

No. 1989-52

AN ACT

HB 1701

Establishing an industrial communities action program for making grants to industrial communities to complement private investment at industrial sites; and prescribing requirements of and conditions for grants.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Industrial Communities Action Program Act.

Section 2. Legislative findings and policy.

(a) Findings.—The General Assembly finds and declares as follows:

(1) There exists in communities throughout this Commonwealth industrial sites that have become blighted because of depressed economic conditions resulting in:

- (i) Plant closings and shutdowns.
- (ii) Industries abandoning plans to expand or relocate.
- (iii) Facilities standing idle for several months or years and subsequently becoming unusable through waste and neglect.
- (iv) Out-of-date and antiquated facilities being passed over as unattractive industrial sites.

(2) Blighted industrial sites decrease motivation for private investment in industry as a whole within and near such sites.

(3) The condition of blighted industrial sites is such that rehabilitation or development by private enterprise under existing law is economically prohibitive without additional alternatives being provided to encourage the stimulation of investment.

(4) The Commonwealth's present mechanism for stimulating development of industrial sites in severely blighted areas is insufficient to alleviate these conditions.

(5) Commonwealth financing incentives in the form of loans and grants are necessary for the rehabilitation and development of blighted industrial sites.

(6) The failure to rehabilitate and develop blighted industrial sites:

- (i) Threatens public health and safety.
- (ii) Contributes to unemployment and underemployment.
- (iii) Depreciates property values.
- (iv) Reduces tax revenues.
- (v) Is generally harmful to the social and economic well-being of the communities in which such sites exist.

(7) Increasing the number of rehabilitation and development projects in blighted areas by providing capital to stimulate private investment at

industrial sites will reduce or eliminate blight and act as a catalyst for further private investment.

(b) **Policy.**—It is hereby declared to be the policy of the Commonwealth of Pennsylvania to promote the welfare, safety, morals, right to gainful employment, business opportunities and general welfare of the inhabitants of this Commonwealth and to promote the public purpose of alleviating unemployment and underemployment by providing financing incentives for the rehabilitation and development of industrial sites in blighted areas. These purposes are hereby declared to be public uses for which public money may be spent.

Section 3. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Community.” A city, borough, incorporated town, township or home rule municipality other than a county.

“Department.” The Department of Commerce of the Commonwealth.

“Investor/developer.” Any person, partnership, corporation or other business entity that is engaged in the development, for use by occupants, of one or more projects and that is determined by the department to be financially responsible to assume all obligations in the acquisition, development, construction, leasing, sale, operation and financing, in whole or part, of a project.

“Local sponsor.” The term includes the following:

(1) A municipality.

(2) An industrial and commercial development authority organized pursuant to, or industrial development authority as certified by the department under, the act of August 23, 1967 (P.L.251, No.102), known as the Industrial and Commercial Development Authority Law.

(3) An industrial development corporation certified under the act of May 17, 1956 (1955 P.L.1609, No.537), known as the Pennsylvania Industrial Development Authority Act.

(4) A council of government organization or any multimunicipal agency organization created under the act of July 12, 1972 (P.L.762, No.180), referred to as the Intergovernmental Cooperation Law.

(5) A municipal authority organized under the act of May 2, 1945 (P.L.382, No.164), known as the Municipality Authorities Act of 1945.

(6) A redevelopment authority organized under the act of May 24, 1945 (P.L.991, No.385), known as the Urban Redevelopment Law.

(7) A local development district of the Appalachian Regional Commission.

“Municipality.” Any county, city, borough, incorporated town, township or home rule municipality.

“Program.” The Industrial Communities Action Program established by this act.

“Project.” Any of the following activities:

- (1) The acquisition of land and buildings.
- (2) The demolition of buildings.
- (3) The clearing and preparation of land.
- (4) The construction of new industrial or manufacturing facilities.
- (5) The renovation of existing industrial or manufacturing facilities.

“Secretary.” The Secretary of Commerce of the Commonwealth.

Section 4. Establishment of program.

There is hereby established, under the direction of the department, a program to be known as the Industrial Communities Action Program for the purpose of making grants to local sponsors in order to complement private investment by investor/developers at blighted industrial sites, to reuse dormant manufacturing and industrial facilities and to create jobs.

Section 5. Project eligibility.

(a) Eligibility.—A local sponsor shall be eligible for a grant under the program for a project that meets all the following conditions:

(1) The project will create multitenant facilities for manufacturing, industrial, research and development, or other industries that produce goods, as determined by the department.

(2) The project will be carried out under the direction and control of a responsible investor/developer, as determined by the department.

