-tenant building may be used by private companies not eligible to receive IDP funds (see Section I.B.2) without the prior written consent of the Department.
- d. The demolition of buildings.
- e. The clearing and preparation of land.
- f. The cleanup of hazardous waste materials.
- g. The engineering, design and inspection costs associated with other eligible infrastructure improvements up to ten percent of the IDP award.
- h. Administrative costs of the applicant that are necessary to effectively administer the IDP award. Also, costs of the company or developer to close an IDP loan. Administrative costs shall not exceed three percent of the IDP award.

Ineligible expenses include, but are not limited to, the following: fees for securing other financing; interest charges on borrowed funds; tap-in fees, bonds and insurance; and costs incurred prior to the approval of IDP financing.

C. Program Requirements

1. Private Matching Funds Requirement

Private matching funds means any new private investment which complements the proposed infrastructure improvement made by a private company, or by a private developer, in either the facility (land, buildings, and depreciable, fixed assets) or in infrastructure improvements at the site of the facility. Any private costs not covered by the IDP award can be included as part of the private matching funds, if incurred no more than 90 days prior to submission of the letter of intent. The private investment must occur within 18 months following the approval of IDP funds for private company projects and within five years for private developer projects.

Eligible applicants must provide evidence of a commitment from a private company or private developer to invest private matching funds at the project site. The commitment must be made in a letter of intent as described in Appendix II. The amount of private investment required must be at least \$2 for every \$1 of the IDP award.

2. Job Creation Requirement

- a. Projects which receive an IDP grant, grant-to-loan, or loan award must create a minimum of one new full-time job for every \$25,000 of assistance received or 10 new full-time jobs (whichever is greater), at the site of the facility affected by the infrastructure improvements within five years after the assistance is awarded. Full-time jobs are defined as 1,950 hours of compensated time worked during a 12-month period.
- b. As an alternative, projects which receive an IDP loan award may agree to retain the existing number of full-time jobs for a period of five years at the site affected by the infrastructure improvements.
- c. This program is expressly not intended to encourage the relocation of a company from one jurisdiction within the Commonwealth to another. However, a request by an applicant for assistance to be provided to a company which currently operates a similar business in the Commonwealth must be accompanied by a demonstration that there will be a 10 percent increase in employment at the site of the new facility using the current number of jobs in all similar businesses operated by the private company in the Commonwealth as a base. This requirement shall not apply to private companies relocating from small business incubators.

3. Other Requirements

In addition to the aforementioned requirements, the Act specifies that applications must demonstrate that:

- a. The infrastructure improvements are necessary for the efficient and cost-effective operation of the private company or the successful marketing of the facility by a private developer and that the project would not be possible without the injection of funds provided under this subchapter for infrastructure improvements.
- b. The applicant, private company or private developer is able to repay the loan and provide adequate security to cover the cost of the loan, as determined by the Department. The private company or private developer must be financially sound and able to fulfill the commitments made in its letter of intent.
- c. The project will be completed within the time frame established by the grant or loan agreement.
- d. The project is consistent with local and area-wide economic development plans, where such plans exist (e.g., plans of municipalities, counties, area-wide planning organizations), such as through letters of support from municipal officials or planning agency staff. Compliance with code enforcement, building inspection and other regulating agencies should be certified along with suitable documentation indicating the project's ability to comply with all zoning, fire and panic, and other health or safety requirements.

D. Grants

Individual grants may not exceed \$1.25 million. Grant funds may be used for eligible publicly-owned infrastructure improvements.

Publicly-owned infrastructure is defined as infrastructure improvements which are owned by the applicant or by an entity eligible to be an applicant at the time the grant is made, or which will be owned by the applicant or by the entity eligible to be an applicant upon the completion of the infrastructure improvements funded under this program. The term does not include infrastructure improvements accessible only to one user.

