# RACP Program Guidelines

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# RACP Program Guidelines

## A. PROJECT ELIGIBILITY

### 1. LEGISLATIVE AUTHORIZATION

All grants awarded through the Redevelopment Assistance Capital Program (RACP) MUST be for projects included in one (1) or more of the Capital Budget Project Itemization Acts passed by the General Assembly and signed into law by the Governor. Potential projects are typically added to Capital Budget Project Itemization Bills by members of the House of Representatives, Senate and Administration. A complete listing of authorizations can be found on the Project Authorizations section of the Office of the Budget (OB) website.

### 2. DEFINITION

Redevelopment Assistance Capital Program projects are primarily economic development projects, authorized in the Redevelopment Assistance section of a Capital Budget Itemization Act, have a regional or multi-jurisdictional impact, and generate substantial increases or maintain current levels of employment, tax revenues or other measures of economic activity. Included are projects with cultural, historic or civic significance.

Redevelopment Assistance Capital Program projects are state-funded projects that cannot obtain primary funding under other state programs. Projects that can normally obtain funding from PENNDOT, PENNVEST, the Department of Community and Economic Development, or other state agencies are generally restricted from participating in the Redevelopment Assistance Capital Program. Please see Section A.6 for more detail on ineligible projects.

****If a RACP project does include and require improvements to housing, roads, bridges, tunnels, infrastructure, and/or drinking water/wastewater/stormwater systems, these improvements must not be the primary focus of the project.*

### 3. FEDERAL TAX-EXEMPT BOND ELIGIBILITY

Redevelopment Assistance Capital Program grants must be eligible for tax-exempt bond funding under existing federal law requirements. The Applicant must demonstrate and document that the project qualifies for financing with federally tax-exempt bonds. Applicants will be required to comply with procedures to maintain the tax-exempt status of bonds issued to finance the project.

### 4. PROJECT COST REQUIREMENTS

A RACP project must have a total cost of at least $1,000,000.

### 5. MATCHING FUNDS - NON-STATE PARTICIPATION

#### a. General Requirements

A RACP project must have matching funds that comply with the following:

- At least 50% of the project cost must be match (non-state) participation.
- At least 50% of the non-state participation must be secured funding at the time of application.
- Sources of matching funds must be documented at the time of application with identifiable and firm commitments from all sources.

- Sources of match funds can be local, private, land or building appraised value, and/or federal funds.

- The only non-cash, non-state match permitted are land or fixed assets, which have a substantial useful life and are directly related to the project.

- Funds from other state sources, including legislative sources may not be used as match.

**b. Reimbursable Cost Categories**

The following costs are typically eligible for reimbursement and/or can be matching cost for RACP funds.

- Construction - *the primary use and intent of RACP funds should be the reimbursement of construction costs.*

- Interest during construction - interest costs paid as a result of the use of interim or bridge financing for the project during construction can be reimbursed from RACP funds.

- Permits - costs for acquiring permits needed for construction of the project can be reimbursed from RACP funds.

- Land - if land is purchased for the project, a certified appraisal must be provided. Redevelopment Assistance Capital Program funds may be used to reimburse the costs for the land acquisition. The appraised value may include permanent improvements exclusive of the RACP project. The appraisal should be "as is" value.

- Other – other costs that can be reimbursed with RACP funds can include work related to the abatement of hazardous materials, acquisition costs.

**c. Non-Reimbursable Cost Categories**

The following costs are eligible match costs only and not allocated for reimbursement with Redevelopment Assistance Capital Program funds. These costs must be paid from non-state matching funds and may include federal funds. All costs below must be directly related to the RACP project.

- Future physical maintenance & operation - a portion of any funds reserved for future physical maintenance and operation of facilities may be included as a part of the 50% match (non-state) participation, provided such funds do not exceed 15% of the total project cost. These reserved funds must have legally binding documentation explaining the intent, design, and operation of the dedicated fund. Salaries cannot be paid from reserve funds.

- Administrative costs - any fees for the administration of the project, whether by the Applicant's staff or by contract.

- Legal fees - any fees for the services of lawyers or solicitors.

- Financing/Accounting costs - any fees for financing and accounting services.

- Architectural/Engineering fees - any fees for application preparation, project administration, or other professional services incurred for the planning, design, and construction of the project.