(3) The project shall demonstrate the potential to create, within five years after the completion of the project, one employment opportunity for each \$50,000 granted under the program.

(4) The investor/developer shall contribute equity to the project in an amount equal to at least 5% of the total eligible project cost.

(b) Maximum grant amount.—The maximum amount of grant funds awarded for any project shall not exceed 25% of the total eligible project cost and in no case shall the maximum amount of any one grant exceed \$1,000,000 nor a total of \$2,000,000 for any number of fiscal years. In addition, the total amount of grant funds awarded in any one fiscal year must be matched by private investment in an aggregate total equal to or greater than three times the amount of grant funds awarded.

(c) Private match.—In addition to the equity required under subsection (a), private match for the balance of project financing shall be identified to the satisfaction of the department. Private match may include other forms of private and public financing, but in no case may funds derived directly from Commonwealth sources be considered as private match. For the purposes of this act, funds received by local sponsors from the Commonwealth for pass-through to private companies or private developers shall be considered Commonwealth funds.

Section 6. Application procedures.

(a) Establishment of procedures.—Application and administration procedures shall be established by the secretary.

(b) Application submission.—The secretary shall receive applications from local sponsors. Applications shall be submitted to the secretary in the form and manner as the department may require and shall be accompanied by such additional documentation as the department may require.

(c) Application review.—Upon receipt of the application, the secretary shall investigate and review the application and either approve or disapprove the grant by proper action of the department. The decision of the secretary shall be based upon criteria which shall include, but not be limited to, any of the following:

- (1) The ability of the investor/developer to repay the loan.
- (2) The amount of private leverage in the project.
- (3) The economic condition of the community.
- (4) The severity of blight at the industrial site.
- (5) The potential for job creation.

(d) Action on application.—The secretary shall notify the local sponsor of final approval or disapproval of the application within a reasonable period of time following receipt of the completed application and all accompanying documentation required by the department.

Section 7. Conditions for award of grants.

(a) Loans to investor/developers.—All grants awarded to a local sponsor for a project shall be lent by the local sponsor to the investor/developer at an interest rate and term to be determined by the department. All loans shall be evidenced by a note executed by the investor/developer and shall be secured, at a minimum, by a lien on the industrial site at the highest available level of priority without jeopardizing private financing for the project.

(b) Repayment.—

(1) Repayment of loan principal and payment of accrued interest thereon shall be made to the department. However, if the local sponsor submits a plan, approved by the department, for carrying out future projects for public uses consistent with the requirements of the program and if the local sponsor has made a significant contribution to the original project, as determined by the department, then repayment of loan principal and payment of accrued interest thereon shall be divided between the local sponsor and the department, with 60% thereof repaid to the local sponsor and 40% thereof repaid to the department.

(2) All repayment of loan principal and payment of accrued interest to the department shall be deposited in accordance with the terms of section 3(b) of the act of July 2, 1984 (P.L.512, No.104), known as the Pennsylvania Economic Revitalization Act.

Section 8. Additional powers and duties of department.

(a) Rules and forms.—The department may promulgate such guidelines, rules, regulations, statements of policy and forms as may be necessary to implement and carry out the provisions of this act.

(b) Professional services.—The department may obtain, by contract, the temporary services of professional financial and real estate analysts as it deems necessary in order to provide adequate review of applications submitted for funding under the program. Payment for such services may come from the appropriation made for the program, provided that payment for all such services does not exceed \$100,000 in any fiscal year.

(c) Annual reports.—On or before September 30 of each year, the secretary shall provide a report to the Chief Clerk of the House of Representatives

and to the Secretary of the Senate. The report shall describe all relevant activities of the department pursuant to this act and shall include the following:

- (1) A list of local sponsors receiving grants from the department and the amounts and terms of this assistance.
- (2) The source and amount of private investment for each project.
- (3) Loan amounts repaid to the local sponsor or to the department.
- (4) Loans outstanding and balances due, including delinquent payments.
- (5) Jobs created at projects financed under the program.
- (6) Other relevant information, as determined by the secretary.

Section 9. Time limit on award of grants.

No grants shall be awarded by the department to any eligible applicant under this act after June 30, 1992.

Section 10. Conflict of interest.

No officer or employee of the Commonwealth or of the local sponsor shall, either directly or indirectly, have an adverse interest, as defined by the act of July 19, 1957 (P.L.1017, No.451), known as the State Adverse Interest Act, in a project financed with funds made available through the program.

Section 11. Effective date.

This act shall take effect immediately.

APPROVED—The 10th day of July, A. D. 1989.

ROBERT P. CASEY