
Redevelopment Assistance Capital Program (RACP)

Program Guidelines



November 2024

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Section I – General

A) Introduction

Redevelopment Assistance Capital Program (RACP) 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, recreational, or civic significance.

RACP 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.

****If a RACP project does include and require improvements to housing, roads, bridges, tunnels, infrastructure, and/or drinking water/waste disposal/wastewater/stormwater systems, these improvements must not be the primary focus of the project; and as per Act 77 of 2013, they must be associated with a project that is part of an economic development project; and in the case of housing, must be part of a community revitalization plan and in accordance with RACP requirements. These additional requirements for housing projects are not required if the funding is from a designated special allocation for housing.*

B) Eligible Projects

All grants awarded through the Redevelopment Assistance Capital Program (RACP) MUST be for projects included in one (1) or more of the PA Capital Budget Project Itemization Acts. Only itemizations/projects from these Acts that have remaining “Project Allocation” amounts and that have not been statutorily “sunset” pursuant to Act 77 of 2013 are eligible (list of itemizations). Potential projects are typically added to Capital Budget Project Itemization Bills by members of the House of Representatives, Senate and Administration.

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.

C) Eligible Grantees

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

- 1) A redevelopment authority.
- 2) An industrial development authority.
- 3) A general purpose unit of local government.
- 4) A local development district that has an agreement with a general purpose unit of local government under which the unit assumes ultimate responsibility for debt incurred to obtain the non-State financial participation.
- 5) A public authority established pursuant to the laws of this Commonwealth.
- 6) An industrial development agency:
 - a. which has been certified as an industrial development agency by the Pennsylvania Industrial Development Authority Board under the act of May 17, 1956 (1955 P.L.1609, No.537), known as the Pennsylvania Industrial Development Authority Act; and
 - b. 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.

D) Eligible Costs

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

- 1) Reimbursable Cost Categories – All costs below must be directly related to the RACP project. The following costs are typically eligible for reimbursement and/or can be a match 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 as-is appraisal must be provided. RACP funds may be used to reimburse the costs for land acquisition. The appraised value may include permanent improvements exclusive to the RACP project. The appraisal should be “as-is” value.
 - Land Acquisition Costs cannot be the sole use of RACP funds. The primary focus of the RACP scope of work should be construction.
 - The allowance of RACP funds for land acquisition costs is at the discretion of the Office of the Budget. If allowed, RACP funding for acquisition costs is generally limited to no more than 30% of the total grant amount. This 30% maximum allowance includes any land acquisition and/or equipment costs (see below).

- For land acquisition costs to be reimbursable, the purchase date must occur after the authorization date of the itemized project and have RACP scope construction activity occur on the site.
 - Equipment – if equipment is purchased for the project, documentation of the useful life must be provided.
 - Equipment costs cannot be the sole use of RACP funds. The primary focus of the RACP scope of work should be construction.
 - The allowance of RACP funds for equipment costs is at the discretion of the Office of the Budget. If allowed, RACP funding for equipment costs is generally limited to no more than 30% of the total grant amount. This 30% maximum allowance includes any equipment and/or land acquisition costs (see above).
 - For equipment to be reimbursable, it must be fixed to the realty, have a substantial useful life, and be directly related to the RACP project.
- 2) Non-Reimbursable Cost Categories – All costs below must be directly related to the RACP project. The following costs are eligible match costs only and not allocated for reimbursement with RACP funds. These costs must be paid from non-state matching funds, which may include federal funds.
- 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.

E) Ineligible Projects

Projects located in a City Revitalization and Improvement Zone (CRIZ) and eligible for CRIZ benefits are not eligible RACP projects. However, approved RACP grants that existed prior to zone approval shall not be restricted.

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, tunnels

Projects funded by PENNVEST:

- Drinking water, wastewater, stormwater and waste disposal facilities

An exception to the above would be; stormwater, water or sewer infrastructure or tunnels, bridges or roads when associated with a project that is part of an economic development project. As an example, RACP funding could be utilized to prepare and install water and sewer lines within an industrial/business park development. Costs associated with repairs or replacement of existing public or private water or sewer systems are not 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. Acts 87 of 2005 & 82 of 2010 each allowed \$25 million (for a total of \$50 million) for the construction of housing units. Outside of the special allocation housing funding, housing projects are only eligible if they support and generate economic activity and are part of a community revitalization plan.