### 6. INELIGIBLE PROJECTS

Projects that are generally funded through other state programs are not eligible for Redevelopment Assistance Capital Program funds. Examples of those funding sources and projects are as follows:

| | |
|---|---|
| Projects funded by PENNDOT or federal government: | Highways, vehicular bridges |
| Projects funded by PENNVEST: | Drinking water, wastewater, stormwater and waste disposal facilities |

Exception to the above; stormwater, water or sewer infrastructure or tunnels, bridges or roads when within an industrial/business park development. RACP funding can be used to construct limited extensions of drinking water and wastewater line extensions within a defined project area. As an example, RACP funding could be utilized to prepare and install water and sewer lines within an industrial/business park development. Repairs or replacement of existing public or private water or sewer systems is not an eligible expenditure of RACP funds.

| | |
|---|---|
| Other state funded projects: | Housing Units are fundable only when specialized funding specifically for that purpose is approved and remains unused. Act 87 of 2005 amended the Capital Facilities Debt Enabling Act to allow $25 million for the construction of housing units. Additionally, Act 82 of 2010, the Capital Budget Project Itemization Act of 2010-2011, allowed another $25 million (for a total of $50 million). Please be advised that current funds approved for housing have been exhausted. |

****If a RACP project does include and require improvements to housing, roads, bridges, tunnels, infrastructure, and/or drinking water/wastewater/stormwater systems, these improvements must not be the primary focus of the project.*

## B. CANDIDATE ELIGIBILITY AND RESPONSIBILITY

- Any entity that has an authorized and eligible project as stated in the above section is eligible to be considered for a RACP grant award.
- Candidates are required to submit a complete Business Plan to the Office of the Budget prior to the deadlines posted to the Funding Round Schedules section of the OB website.

## C. APPLICANT ELIGIBILITY AND RESPONSIBILITY

- Only Candidates whose Business Plan have been approved by the Selection Committee, received an Award Letter and meet Grantee eligibility requirements per Section D are eligible to submit an Application.
- Applicants accepting the grant award are required to submit a complete RACP Application within six (6) months of the date of their Award Letter.

## D. GRANTEE ELIGIBILITY

Grantees for Redevelopment Assistance Capital Program funding must be one (1) of the following:

- General purpose units of local government: cities, boroughs, townships, and counties. (municipalities designated as in a flood plain must be in compliance with Act 166 of 1978, the Flood Plain Management Act, as a condition of financial assistance).
- Any public authority.
- Local development districts that have an agreement with a general purpose unit of local government under which the unit assumes ultimate responsibility for debt incurred to obtain the 50% non-State participation.
- An industrial development agency that has been certified as an industrial development agency by the Pennsylvania Industrial Development Authority Board and which is itself, or which is acting through, a wholly owned subsidiary that is exempt from Federal taxation under section 501 (c) (3) of the Internal Revenue Code of 1986.

## E. GRANTEE RESPONSIBILITIES

### 1. GENERAL GRANTEE RESPONSIBILITIES

- The Grantee is responsible for fully executing a successful Redevelopment Assistance Capital Program project.
- The Grantee is responsible for compliance with any or all federal, state, and local requirements.
- The Grantee is responsible for approving and executing any designs, plans, specifications, estimates or other components related to the development and execution of the project and reviewing/examining for accuracy or compliance with any federal, state, or local regulations.
- The Grantee is responsible for putting together a project team which should consist of personnel and designated parties that can provide administrative, financial, engineering, legal, and other necessary expertise necessary to execute the project.

### 2. SPECIFIC GRANTEE RESPONSIBILITIES

To receive RACP funding, Grantees must adhere to the following requirements:

**a. Execution of the Grant Agreement -** Grantees must execute a RACP Grant Agreement within six (6) months of the date of their Award Letter.

**b. Satisfaction of terms and conditions of the Grant Agreement -** Once the Grant Agreement is executed; the Grantee will then have six (6) months from the date of execution to satisfy all terms and conditions of said agreement. If the Grantee is not administering the grant, a Cooperation Agreement will need to be in place between the Grantee and Sub-grantee (or project administrator). The Grantee will also need to be aware of and comply will all applicable laws and program compliance requirements. For more detailed information, please see the Key Compliance Guidelines section of the OB website.

**c. Payment Request submission -** In order to facilitate the receipt of grant funds, the Grantee must submit a request for payment. The project budget must account for three

(3) important stipulations discussed below. For more detailed information on the submission of a Payment Request, please see the Reimbursement Procedures section of the OB website.

i. **Reimbursement Program -** The Redevelopment Assistance Capital Program will use a reimbursement system to fund projects. Grantees will apply for periodic project payments to cover a portion of **paid** eligible and reimbursable project expenses. Expenses must be paid prior to submission to the commonwealth for reimbursement.

