

# **APPLICATION FOR FUNDING**

Community Development Block Grant Program  
Economic Development Allocation

**OVER-THE-COUNTER COMPONENT  
2007-08**



**STATE OF CALIFORNIA  
Department of Housing and Community Development  
Financial Assistance Division  
Enterprise and Economic Development Section  
1800 3<sup>rd</sup> Street, Suite 330  
Sacramento, CA 95811**

**Telephone: (916) 552-9398  
Website: <http://www.hcd.ca.gov/ca/cdbg/>**

**State of California**  
**Arnold Schwarzenegger, Governor**

**Business, Transportation and Housing Agency**  
**Dale E. Bonner, Secretary**

**Department of Housing and Community Development**  
**Lynn L. Jacobs, Director**

**Division of Financial Assistance**  
**Chris Westlake, Deputy Director**

**State Enterprise and Economic Development Section**  
**Frank Luera, Chief**

**Community Development Block Grant Program**  
**Economic Development Allocation**  
**Mimi Bettencourt, Program Manager**

**Economic Development Allocation Program Staff**  
**Jim Miwa**  
**David Nelson**  
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**Economic Development Advisory Committee**

Director, Planning and Development, City of Fairfield  
**Sean Quinn, Chair**

Executive Director, California Enterprise Development Authority  
**Paula Conners**

Senior Vice President/SBA Manager, Heritage Bank of Commerce  
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Senior International Trade Specialist  
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Assistant Executive Director  
California Infrastructure and Economic Development Bank  
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**Program Consultant**

Claggett Wolfe Associates, President/CEO  
**Charles Wolfe, Jr.**

**APPLICATION FOR FUNDING**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
ECONOMIC DEVELOPMENT ALLOCATION**OVER-THE-COUNTER COMPONENT  
2007-08**

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## INTRODUCTION

### 1. Contents of the Application

The forms contained in the application for the **2007-08** Over-the-Counter (OTC) Allocation of the State Community Development Block Grant (CDBG) Program have been developed to provide applicants with a consistent format to present projects to the Department of Housing and Community Development (the Department). The application is evaluated using specified underwriting criteria to determine financial feasibility.

Applicants should refer to the State CDBG Regulations Section 7070, and the **2007-08** Notice of Funding Availability (NOFA), for additional information of program requirements.

### 2. Important Dates

Release date for NOFA:	<b>July 2007</b>
Release date for Application for Funding	<b>July 2007</b>
Application Filing Date	<b>Continuous, upon invitation</b>
Final Application Due Date	<b>March 14, 2008</b>

### 3. Application Preparation

#### A. Pre-Application

The jurisdiction is recommended to submit a pre-application to the Department with an accurate project scope of work, eligible use of funds, timeframe, job creation commitment, available funding resources and financing structure outlined. Additionally, the appropriate checklist(s) found later in this document should be completed (i.e. Business, Developer, etc.). The pre-application will be reviewed prior to meeting with the project's principals. For this evaluation, the private business or developer will also be asked to provide (electronically formatted) financial information to the Department, which demonstrates the viability of the project and the capacity to create (or need to retain) the required number of jobs.

#### B. Pre-Application Meeting

After the pre-application has been reviewed, if an onsite meeting has not yet occurred, an on-site meeting will be scheduled to discuss all aspects of using CDBG funds in the proposed project. A representative of the jurisdiction submitting the application, the developer or business owner receiving assistance, the Program's financial consultant and the CDBG-ED Representative should attend this meeting. The private developer or business must bring all pertinent financial information to this meeting sufficient to represent an eligible project. Contact your field representative, listed below, for questions pertaining to the pre-application.

Jim Miwa (916) 319-8483  
David Nelson (916) 319-8479  
Patrick Talbott (916) 552-9361

[imiwa@hcd.ca.gov](mailto:imiwa@hcd.ca.gov)  
[dnelson@hcd.ca.gov](mailto:dnelson@hcd.ca.gov)  
[ptalbott@hcd.ca.gov](mailto:ptalbott@hcd.ca.gov)

**C. Invitation to Submit and Application**

When it is determined that the project is ready to move forward, the jurisdiction will be invited to submit a full application to the Department.

**4. Application Submittal**

- A. **Send an original and two (2) copies of the application, with all attachments to the address below.** An electronic copy of the application forms, narratives, budgets, spreadsheets, pro formas, etc should be included with the original application package in Microsoft Word or Excel for PC format as appropriate.
- B. Package each copy of the application and attachments in an appropriately sized, three-ring loose-leaf binder, with the **pages paginated**. Use tabbed pages or other clearly marked separating device to identify the attachments. Do not use adhesive stickers or flags as these devices are easily misplaced or lost.
- C. Check the application for completeness. Make sure all attachments are included. Date and sign the application.
- D. Mail or Deliver complete application to:

Ms. Lynne Sekas, Program Secretary  
State Community Development Block Grant Program  
California Department of Housing and Community Development  
1800 3<sup>rd</sup> Street, Suite 330  
Sacramento, CA 95811  
(916) 552-9363

**5. Confidentiality of Program Records**

Applications, staff reports, and grant agreements are public information and are available for review by the public. Applicants are advised that information submitted to the state may have to be made available to the public under the State Public Records Act unless an exemption under this Act applies to the information submitted and the applicant establishes a valid claim of confidentiality under such exemption. As such, business financial statements, tax returns, personal financial information, and other proprietary information can be submitted under separate cover marked "Confidential." Staff will work with the business to the greatest extent possible to protect confidential financial information.

**PRE-APPLICATION**

**A. PRE-APPLICANT INFORMATION**

1. Name of Applicant Jurisdiction: \_\_\_\_\_

2. Staff Contact:

Last:	First:	MI:
Title:		
Mailing Address:		
City:	State:	Zip:
Telephone #: ( )	Fax #: ( )	Email:

3. Name of Responsible Authority of Applicant Jurisdiction:

\_\_\_\_\_  
Name Title

4. Other Project Participants

Application to be prepared by: \_\_\_\_\_ Phone: \_\_\_\_\_

Developer (if applicable):

Company Name: \_\_\_\_\_ Contact Name: \_\_\_\_\_ Phone: \_\_\_\_\_

Business(es) responsible for job creation:

Company Name: \_\_\_\_\_ Contact Name: \_\_\_\_\_ Phone: \_\_\_\_\_

Company Name: \_\_\_\_\_ Contact Name: \_\_\_\_\_ Phone: \_\_\_\_\_

5. CDBG Economic Development Program Area Representative:

**B. ELIGIBILITY COMPLIANCE**

1. National Objective (All Projects)

<input type="checkbox"/> Low Income Household Job Creation	<input type="checkbox"/> Slums and Blight Eradication	<input type="checkbox"/> Urgent Need
--	---	--------------------------------------

2. Public Benefit (All Projects)

Number "Net New" Jobs Created: \_\_\_\_\_ Jobs to be Retained (documented): \_\_\_\_\_  
CDBG Cost Per Job: \$ \_\_\_\_\_ Projected Targeted Income Group Jobs: \_\_\_\_\_%

3. Most recent annual Program Income Balance: \$ \_\_\_\_\_

**PRE-APPLICATION**

**C. TIG EMPLOYMENT INCOME VERIFICATION**

Agency Coordinating TIG Income Self Certification: \_\_\_\_\_

Contact Name/Title: \_\_\_\_\_ / \_\_\_\_\_ Phone: \_\_\_\_\_

Not required because business is located in RDA area.

**D. PLANNING/TECHNICAL ASSISTANCE (P/TA) GRANTS**

Is this application the result of a PTA grant? Yes  No

If yes, please provide Grant # \_\_\_\_\_

**E. PROJECT DESCRIPTION**

1. Type of Project:

- Business Loan (e.g. FFE, Inv, real estate, construction)**
  - Expansion
  - Start-up
- Development Project (check appropriate boxes below)**
  - Private
    - single tenant
    - multi-tenant
  - Public
    - Industrial park
    - single tenant
  - Multi-tenant
    - Incubator (multi-tenant only)
- Infrastructure , in support of: (check appropriate boxes below)**
  - Business Start-up
  - Business Expansion
  - Development Project
    - Private
      - single tenant
      - multi-tenant
    - Public
      - Industrial park
      - single tenant
      - multi-tenant
  - Incubator (multi-tenant only)

2. If project is to support a specific business, indicate:

Date Business Established: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Type of Business**

<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Corporation	<input type="checkbox"/> Partnership
--	--------------------------------------	--------------------------------------

3. Project Summary: Provide a brief summary of the Type of Project identified in #1 above. The summary must include a discussion of all public and private components and, specifically, the proposed use of CDBG funds (refer to Instructions, pages 2 & 3): \_\_\_\_\_

**PRE-APPLICATION**

4. Project Need: Provide a brief description of the broader community/economic development need of the area and how the proposed project will address this need: \_\_\_\_\_  
 \_\_\_\_\_

5. Project Timeframes:

a. Projected Environmental Clearance Date: \_\_\_\_\_

b. Projected Construction Start Date:  
 Off-site Infrastructure Improvements \_\_\_\_\_  
 On-site Improvements including Structures \_\_\_\_\_

c. Projected Construction Completion Date:  
 Off-site Infrastructure Improvements \_\_\_\_\_  
 On-site Improvements including Structures \_\_\_\_\_

d. Job Creation:  
 Projected Start Date: \_\_\_\_\_  
 Total "net new" jobs at grant expiration \_\_\_\_\_  
 Total "net new" jobs, one year past construction completion \_\_\_\_\_  
 (for over-sized infrastructure – only when meeting the National  
 Objective of benefit to the TIG)

6. Return on Investment

With CDBG Funds _____%	Without CDBG Funds _____%
------------------------	---------------------------

7. Other information: Describe other information/issues that may affect project timelines and/or project feasibility:

**Business Loan:**

- Business Plan/Pro Forma Status: \_\_\_\_\_
- Other Funding Sources Status: \_\_\_\_\_
- Permits & Clearances Status: \_\_\_\_\_
- Market/Management Team Status: \_\_\_\_\_
- Property Appraisal Status: \_\_\_\_\_
- 3<sup>rd</sup> Party Cost Estimates Status: \_\_\_\_\_
- Davis-Bacon Status: \_\_\_\_\_
- Current Debt Schedule Status: \_\_\_\_\_
- Pending Litigation Status: \_\_\_\_\_
- History of Bankruptcy Status: \_\_\_\_\_

**PRE-APPLICATION**

**Developer Project:**

- Site control Status: \_\_\_\_\_
- Market Assessment Status: \_\_\_\_\_
- Business Plan/Pro Forma Status: \_\_\_\_\_
- Other Funding Sources Status: \_\_\_\_\_
- Permits & Clearances Status: \_\_\_\_\_
- Developer Track Record Status: \_\_\_\_\_
- Market/Management Team Status: \_\_\_\_\_
- Tenant Leases/Letters Status: \_\_\_\_\_
- Property Appraisal Status: \_\_\_\_\_
- 3<sup>rd</sup> Party Cost Estimates Status: \_\_\_\_\_
- Davis-Bacon Status: \_\_\_\_\_
- Pending Litigation Status: \_\_\_\_\_
- History of Bankruptcy Status: \_\_\_\_\_

**Infrastructure Project:** (specific to infrastructure projects in support of private development or business activity)

- 3<sup>rd</sup> Party Cost Estimates  
On infrastructure only Status: \_\_\_\_\_
- Davis-Bacon  
On infrastructure only Status: \_\_\_\_\_
- Permits & Clearances Status: \_\_\_\_\_
- Completed Business Project checklist
- Completed Developer Project checklist

**Incubator Project:**

- Market Feasibility Study Status: \_\_\_\_\_
- Business Plan/Pro Forma Status: \_\_\_\_\_
- Other Funding Sources Status: \_\_\_\_\_
- Permits & Clearances Status: \_\_\_\_\_
- Developer Track Record Status: \_\_\_\_\_
- Market/Management Team Status: \_\_\_\_\_
- Property Appraisal Status: \_\_\_\_\_
- 3<sup>rd</sup> Party Cost Estimates Status: \_\_\_\_\_
- Davis-Bacon Status: \_\_\_\_\_

**PRE-APPLICATION**

**F. AMOUNT REQUESTED**

Activity	Requested Amount
a. Business Loan Specify business _____	
b. Infrastructure Project Specify project _____	
c. Development Project Specify type: _____	
d. Activity Delivery	
e. General Administration	
<b>Total Amount Requested from CDBG</b>	

**G. PROJECT FINANCING**

1. Sources and Uses: Complete a "Business Assistance Sources and Uses" for startup or expansion projects. Complete a "Developer or Incubator Project Sources and Uses" for a developer deal or incubator project. Complete an "Infrastructure Sources and Uses" for public infrastructure improvements to be made in support of a developer deal or business project.