****If a RACP project does include and require improvements to housing, roads, bridges, tunnels, infrastructure, and/or drinking water / waste / disposal / wastewater / stormwater systems, these improvements must not be the primary focus of the project. Per Act 77 of 2013, they must be associated with a project that is part of an economic development project, and in the case of housing, must be part of a community revitalization plan and in accordance with RACP program requirements. These additional requirements for housing projects are not required if the funding is from a designated special allocation for housing.*

F) Match Funding Requirements

General Requirements - a RACP project must have matching funds that comply with the following:

- 1) At least 50% of the project cost must be match (non-state) participation.
- 2) At least 50% of the match (non-state participation) must be secured funding at the time of formal Project Management Proposal submittal with identifiable and firm commitments from all sources.
- 3) Sources of match funds can be local, private, land or building as-is appraised value, and/or federal funds.
- 4) 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.
- 5) Funds from other state sources, including legislative sources may not be used as match.
- 6) If financing/loans are used as match funding they typically must consist of permanent financing (i.e., a minimum term of 10 years). This policy does not apply to bridge or interim financing used in the project.
- 7) Funds (grants and/or loans) from other state sources, including legislative sources, may not be used as match. However, care must be taken not to mistake certain non-state funds as state funds just because they are distributed through a state agency. The disqualifying part is if the source of the funds is from the state. Some non-state (usually federal) funds are passed through a state agency. This pass-through does not make them ineligible to be used as MATCH in a RACP project. For example,

Community Development Block Grants (CDBGs) administered by the DCED is a federal source pass-thru so it is acceptable for use in a RACP project.

8) An exception to the prohibition of other state funds being used as match in a RACP project is certain gaming/casino source funds. As of July 1, 2011 (except as noted below), the use of the Gaming Local Share Assessment (LSA) can be used as matching funds for RACP in the following counties:

- Allegheny
- Carbon
- Dauphin (effective October 26, 2017)
- Lackawanna
- Luzerne (effective October 26, 2017)
- Monroe
- Northampton
- Pike
- Washington
- Wayne

Section II – Pre-Award, Grant and Reimbursement Process

A) Pre-Award Process

Candidates who have an authorized and eligible project will need to submit an e-Application to the Office of the Budget during an open funding round.

All submissions that pass an initial review of eligibility and completeness will be considered for a RACP grant award. The Office of the Budget staff will forward a complete listing of projects and summaries to the Administration for grant award consideration.

There is a 30-day “public comment period” after the closing of an e-Application window, which must be completed before awards can be made.

The final selection results will be posted to the website and all successful Candidates will be notified via an Award Letter.

If your capital project is approved by the Office of the Budget, you will receive an Award Letter to submit a formal Project Management Proposal (PMP).

If you did not receive an award letter by the date the Office of the Budget officially closes a funding round, as posted on the website, then you were not selected for an award. You will need to re-apply during a subsequent open funding round.

The award letter provided to each Candidate does NOT affirm eligibility nor compliance with program requirements. Instead, the award letter serves as written notification authorizing the preparation and submission to the Office of the Budget of a formal Project Management Proposal (PMP).

B) Grant Process

Candidates are required to notify the Office of the Budget within 30 days of receipt of an Award Letter as to whether or not they are accepting the grant award. The notification should come from the addressee of the Office of the Budget award letter (Applicant or Sub-Aplicant).

Applicants who accept the award are then required to submit a formal Project Management Proposal (PMP) within 6 months of the date of the Award Letter. All RACP projects must submit the PMP through an eligible Applicant.

When the Office of the Budget receives the PMP, it conducts a preliminary review and then assigns a consultant to conduct a thorough assessment of the PMP. The state-assigned consultant then provides the Office of the Budget with a report detailing the assessment. The Office of the Budget reviews the report and prepares the grant agreement, which will contain applicable special conditions.

The proposed RACP scope submitted with this Project Management Proposal will be reviewed and possibly adjusted during the development of a grant agreement to ensure that it meets program requirements.

The grant agreement will be provided to the Grantee for signature. Grantees must execute an RACP Grant Agreement and return the agreement to the Office of Budget (OB) within 20 days of the date of the grant agreement transmittal from OB. If the Grantee fails to return the signed contract within the timelines established by the office, no contract may be executed by the office for the grant, as Act 77 stipulates.

Once it is returned to the Office of the Budget, it will be forwarded to the appropriate agencies within the Commonwealth administration for validation and execution.

A final copy of the executed grant will be provided to the Grantee. It is important to note that the Office of the Budget cannot reimburse on any RACP-compliant costs until a fully executed grant agreement is in place.

Once the grant agreement is fully executed, the Grantee will then have a maximum of six (6) months to meet the terms and conditions of the grant agreement. The Grantee would be qualified to receive reimbursements for paid costs once the construction activities have started and these terms and conditions are satisfactory.

Once construction activities have started, it is advised that the Grantee request a facilitation meeting. These meetings are conducted by the Office of the Budget personnel and are at no cost to the project.

Once the project has incurred eligible reimbursable costs, they may then submit a payment request to start receiving grant funds.

C) Facilitation Meeting

Facilitation meetings are conducted at the request of the Grantee to the Office of Budget. Once construction activities have started, it is advised that the Grantee request a facilitation meeting. The Grantee/Sub-grantee/project representatives are eligible to attend a facilitation meeting at no cost to the project. During these meetings, the Grantee will be able to ask questions concerning administration of the program and its effects on the project, RACP requirements will be discussed, and payment request procedures will be explained.

D) Special Conditions Satisfaction

Once the Grant Agreement is executed; the Grantee will then have six (6) months from the date of execution to provide documentation to satisfy the special conditions located in Appendix B of the grant agreement. The Grantee must submit a packet to address all special conditions identified in the grant agreement to the Office of the Budget.

Office of the Budget staff will review the submission and issue a funds available letter once all special conditions have been fully satisfied.

