

**CHAPTER 117. LOCAL GOVERNMENT CAPITAL  
PROJECT LOAN FUND**

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**Source**

The provisions of this Chapter 117 adopted October 11, 1991, effective October 12, 1991, 21 Pa.B. 4841; renumbered from 16 Pa. Code Chapter 36b, May 16, 1997, effective May 17, 1997, 27 Pa.B. 2415. Immediately preceding text appears at serial pages (173095) to (173102) and (176689) to (176690).

**§§ 117.1—117.4. [Reserved].**

**Source**

The provisions of these §§ 117.1—117.4 adopted October 11, 1991, effective October 12, 1991, 21 Pa.B. 4841; reserved August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315. Immediately preceding text appears at serial pages (161653) to (161654).

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**§§ 117.21 and 117.22. [Reserved].****Source**

The provisions of these §§ 117.21 and 117.22 adopted October 11, 1991, effective October 12, 1991, 21 Pa.B. 4841; reserved August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315. Immediately preceding text appears at serial pages (161654) to (161655).

 **§§ 117.31—117.36. [Reserved].****Source**

The provisions of these §§ 117.31—117.36 adopted October 11, 1991, effective October 12, 1991, 21 Pa.B. 4841; reserved August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315. Immediately preceding text appears at serial pages (161656) to (161659).

**GENERAL** **§ 117.51. Authority for loans.**

Authority for the Local Government Capital Projects Loan Program is provided in the Local Government Capital Projects Loan Fund Act (53 P. S. §§ 6781-1—6781-9). Funding for the program is contained in the General Appropriation Acts of FY 1990-91 and FY 1991-92. The Department will provide low interest loans to qualifying municipalities.

**Authority**

The provisions of this § 117.51 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.51 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

 **§ 117.52. Objective of Local Government Capital Projects Loan Program.**

The Local Government Capital Projects Loan Program (Program) provides financial aid from the Commonwealth to municipalities for the purchase of equipment and the purchase, construction, renovation or rehabilitation of facilities. 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% per annum. Repayment will be made over a period not to exceed either 10 years or the useful life of the equipment or facilities, whichever is less.

**Authority**

The provisions of this § 117.52 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.52 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.53. Eligible applicants.**

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

**Authority**

The provisions of this § 117.53 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.53 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.54. Loan limitations.**

(a) Loans for equipment may not exceed \$25,000 for a single piece of equipment or 50% of the total cost of the piece of equipment, whichever is less.

(b) Loans for facilities may not exceed \$50,000 for a single facility or 50% of the total cost for purchasing, constructing, renovating or rehabilitating the facility, whichever is less.

(c) The remainder of project costs shall be provided as the local share. The local share may include, as appropriate, grants or loans from other sources, or assets or revenues of the municipality.

(d) The minimum amount of a loan is \$1,000.

(e) Eligible municipalities may submit no more than one application in each funding cycle.

(f) Loans may not be used for operating expenditures or for the refinancing or reduction of a debt or obligation.

(g) Loans shall be repaid in a period not to exceed either 10 years or the useful life of the equipment or facility, whichever is less. A loan in the amount of \$10,000 or less shall be for a period of not more than 5 years or the useful life of the equipment or facility, whichever is less.

(h) Loan repayments shall include principal plus interest at the rate of 2% per annum payable monthly on the unpaid principal, with the repayments to commence not later than 2 months after the date of the loan agreement and payable on the first day of each quarter thereafter throughout the term of the loan.

(i) A delinquency charge of 6% per annum will be imposed for a loan repayment that is 30 or more days after the original due date.

**Authority**

The provisions of this § 117.54 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.54 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.55. Definitions.**

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

*Department*—The Department of Community and Economic Development of the Commonwealth.

*Fund*—The Local Government Capital Projects Loans Fund.

**Authority**

The provisions of this § 117.55 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.55 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**APPLICATION REQUIREMENTS**

**§ 117.71. Application information.**

Applications shall be submitted on forms provided by the Department. Copies of the application forms, application instructions and other information are available upon request from the Governor's Center for Local Government Services, Department of Community and Economic Development, Commonwealth Keystone Building, 400 North Street, 4th Floor, Harrisburg, Pennsylvania 17120. Applications shall be submitted to this address. A letter of interest shall be forwarded to the Division for guidance on making applications for program funds.