**Business Assistance Project Sources and Uses**

	Private Lender	Owner's Equity	CDBG Requested	CDBG Program Income	Other Specify	TOTAL
Acquisition: Land	\$	\$	\$	\$	\$	\$
Building	\$	\$	\$	\$	\$	\$
New Construction	\$	\$	\$	\$	\$	\$
On-site Improvements	\$	\$	\$	\$	\$	\$
Rehabilitation/IT's	\$	\$	\$	\$	\$	\$
Machinery/Equipment	\$	\$	\$	\$	\$	\$
Working Capital	\$	\$	\$	\$	\$	\$
Inventory	\$	\$	\$	\$	\$	\$
Debt Retirement	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
Total Funds:	\$	\$	\$	\$	\$	\$

**PRE-APPLICATION**

**Developer or Incubator Project Sources and Uses**

	Private Lender	Developer Equity	CDBG Requested	CDBG Program Income	Other Specify	TOTAL
Acquisition: Land Building	\$ \$	\$ \$	\$ \$	\$ \$	\$ \$	\$ \$
New Construction	\$	\$	\$	\$	\$	\$
On-site Improvements	\$	\$	\$	\$	\$	\$
Rehabilitation/IT's	\$	\$	\$	\$	\$	\$
Machinery/Equipment	\$	\$	\$	\$	\$	\$
Debt Retirement	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
Total Funds:	\$	\$	\$	\$	\$	\$

**Infrastructure Project (off-site) Sources and Uses**

	Local Gov.	CDBG Requested	CDBG Program Income	Business or Developer	Other Specify	TOTAL
Roads	\$	\$	\$	\$	\$	\$
Utilities	\$	\$	\$	\$	\$	\$
Water	\$	\$	\$	\$	\$	\$
Sewer	\$	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$	\$
Total Funds:	\$	\$	\$	\$	\$	\$

2. Funding Ratio: Ratio of Private Funds to CDBG Funds: \_\_\_\_\_ %
3. Financing structure of funds to business: Identify proposed project financing structure to be used to recover CDBG funds from benefiting developer or business(es): (check all that apply)
- Infrastructure: Provide discussion on recapture of CDBG funds.
- Business Grant: Provide documentation of no undue enrichment.
- Business Loan: Interest Rate: \_\_\_\_\_ Term: \_\_\_\_\_
- Repayment Terms: \_\_\_\_\_

**PRE-APPLICATION**

Proposed Security:

Real Estate Status: \_\_\_\_\_

Equipment Status: \_\_\_\_\_

Other Assets  
 \_\_\_\_\_ Status: \_\_\_\_\_

\_\_\_\_\_ Status: \_\_\_\_\_

Proposed Conditions: \_\_\_\_\_

4. **Resources:**

List all proposed sources of funds (e.g., owner's equity, private bank loan, redevelopment funds, general funds, program income, etc.) and describe the status of each funding commitment (e.g., letter of interest, funds applied for, funds committed, funding awaiting CDBG approval, etc.)

Source of Funds	Commitment Status

**Signatures of Applicant and Project Participants** (listed on page 4): We, the undersigned, have agreed to participate in the application process to seek funding from the State of California Community Development Block Grant Program Over-the-Counter component to support the proposed project outlined in this pre-application. We acknowledge that participation in the application process does not guarantee that funding will be provided.

Applicant Jurisdiction:

Authorized Representative:

\_\_\_\_\_  
 Name (Print) Title

\_\_\_\_\_  
 Signature Date

Developer (if applicable):

\_\_\_\_\_  
 Name (Print) Title

\_\_\_\_\_  
 Signature Date

**PRE-APPLICATION**

Business(es) Responsible for Job Creation (attach additional sheets if necessary):

\_\_\_\_\_  
Business Name/Business Representative Name (Print) Title

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Business Name/Business Representative Name (Print) Title

\_\_\_\_\_  
Signature Date

**INSTRUCTIONS FOR OVER-THE-COUNTER PRE-APPLICATION**

- A.1. Name of Applicant Jurisdiction** – The CDBG Economic Development Allocation entertains applications from eligible cities and counties only. Therefore, a city or county must be the applicant for funds. In limited cases where multiple jurisdictions are involved in a single application both should be listed as the applicant. A.3. asks for information about the developer or business on behalf of whom the eligible jurisdiction is applying.
- A.2. Staff Contact** – The staff contact is the individual with whom CDBG staff will be interfacing on a regular basis.
- A.3. Responsible Party:** Individual designated by Resolution with the authorization to execute agreements with HCD on behalf of the city or county.
- A.4. Other Project Participants** – This section provides additional information on all the various parties that will be involved in the project and/or in preparing the application.

Application to be Prepared by: Provide the name and phone number for the city or county staff person who will be preparing the application. If this task is being performed by the person identified in A.2. indicate (same as above). If this task is being performed by a consultant provide their name and phone number in this space.

Developer: If this is a development project, provide the requested information for the developer(s) that will be involved in developing the project. Typically, the developer is not the job creator, but will lease or build to suit for the business that is creating the jobs.

Business(es) responsible for job creation: Provide the requested information for the business or businesses that will be creating the jobs to make this an eligible CDBG project. In the case of a development project these businesses may be tenants that have signed leases or letters of intent to occupy space in the project.

- B.2. Public Benefit** – Jobs to be created refers to “net new” jobs. Net new jobs are full-time equivalents (FTE), which equate to 1750 hours per year, or aggregated part-time (875 hours per year) positions that are to be created as a result of (and after approval of) funding by the CDBG OTC allocation.

Retained jobs are existing, threatened FTE and aggregated (see above) positions that are retained due to the CDBG injection of funds. Retention does not apply to businesses that may be relocating their business operations and employees to another city or county within the United States. In certain circumstances retaining jobs that may be outsourced outside the United States may be eligible under this category. These positions must be documented with certification of the hours worked and position held by name and hire date of the individual who will be retained in that position. The certification will indicate

household income for applications that are meeting the 51 percent benefit to TIG national objective eligibility requirement. Should individual certifications fail to demonstrate that the 51 percent TIG benefit will be met by existing employees, the application must include a written agreement between the business and the grantee that any vacancies during the term of the grant will be filled by income eligible recipients until the 51 percent threshold of benefit has been documented.

**C. TIG Employment Certification** – Identify the organization and contact person responsible to coordinate the document the TIG certifications.

**E.1. Type of Project** – The type of project will encompass not only the activity that is funded by CDBG funds, but the entire scope of the work, which will be enabled by the injection of CDBG funds.

**Example:** CDBG funds are being requested to cover the cost of off-site infrastructure improvements so that a business can expand its operations through the lease of space in a building that is being constructed by a developer. The infrastructure improvements are required for the new construction to take place. The business will be creating the jobs. The developer will construct the building. The jurisdiction does not have funds to cover the cost of the off-site improvements and the cost of these improvements will not allow the developer to make a reasonable return on investment. Therefore, CDBG funds may be used to pay for the cost of the infrastructure improvements, but the entire project includes the development of the new commercial space as well as the infrastructure that made it possible to complete the project. This type of project will require underwriting of the developer and the business to insure that the new construction can be completed and the business will successfully expand to a size that can sustain the projected new jobs.

**E.4. Broader Community/Economic Development Need** – This section should give as much detail as is known at the time, including how this assistance will meet the broader community and economic development needs of the jurisdiction. Describe to what extent this project is in line with local strategic planning.

**E.6. Return on Investment (ROI)** – To the extent practicable, CDBG funds cannot be used in a project when the use of such funds unduly enriches a business or developer, i.e., providing an unreasonable increase in the return on investment for that specific type of business. Calculate and present the return on investment both with and without CDBG funds.

**E.7. Status of Project Activities** – Status of each item will reflect the maturity of the proposal. All project funds must be expended, work must be completed and jobs must be in place within the grant term. Please indicate to extent to which each of these boxed items has been resolved or will affect the timing of project completion.

**F.1 Amount Requested from CDBG** – List total amount requested from CDBG, including general administration and activity delivery funds. Grantees are limited to 7.5 percent of the total grant amount for General Administration expenses.

See paragraph E under “Stage Two: Program Threshold Criteria,” for more information on threshold point impacts in regards to the amount of general administration selected. Grantees are allowed up to 8 percent of the Activity Budget (i.e., the application amount less the general administration amount) for Activity Delivery costs, not to exceed \$40,000 unless approved in advance by the Department.

- G.1.** The project financing sources and uses tables must include all costs, and all participating or yet to be determined sources of financing.

Business Project Sources and Uses – Owner’s equity refers to the amount of cash (or cash equivalent) contributed by the owners of the business for the proposed project. Equity contributed to the business prior to the application (e.g., land and equipment) may be included if it is considered a part of the proposed project. Non cash equity contributions should be explained.

## **APPLICATION FORM**

This application, if approved for funding, will be a part of your grant agreement with the Department. In order to be considered for funding, all sections of this application (Section I through IV) and attachments must be complete and accurate. **DO NOT REVISE THIS FORM IN ANY MANNER UNLESS OTHERWISE NOTED ON THE APPLICATION FORM.** Refer to the Application and Program regulations (federal regulations are found at 24 CFR Part 570, Subpart I and State Regulations at Title 25, Subchapter 2, commencing with Section 7050) for additional information. If you have any questions about the application, or if you require technical assistance, please contact program staff for assistance.

**SECTION I: APPLICANT INFORMATION**

California Department of Housing and Community Development  
**Application Summary**  
**State Community Development block Grant – OTC**

**1.a. Applicant Information**

Applicant Name: \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

County: \_\_\_\_\_ Entity Type: \_\_\_\_\_  
 (City or County Only)

If there is a co-applicant, please check here and provide a duplicate of this page for the co-applicant.

**(1.b. Authorized Representative Information**

(Circle one ) Mr. Mrs. Ms. Or other \_\_\_\_\_

First Name: \_\_\_\_\_ MI: \_\_\_\_\_ Last Name: \_\_\_\_\_

Job Title: \_\_\_\_\_

Check is the information in this area is the same as Applicant

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Phone: \_\_\_\_\_ Ext.: \_\_\_\_\_

Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**1.c. Applicant Contact Information**

Check if the same as Authorized Representative and go to next section

(Circle one ) Mr. Mrs. Ms. Or other \_\_\_\_\_

First Name: \_\_\_\_\_ MI: \_\_\_\_\_ Last Name: \_\_\_\_\_

Job Title: \_\_\_\_\_

Check is the information in this area is the same as Applicant

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Phone: \_\_\_\_\_ Ext.: \_\_\_\_\_

Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

2. Consultant/Other Public Agency Contact Information: Enter information for the consultant or other public agency contact.

Last:	First:	MI:
Title:		
Mailing Address:		
City:	State:	Zip:
Telephone #: ( )	Fax #: ( )	Email:

3. Housing Element Status: Has the applicant submitted an adopted housing element to the Department?

Yes  No

If no, please note that a jurisdiction that is not in compliance with the requirements of state Housing Element law at the time of the award of funds, is not eligible to receive funds from the CDBG program.

4. Growth Control: Has the applicant enacted limitations on residential construction, which limitations do not establish agricultural preserves, are not imposed by another agency, or are not based on a health and safety need?

**Note:** If the applicant has a General Plan, ordinance, or other measure that directly limits by number either the building permits, which may be issued for residential construction, or buildable lots, which may be developed for residential purposes, and the measure does not meet any of the exceptions found in the Program Regulations, Section 7056(b)(2)(B), check "yes" below and attach a copy of the measure with this application. Label the attachment as "Growth Control Attachment: Section 1.4."

Yes  No

5. Audit/Performance Problems:

- a. Does the applicant have any unresolved audit findings for prior CDBG grants awarded by an urban county, by HUD under the Small Cities Program or by the state?

Yes  No

If yes, provide a copy of the finding and any correspondence related to it. Label the attachment as "Audit Finding Attachment, Section 1.5.a."

- b. Has the Department issued monitoring findings or notified the applicant in writing that a performance problem exists on previous CDBG activities of the applicant?

Yes  No

If yes, has the applicant received a letter of final resolution from the Department that clears the findings, accepts repayment terms or otherwise indicates formal action to resolve the matter?