E. Loans

Individual loans may not exceed \$1.25 million. Loan proceeds may be used for eligible privately-owned infrastructure improvements. Interest rates and terms are set by the Department, but no term will exceed 15 years. Private companies or developers receiving loans for projects located in counties in which the lowest interest rate under the Pennsylvania Industrial Development Authority (PIDA) Program is applicable will receive a lower IDP interest rate than projects located in other counties of the Commonwealth.

F. Grant-To-Loans

1. The Department may award grants to an applicant, which the applicant in turn shall loan to a private company or private developer, upon terms and conditions approved by the Department, for infrastructure improvements on privately-owned property located in targeted communities. Targeted communities are geographical areas designated by the DCED as deserving of special consideration because of one or more adverse economic factors. This term includes, but is not limited to, enterprise zones established under the act of July 9, 1986 (P.L.1216, No.108), known as the Enterprise Zone Municipal Tax Exemption Reimbursement Act; distressed communities as defined under the act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act; and areas designated by the federal government as empowerment zones or enterprise communities.
2. Principal and interest repayments may be retained by applicants who service targeted communities and who demonstrate, to the satisfaction of the Department, their capability to successfully administer a revolving loan fund. Such applicants, upon the written approval of the Department, may use the funds received to make loans for new or different projects eligible under any Department business or infrastructure financing program within the applicant's jurisdiction.

G. Grant and Loan Limitations

1. No more than 20 percent of the funds available for this program in any fiscal year will be loaned or granted for projects in any single municipality. (Counties or multi-county jurisdictions can receive more than a total of 20 percent, but the awards must be made for different minor civil divisions within those counties.)
2. No more than 10 percent of the funds available for this program in any fiscal year will be loaned or granted to applicants for speculative greenfield projects not involving private companies. Greenfield projects are on land which has never been developed for uses other than agriculture, forestry, or recreation.
3. A minimum of 20 percent of the funds available under the Infrastructure Development Program in any fiscal year shall be approved for a grant, grant-to-loan or loan for projects located on a former industrial site.
4. Project construction may not commence prior to loan/grant approval without the written consent of the Department to incur project costs. Commencement of work prior to receiving Departmental approval will result in the project being ineligible for funding consideration.

5. To be eligible for reimbursement, project costs must be incurred within the time frame established by the grant agreement or loan documents.

H. Security and Penalties (Grants and Loans)

1. Security

Borrowers must demonstrate the ability to repay IDP loans. All loans must be adequately secured by the borrower, as determined by the Department.

2. Penalties

Private companies or private developers who fail to create the number of jobs specified in a funded application or who fail to inject the required amount of private investment into the project are liable for a penalty of up to the full amount of the grant awarded by the Department unless the penalty is waived by the Department because the failure is due to circumstances outside the control of the private company or private developer. The penalty is payable in one lump sum or in installments, as the Department deems appropriate. In the case of a loan, the Department may impose an increase of up to prime plus two percent in the amount of interest payable under the terms of the loan.

The Department may enforce this subsection and may bring an action under this subsection in a court of competent jurisdiction.

Section II – The Application Process

A. Application Procedures

The eligible applicant should submit a Single Application for Assistance (Refer to Attachment I) on behalf of an eligible private company or private developer to the DCED. The Single Application can also be submitted online by accessing www.esa.dced.state.pa.us. When applying for Infrastructure Development Program funds, supplemental information must be submitted with the Single Application (Refer to Appendix I) Complete applications will be reviewed within 30 days.

B. Procedures for Accessing Funds

An executed agreement between the applicant and the DCED is required for payment of a grant or loan. The agreement must be executed within 120 days of the date a grant or loan offer is made. If the agreement is not executed within 120 days, the grant or loan offer may be withdrawn upon written notification from the Department. Following is a summary of the general provisions included in the official agreement:

1. Conditions of Grant or Loan

Grant or loan offers from the DCED include conditions and loan terms to be met by the applicant and/or private company or developer.