This reimbursement will be limited by: a) total funds available through the Funding Accumulation Schedule; b) the factor of the matching funds expended to date versus RACP grant expenditures; c) a proportionate amount of matching fund expenditures actually expended; and d) those other limitations that the Office of the Budget may deem necessary.

ii. **Funding Accumulation Schedule (36-month minimum) -** The approved Funding Accumulation Schedule for a project shows the RACP amounts that will be accumulated for the project during the months indicated on the schedule. Generally, total funding will be accumulated in equal installments over a 36-month period unless the Secretary of the Budget authorizes a shorter period.

The use of a Funding Accumulation Schedule may contribute to the Applicant's need to obtain interim or bridge financing to fund the project. Exceptions to this requirement will be made on a case-by-case basis by request. Month one (1) for the period will be the first month after the execution of the Grant Agreement. Commonwealth reimbursements will be limited by the amount of funds accumulated for the project at the time the Payment Request is reviewed. The approved schedule is shown in Appendix C of the Grant Agreement.

The approved funding accumulation does not show a monthly reimbursement that the Grantee will automatically receive for the project. The schedule shows the funds that are available for the project in any month during the 36-month accumulation period. The reimbursement that the Grantee is eligible to receive is also subject to the distribution factor.

iii. **Proportional reimbursement -** To ensure that RACP funds are not fully disbursed prior to the completion of a project, RACP grants will be reimbursed on a proportional basis for direct land, building acquisition, construction and other eligible reimbursable expenses. The proportion funded by RACP funds will be defined by the distribution factor. The distribution factor will be the local non-state funding amount divided by the RACP grant. Eligible match costs are not reimbursable but are included in the factor. The proportional reimbursement may contribute to the Applicant's need to obtain interim or bridge financing to fund the project.

*Distribution factor.* The distribution factor is a measure of the match participation with respect to RACP participation. The factor is calculated as follows:

*Distribution Factor = Local Match Funds / RACP Grant*

A distribution factor of 2 indicates that for every $2 of match participation, there will be $1 of commonwealth participation. In other words, the commonwealth is providing $1 of grant for every $3 of total project cost.

The purpose of the distribution factor is to assure that the Grantee is contributing the required match components to the project as reimbursements are being provided. Generally, the distribution factor will control the amount of reimbursement, if there are sufficient funds accumulated per the funding accumulation schedule.

## F. COMMONWEALTH'S RESPONSIBILITIES

### 1. GENERAL COMMONWEALTH RESPONSIBILITES

- The commonwealth's role is to provide guidance, review the project and provide reimbursement.
- The commonwealth provides guidance concerning requirements of the Redevelopment Assistance Capital Program. The commonwealth will advise the Applicant in areas related to the requirements of the Redevelopment Assistance Capital Program, including clarifications of the governing legislation, preparation of Applications, and preparation of Payment Requests.
- The commonwealth or the commonwealth's designated representative will review any information or aspect of the project to determine if the project meets financial and program requirements.
- The Redevelopment Assistance Capital Program provides reimbursement from the commonwealth for the Applicant's project. The funding is a partial reimbursement of expended amounts. Expenses must be paid before they are submitted to the commonwealth for reimbursement.

### 2. SPECIFIC COMMONWEALTH RESPONSIBILITIES

a. **Facilitation Meetings -** Facilitation meetings are conducted at the request of the Grantee to the Office of Budget and are highly encouraged. During these meetings, the Grantee will be able to ask questions concerning administration of the program and its effects on the project. The Grantee/Sub-grantee/project representatives are eligible to attend a facilitation meeting at no cost to the Grantee. These meetings are informational only.

b. **Monitoring of Projects -** Projects will be monitored by the Office of the Budget or its representatives throughout the funding and construction phase. All projects will be subject to review. Approval of reimbursements of state funds will depend on financial and program compliance. The intent of monitoring is to review financial and program compliance with the Redevelopment Assistance Capital Program. During monitoring, the commonwealth will not be approving any actions related to the grantee's execution of the project. Prior to the initiation of monitoring, the Grantee will be notified, a monitoring schedule will be established, and procedures will be explained.

c. **Close-Out Audit -** A close-out audit will be performed by the Office of the Budget or its representative for all projects. The Grantee will not be required to pay for this audit. A portion of the final grant proceeds shall be retained by the Office of the Budget until the completion of the statutorily-required final close out audit. The commonwealth may withhold up to 10% of the grant value from the last Payment Request. This percentage may be reduced at the discretion of the Office of Budget.