- Yes  No

6. Reuse Plan: Submit a copy of applicant's most recently submitted Program Income Reuse Plan Report and Certification. Label As "Reuse Plan: Section 1.6"

7. Legislative Representative Information			
	District #	First Name	Last Name
Assembly			
Senate			
Congress			
	District #	First Name	Last Name
Assembly			
Senate			
Congress			
	District #	First Name	Last Name
Assembly			
Senate			
Congress			
Please use these links to verify your legislator's correct contact information:			
<ul style="list-style-type: none"> <li>• California Assembly: <a href="http://www.assembly.ca.gov/defaulttext.asp">http://www.assembly.ca.gov/defaulttext.asp</a></li> <li>• California Senate: <a href="http://www.sen.ca.gov/">http://www.sen.ca.gov/</a></li> <li>• Member of Congress: <a href="http://www.house.gov/">http://www.house.gov/</a></li> </ul>			
7a. Target Populations: Check all that apply.			
1. <input type="checkbox"/> Physically Disabled	9. <input type="checkbox"/> Seniors		
2. <input type="checkbox"/> Persons with AIDS	10. <input type="checkbox"/> Mentally Ill		
3. <input type="checkbox"/> Youths	11. <input type="checkbox"/> Veterans		
4. <input type="checkbox"/> Single Adults	12. <input type="checkbox"/> Victims of Domestic Violence		
5. <input type="checkbox"/> Single Men	13. <input type="checkbox"/> Substance Abusers		
6. <input type="checkbox"/> Single Women	14. <input type="checkbox"/> Dually-Diagnosed		
7. <input type="checkbox"/> Families	15. <input type="checkbox"/> Homeless		
8. <input type="checkbox"/> Farmworkers	16. <input type="checkbox"/> Other		

8. Application Authorization

- a. Governing Board Resolution: Submit a resolution authorizing submittal of the application from the governing body of the applicant. See "Sample Resolution" in "Project and Grantee Forms" section. Attach and label as *"Governing Board Resolution: Section 1.8.a."*
- b. Public Hearing: Submit evidence of public notices required for two public hearings: for selection of activity and for final application contents. See "General Public Hearing Sample Notice" and "Project Public Hearing Sample Notice" in "Project and Grantee Forms" section. Attach and label as *"Public Hearing Notices: Section 1.8.b."*
- c. Statement of Assurances: Submit the Statement of Assurances executed by the certifying official. See form in "Project and Grantee Forms" section. Attach and label as *"Statement of Assurances: Section 1.8.c."*
- d. Joint Powers Agreement: If the application is made jointly by two jurisdictions, submit an executed joint powers agreement. See "Joint Powers Agreement" in "Project and Grantees Forms" section. Attach and label as *"Joint Powers Agreement: Section 1.8.d."*
- e. Certification of Compliance with OMB Circular A-133: The grantee shall certify that the jurisdiction is in compliance with the standards set forth in OMB Circular A-133. See "Certification of *Compliance with OMB Circular*" in "Project and Grantees Forms" section. Attach and label as *"Certification of Compliance with OMB Circular A-133 Section 1.8.e."*

f. Official(s) Authorized to Submit Application

Name \_\_\_\_\_ Title \_\_\_\_\_  
(Print)

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_  
(Print)

Signature \_\_\_\_\_ Date \_\_\_\_\_

**SECTION II: PROJECT DESCRIPTION**

1. Summary of Activities: Enter the dollar amount of CDBG funds requested for each use and the total amount requested. Specify the proposed activity, e.g., “installation of water line “

Activity	Requested Amount
a. Business Loan Specify business _____	
b. Infrastructure Project Specify project _____	
c. Development Project Specify type: _____	
d. Activity Delivery	
e. General Administration	
<b>Total Amount Requested from CDBG</b>	

2. Explanation of Funds requested.
- a. Complete the “Project Budget Summary Form” detailing funds budgeted for grant administration and projected quarterly expenditures. Label and attach as “*Program Budget Summary Form: Section II.2.*” Form is found in “Grantee and Project Forms” section.
- b. Provide an explanation if general administration funds are less than 5 percent or greater than 7.5 percent of total CDBG request. Indicate N/A if administration request falls within this range.
- 

3. Proposal:
- a) Provide a summary description of the proposed project, including a discussion of the following:
- The need for CDBG funds
  - Project scope, private and public
  - Public benefit ratio
  - The national objective that will be met (e.g., principal benefit to Targeted Income Group (TIG), slums and blight, urgent need)
  - Readiness (e.g. construction, environmental clearance, hiring timeframes)
  - Management capacity, public and private

Attach and label as “*Proposal: Summary Description: Section II.3(a).*”

- 4 For public infrastructure activities, provide a description of the following.
- a. Description of the proposed infrastructure improvements along with a detailed listing of costs.
  - b. Identify the parcels benefiting from the proposed improvements, with a discussion of the basis for determining which parcels will benefit from the improvements. Indicate the location of the affected parcels on the Site Map. (Also, see item 8, "Maps").
  - c. Include a method for allocating CDBG benefits to current and future users of projects involving oversized infrastructure. The methodology should be based upon the pro rata portion of the capital costs of the improvements paid with CDBG funds. The resulting allocation should be included with any other CDBG contribution to determine the impact of CDBG funds on the project's/business' Return on Investment during the underwriting process.
  - d. For oversized infrastructure projects, discuss the mechanism used to meet the applicable Public Benefit criteria of creating one job per \$10,000 of CDBG funding by one year following the completion of construction of infrastructure. Of these new jobs, 51% must be held by those from TIG households. Attach and label "Proposal: Infrastructure Improvements: Section II.4."
5. Indicate the type of entity that will be the ultimate beneficiary of the CDBG assistance.

	Private for-profit entity	Private-not for profit	Public Agency
Business Loan			
Infrastructure Project			
Development Project			

6. Unemployment Rate: Enter the higher of the most recent calendar year or the most recent month as provided by the Economic Development Department Labor Market Bulletin:

**[www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PageID=4&SubID=164](http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PageID=4&SubID=164)**

- a. Countywide unemployment rate as of \_\_\_\_\_ was \_\_\_\_\_ percent.
- b. Indicate time basis for information:     Calendar year                       Monthly

7. Environmental Requirements: Discuss the expected level of environmental clearance under National Environmental Policies Act (NEPA) and California Environmental Quality Act (CEQA).

8. Maps: Attach and label the following maps “*Maps Attachment: Section II.8.*”
- Area Map depicting the site and surrounding parcels. Map should denote current zoning, developed and undeveloped land. For infrastructure projects, delineate the benefiting parcels.
  - Site Map depicting detailed plan view of improvements proposed for the site. Site map should clearly depict size of parcel, size and location of proposed building and related improvements, such as parking, storage areas, etc. For infrastructure activities, depict the proposed improvements (e.g., streets, water or sewer lines.)

**SECTION III: PROJECT FINANCING**

1 SOURCES AND USES: Complete a “Business Assistance Sources and Uses” for all projects. Complete a “Developer or Incubator Project Sources and Uses” for a developer deal or incubator project. Complete an “Infrastructure Sources and Uses” for infrastructure in support of a developer deal or a project to support a business. Please refer to the Project Forms Section, page of this Application for forms and Instructions. Please refer to the Four Stage Review Criteria for guidance in developing project financing.

2. FUNDING RATIO: Ratio of Private Funds to CDBG Funds: \_\_\_\_\_ percent

3. FINANCING STRUCTURE: Identify proposed project financing structure: (check all that apply)

- Grant (infrastructure only)
- Loan, if loan specify: \_\_\_\_\_ Interest Rate: \_\_\_\_\_ Term: \_\_\_\_\_

4. RESOURCES:

List all proposed sources of funds (e.g., owner’s equity, private bank loan, redevelopment funds, general funds, program income, etc.) and describe the status of each funding commitment (e.g., letter of interest, funds applied for, funds committed, funding awaiting CDBG approval, etc.)

Source of Funds	Commitment Status

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Attach documentation of funding status. Equity should be documented with letter of commitment and financial statements. All letters of commitment should include project name, amount and terms, and expiration dates. If application has been made, submit copy of application and all attachments. Label as *“Funding Commitments: Section III.4.”*

<b>5. Requested Funding by Activity</b>			
<b>Activity</b>	<b>Activity Delivery Amount Requested</b>	<b>Activity Amount Requested</b>	<b>Total Amount Requested</b>
Business Loan	\$	\$	\$
Infrastructure Project	\$	\$	\$
Development Project	\$	\$	\$
<b>Total Activity Delivery</b>	\$	<b>General Admin</b>	\$
		<b>Total Amount Requested</b>	\$

<b>6. Proposed Other funding Sources</b>			
<b>Name of CDBG Activity</b>	<b>Name of Source</b>	<b>Source Type (City, County, State HCD, State-Other, Federal, RDA, Tax Credit, Private or Other (specify))</b>	<b>Dollar Amount</b>
General Admin.			\$
			\$
			\$
<b>Other Funding Sources Total</b>			\$

**SECTION IV: PUBLIC BENEFIT**

1. Enter the number of jobs to be created by six months prior to expiration of the grant agreement. To determine this information use the “Employment Projection Form” for each benefiting business. This form is in the “Project and Grantee Forms” section. Attach and label as *“Employment Projection Form Attachment: Section IV.1.”*

	<b>Full-Time Equivalent Job*</b>
Total number of new jobs created	
Total number of retained jobs	
<b>Total Jobs Created/Retained</b>	
Total number of new TIG jobs created	
Total number of new LTIG jobs created	
Total number of retained TIG jobs	
Total number of retained LTIG jobs	
<b>Total TIG Jobs Created/Retained</b>	
Total TIG Jobs ÷ Total Jobs	percent

- Note: To be considered full-time, a job must provide at least 1,750 hours per year. Part-time jobs may be aggregated to arrive at a full-time equivalent job at least 1,750 hours per year.
- The LTIG number is a subset of the TIG number

2. Cost per Job: CDBG Activity Funds ÷ Total Number of Jobs = \$ \_\_\_\_\_
3. Check if applicable and provide documentation for the type of project.

<input type="checkbox"/> <input type="checkbox"/> Business Retention	<input type="checkbox"/> <input type="checkbox"/> Business Expansion involving Relocation	<input type="checkbox"/> <input type="checkbox"/> Business Development
--	---	--

- a. For business retention projects, provide documentation of genuine threat of job loss. Label as “*Business Retention Attachment: Section IV.3.a.*” Examples of adequate documentation are:
- Financial information provided by the business that documents that without CDBG assistance, the business is in imminent danger of ceasing operations or reducing its workforce.
  - Cease and desist order forcing business to resolve problem or terminate operations
- b. For business expansion projects involving relocation, which must result in net new job creation, provide documentation that:
- Expansion requires physical relocation to another site within the same labor market area;
  - There are sound financial reasons for the move, such as the need to reverse a negative cash flow or facilitate a facility expansion
  - The community where the business is currently located has been informed about the pending relocation and has provided its comments.
- Label as “*Business Relocation Attachment: Section IV.3.b.*”
- c. For business development projects, provide documentation that the benefiting business has made a commitment to the applicant jurisdiction. Label as *Business Development Attachment: Section IV.3.c.*” Examples of adequate documentation include a recent purchase of lease of project site or a signed development agreement

4. Proposed Business Assistance – Projected Beneficiaries					
Activity	# of Business Expansions	# Business Startups	# Jobs Created or Retained	#TIG Jobs	National Objective- Check all that apply
Business Loan					<input type="checkbox"/> Slums/Blight <input type="checkbox"/> TIG-Jobs <input type="checkbox"/> TIG-Area Benefit
Developer Loan					<input type="checkbox"/> Slums/Blight <input type="checkbox"/> TIG-Jobs <input type="checkbox"/> TIG-Area Benefit
Infrastructure in Support of Business or Developer Project					<input type="checkbox"/> Slums/Blight <input type="checkbox"/> TIG-Jobs <input type="checkbox"/> TIG-Area Benefit

**SECTION V: CDBG UNDERWRITING CRITERIA**

Provide a written analysis of the proposed project using the five CDBG underwriting criteria (below) to demonstrate that the proposed CDBG subsidy conforms to these criteria to assist the business. Label the analysis as “*CDBG Underwriting Analysis Attachment: Section V*”. Use the attached table as a guide for the analysis and provide the applicable documentation listed for each criterion.

Underwriting Criteria	Documentation
<b>#1: Project costs are reasonable.</b>	
<ul style="list-style-type: none"> <li>• For each use of funds, determine if costs are reasonable.</li> <li>• Use third-party cost estimates, fair market price quotations, cost estimating manuals or services.</li> <li>• Evaluate adequacy of contingency.</li> <li>• For working capital loans, evaluate industry averages, historical needs of business.</li> <li>• Evaluate operating cycle and financial ratios.</li> </ul>	<ul style="list-style-type: none"> <li>• Sources and Uses</li> <li>• For construction, machinery and equipment: third party cost estimates, estimating manuals</li> <li>• For development costs, provide source documentation (actuals or comparables). Actual costs must be provided prior to release of funds)</li> <li>• For working capital, financial statements and projections</li> <li>• Appraisals for real property include “As-Built” appraisals.</li> </ul>
<b>#2: All sources of project financing are committed.</b>	
<ul style="list-style-type: none"> <li>• For each proposed source, determine status of commitment. Verify:                             <ul style="list-style-type: none"> <li>• sufficient sources have been identified</li> <li>• sources have affirmed intention to provide funds</li> <li>• sources have financial capacity to provide funds</li> <li>• equity injection is verified on business or personal financial statements</li> <li>• investor equity is committed and verified with financial statements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Sources and Uses</li> <li>• Letter of commitment or, in some cases, intent, for construction and permanent financing. Letters should include: amount, type, terms, rate, and conditions, including collateral, points, fees, special provisions and contingencies.</li> <li>• For equity sources, business or personal financial statements, title to land, buildings, documenting value appraisals of land/bldg.</li> <li>• letter of commitment or intent and accompanying financial statement</li> </ul>
<b>#3: To the extent practicable, avoid substitution of CDBG Funds for non-federal financial support</b>	

