

### 3. Interest Free Loan Program

Lower Merion Township has allocated federal Community Development Block Grant funds for the purpose of assisting local business property owners with improving the condition and appearance of their buildings. Funds are available for property owners and leaseholders in the Township commercial districts to undertake improvements to building facades and major systems, including the roof, electric and heating systems. Incidental costs to upgrade handicap accessibility, and sidewalk improvements may also be eligible.

This program is designed to stimulate private investment in Township commercial areas to achieve a cohesive exterior design. The appearance of the commercial and retail buildings contributes to attracting and retaining businesses and increasing the value of the business districts.

The following guidelines explain the details of the program. Property owners and/or interested businesses are encouraged to make application to the Township of Lower Merion to utilize the available funds. If you have any questions or are interested in participating in this program, please call the Economic Development Office of Lower Merion Township at (610) 645-6184.

#### WHO IS ELIGIBLE FOR ASSISTANCE?

The Commercial Property/Facade Improvement program is available to any owner of commercial, retail or mixed-use properties or businesses located in Lower Merion Township and within any of the eleven (11) commercial districts. These districts include:

- Ardmore
- Bala Village
- Bryn Mawr
- City Avenue
- Gladwyne
- Haverford Square
- Merion-Cynwyd
- Penn Valley
- Penn Wynne
- Rock Hill Valley
- Wynnewood

Proposed projects will include façade improvements *and* building renovations that correct building code violations that may be considered as creating blighted conditions within the Township. These types of code issues may be defined as violations affecting the structural integrity of the building. In general, this would include building, fire, electrical, roof, and in some instances, plumbing repairs.

Commercial tenants with long-term leases<sup>1</sup> and meeting the above criteria are also eligible for funding. Properties that are exclusively residential are not eligible to participate in this program, but may be eligible for other Township sponsored CDBG programs for low-and moderate-income owner-occupants.

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<sup>1</sup> Lease term should exceed the term of the proposed loan.

## ELIGIBLE STRUCTURES AND USES

The Program is available for structures that house a ground floor commercial business. Residential uses, such as apartments or residential rentals, shall only be eligible if they constitute the upper floor(s) of a structure housing a ground floor business, and the proposed improvements are judged to have an impact on the commercial business appearance.

Use of loan funds shall be limited to façade, signage, and sidewalk improvements, and correcting such code violations as discussed previously. Facades that are eligible are those that front onto public streets or alleys, as well as rear building facades that provide a public access into the building(s), or abut a public parking lot. Improvements may include repair, restoration or alteration of an existing structure being used as an existing business or to accommodate a new business or for the construction of a new business for the same purpose and meeting the intent of the design guidelines. The application of the guidelines is at the discretion of the review committee, and can be negotiable.

## FINANCIAL ASSISTANCE

Lower Merion Township will provide an interest rate subsidy that will enable property owners to borrow funds needed for rehabilitation of the property, including facade improvements, at 0% interest. No liens will be placed by the Township against the property or participants.

### Terms:

- The Borrower shall be pre-approved by the Township's Review Committee before any application is made to a financial institution. Bank(s) shall use standard lending practices in determining qualifications for lending under this program.
- Loans will be made at conventional commercial rates. Closing/processing costs of the loan that are considered standard and customary may also be subsidized under this program.
- The Township will "write down" the interest costs on each loan to zero percent.<sup>2</sup>
- The Township will make a one-time payment to the lender of any closing costs that are eligible under this program as well as an amount equal to the value of the interest over the term of the loan.
- If the Borrower pays off the loan before the end of its term, then the Lender will pay back the Township the remaining balance of the interest subsidy.

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<sup>2</sup> Example: A proposed rehabilitation of a building is estimated to cost \$10,000. If a proposed interest rate for a commercial rate improvement loan is 9.0%, then a loan for this amount would cost the property owner \$207.50 per month for a 5 year term. If this same loan were repaid with no interest, the monthly payment would be \$166.67. The borrower in this example would realize *a savings of \$2,449.80* over the loan's term versus borrowing funds on a conventional basis, PLUS the savings from the subsidy for closing costs.

## WHAT WORK IS ELIGIBLE

Commercial rehabilitation funds may be used to correct code violations and make façade improvements such as painting, repointing of brick, replacement of windows, installation of storm windows, and installing an awning; sign improvements; replacing the roof or other major systems that affect the long-term stability of the structure; sidewalk replacement; and, handicap accessibility alterations.

Work must be done in a manner that follows the guidelines established in Commercial District Design Guidelines (June 1991), published for Lower Merion Township, and complements the existing architectural conditions of the building and the immediate surrounding streetscape. These guidelines generally conform to the U.S. Secretary of Interior's Standard for Rehabilitation.

Rehabilitation may not require removal of materials already existing on a building. However, any new work shall comply with the following standards:

- Where an existing building has original or distinctive, decorative or historic features, they should be restored as closely as possible to their original design;
- Where cornice, corbels or other original decorative detail have been covered or capped, the capping should be removed and the original decorative detail should be restored, if feasible. No new elements or material may be added to the facade except to replace elements previously removed or destroyed.
- Any appurtenances attached to or added to the building that are foreign to the architecture, should be removed or renovated to be compatible with the building and surrounding buildings.
- Color schemes to be used on all building exteriors and facades shall be tasteful, coordinated, and shall complement the building being treated and the surrounding structures.
- Where the facade of the building being treated already meets the original design, material and color recommendations, owners may be requested to have the paint re-touched or have the building facade professionally cleaned. A building should be cleaned using appropriate solvents or cleaners for the particular building material and applied/removed as sensitively as possible. Sandblasting WILL NOT be permitted.
- The following materials have been deemed inappropriate and will not be permitted:
  - a. T1-11, plywood, Aspenite®, or other wood paneling
  - b. Plastic or other imitation stone, brick or masonry.
  - c. Plastic or other imitation cedar or wood shakes or shingles.
  - d. Asphalt, fiberglass or other composition-type shingles applied to a primary facade.