If the Grantee is not administering the project, a Cooperation Agreement will need to be in place between the Grantee and Sub-grantee (and project administrator) detailing each entities responsibilities and requiring the Sub-Grantee/Administrator to comply with all terms and conditions of the RACP grant agreement.

E) Reimbursement Process

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.

1) 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) a proportionate amount of the matching funds expended to date versus RACP grant expenditures; and c) those other limitations that the Office of the Budget may deem necessary.

2) Funding Accumulation Schedule (36-month minimum)

The approved Funding Accumulation Schedule, which is located in Appendix C of the grant agreement, 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 Grantee'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 36-month accumulation period. The reimbursement that the Grantee is eligible to receive is also subject to the distribution factor.

3) 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, which is located in Appendix C of the grant agreement. The distribution factor will be the total 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 Grantee's need to obtain interim or bridge financing to fund the project.

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

Distribution Factor = Total 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 insure 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.

A Payment Request must include paid construction costs before any other items will be reimbursed. Therefore, if construction has not started, the Commonwealth will not reimburse on acquisition, permits, or interest costs.

The submission of completed, signed Payment Request (PR) forms and supporting documentation must be sent to the Office of the Budget. Aside from the facilitation meeting, a Reimbursement Handbook is available, to assist you in preparing the PR forms for submission.

Office of the Budget staff will 1) assess satisfaction of all terms and conditions of the grant; 2) verify compliance with all RACP program requirements; and 3) examine the PR forms and all supporting documentation.

The state-assigned consultant will issue Construction Monitoring Reports periodically, which will be used to assist the Office of the Budget staff in their assessment.

The PR forms will be sent to Treasury through Comptroller Operations for the release of grant funds when:

- special conditions (Appendix B of the Grant Agreement) have been fully satisfied via a letter from the Office of the Budget,
- all other terms and conditions of the grant are satisfactory,
- compliance with program requirements is verified, and
- the payment request forms are acceptable.

F) Project Monitoring

Projects will be monitored by the Office of the Budget or its state-assigned consultant(s) throughout the funding and construction phase. All projects will be subject to review. Prior to the initiation of monitoring, the Grantee will be notified, a monitoring schedule will be established, and procedures will be explained.

The Grantee is responsible for fully executing a successful Redevelopment Assistance Capital Program project by 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. During monitoring, the commonwealth will not be approving any actions related to the grantee's execution of the project.

The Grantee is responsible for compliance with any or all federal, state, and local requirements.

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.

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.

G) Close Out Audit

A close-out audit will be performed by the Office of the Budget staff 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 final Payment Request. This percentage may be reduced at the discretion of the Office of Budget.

Generally, the Grantee, among other things, is required to:

- Maintain books, records, documents, correspondence and evidence pertaining to the costs and expenses to the project funded with the Grant Agreement.
- Retain records for a period ending the late of 1) seven (7) years after final payment is made by the Grantee with funds awarded via the Grant Agreement; 2) seven (7) years after the Grant Agreement has expired; or 3) seven (7) years after the effective date of any termination of the Grant Agreement.
- Provide access to Commonwealth auditors or its representatives during the term of the Grant Agreement and after as specified in the Grant Agreement for record retention.
- Repay to the Commonwealth with interest amounts that were expended on ineligible costs, unless otherwise directed in writing by the Office of the Budget.

H) Definitions and Acronyms

Itemization: A line item included in a PA Capital Budget Project Itemization Act, that authorizes a project for funding.

Candidate: Any entity that has an authorized eligible project and, subsequently, has submitted an e-Application, but has not received an award or rejection letter.

e-Application: Pre-Award application for grant funding submitted through the electronic single application.

Applicant: An eligible entity that has received a RACP award letter and, subsequently, has submitted a formal Project Management Proposal. It may be the candidate itself, or if they are not an eligible applicant, a separate “sponsor” entity selected by the candidate.

Sub-Applicant: In cases where a RACP candidate is not an eligible applicant, the candidate becomes the sub-applicant and selects an eligible applicant to “sponsor” them and submit the formal Project Management Proposal.

Project Management Proposal (PMP): Post-Award application which details the proposed project scope and match funding, this is used to develop the grant agreement.

Grantee: An applicant that meets eligibility requirements and has received a grant agreement for execution.

Sub-Grantee: An entity that, through the cooperation of a grantee, will use RACP funds for an eligible project.

Special Conditions (SC): Items identified during the development of a grant agreement that require additional supporting documentation, located in Appendix B of the grant agreement.

Payment Request (PR): Submission, including invoices and proof of payments, to request grant funds for the reimbursement of paid project costs.

Funding Accumulation Schedule: Shows the RACP amounts that will be available for reimbursement during the months indicated on the schedule, located in Appendix C of the grant agreement.

Distribution Factor: A measure used to control the amount of reimbursements, to insure that the Grantee is contributing the required match components to the project. The factor is calculated as Total Match Funding divided by RACP Grant, located in Appendix C of the grant agreement.

State-assigned consultant: Firm employed by the commonwealth to monitor and report on RACP construction projects.