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<ul style="list-style-type: none"> <li>• Conduct financial underwriting analyses with and without CDBG funds. Analyze projections of revenues and expenses, debt service, and return on equity investment.             <ul style="list-style-type: none"> <li>• Is the loan short, or long-term?</li> <li>• Can the project support more debt?</li> <li>• Are officer's salaries, owner's draw, ROI reasonable?</li> </ul> </li> <li>• Re: Private debt financing, evaluate unavailability/cost of funds.             <ul style="list-style-type: none"> <li>• Can it be increased?</li> <li>• Are lenders requirements (e.g., loan to value, collateral) reasonable given project's risk and location?</li> </ul> </li> <li>• Re: equity participation:             <ul style="list-style-type: none"> <li>• Can it be increased?</li> <li>• Is it reasonable given industry standards for ROE on similar projects with similar risk?</li> <li>• For infrastructure projects, discuss recapture of CDBG funds.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Source and Uses</li> <li>• Historical and projected financial statements/federal tax returns</li> <li>• Letter from business indicating "but for" CDBG assistance, project would not be feasible</li> <li>• Historical financial information and industry averages/federal tax returns (Robert Morris or other credible source of industry averages)</li> <li>• Lender's requirements</li> <li>• Other Financing Programs</li> <li>• Federal Agency Commitments: written evidence of intent to fund (e.g. from SBA, USDA Rural Development, B &amp; I, EDA)</li> </ul>
<b>#4: Project is financially feasible.</b>	
<ul style="list-style-type: none"> <li>• Are all of the project assumptions reasonable re:             <ul style="list-style-type: none"> <li>• market share?</li> <li>• sales levels?</li> <li>• growth potential?</li> <li>• projections of revenue, expenses, and debt service?</li> </ul> </li> <li>• Given assumptions, does project reach the break-even point?</li> <li>• Is return on equity investment reasonable?</li> <li>• Are estimates of equity investment and profit realistic?</li> <li>• Are job estimates reasonable? Are pay and benefits realistic for labor market? Are these reflected in projections?</li> <li>• Analyze key ratios             <ul style="list-style-type: none"> <li>• debt coverage ratio</li> <li>• current ratio</li> <li>• quick ratio</li> <li>• debt to worth</li> <li>• collateral coverage</li> </ul> </li> <li>• Evaluate the experience and capacity of the owners to achieve projections</li> <li>• Identify elements that pose greatest risk contributing to lack of feasibility.</li> </ul>	<ul style="list-style-type: none"> <li>• Three years personal (owners with 20 percent ownership) and business financials</li> <li>• Three years personal and corporate tax returns</li> <li>• Business projections</li> <li>• Business plan or statement, discussing competition, market strategy, sales estimates</li> <li>• Industry averages (Robert Morris' Annual Financial Statements)</li> <li>• Industry averages and historical labor costs</li> </ul>
<b>#5: To the extent practicable, return on equity investment not be unreasonably high.</b>	
<ul style="list-style-type: none"> <li>• What is the owner's/developer's equity investment?</li> <li>• What is the expected return?</li> <li>• Analyze owner's rate of return on equity investment</li> <li>• Is owner return reasonable, given industry, risk, local conditions?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources and uses, commitment letters, personal and business financial statements</li> <li>• Historical and projected business financials, including officer's salary/owner's draw, net operating income.</li> <li>• Develop a pro forma with ROE analysis</li> <li>• Industry averages for similar projects</li> </ul>

**#6: To the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project.**

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• What will CDBG funds be used for and when are they needed?</li><li>• What are other funding source's policies toward expenditure timing? Is negotiation possible?</li><li>• When is equity injected?</li><li>• Compare the degree of risk of all funding sources.</li><li>• If CDBG funds are expended early, what safeguards will be used, e.g., performance and completion bonds?</li></ul> | <ul style="list-style-type: none"><li>• Sources and uses</li><li>• Construction contracts</li><li>• Lender requirements/policies</li></ul> |
|---|--|

**PROJECT INFORMATION**

**BUSINESS LOAN**

- \_\_\_ Brief history of the business.
- \_\_\_ Business plan (for businesses less than three years old). Include resumes of principals, market analysis, marketing strategy, and impact on local competitors.
- \_\_\_ Copy of the application to all other funding sources, including all documentation.
- \_\_\_ Commitment letter(s) from all other funding sources, including proposed terms.
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Past three years business financial statements (balance sheets and income statements), including all notes and disclosures.
- \_\_\_ Current business financial statements (less than 60 days old).
- \_\_\_ Current business debt schedule (corresponds to current balance sheet).
- \_\_\_ Projected business debt schedule (with CDBG and other new debt).
- \_\_\_ Past three years business federal income tax returns, complete copies.
- \_\_\_ Monthly income projections for two years, with and without CDBG.
- \_\_\_ Annual income projections for five years with and without CDBG (for businesses less than three years old).
- \_\_\_ Current personal financial statement of principal with 20 percent or more ownership (less than 60 days old).
- \_\_\_ Past three years personal federal tax return (complete copies) for each principal with 20 percent or more ownership.
- \_\_\_ Credit report on each principal with 20 percent or more ownership.
- \_\_\_ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- \_\_\_ Draft CDBG loan agreement.
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Appraisals of real property.
- \_\_\_ Letter from the community from which the business is relocating, indicating it has been notified about the impending relocation, and providing its comments
- \_\_\_ Executed lease agreement.
- \_\_\_ Entitlements., permits, zoning
- \_\_\_ Evidence of bankruptcy, if applicable.

**DEVELOPER PROJECT**

- \_\_\_ Brief history of the business.
- \_\_\_ Development plan. Include resumes of principals, market analysis and marketing strategy, and impact on other local development projects.
- \_\_\_ Copy of the application to all other funding sources, including all documentation.
- \_\_\_ Commitment letter(s) from all other funding sources, including proposed terms.
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Past three years developer business financial statements (balance sheets and income statements), including all notes and disclosures.
- \_\_\_ Current developer business financial statements (less than 60 days old).
- \_\_\_ Current developer business debt schedule (corresponds to current balance sheet).
- \_\_\_ Projected developer business debt schedule (with CDBG and other new debt).
- \_\_\_ Past three years developer business federal income tax returns, complete copies.
- \_\_\_ Monthly developer income projections for two years, with and without CDBG.
- \_\_\_ Annual developer income projections for five years with and without CDBG (include an internal rate of return analysis).
- \_\_\_ Current personal financial statement of principal with 20 percent or more ownership (less than 60 days old).
- \_\_\_ Past three years personal federal tax return (complete copies) for each principal with 20 percent or more ownership.
- \_\_\_ Credit report on each principal with 20 percent or more ownership.
- \_\_\_ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- \_\_\_ Draft development/loan agreement.
- \_\_\_ Draft lease agreement(s).
- \_\_\_ Start-up business tenant: a business plan, pro forma balance sheets and income statements, most recent personal federal tax return and financial statements for principals with 20 percent or more ownership.
- \_\_\_ Tenant with existing business relocating or expanding to the development: A brief history of the business, last three years business federal income tax return, last three years business balance sheets and income statements, current business balance sheet and income statement (less than 60 days old).
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Evidence of site control.
- \_\_\_ Appraisals of real property (“As Built” estimates for new construction or rehab).
- \_\_\_ Letter from the community from which the business is relocating, indicating it has been notified about the impending relocation, and providing its comments.
- \_\_\_ Entitlements, permits and zoning.
- \_\_\_ Evidence of bankruptcy, if applicable

**INFRASTRUCTURE PROJECT**

- \_\_\_ Copy of the application to all other funding sources, including all documentation.
- \_\_\_ Commitment letter(s) from all other funding sources, including proposed terms.
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Evidence of site control.
- \_\_\_ Appraisals of real property.
- \_\_\_ Brief history of the business.
- \_\_\_ Business plan (for businesses less than three years old). Include resumes of principals, market analysis and marketing strategy, and impact on local competitors.
- \_\_\_ Past three years business financial statements (balance sheets and income statements), including all notes and disclosures.
- \_\_\_ Current business financial statements (less than 60 days old).
- \_\_\_ Current business debt schedule (corresponds to current balance sheet).
- \_\_\_ Projected business debt schedule (with CDBG and other new debt).
- \_\_\_ Past three years business federal income tax returns, complete copies.
- \_\_\_ Monthly income projections for two years, with and without CDBG (for businesses less than three years old, or businesses establishing a local operation of a multi-branch operation).
- \_\_\_ Annual income projections for five years with and without CDBG (for businesses less than three years old, or businesses establishing a local operation of a multi-branch operation).
- \_\_\_ Current personal financial statement of principal with 20 percent or more ownership (less than 60 days old).
- \_\_\_ Past three years personal federal tax return (complete copies) for each principal with 20 percent or more ownership.
- \_\_\_ Credit report on each principal with 20 percent or more ownership.
- \_\_\_ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- \_\_\_ Draft loan agreement.
- \_\_\_ Letter from the community from which the business is relocating, indicating it has been notified about the impending relocation, and providing its comments.
- \_\_\_ Discussion on recapturing CDBG funds from all benefiting businesses and property owners.
- \_\_\_ Description of mechanism(s) for ensuring public benefit and national objective compliance by future businesses benefiting from infrastructure improvements.
- \_\_\_ Executed lease agreements.
- \_\_\_ Entitlements., permits, zoning
- \_\_\_ Evidence of bankruptcy, if applicable.
- \_\_\_ Job tracking plan for tracking job creation for one year past completion of construction on TIG job creation proposals.

## INCUBATOR PROJECT

Guidelines: Include tenant selection criteria, tenant graduation policy, delivery plan for business assistance to tenants, marketing plan to attract tenants and experience/resume of managing agent.

- Copy of the application to all other funding sources, including all documentation.
- Commitment letter(s) from all other funding sources, including proposed terms.
- Correspondence indicating the status of the availability of other funding sources.
- Monthly incubator income projections for two years, with and without CDBG.
- Annual incubator income projections for five years with and without CDBG.
- Projected incubator debt schedule.
- Draft lease agreements.
- Summary of collateral offered.
- Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- Evidence of site control.
- Appraisals of real property.
- Letters of intent to lease or pre-leases.
- Start-up business tenant: A business plan, pro forma balance sheets and income statements, most recent personal federal tax return and current financial statements for principals with 20 percent or more ownership.
- Existing business tenant relocating or expanding to the development: a brief history of the business, last three years business federal income tax returns, last three years business balance sheets and income statements, current balance sheet and income statement (less than 60 days old).
- Letter from the community from which the business is relocating, indicating it has been notified about the impending relocation, and providing its comments.
- Entitlements, permits, zoning
- Evidence of bankruptcy, if applicable.

### SECTION VI: STATE CRITERIA

1. Community and local economic development needs. Provide a brief description of the jurisdiction's most serious community and economic development needs. This includes a discussion of economic trends and the jurisdiction's economic development plan to address its needs. Do not describe the proposed activity in this section. The description should include a discussion of the following:
  - a. Labor force needs, including a discussion of the unemployment rate in the jurisdiction and region, and the skills available or lacking in the labor market,
  - b. Family income and percentage of persons in poverty,
  - c. Disinvestments in the community, as evidenced by recent business closures over the last three years, and
  - d. The extent to which the applicant's local economy exhibits a relatively low growth in employment, taxable sales, and per capita income, and a relatively heavy dependence on government subsidies, such as CalWorks (welfare payments), as a source of income.

Label attachment as "*Community Need Description: Section VI.1.*"

2. Feasibility of the proposed activities under local policies or requirements.

Provide a description of the local policies and requirements which may affect project feasibility. Address the following:

- a. The proposed project's relationship to other community development activities underway or planned to occur during the life of the CDBG grant. Describe how project is compatible with the jurisdiction's overall economic development goals, objectives and strategies, including any studies assisted with CDBG funds,
- b. Local zoning and planning requirements affecting the project. Describe which approvals are already in place and which must still be obtained. If approvals are not currently in place for the project, describe steps that will be taken to obtain all approvals, including zoning, specific plan, use permit or building permit,
- c. Any other public or private actions that may have a negative impact on the program, such as service fees, development policies, general plan zoning or building code restrictions, water/sewer limitation, parking problems, and pending lawsuits, and
- d. Any known significant environmental issues or problems. If the project has undergone local environmental review, determinations should be discussed in the application. Any conditions on the project resulting from an environmental review should be addressed, and proposed mitigation measures should be clearly described. NOTE: If an Environmental Impact Report has been required, it is recommended that the applicant wait for the report to be completed before submitting an application.

Label attachment as *"Local Requirements Description: Section VI.2."*

3. Site Control. Provide evidence that the applicant or business has control of the project site. Indicate the form of site control and attach as *"Site Control Documentation: Section VI.3."*

- Fee title or other ownership interest, as evidenced by a Preliminary Title Report or Deed of Trust,
- Executed lease agreements,
- Option to Purchase, as evidenced by a copy of the executed Purchase Agreement, and
- Resolution of Necessity and scheduled court date (where condemnation proceedings are required).

4. Management Capacity of Applicant. Describe the capacity of the applicant in implementing all phases of grant administration. Discuss the experience of the applicant or administrative subcontractor to perform the following functions.

- Loan underwriting,
- Loan closing,
- Construction oversight,
- Grant record keeping and reporting,

- Financial record keeping,
- Income screening,
- Monitoring of business for jobs,
- Loan management and servicing, and
- For small business incubators, property management.

Attach and label as *“Applicant Capacity Description: Section VI.4.”*

5. Management Capacity of Business/Developer Principals. Provide a brief description of the business management capacity to create permanent jobs. Address the following:

- a. For existing businesses, brief history of business, synopsis of business financials, and experience of individuals involved in management of business,
- b. For new businesses, evaluation of business plan and experience of individuals involved in management of business, and
- c. For developers, personal/corporate résumés that describe completion of similar projects.

Attach and label as *“Business Management Capacity: Section VI.5.”*

6. Appropriateness of Terms. Provide a justification of the determination of loan terms used for the CDBG funds. Drawing on the analysis performed to meet CDBG underwriting guidelines, address how the amount, type and term of the CDBG assistance was determined to be appropriate for the proposed project. Attach and label as *“Appropriateness of Terms: Section VI.6.”*

7. Training Opportunities. Describe how the proposed project will provide recruitment, training, and promotional opportunities for TIGs. Attach and label as *“Training Opportunities: Section VI.7.”*

8. Intrastate Relocation. The intent of the program is to increase or preserve the overall employment base within the state; therefore, CDBG assistance to a project that will involve the relocation of jobs or businesses from one jurisdiction within the state to another jurisdiction in the state is not eligible. Furthermore, federal statute prohibits the use of CDBG funds on projects that will result in an interstate or intrastate business relocation from one labor market area to another.