**Authority**

The provisions of this § 117.71 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.71 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.72. Application requirements.**

Applicants shall submit to the Department three copies of the 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 the 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 statement concerning the sharing of the equipment or facility with other municipalities.
- (4) A budget or outline of the financing of the proposed project, including information on the sources of funding for the project.
- (5) A municipal resolution authorizing the submission of the application and committing the local share of the funds per Attachment A of the application.
- (6) A statement of commitment for all sources of funding.
- (7) Evidence of compliance with the Flood Plain Management Act (32 P. S. §§ 679.101—679.601), or a resolution indicating intent to comply per Attachment B of the application.
- (8) A copy of the municipal audit report for the last fiscal year.
- (9) A plan specifying how the loan will be repaid per Attachment C of the application.
- (10) A copy of plans/specifications for the project.
- (11) Evidence of compliance with approval requirements of the Local Government Unit Debt Act (53 P. S. §§ 6780-1—6780-609), when appropriate.
- (12) If the application requests a score for intergovernmental cooperation, a resolution or letter of commitment from other municipalities participating in the project shall be submitted.
- (13) Applications will not be accepted by the Department by facsimile machine.

#### Authority

The provisions of this § 117.72 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

#### Source

The provisions of this § 117.72 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

### PROJECT REQUIREMENTS

#### § 117.91. Factors in awarding loans.

- (a) The Department will allocate 50% of the funds available in the Fund for equipment loans and 50% of the funds for facility loans. The Department may reallocate program funds as needed to maximize the use of the funds in accordance with the Local Government Capital Projects Loan Fund Act (53 P. S. §§ 6781-1—6781-9).
- (b) If the Department receives more applications for loans than there are funds available during an application period or funding cycle, it will rank the applications in order of priority according to the following criteria:
  - (1) Financial disadvantage as measured under the Department's Early Warning System.

(2) 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.

(3) Commitment for the sharing of the equipment or facilities among two or more municipalities.

**Authority**

The provisions of this § 117.91 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.91 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.92. Loans for facilities.**

(a) Loan proceeds for facilities may be used for land acquisition, construction, renovation and rehabilitation including planning and design costs.

(b) 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.

(c) 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.

(d) 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.

(e) 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 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 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 occurs that prevents 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 a 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.

(f) 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 Depart-

ment will accept a copy of the official Department of Labor and Industry inspection letter and a copy of the official certificate of occupancy.

(g) Proceeds of loans for the construction, renovation or rehabilitation of facilities will be disbursed to the municipality as follows:

(1) Thirty percent at the time of settlement.

(2) An additional 50% when 50% of the total costs of construction, renovation or rehabilitation (the Facility Project) are completed to the satisfaction of the Department.

(3) 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 promote and retain in its possession. The facility project constructed shall comply with 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 certificate of occupancy prior to final loan disbursement.

(h) Proceeds of loans for the acquisition of a facility shall be disbursed as a lump sum disbursement at settlement.

#### Authority

The provisions of this § 117.92 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

#### Source

The provisions of this § 117.92 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

### § 117.93. Loans for equipment purchases.

(a) 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, Corporation 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.

(b) If a portion of the proceeds of a Department loan is used by the municipality for the purchase or other acquisition of a 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.

(c) If other sources are supplying funding in addition to the Department, the Department will accept a subordinate lien position.

(d) 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.

(e) Loan proceeds for the acquisition of equipment shall be disbursed to the municipality at the time of settlement as a lump sum disbursement.

#### Authority

The provisions of this § 117.93 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

#### Source

The provisions of this § 117.93 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

### § 117.94. Insurance.

(a) 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 of insurance naming the Department as a co-payee:

(1) Construction coverage.

(i) Worker's compensation insurance and employer's liability insurance.

(ii) Combined coverage, comprehensive general liability insurance and owner's protective liability insurance.

(iii) 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.

(2) Fire coverage.

(3) Liability coverage.

(4) Collision coverage.

(5) Boiler coverage.

(6) Flood insurance.

(b) Policies issued shall contain standard mortgagee clauses making losses thereunder payable to the Department, the municipality and other mortgage holders. 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.

(c) 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 other mortgage holders 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.

**Authority**

The provisions of this § 117.94 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.94 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.95. Interest.**

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.

**Authority**

The provisions of this § 117.95 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.95 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

**§ 117.96. Financial record requirements.**

(a) 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 cancelled checks. Loan proceeds and local matching funds shall be deposited in a special project account.

(b) The Department may require the completion and submission of financial statements or audits, or both, prior to satisfaction of indebtedness.

**Authority**

The provisions of this § 117.96 issued under section 7 of the Local Government Capital Project Loan Fund Act (53 P. S. § 6781-7).

**Source**

The provisions of this § 117.96 adopted August 21, 1992, effective August 22, 1992, 22 Pa.B. 4315.

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