2. Certification of Expenses

The applicant shall obtain the services of a professional engineer or architect licensed in Pennsylvania who will certify to the Department during construction that the expenses were incurred and were in accordance with the plans approved by the Department.

3. **Nondiscrimination**

No grant or loan may be made to an applicant or private company(ies) or private developers under this Act unless they certify to the Department that they shall not discriminate against any employee or against any applicant for employment because of race, religion, color, handicap, national origin, age, or sex.

4. **Project Account**

For record maintenance and audit purposes, all IDP funds shall be deposited in a separate project account and be maintained by the applicant to hold and disburse all funds related to the project.

5. **Disbursement Process**

Grant funds are advanced to the applicant in anticipation of costs to be incurred for 90 days subsequent to the applicant's submission of a request for payment. All costs must be verified by voucher transmittals and invoices submitted to the Department before additional 90-day advance payments are made. Payment requests require at least 35 days for processing and check issuance.

Loan funds will be deposited in one lump sum into an interest-bearing escrow account established at a local bank. Funds may be drawn down following the Department's review of invoices submitted by the borrower. Interest earned on the account may be used by the borrower to defer the costs of the account or to make loan repayments during periods of interest only repayments

6. **Audit**

For grant projects, an audit from a Certified Public Accountant (CPA) licensed in Pennsylvania listing all project costs must be submitted to the Economic Development Assistance Office 90 days after project completion. In the opinion section of the CPA's audit, a statement shall be made certifying that Commonwealth funds were disbursed in accordance with the terms of the official agreement.

7. **Project Records**

The applicant shall maintain full and accurate records with respect to the project and should ensure adequate control over the records of related parties in the project. The Department shall have access to such records and be able to inspect all project work, invoices, materials, and other relevant records at reasonable times and places. The applicant must furnish upon request of the Department all data, reports, contracts, documents, and other information relevant to the project, as may be requested in the official agreement. The official agreement shall specify a periodic reporting requirement for the applicant which includes collecting and reporting data on actual job creation, private investment and other performance measures resulting from the investment of IDP funds. Applicants should obtain prior agreement with the private company or developer to supply accurate employment data on a timely basis.

C. Contact

A. Program inquiries should be directed to:

Department of Community and Economic Development
Center for Business Financing
Infrastructure Development Program
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, PA 17120-0225
Telephone: (717) 787-7120 or E-mail: ra-dcededa@state.pa.us

B. These guidelines can be accessed on-line at www.inventpa.com.

Appendix I - Supplemental Information for The Single Application for Assistance

In addition to completing the DCED Single Application for Assistance, please include the following items:

- Exhibit 1:** Attach copies of the signed Bids/Quotations, contractor estimates, sales agreements, or engineer estimates that verify project cost estimates. Bids must be current and dated.
- Exhibit 2:** Attach funding commitment letters from all other project funding sources (including equity commitments). Letters should include the applicable term, rate, and collateral conditions, and must be signed and dated.
- Exhibit 3:** Provide a statement of ownership of the proposed infrastructure improvements. Also include a color-coded map or plot plan detailing the location of the infrastructure and the parcel of land on which the company(ies) being served is, or will be located.
- Exhibit 4:** The Company/Developer must submit a letter of intent containing the information outlined in Appendix II. The letter of intent must be on Company's/Developer's letterhead and be signed by the chief executive officer or other officer capable of making commitments for the business.
- Exhibit 5:** For IDP loans, attach financial statements of the Company/Developer, parent company, and any other proposed guarantors, if any, for the last three years of operation. Financial statements should include balance sheets, income statements, cash flow statements, and notes to financials. Start up companies must provide three years projected financial statements.
- Exhibit 6:** For IDP loans, identify the collateral that will be offered to the Commonwealth as security for the IDP loan. If the proposed collateral is real estate, provide two complete as-is appraisals or one appraisal prepared by either a Member, American Institute of Real Estate Appraisers (MAI) or a PA State Certified Appraiser. The appraisals must be no more than six months old. If a personal guarantee is being offered as security, attach personal financial statements for the proposed guarantor and their spouse. The personal financial statements should not be more than six months old and must be signed.
- Exhibit 7:** For projects involving loans on behalf of private real estate developers, provide a projected cash flow analysis covering the period of time from project commencement to lease-up/build-out.
- Exhibit 8:** For IDP loans to private companies or private real estate developers, list the names and social security numbers of principal owners having a 20% or greater ownership interest in the company, partnership, etc.
- Exhibit 9:** Provide a resolution duly adopted by the applicant's Governing Board formally requesting the grant/loan, designating an official to execute all documents, describing briefly the project scope, and identifying the grant/loan amount, rate and term (see **Appendix II for a Sample Resolution**).
- Exhibit 10:** Provide a letter from the local planning agency certifying that the proposed project is in compliance with the comprehensive and land use plans and zoning and subdivision codes. If the project is not in compliance, please explain the nature of the inconsistency and provide an estimated timetable for securing compliance or for securing any desired change.
- Exhibit 11:** If applicable, provide the Corporation Tax Box Number and the Sales and Use License Number of the Company/Developer.