## APPLICATION CHECKLIST

The following information is required, unless noted, for all Over-the-Counter applications. Please check all information provided. Mark the items N/A that are not applicable to the application, and provide an explanation of information not provided that is applicable. Prior to submitting your application, review this checklist with your Economic Development Representative to determine the information that is required for your project. Submit this checklist with your application.

**ALL APPLICANTS**

**Application Forms and Attachments**

**Section I. Applicant Information**

- Growth Control Attachment: *Section I.4.* (if applicable)
- Audit Finding Attachment: *Section I.5.a.* (if applicable)
- Reuse Plan: *Section I.6.*"
- Governing Board Resolution: *Section I.8.a.*"
- Public Hearing Notices: *Section I.8.b.*
- Statement of Assurances: *Section I.8.c.*
- Compliance with OMB Circular A-133: *Section I.8.e.*

**Section II. Project Description**

- Program Budget Summary Form: *Section II.2.*"
- Proposal: Summary Description: *Section II.3(a).*"\*
- Proposal: Infrastructure Improvements: *Section II.4* (if applicable)\*
- Maps Attachment: *Section II.8*

**Section III. Project Financing**

- Business Assistance Sources and Uses *Section III.1.* (if applicable)
- Developer Assistance Sources and Uses *Section III.1.* (if applicable)
- Public Infrastructure Sources and Uses: *Section III.1* (if applicable)
- Incubator Assistance Sources and Uses *Section III.1.* (if applicable)
- Funding Commitments: *Section III.4.* \*

**Section IV. Public Benefit\***

- Employment Projection Form: *Section IV.1*
- Business Retention Attachment: *Section IV.3.a.* (if applicable)
- Business Expansion Involving Relocation Attachment: *Section IV.3.b.* (if applicable)
- Business Development Attachment: *Section IV.3.c.*\_

**Section V. CDBG Underwriting\***

- CDBG Underwriting Analysis Attachment: *Section V*

**Section VI. State Criteria\***

- Community Need Description: *Section VI.1.*
- Local Requirements Description: *Section VI.2*
- Site Control Documentation: *Section VI.3.*
- Applicant Capacity Description: *Section VI.4.*
- Business Management Capacity: *Section VI.5.*
- Appropriateness of Terms: *Section VI.6.*
- Training Opportunities: *Section VI.7.*\_

\*Refer to Four Stage Review Criteria Section for guidance in completing this item of the checklist

## FOUR STAGE REVIEW PROCESS

### STAGE ONE: COMPLETENESS REVIEW

In order to be considered complete, the application shall contain sufficient information for the Department to apply the point threshold criteria listed in Stage Two and for the Department underwriters to determine the feasibility of the proposal. If any of the following information is absent, the Department may return the application to the applicant and will include a description of the missing components and suggestions for strengthening the proposal. Applicants should use the checklists contained in the Application For Funding to ensure they have included all the required information.

#### A. Documenting Financial Feasibility: Developer and/or Business Assistance

The following is a discussion of the business financial information required to be submitted with the application:

1. Historical business financial statements (prior 3 years of business balance sheets and income statements, including explanatory notes). Statements can be audited, CPA reviewed, or certified by the chief financial officer of the business.
2. Current business balance sheet and profit and loss statement (prepared within 60 days of the application filing date). The statements should be signed, dated and certified by the chief financial officer of the business as a correct representation of the business' current financial status.
3. Monthly cash flow projections are required for 2 years for all businesses and for tenants of development projects. Thereafter, annual profit and loss projections should be provided for years 3 through 5 for an existing business and for a development project. Please submit projections in a machine readable file in **Microsoft Excel format** showing all formulas and source data, accompanied by explanatory notes and assumptions. Projections should be prepared showing the project **with** and **without** CDBG funds and should indicate by quarter when jobs are predicted to come on-line. Developer projections should also include an internal rate of return analysis based on sale or refinance in the fifth year or earlier if that is the intent. Business projections should include a cash-on-cash rate of return analysis after 5 years. If the funding request is for working capital, the applicant should provide a permanent working capital analysis based on the historical operating cycle of the business.
4. Complete copies of the federal business tax returns (tax returns should be for the last 3 years, including the latest year).
5. Current business debt schedule reflecting the debt as shown on the current balance sheet requested above. And, a debt schedule reflecting the CDBG loan, and all other new debt associated with the project.

6. Developers are expected to provide historic and projected financial information for the proposed development or project as outlined in 1 and 3 above. If a separate corporation is to be established for the proposed development the developer must provide historic information on its primary business operation as outlined in 1 through 5 above as applicable.
7. Developers and all businesses will be required to submit personal financial information including 3 years personal tax returns and current personal financial statements for all owners with over a 20 percent or greater interest in the primary business operation and/or the corporation established for the proposed development.
8. Start-ups, defined as businesses with no operating history, are expected to provide a business plan, a resume of the principal(s), personal balance sheet and tax information for the principal(s) and any partner with 20 percent or more ownership, market information, monthly cash flow projections for 2 years (with and without CDBG), and thereafter annual projected profit and loss statements for years 3 through 5. A statement and evidence of the ability to provide an equity infusion must be provided.
9. Emerging businesses, defined as operating businesses less than 3 years old, or cottage industries operating for 3 or more years in a home setting, must provide a business plan, business tax returns, financial statements for every year of operation, resumes of the principals, personal financial and tax information for the principals, and monthly cash flow projections for 2 years (with and without CDBG) and annual profit and loss for years 3 through 5.
10. An application for a business incubator must provide financial information on the incubator operation, as well as on prospective tenants based on a sound market analysis. Letters of intent may be provided from potential tenants, but future demand and job creation must be clearly outlined in projections included in the project's market analysis and business plan.

The CDBG-funded real property should remain in use as a small business incubator from the date CDBG funds are first spent for the property until five years after closeout of the CDBG grant, unless the grantee complies with the regulatory requirements pertaining to the change in the use of real property.

**B. Documenting Financial Feasibility: Public Infrastructure Improvements:**

When a city or county requests funding for public infrastructure improvements, the applicant must demonstrate that:

1. The proposed business expansion or development project is financially feasible, and,

2. The immediately benefiting business and future users in the geographic area of benefit will meet a national objective and provide public benefit in the form of jobs.

A complete infrastructure application must include a discussion of all alternative public and private sources of funds as well as the following:

1. A description of the physical facilities required to correct the problem and design criteria. If appropriate, alternative solutions considered should be mentioned, as well as any cost effectiveness analysis made in arriving at the preferred solution
2. A detailed cost estimate prepared by a qualified engineer should be furnished that shows quantities, unit costs, descriptions and extensions, and back-up data to document all costs.
3. For an infrastructure project designed to overcapacity **where the national objective to be met is job creation for low income households**, HUD requires that the cost per job goal is a ratio of \$10,000/job within one year of the completion of the construction of the improvements. An application that commits to **TIG job creation** in order to reach the required \$35,000/job public benefit ratio at time of application will only be eligible if the jurisdiction also commits to tracking job creation for one year past the completion of the construction with the intent of reaching the \$10,000/job ratio. This job requirement may extend beyond the term of the grant.  
(PLEASE NOTE: In the past, infrastructure projects designed to overcapacity were required to report job creation for one year past completion of construction of the improvements in the public right of way, in order to attempt to reach a \$10,000/job threshold. A closer reading of the CFR24 Part 570.483(b)(4)(vi)(F)(1) and (2) indicates that this requirement applies only to job creation under benefit to the TIG, and not the projects meeting the eradication of slums and blight national objective. Therefore, a project designed to overcapacity and meeting the eradication of slums and blight national objective is not required to meet other than the \$35,000 per job public benefit test and the HUD eligibility guidelines at 570.482(e)(2)(i)-(vi))

C. Public Benefit

For all projects, the applicant is responsible for achieving a minimum level of public benefit from the expenditure of CDBG funds. Public benefit standards for activities in the aggregate must either:

- Create or retain at least one FTE, permanent job per \$35,000 of CDBG funds used, or
- Provide goods or services to residents of an area such that the number of TIG persons residing in the area served by the assisted businesses amounts to at least one TIG person per \$350 of CDBG funds used.

- Only permanent jobs directly related to the assisted activity are considered for purposes of determining whether an OTC project will generate the requisite amount of public benefit. A permanent job is defined as a job classification that provides 1,750 hours a year employment for at least two consecutive years. Part-time jobs may be aggregated to arrive at a full-time equivalent job at least 1,750 hours per year.

For purposes of meeting the CDBG public benefit requirement, all jobs must be created or retained by the end of the grant term.

During the application review, each project will be evaluated to determine whether the proposed timetable for the creation of new permanent jobs is appropriate and consistent with the timing of CDBG assistance being received by the business. A job classification will be considered "permanent" if it is tied to the project's annual growth in sales or rents during the prior 24 months.

The contents of the completed form must be consistent with the milestones for job creation contained in the Activity and Budget Schedule Form. Both forms are found in the Application. The projected job count must also be reflected in the pro forma financial projections clearing showing the timing and additional costs associated with newly created jobs.

D. National Objective

In addition to the requirement that project information in the application support a determination that the CDBG assistance is appropriate and that the project will generate sufficient public benefit, the local government's application must also document that the activity meets a national objective. Following are synopses of each of the three national objectives.

- 1 Benefit to the TIG. An activity will be considered to address the objective of benefit to the TIG if it meets one of the following criteria:
  - a) At least 51 percent of the jobs created or retained by an activity must benefit the TIG. The TIG, which includes the "Lowest Targeted Income Group (LTIG)," is based on a county's median income limit adjusted for family size, which is provided annually by HUD. TIG is 80 percent and below of the adjusted county median family income. LTIG is 50 percent and below of the adjusted county median family income.  
At the application stage, an activity is deemed to meet this national objective based upon the projected TIG benefit specified in the application (at least 51 percent of the jobs projected to be created

are expected to be filled by members of the TIG). The projected figure should be supported by a discussion of the types of jobs to be created, and signed or draft employment agreements that specify roles and responsibilities related to screening and hiring income-eligible job candidates

#### Job Creation Proposals

In job creation proposals, it is required that an applicant demonstrate that CDBG assistance will result in the creation of permanent, FTEs private-sector jobs, principally for the TIG. The Employment Projection Form (in the Application For Funding) should document the net projected increase in FTE jobs and the number of those jobs that will be filled by members of the TIG. For start-up businesses, job creation estimates should be supported by the projected labor costs contained in the financial projections. Financial projections provided in MS Excel format for existing businesses must also show the timing and breakdown in additional labor costs associated with the increase in jobs.

Failure to meet these job creation estimates result in grant monitoring findings and point consequences for future CDBG ED Allocation applications. Failure to meet minimum CDBG public benefit requirements (\$35,000/job) will result in repayment of grant funds or program income to the Department.

Where CDBG funds are used to assist a development project with multiple tenants, such as a shopping center or an office building, the applicant must document that at least 51 percent of the aggregate jobs created by the entire development will be held by members of the TIG.

#### Job Retention Proposals

To qualify as a job retention proposal, the application must make the case that CDBG funds are necessary to keep an existing business operating. The application must document that if not for the infusion of the CDBG funds, the jobs would be lost.

If the national objective being met is through benefit to the TIG, the TIG level may be documented through self certification of the employees.

- b) **Area benefit activity.** In rare instances, an activity may benefit an area in which at least 51 percent of the residents are in the TIG. To determine the activity benefit area, the applicant may furnish census tract or survey data that is deemed by the Department to be

methodologically sound. An activity that serves an area that is *not* primarily residential in character does not qualify under these criteria.

An example of an area benefit activity is a neighborhood grocery store that serves a defined residential area in which it can be determined that at least 51 percent of the residents are members of the TIG.

- 2) **Aid in the prevention or elimination of slums or blight.** An activity is eligible under this national objective if:
- a) The activity will occur in an area, delineated by the applicant, that meets a definition of a slum, blighted, deteriorated or deteriorating area under state or local law,
  - b) Throughout the area there is a substantial number of deteriorated or deteriorating buildings or the public improvements are in a general state of deterioration,
  - (c) Documentation is maintained by the applicant on the boundaries of the area and the condition which qualified the area at the time of its designation, and
  - (d) The assisted activity addresses one or more of the conditions which contributed to the slum and blighting condition of the area.

This national objective can also be met on a "spot" basis for activities not located in a designated slum or blighted area. Rehabilitation is limited to the extent necessary to eliminate specific conditions detrimental to public health and safety.

- 3) **Meet a community development need having a particular urgency.** An activity meets this national objective if the applicant certifies that the assisted activity is needed to alleviate existing conditions that pose a serious and immediate threat to the health and welfare of the community. The conditions must be of recent origin (developed or became critical within 18 months preceding the certification by the grantee), the grantee must be unable to finance the activity on its own, and other sources of funding are not available. In addition, for those projects meeting the national objective of benefit to the TIG, a screening system must be in place to determine TIG benefit.