- All signs used on any building or by any business assisted under this program shall conform to the sign regulations of the Zoning Ordinance of the Township. Further, the design of such signs shall be submitted to the Township Building & Planning Department for review and shall include a description of materials, size, colors and manner and orientation with which the sign shall be affixed to the building.
- Roofs - Where the applicant is the owner of the building to be improved under this program, the roof of that structure shall be repaired or maintained so that the roof covering is in good repair and shall not permit the infiltration of water into the structure. This provision shall also include the roof drainage system.
- All other exterior building surfaces that are visible from an adjacent street shall be maintained in good repair. The review committee shall have the authority to require any repairs, as it may deem necessary.
- Sidewalks improved under this program must follow the local streetscape design guidelines for the business district and conform to existing codes.
- **Other Uses of CDBG funds:** It may be possible to utilize the CDBG funds to contract for professional architectural services to assure adherence to the design guidelines as described above. In addition, if an eligible project's funding needs are considered significant, and may require other construction and funding outside of the parameters previously listed for this program, then the Township may be able consider utilizing additional CDBG funding alternatives to assist these types of projects. Such determination for this use of funds should be considered early in the loan application process.

The Review committee shall determine the acceptability or waive any or all of the above, and shall also determine the need and use of any improvements not specifically listed above.

## **THE APPLICATION PROCESS**

1. **The applicant is required to submit a letter of intent to the Township's Office of Economic Development. This letter must describe the proposed work to be funded and an estimate of the cost, as well as photographs of the building areas proposed for improvement. The applicant must provide proof of ownership or, if the property is under a long-term lease, permission of the owner or rights under the lease must be documented. Applicants are encouraged to get at least two cost estimates for the proposed work.**
2. The Economic Development Specialist will assist the applicant to inspect the building and make a condition report of the proposed work areas. The proposed work will be reviewed with the applicant. If any work that the inspection reveals should be considered as significant to the appearance or stability of the building and has not been included in the applicant's proposed scope of work, a job

conference may be called to discuss the proposed scope of work.<sup>3</sup>

3. A Review Committee will review all loan requests and scope of work in regards to a proposed project's eligibility under this program and its conformance to the program's design guidelines. This Review Committee may be comprised of representatives from the Township's Building and Planning Department, private business representatives from the local banking and/or real estate communities, and the Township's Economic Development Specialist.
4. Work under this program may be reviewed by Pennsylvania Historical and Museum Commission's Bureau for Historic Preservation. Where applicable, work shall also be reviewed by the Historic and Architectural Review Board (HARB).
5. Upon the recommendation of the committee, the Township Board of Commissioners will approve the funding requests. The applicant, and if applicable the owner, will execute a written agreement with the Township.
6. Upon receiving grant approval from the Township, the Property owner or business owner will make application to a lender for the commercial rehabilitation loan funds.
7. Once the lender approves the loan, the Township will issue a check to the lender for the present value of the interest on the loan.
8. The property owner or business owner will enter into a rehabilitation agreement with a contractor to complete the work. The Township will inspect the project for compliance with the existing Township building codes and the agreement as to the scope of work. The lender will agree not to release funds until all parties approve the work.
9. The property owner or business owner must receive an occupancy permit within 90 days, or provide evidence of completion by the Township Building and Planning Department.<sup>1</sup>
10. Should the loan be prepaid, the lender will reimburse the value of the unused portion of the interest funds to the Township. [See "Terms" on page 2]

#### **OTHER CONSIDERATIONS**

- The façade and exterior of any new building addition shall be compatible with the architecture of the existing building façade. A detailed description of the façade and exterior treatments of any new addition must accompany the application.
- The review committee may request architectural renderings of the façade and exterior treatments before a determination can be made.
- All construction must be in compliance with the Township's adopted building codes and all other applicable laws and regulations including zoning laws. In addition, work that

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<sup>3</sup> Office of Economic Development staff will review the work. A code enforcement officer may also inspect and prepare a code report to document conditions that make the property eligible for this type of assistance, if necessary.

includes alteration to interior spaces or exit ways may be subject to Pennsylvania Labor and Industry review.

- The review committee may have the discretion to suggest design alternatives for any sign being used or to be used on any business or building being assisted under this program.
- A sketch and detailed description, including dimensions, colors, materials and textures of signs to be used, must accompany the application.
- Business participants in this program must be Equal Opportunity Employers and shall be in complete conformance with all applicable State and Federal codes and statutes pertaining to Equal Employment Opportunity, Fair Labor Standards, Minimum Wage and other applicable labor provisions.
- In the event that there are not sufficient funds to assist all remaining approved applications, preference will be give to bona fide minority- or women-owned businesses as defined by the US Department of Commerce. Should you claim preference under this section, a full disclosure of ownership and approval of your minority status from the Department of Commerce must accompany your application.
- Any business, individual, partnership, corporation, property owner, lessor or lessee who will directly benefit from participation in this program, whether or not they are the applicant, must be current and up to date on all taxes and fees levied within the Township. These legal debts may include, but not limited to real estate taxes, school taxes or any other charges assessed by municipal authorities either directly or indirectly affiliated with Lower Merion Township.
- Lower Merion Township shall have the authority to make revisions and amendments to the regulation of this program, as it may deem necessary.
- In the event that revisions or amendments are made to this program, they shall become effective as of the date of adoption and shall not be binding on any loan subsidy closed prior to that date of adoption.