Send the completed application with all attachments to the **Department of Community and Economic Development, Customer Service Center, 4th Floor, Commonwealth Keystone Building, Harrisburg, PA 17120-0225**. If you have any questions on completing the application, please call the Center for Business Financing at (717) 787-7120.

Appendix II - Letter of Intent

As part of the application for an Infrastructure Development Program (IDP) grant or loan, the private company or developer must submit a letter of intent. Five years after completion of the infrastructure project, job creation and investment numbers projected in this letter of intent will be monitored by the Department.

This letter of intent must be on the company's/developer's letterhead and shall be signed by the Chief Executive Officer or other officer capable of making commitments for the business. An eligible private company must provide all of the following information in their letter of intent. For a private developer, a letter of intent shall include items 1, 2, 5, 8, and 9, and should include a description of the types of businesses that will be targeted to locate at the project site.

1. Amount of IDP funds requested.
2. A statement regarding the number of net, new full-time jobs to be created at the project site (as referenced in Section I.C.2. of these Program Guidelines).
3. Type of business (what the company does) and current employment levels at the site and statewide.
4. The estimated average wage level that will be paid to workers at the site.
5. A description, estimated total dollar costs, and commencement and completion dates for the private investment to be made at the site.
6. The date occupancy is to commence.
7. A statement that the specific infrastructure improvements are necessary for the efficient and cost-effective operation of the private company.
8. In the case of loans for privately-owned infrastructure improvements, a statement of willingness to provide the lending agency with security adequate to cover the cost of the loan.)
9. A statement of willingness to comply with nondiscrimination and equal employment opportunity requirements.

NOTE: Failure to provide all of the above information will delay the processing of a request for assistance.

Appendix III - Authorized Officials Resolution

Be it RESOLVED, that the _____ (Name of Applicant) of (Name of County) hereby requests an Infrastructure Development grant/loan of \$ _____ at a _____ % rate and _____ year term from the Department of Community and Economic Development of the Commonwealth of Pennsylvania to be used for _____ .

Be it FURTHER RESOLVED, that the Applicant does hereby designate (Name and Title) and _____ (Name and Title) as the official(s) to execute all documents and agreements between the _____ (Name of Applicant) and the Pennsylvania Department of Community and Economic Development to facilitate and assist in obtaining the requested grant/loan.

I, _____, duly qualified Secretary of the (Name of Applicant), (Name of County), PA, hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by a majority vote of the _____ (Governing Body) at a regular meeting held (Date) and said Resolution has been recorded in the Minutes of the _____ (Applicant) and remains in effect as of this date.

IN WITNESS THEREOF, I affix my hand and attach the seal of the _____ (Applicant), this _____ day of _____, 20 ____ .

(Name of Applicant)

(County)

(Secretary)

(SEAL)



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