E. Documenting Nation Objective

1) **TIG Benefit**

- a) Income Surveys: Income surveys may be conducted to determine TIG eligibility, but since “self certifications” are logistically easier to obtain, they are the preferred method of documentation. Should an income survey be desired, contact your local CDBG field representation for details.
- b) Self-Certifications: The self-certification form is one that employees fill out to verify their household income. To be valid, a self-certification form must be completed and signed by the employee. The Department offers the form in Spanish, upon request. (See the FORMS section for a sample of the self certification form.)
- c) Presumption: Current federal regulations allow the presumption that an employee belongs to the TIG if the employee resides in a census tract (or block numbering area), which is:
  - i) Part of a federally designated Empowerment Zone or Enterprise Community; or
  - ii) Has a poverty rate of at least 20 percent as determined by the most recent decennial census information; and it does not include any portion of a central business district, unless the tract has a poverty rate of at least 30 percent as determined by the most recent decennial census information; and it evidences pervasive poverty and general distress if all block groups in the census tract have poverty rates of at least 20 percent, or the specific activity is located in a block group that has a poverty rate of at least 20 percent, or upon the written request of HUD to determine that the census tract exhibits other objective signs of general distress (high rates of crime, drug use, homelessness, abandoned housing and deteriorated infrastructure or population loss); or
  - iii) Has at least 70 percent of its residents who are low or moderate income persons; or, if the business is located in any one of the census areas identified in 1 and 2 above, and the job under consideration is to be located within that census tract.

- 2) **Slums and Blight:** For a project designed to meet the national objective of eliminating slums and blight, specific federal requirements must be addressed. If the project is located in a formally designated Redevelopment Area, or if the project site can be formally designated as blighted on a spot basis, the application will qualify as eligible for addressing the slums and blight national objective. The application must include a Redevelopment Plan document identifying the project location as a priority for eradication of blight as underdeveloped and underutilized,

and/or a formally adopted Resolution identifying the site or building based upon the definition of blight included in the California Health and Safety Code.

- 3) **Urgent Need:** For projects designed to meet the national objective “urgent need”, please contact your State CDBG Representative for guidance.

**STAGE TWO: PROGRAM THRESHOLD CRITERIA: MAXIMUM POINTS: 80**

**A. Factor #1: Percent of Unemployed Relative to Statewide Average**

To determine unemployment point scores, the Department will use the unemployment information most advantageous to the applicant, using data published by the State Employment Development Department (EDD) “Counties (Report 400C). See link for employment information.

<http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PageID=4&SubID=164>

The Department will use either the most recent county-wide revised monthly rate compared to the state's monthly unemployment rate, or annual data for the county and state regardless of whether the project is located in an incorporated or unincorporated area. Applicants are advised to contact the Department for the most current data prior to submitting an application. A maximum of 25 points is available in this category. This calculation is performed each time a project is considered for funding. The point scoring is as follows:

- |    |  |           |
|----|--|-----------|
| 1. | More than 2 percentage points below the statewide average.                           | 0 points  |
| 2. | Below the statewide average, but within 2 percentage point of the statewide average. | 10 points |
| 3. | Equal to or up to 125 percent of the statewide average.                              | 15 points |
| 4. | Above 125 percent and within 150 percent of the statewide average.                   | 20 points |
| 5. | Above 150 percent of the statewide average   | 25 points |

**B. Factor #2: Ratio of CDBG Funds Per Public Benefit:**

This factor will be used to determine the cost effectiveness of the proposal. The Department uses a single cost per job or goods/services per TIG standard for this factor. Infrastructure and community facility projects, as well as business loans, all have the same cost per job standard. A maximum of 15 points is available in this category.

The CDBG cost per job created or retained for all projects is between:

- |                          |           |
|--------------------------|-----------|
| 1. \$30,000 and \$35,000 | 5 points  |
| 2. \$25,000 and \$29,999 | 10 points |
| 3. Less than \$25,000    | 15 points |

**C. Factor #3: Ratio of Private to CDBG Funds:**

All CDBG assisted projects must maximize the utilization of available private dollars from equity and/or debt. Proposals demonstrating a ratio of at least two private dollars to every CDBG dollar (2:1) will receive 15 points, the highest number available in this category. Projects with ratios of less than 2:1 are still eligible but will receive fewer points. Job retention projects must demonstrate private leverage, but consideration will be given to less than a 2:1 ratio if it can be demonstrated that personal and business assets are depleted. Consideration will be given to less than a 2:1 ratio for start-ups, emerging businesses and business incubators. These situations will be evaluated on a case-by-case basis. Start-ups must provide evidence of an equity injection.

Where projects will be funded internally, a letter of commitment identifying the source of funds must be submitted from an official with authority to make the commitment. Where a private lender is participating, a letter of commitment or a letter of intent that contains proposed terms and conditions of financing. must be provided in the application for the application to be considered complete. (Note: CDBG will make a forward commitment in advance of other funding source(s) final commitment(s). In this instance, the application should include a letter from the proposed funding source citing the probable funding terms. Points for leverage will be awarded based upon the proposed funding.)

Expenditures made in advance of the CDBG award are not included in leverage calculations unless the application contains documentation that the expenditure was made within 90 days prior to the filing date and that the expenditures are directly related to the proposed CDBG-assisted project.

Land previously acquired by the private entity is counted toward leverage only in projects involving new construction. The contribution will be the equity interest in such land valued at cost or market value, provided the market value is substantiated by an appraisal or sales agreement that is acceptable to the

Department. None of the CDBG loan proceeds may be used for reimbursement of the land cost.

A maximum of 15 points is available in this category, assigned as follows:

- |    |  |                 |
|----|--|-----------------|
| 1. | Less than 1:1 without justification  | 0 points        |
| 2. | Less than 1:1 with justification   | 5 points        |
| 3. | At least 1:1 but less than 2:1   | 10 points       |
| 4. | 2:1 and above  | 15 points       |
| 5. | Job retention where personal, business and bank resources have been exhausted. | Up to 15 points |

**D. Factor #4: Past Performance on CDBG ED Grants:**

An applicant's past performance on CDBG ED grants is an application review factor. Experience shows that the grantee's commitment and ability to manage a prior grant is directly related to the success of the proposed project. Department staff will review the grantee's milestones and expenditures on prior ED grants to determine a point score. Problems will be assessed and categorized as major, moderate, or minor. The 15 points available in this category are assigned as follows:

- |    |  |           |
|----|--|-----------|
| 1. | Major performance problems:<br><input type="checkbox"/> non-submittal of a GPR<br><input type="checkbox"/> non-submittal of three or more semi-annual FARs<br><input type="checkbox"/> unresolved major monitoring or audit finding  | 0 point   |
| 2. | Moderate Performance problems:<br><input type="checkbox"/> non-submittal of two semi-annual FARs<br><input type="checkbox"/> achieving less than 25 percent of expenditures shown on milestone projections<br><input type="checkbox"/> unresolved minor monitoring or audit finding                          | 5 points  |
| 3. | Minor performance problems:<br><input type="checkbox"/> achievement of less than 50 percent of expenditures shown on milestone projections<br><input type="checkbox"/> failure to clear grant special conditions by deadline<br><input type="checkbox"/> no unresolved monitoring findings or audit findings | 10 points |
| 4. | No reporting, expenditure, monitoring or audit findings, or Applicant is applying to the CDBG ED Allocation for the first time   | 15 points |

**E. Factor #5: Percentage of Funds Allocated to Applicant's General Administration Costs:**

Efficiently run programs will receive the most points under this category. Usually, programs can be administered for 5 - 7.5 percent of the total funds requested. Applicants that wish to forgo an administrative budget entirely must provide a justification for a waiver of the administrative budget, based on demonstrable management capacity. The Department reserves the right to reject the waiver. There are 10 points available in this category.

- |    |  |           |
|----|--|-----------|
| 1. | Less than 5 percent or unjustified greater than 7.5 percent                                    | 0 points  |
| 2. | Less than 5 percent and justified or entirely waived and justified                             | 10 points |
| 3. | Between 5 - 7.5 percent of total grant   | 10 points |
| 4. | Up to \$10,000 for a grant of \$135,000 or less upon Department approval of a line item budget | 10 points |

**STAGE THREE: FEASIBILITY**

Guidelines and Objectives for Evaluating a CDBG Economic Development Project. HUD requires that the state or local government conduct basic financial underwriting prior to the provision of CDBG financial assistance to a business. HUD has developed guidelines that are designed to provide applicants with a framework for financially underwriting projects. These same guidelines allow the CDBG Program to select projects that are financially viable and will make the most effective use of the CDBG funds. Applications must achieve an overall level of compliance with the seven underwriting criteria for a positive staff recommendation. Results of the third stage review will appear in the staff report presented to the Economic Development Advisory Committee.

The objectives of the underwriting guidelines are to ensure:

- (1) That project costs are reasonable,
- (2) That all sources of project financing are committed,
- (3) That to the extent practicable, CDBG funds are not substituted for non-federal financial support,
- (4) That the project is financially feasible,
- (5) That to the extent practicable, the return on the owner's equity investment will not be unreasonably high,
- (6) That to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project, and
- (7) Projected public benefit is reasonable.

**Project Costs are Reasonable** There should be a uses of funds analysis that includes both the hard and soft costs associated with the project. Hard costs include land purchase, building construction, and equipment purchase; soft costs

are appraisal fees, construction points and interest, architectural services, assessments and permit fees, etc. paid to a third party outside the benefiting business. Costs should be documented by independent third party appraisers, general contractors, equipment vendors, etc. Estimates should also address the applicability of federal and state prevailing wage compliance to project costs.

Federal and state prevailing wages will be triggered on the entire project when CDBG funds pay for:

- New construction or rehabilitation,
- On-site improvements in support of new construction, and
- Equipment Installation when it becomes integral to the building housing it.

Prevailing wage requirements are also in effect for the labor used to install equipment when installation costs are significant relative to the purchase price of the equipment.

Federal prevailing wages will not be triggered on the entire project in circumstances where CDBG funds pay for:

- Land acquisition,
- Construction of off-site improvements (only the off-site improvements are subject to prevailing wages), and,
- purchase or installation of "roll-in" or "plug-in" types of equipment not integral to the structure. It is recommended that an applicant provide a list of equipment with the pre-applications so that the ED program staff can determine the applicability of federal and state prevailing wages.

The applicant must determine the appropriateness of third-party cost estimates for public and private improvements. If the reviewer does not use third-party price quotations to verify cost elements, then the reviewer must conduct a cost analysis using appropriate cost estimating manuals or services or fair market price quotations, including appraisals.

Pay particular attention to any cost element of the project carried out through a non-arms-length transaction. A non-arms-length transaction can occur when the business entity receiving the CDBG assistance procures goods or services or acquires property from itself or from another party with whom there is a financial interest or family relationship. If abused, non-arms-length transactions misrepresent the true cost of the project.

For a working capital loan, the request must be evaluated against industry averages and the historical needs of the business, incorporating an assessment of the business' operating cycle and a ratio analysis.

**Commitment of All Sources of Project Financing:** Prior to the commitment of CDBG funds to the project, the project review should verify that:

1. Sufficient sources of funds, including equity, have been identified to finance the project;
2. All participating parties providing those funds have affirmed their intention to make the funds available; and

3. The participating parties have the financial capacity to provide the funds.

Private Lender Commitment. The best evidence of private lender commitment is a letter on the institution's letterhead describing the bank's commitment to the project. The Department may make commitments of CDBG funds that are conditional upon receiving final lender commitments within 90 days of the commitment letter. In order to fully evaluate the financial feasibility of projects, uncommitted lenders must provide adequate information on the following factors for the application to be considered complete and to permit analysis by staff:

- a. Amount and Term of Loan. The letter should state the amount of the loan being provided for the specific activity to be undertaken and the proposed rate and term.
- b. Type of Loan. The lender should include a statement about the type of loan the lending institution is making: interim, construction or permanent.
- c. Terms and Conditions. The lending institution should describe the terms and conditions for making the loan, including collateral, evidence of acceptable financial ratios, applicable points and loan fees, any special provisions or covenants, etc.
- d. Contingency. A statement that the loan will be made contingent upon an award of the CDBG funds is acceptable.

Public Agency Commitment. The CDBG Program often works in conjunction with other public funding agencies such as the U.S. Small Business Administration, U.S. Economic Development Administration, or Rural Development prior to application. Applicants are encouraged to obtain the firmest possible commitment prior to application from these entities when several funding sources are proposed.

**Avoid Substitution of CDBG Funds for Non-federal Financial Support:**

The proposed CDBG economic development project should be reviewed to ensure that, to the extent practicable, CDBG funds will not be used to substantially reduce the amount of non-federal financial support for the activity. This will help the grantee to make the most efficient use of its CDBG funds for economic development.

To reach this determination, the reviewer should conduct a financial underwriting analysis of the project, including reviews of appropriate projections of revenues, expenses, debt service and returns on equity investments in the project. The extent of this review should be appropriate for the size and complexity of the

project and should use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

A reviewer should familiarize themselves with the lending practices of the financial institutions in the community. If the project's total cost is one that would normally

fall within the range that financial institutions participate, then the project review should determine the following:

- A. Private debt financing: Whether or not the participating business (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participate in the project; and
- B. Equity participation: Whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the entrepreneur(s) to make additional financial investments.

If the project involves providing assistance to a microenterprise owned by a low (or moderate) income person(s) (TIG person), then the reviewer might only need to determine that non-federal sources of financing are not available (at terms appropriate for such financing) in the community to serve the low (or moderate) income entrepreneur.

**Financial Feasibility of the Project:** The basic analysis to determine financial feasibility examines both the project's general chances for success, including readiness, along with the relationship of the sources of funds to the proposed uses of funds. A project would be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, projections of revenue, project expenses and debt service (including repayment of the CDBG assistance if appropriate) were determined to be realistic and met the project's break-even point (which is generally the point at which all revenues are equal to all expenses). Generally speaking, an economic development project that does not reach this break-even point over time is not financially feasible.

A feasibility analysis will identify and address the following:

- Status of site control,
- Status of Leases/Pre-leases and lease-up schedule on development projects,
- Property encumbrances,
- Analysis of market, including analysis of appraisal where appropriate,
- Management capacity for a developer project and/or business(es) responsible for job creation,
- Conditions of funding from other private and public institutions,

- Adequacy of project assumptions based upon historical financial statements/tax returns, pro forma financial projections, and credit history,
- Collateral coverage, i.e. appraisals less than 6 months old and personal guarantee supported by personal financial statement,
- Ratio analysis, historical and pro forma, relative to industry averages, and
- Realistic job projections, based on industry norms, reflected in pro formas.

In the case of a loan to a business or developer or an infrastructure project requiring repayment, the applicant must demonstrate the overall feasibility of the proposed project and the resulting ability of the business or developer to repay all loans. Infrastructure grant projects should include a financial review to determine the viability of the business or development benefiting from the improvements, and the project's ability to create or retain jobs.

**Marketing:** A market analysis is required for both existing and start up businesses as documentation that the proposed expansion or start up is feasible. An existing business may desire to expand or have a new product or service. A start-up business must document that it can meet an existing business need. Real estate developments require an "absorption" study to substantiate the need for additional commercial or manufacturing space as well as the impact on existing businesses (particularly shopping center projects). Small business incubators require a market feasibility study that indicates that sufficient entrepreneurial activity exists to result in the formation of new business (or expansion of existing small businesses) to create net new jobs, and that existing facilities and services are inadequate to support this activity. Net job creation is an important additional consideration in evaluating market feasibility of projects.

**Return on Equity Investment (Undue Enrichment Prohibition):** To the extent practicable, projects assisted with CDBG funds are not allowed to realize a higher rate of return (undue enrichment) on private equity investment that what is seen in industry standards. Undue enrichment is avoided in two ways: Adjusting the amount and terms of the CDBG loan and 2) adjusting the amount of private equity. All projects will be expected to show a private equity injection. When equity funds are being injected into the project, a commitment letter must include an identified/ committed source of funds to be provided by the principal(s) supported by independent documentation that the funds are available for injection at the time they are required.

**Disbursement of CDBG Funds on a Pro Rata Basis:** To the extent practicable, CDBG funds used to finance economic development activities should be disbursed on a pro rata basis with other funding sources. The application should not place CDBG funds at significantly greater risk than non-CDBG funds. When it has been determined that it is not practicable to disburse CDBG funds on a pro rata basis, the underwriter should consider taking other steps to safeguard CDBG funds in the event of a default, such as insisting on securitizing assets of the project.

**Standards for Evaluating Public Benefit:** Besides reviewing a project under these underwriting factors, the project must be reviewed to determine that at least a minimum level of public benefit is obtained from the expenditure of the CDBG funds. The minimum standards for each type of public benefit are as follows:

- A. The project must lead to the creation or retention of at least one FTE job per \$35,000 of CDBG funds used, or
- B. Provide goods or services to residents of an area, such that the number of TIG persons residing in the areas served by the assisted business amounts to at least one TIG person per \$350 of CDBG funds used.

If the jurisdiction develops an employee training agreement with an organization implementing the Workforce Investment Act (WIA), the WIB's standards for verifying income eligibility are acceptable to the CDBG Program provided the WIA verifies the income of 100 percent of the job applicants referred to the business according to HUD income guidelines. The jurisdiction may apply Activity Delivery funds to the cost of contracting for the income screening service. Any agreement with the agency should specify the percentage of employees who will be participating in a WIA on-the-job training program

The Department will use the following criteria to evaluate the jobs to be created or retained:

- Are the number of jobs proposed within industry norms?
- Are the pay and benefits realistic for the labor market?
- Do the jobs require specialized skills or higher education (beyond a high school diploma) or are they available to employees with a general education (high school diploma) and general job skills?
- Is there a signed agreement to recruit, screen and train TIG workers to fill at least 51 percent of the jobs?
- Do the cash flow projections accurately reflect the labor costs associated with the new jobs?
- Is there a satisfactory timetable for hiring included in the project milestones? Are there quarterly projections for cumulative job creation? Do the milestones indicate job creation within a reasonable period after CDBG funds are injected?
- Is there a job tracking system that provides information about all employees: job classification, TIG status, annual hours employed, and on-the-job training status, salary, ethnicity, gender and handicapped status?

**Job reporting for an infrastructure project designed to overcapacity where the National Objective is job creation for the TIG:** If the projected cost per job is less than \$10,000, the area of benefit includes only the initially benefiting business(es) and job creation/income data must be collected from these businesses. However, if the cost per job is projected to be \$10,000 or more, the

area of benefit includes the initially benefiting business(es), and any other businesses that locate or expand in the service area of the CDBG-funded public improvement or community facility. The cost per job data must be tracked until the actual cost per job is less than \$10,000 or until one year from the completion of the improvements.

This requirement does not apply to infrastructure projects in support of development where the National Objective to be met is eradication of slums and blight. Job reporting under this objective will consist of quarterly payroll review showing hire dates and work hours.

#### **STAGE FOUR: CDBG LOAN COMMITTEE:**

The final step is submission of the application to the CDBG Loan Committee, the Economic Development Advisory Committee (EDAC), at a public meeting held approximately forty-five (45) days from the receipt of a complete application.

This submission involves writing a summary report (staff report) of the project by CDBG staff, which recommends approval or denial of the application. In addition to the staff report, the applicant and/or business/developer makes a presentation to the EDAC on the project. The EDAC accepts, rejects or modifies the staff recommendation. The EDAC then votes on a funding recommendation to be provided to the Director of the Department who has final approval authority. The Director's funding decision is made **approximately sixty (60) days** from the receipt of a complete application.

## VI. PROJECT AND GRANTEE FORMS

**SAMPLE NOTICE OF DESIGN PHASE  
PUBLIC HEARING FOR DISCUSSION OF POSSIBLE CDBG APPLICATIONS**

NOTICE IS HEREBY GIVEN that a public hearing will be held on **(Date)** at **(TIME)** p.m., City/County of , **(Address)** CA, in order to discuss possible applications for funding under the Fiscal Year 2007-08 State Community Development Block Grant (CDBG) Program and to solicit citizen input on possible activities to be included in these applications.

The General and Economic Development Components of the State CDBG program publish Notices of Funding Availability (NOFAs) each program year (July 1 to June 30). Eligible cities and counties may submit applications for CDBG funds under these NOFAs. Typically, up to \$500,000 is available under the General Allocation NOFA each year. Up to \$500,000 is available under the Economic Development Enterprise Allocation each year. Also, the Economic Development Over-the-Counter Allocation can award up to \$2,500,000 per year. Each year Planning and Technical Assistance Grants up to \$70,000 under the General Component and \$70,000 from the Economic Development Component are awarded on a first come first serve basis. The state issues two small NOFAs each year under the Native American and Colonia's Allocations. The Native American Allocation is only for areas where concentrations of low income Native Americans live, who are not part of a federally recognized Indian tribe or Rancheria. The Colonia's funding is only for designated communities within 150 miles of the Mexican American border.

Eligible activities under the above Allocations and NOFAs consist of: housing-new construction projects; housing acquisition and housing rehabilitation programs; community facility and public work projects; public service programs and planning studies. Economic development programs and projects are also eligible along with planning activities. Eligible activities paid for with State CDBG funds must meet one or more of the three National Objectives listed in CDBG Federal Statutes as follows: benefit to low income households or persons (also called Target Income Group (TIG)); elimination of slums and blight; or meeting urgent community development need (a need resulting from a state or federally declared disaster).

The City of City/County anticipates submitting applications under one or more of the State CDBG NOFAs published during the 2007-08 program year. Applications are anticipated under the General and Economic Development Components as well as the Planning and Technical Assistance Components. A separate public hearing will be held to discuss and approve each proposed application prior to submittal to the state.

The purpose of this public hearing will be to give citizens an opportunity to make their comments known regarding what types of eligible activities the City/County should be applying for under the State CDBG program. If you are unable to attend the public hearing, you may direct written comments to the City/County (Address), CA , or you may telephone (000) 000-0000. In addition, information is available for review at the above address between the hours of 8:00 a.m. and 5:00 p.m. on weekdays.

The City/County promotes fair housing and makes all programs available to low and moderate income families regardless of age, race, color, religion, sex, national origin, sexual preference, marital status or handicap.

(rev.4/07)

**SAMPLE NOTICE OF APPLICATION PHASE  
PUBLIC HEARING FOR SUBMISSION OF CDBG APPLICATIONS**

**PUBLIC NOTICE**

NOTICE IS HEREBY GIVEN that the County of Sorrento will conduct a public hearing by the Board of Supervisors on January 8, 2007 at 10:30 a.m., Board of Supervisors chambers, 330 Fair Lane, in order to solicit comments regarding an application by the County of Sorrento to the State of California, Department of Housing and Community Development for a \$500,000 block grant. The County is considering using this money to finance a business expansion project.

Persons interested in the program should appear before the Board of Supervisors at the above public hearing on January 8, 2007, in order to make their comments known. If you are not able to attend the public hearing, you should direct your written comments to the County of Sorrento, Community Programs, 937 Spring Street, Daisyville, California 95667. Written comments must be received at the above address by 5:00 p.m. on January 8, 2007. In addition, information may be obtained from Community Programs at the above address between the hours of 8 a.m. and 5 p.m. on weekdays or you may telephone Community Programs at (916) 626-2183.

**SAMPLE RESOLUTION**

NOTE: An application for the State CDBG Program is to include, at minimum, the following information in a resolution. Applicants have the option of including any additional pertinent information.

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION APPROVING AN APPLICATION FOR FUNDING FROM THE ECONOMIC DEVELOPMENT ALLOCATION OF THE STATE CDBG PROGRAM AND IDENTIFYING THE RESPONSIBLE PARTY FOR GRANT ADMINISTRATION

BE IT RESOLVED by the City Council of the City of \_\_\_\_\_ as follows:

SECTION 1.

The City Council has reviewed and hereby approves an application for: (list activities, location and dollar amount of each activity)

SECTION 2.

The City Council has reviewed and hereby agrees to comply with all assurances executed in connection with the application and, if awarded, the grant.

SECTION 3.

The City Council has reviewed and understands its obligation to repay CDBG funds in the event that this activity is determined to be ineligible.

SECTION 4.

The (County Administrative Officer, City Manager, Planning Director, etc.) is hereby authorized and directed to act on the City's behalf in all matters pertaining to this application, including submittal of the application, execution of the grant agreement, drawdown of funds, submittal of amendment requests, and execution of grant amendment documents. Additionally, the\_\_\_ (City Manager, Planning Director, etc.) shall be the party responsible for grant administration and execution of all documents including grant amendments.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of \_\_\_\_\_ held on \_\_\_\_\_ by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Mayor of the City of \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk of the City of \_\_\_\_\_

## STATEMENT OF ASSURANCES (Revised January 15, 2004)

The City/County of \_\_\_\_\_ hereby assures and certifies that:

1. It possesses legal authority to apply for the grant and to execute the proposed program.
2. Its governing body has duly adopted or passed as an official act or resolution, motion, or similar action authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the applicant's chief executive officer or other designee to act in connection with the application and to provide such additional information as may be required.
3. It has or will comply with all citizen participation requirements, that include, at a minimum, the following components:
  - a. Provides for and encourages citizen participation, with particular emphasis on participation by persons of low and moderate income who are residents of slum and blight areas and of areas in which CDBG funds are proposed to be used, and provides for participation of residents in low and moderate income neighborhoods as defined by the local jurisdiction;
  - b. Provides citizens with reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, as required by CDBG regulations, and relating to the actual use of funds under this title;
  - c. Provides for technical assistance to groups representative of persons of low and moderate income that request such assistance in developing proposals with the level and type of assistance to be determined by the grantee;
  - d. Provides for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program. These include at least the development of needs, the review of proposed activities, and review of program performance, which hearings shall be held after adequate notice, at times and locations convenient to potential or actual beneficiaries, and with accommodation for the handicapped. This shall include one public meeting during the program design, annual performance report preparation, and formal amendments. A public hearing shall be conducted prior to application submittal;
  - e. Solicits and provides for a timely written answer to written complaints and grievances, within 15 working days where practicable; and

- f. Identifies how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can reasonably be expected to participate.
4. Its CDBG Program has been developed so as to primarily benefit targeted income persons and households, and each activity in the program meets one of the three national objectives: benefit to low and moderate income persons, elimination of slums and blight, or meets an urgent community need certified by the grantee as such.
5. It consents to assume the responsibilities for environmental review and decision-making in order to ensure compliance with NEPA by following the procedures for "recipients" of block grant funds as set forth in 24 CFR, Part 58, entitled "Environmental Review Procedures for Title I Community Development Block Grant Programs." Also included in this requirement is compliance with Executive Order 11988 relating to the evaluation of flood hazards, and Section 102(a) of the Flood Disaster Protection Act of 1973 (Public Law 93-234) regarding purchase of flood insurance, and the National Historic Preservation Act of 1966 (16 USC 470) and implementing regulations (36 CFR 800.8).
6. It consents to assume the role of either "Lead Agency" as defined by Section 21067 of the California Public Resources Code, or if another agency is or will be designated "Lead Agency," it consents to assume the role of "Responsible Agency" as defined by Section 21069 of the California Public Resources Code, in order to ensure compliance with CEQA.
7. It has resolved any audit findings or performance problems for prior CDBG grants awarded by the state.
8. It certifies that there is no plan, ordinance, or other measure in effect which directly limits, by number, the building permits that may be issued for residential construction or the buildable lots, which may be developed for residential purposes; or if such a plan, ordinance, or measure is in effect, it will either be rescinded before receiving funds, or it need not be rescinded because:
  - a. It imposes a moratorium on residential construction, to protect the health and safety, for a specified period of time which will end when the public health and safety is no longer jeopardized; or
  - b. It creates agricultural preserves under Chapter 7 (commencing with Section 51200) of Part 2 of Division 1 of Title 5 of the Government Code; or
  - c. It was adopted pursuant to a specific requirement of a state or multi-state board, agency, department, or commission; or

- d. The applicant has a housing element which the Department of Housing and Community Development has found to be adequate, unless a final order has been issued by a court in which the court determined that it is not in compliance with Article 10.6 of Chapter 3 of Division 1 of Title 7 of the Government Code; or
  - e. The use of the funds applied for in this application is restricted for housing for the TIG.
9. It will comply with the regulations, policies, guidelines, and requirements of OMB Circular Numbers A-87, A-133, A-122, and 24 CFR Part 85, where appropriate, and the State CDBG regulations.
10. It shall comply with the following regarding nondiscrimination:
  - a. Title VI of the Civil Rights Act of 1964 (Public Law 88-352).
  - b. Title VIII of the Civil Rights Act of 1968 (Public Law 90-284) as amended; and will administer all programs and activities related to housing and community development in a manner affirmatively furthering fair housing.
  - c. Section 109 of the Housing and Community Development Act of 1974, as amended.
  - d. Section 3 of the Housing and Urban Development Act of 1968, as amended.
  - e. Executive Order 11246, as amended by Executive Orders 11375 and 12086.
  - f. Executive Order 11063, as amended by Executive Order 12259.
  - g. Section 504 of the Rehabilitation Act of 1973 (Public Law 93-112), as amended, and implementing regulations.
  - h. The Age Discrimination Act of 1975 (Public Law 94-135).
  - i. The prospective contractor's signature affixed hereon and dated shall constitute a certification under the penalty of perjury under the laws of the State of California that the bidder has, unless exempted, complied with the nondiscrimination program requirements of Government Code Section 12990 and Title 2, California Code of Regulations, Section 8103.
11. It will comply with the Federal Relocation Act (42 U.S.C. 4601 et seq.) and will certify that it is following a residential anti-displacement and relocation plan.

12. It will comply with the following regarding labor standards:
  - a. Section 110 of the Housing and Community Development Act of 1974, as amended.
  - b. Section 1720 et seq. of the California Labor Code regarding public works labor standards.
  - c. Davis-Bacon Act as amended (46 U.S.C. 276a) regarding prevailing wage rates.
  - d. Contract Work Hours and Safety Standards Act (40 USC 327-333) regarding overtime compensation.
  - e. Anti-Kickback Act of 1934 (18 USC 874) prohibiting "kickbacks" of wages in federally assisted construction activities.
13. It will comply with the Architectural Barriers Act of 1968 (42 USC 4151) and implementing regulations (24 CFR Part 40-41).
14. It will enforce standards of conduct that govern the performance of its officers, employees, and agents engaged in the administration of contracts funded in whole or in part by the CDBG Program (Section 7120(d) of the State regulations).
15. It will comply with the Hatch Act (5 USC 1501 et seq.) regarding political activity of employees.
16. It will comply with the Lead-Based Paint Regulations (24 CFR Part 35), which prohibits the use of lead-based paint on projects funded by the program.
17. It is not, nor will it employ, award contracts to, or otherwise engage the services of any contractor while that contractor (or its principals) is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from the covered transaction, in any proposal submitted in connection with the CDBG program under the provisions of 24 CFR part 24.
18. It will give HUD, the Comptroller General, the State Department of Housing and Community Development, or any of their authorized representatives access to and the right to examine all records, books, papers, or documents related to the grant.
19. It will not attempt to recover any capital costs of public improvements assisted in whole or in part with CDBG funds by assessing properties owned and occupied by targeted income persons unless:
  - a. CDBG funds are used to pay the proportion of such assessment that relates to non-CDBG funding or

- b. for the purposes of assessing properties owned and occupied by targeted income persons who are not of the lowest TIG, it does not have sufficient CDBG funds to comply with the provisions of a. above.

20. It will adopt and enforce policies

- a. prohibiting the use of excessive force by its law enforcement agencies against individuals engaged in non-violent civil rights demonstrations and
- b. enforcing applicable state and local law against physically barring entrance to or exit from a facility or location, which is the subject of such non-violent civil rights demonstration within its jurisdiction.

The certification is made under penalty of perjury under the laws of the State of California.

CERTIFYING OFFICIAL: \_\_\_\_\_  
(Chief Administrative Executive—enter exact title of person signing)

\_\_\_\_\_  
Signature Date

## CERTIFICATION OF COMPLIANCE WITH OMB CIRCULAR A-133

Office of Management and Budgets (OMB) Circular A-133 is issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156. It sets forth the standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. Cities and counties not exempted from the requirements of OMB Circular A-133 must submit their audits to the State Controller. Non-profit organizations not exempted must submit their audits to the California Department of Housing and Community Development.

Pursuant to the requirements of OMB Circular A-133, please check the appropriate box(s) and certify at the bottom of the page:

The \_\_\_\_\_ (name of entity) has expended more than \$500,000 in federal funds in fiscal year 2007-08 and is required to conduct a single audit or program specific audit for this year in accordance with the provisions of OMB Circular A-133.

The audit has been completed and has been submitted to the appropriate control agency.

The audit has not been completed. It is anticipated that the audit will be completed and submitted to the appropriate control agency by: \_\_\_\_\_ (date).

The \_\_\_\_\_ (name of entity) has expended less than \$500,000 in federal funds in fiscal year 2007-08 and is exempt from the requirements of OMB Circular A-133. Non-federal entities that expend less than \$500,000 a year in federal awards are exempt from federal audit requirements for that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and the General Accounting Office.

I certify on behalf of \_\_\_\_\_, (name of entity) that the above is a true and accurate statement.

\_\_\_\_\_  
(Printed name and title)

\_\_\_\_\_  
(Signature) (Date signed)

## BUSINESS ASSISTANCE SOURCES AND USES OF FUNDS FORM

### USES SOURCES

	CDBG	Equity		Private Lender		Other Private		Other Public		Total
		Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	
Acquisition: Land Building										
New Construction										
On-site Improvements										
Rehab/Tenant Improvements										
Machinery/Equip										
Working Capital										
Inventory										
Debt Retirement										
Other (i.e. Dev. Costs)										
Activity Delivery										
General Administration										
Total Funds:										

**NOTE:** All sources of funds must be identified and documented by letter of interest, except equity, which must be documented by letter of commitment and financial statements. All uses of funds must be supported by third party cost estimates or quotations.

## INSTRUCTIONS: BUSINESS ASSISTANCE SOURCES AND USES OF FUNDS FORM

This form should display all funds contributed to the activity from any source and all uses for which those funds will be expended. The Department will use the information in this form to determine private leverage and business or developer equity. If financing for an activity changes, new Sources and Uses of Funds forms must be submitted.

### USES

1. Acquisition of Land and/or Building: This includes all projected land and/or building acquisition costs or the value of previously purchased land. Documentation for projected costs must include a deposit receipt or purchase agreement. Documentation of the value of previously purchased land should consist of an appraisal. Previously purchased land should be shown as equity, but will not be counted as leverage, unless purchased within the last six months in anticipation of this application.
2. New Construction: This includes all new construction costs (including contingencies) for building construction/rehabilitation, on-site costs, etc. Documentation must include cost estimates from a third party (contractor, architect, engineer) or invoices (for costs already incurred).
3. On-Site Improvements: This includes all construction costs (including contingencies) for on-site improvements (i.e. parking, driveways, on-site waterlines and sidewalks at the property line open space) Documentation must include cost estimates from a third party (contractor, architect, engineer) or invoices (for costs already incurred).
4. Rehab/Tenant Improvements: This includes all new construction costs (including contingencies) for building rehabilitation. Documentation must include cost estimates from a third party (contractor, architect, engineer) or invoices (for costs already incurred). With respect to rehabilitation costs, show costs incurred prior to and subsequent to grant award.
5. Machinery and Equipment: This includes all projected purchases and previous purchases of machinery and equipment (indicate new or used) for this project. Projected purchase prices should be documented by cost estimates provided by suppliers. Previous purchases should be documented by invoices or an appraisal of market value. Existing machinery and equipment should be shown as equity, but will not be counted as leverage, unless purchased within the last 90 days in anticipation of this application.
6. Working Capital: This includes working capital requirements related directly to the activity. Typically, working capital requirements are derived by estimating six months of overhead and expenses. Do not include anticipated profits from operations

7. Inventory
8. Debt Retirement: Not an eligible CDBG expense, but must be listed
9. Other (Development Costs): This includes development costs related to the activity, such as: interim construction costs, escrow costs, permits, license, architectural and engineering fees (if not part of construction estimates), etc. Documentation should consist of estimates or invoices (for project costs already incurred). Previously incurred costs should be shown but will not be counted as leverage.
10. Activity Delivery: This includes all project specific costs which are not activity,(e.g. loan or infrastructure) costs but are required to deliver the activity, i.e. monitoring wage compliance on CDBG construction.
11. Grant Administration: This includes all administrative costs for the grant, including the audit.

## SOURCES

12. State CDBG: Enter amount requested from the State Community Development Block Grant Program, as applied to each use.
13. Owner Equity: This is defined as the amount to be invested by owners or the value of ownership of a directly related asset, such as land or equipment. Any equity contribution must be documented by a letter from the person authorized to make the commitment and by cost estimates, appraisals, invoices, or financial statements. Equity must be listed as applied to each use.
14. Private Lender: Any loans that have been or will be made to finance the activity must be included in this category supported by any loan agreements, loan documents, letters of commitment, or letters of interest. List as applied to each use.
15. Other Private: Any contribution from any other private source to the activity, as applied to each use.
16. Other Public: Any other contributions from federal, state, or local sources must be included in this item. Examples could include Small Business Administration, Rural Economic and Community Development Services, Economic Development Administration, local redevelopment agencies, Workforce Investment Act, or Employment Training Panel, as applied to each use.

**DEVELOPER OR INCUBATOR ASSISTANCE SOURCES AND USES OF FUNDS  
FORM**

**USES**

**SOURCES**

	CDBG	Equity		Private Lender		Other Private		Other Public		Total
		Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	
Acquisition: Land Building										
New Construction										
On-site Improvements										
Rehab/Tenant Improvements										
Machinery/Equipment										
Debt Retirement										
Other (Dev. Costs)										
<b>Activity Total</b>										
<b>General Administration</b>										
<b>Total Funds:</b>										

**NOTE:** All sources of funds must be identified and documented by letter of interest, except equity, which must be documented by letter of commitment and financial statements. All uses of funds must be supported by third party cost estimates or quotations.

## INSTRUCTIONS: DEVELOPER OR INCUBATOR ASSISTANCE SOURCES AND USES FORM

This form should display all funds contributed to the activity from any source and all uses for which those funds will be expended. The Department will use the information in this form to determine private leverage and business or developer equity. If financing for an activity changes, new Sources and Uses of Funds forms must be submitted.

### USES

1. Acquisition: Land and/or Building: This includes all projected land and/or building acquisition costs or the value of previously purchased land. Documentation for projected costs must include a deposit receipt or purchase agreement. Documentation of the value of previously purchased land should consist of an appraisal. Previously purchased land should be shown as equity, but will not be counted as leverage, unless purchased within the last six months in anticipation of this application.
2. New Construction: This includes all new construction costs (including contingencies) for building construction/rehabilitation, on-site costs, etc. Documentation must include cost estimates from a third party (contractor, architect, engineer) or invoices (for costs already incurred)
3. On-Site Improvements This includes all construction costs (including contingencies) for on-site improvements (i.e. parking, open space) Documentation must include cost estimates from a third party (contractor, architect, engineer) or invoices (for costs already incurred).
4. Rehab/Tenant Improvements: This includes all new construction costs (including contingencies) for building rehabilitation. Documentation must include cost estimates from a third party (contractor, architect, engineer) or invoices (for costs already incurred). With respect to rehabilitation costs, show costs incurred prior to and subsequent to grant award.
5. Machinery and Equipment: This includes all projected purchases and previous purchases of machinery and equipment (indicate new or used) for this project. Projected purchase prices should be documented by cost estimates provided by suppliers. Previous purchases should be documented by invoices or an appraisal of market value. Existing machinery and equipment should be shown as equity, but will not be counted as leverage, unless purchased within the last 90 days in anticipation of this application
6. Debt Retirement:
7. Other: Development Costs: This includes development costs related to the activity, such as: interim construction costs, escrow costs, permits, license, architectural and engineering fees (if not part of construction estimates), etc.

Documentation should consist of estimates or invoices (for project costs already incurred). Previously incurred costs should be shown but will not be counted as leverage.

8. Activity Delivery: This includes all project specific costs which are not activity, (e.g. loan or infrastructure) costs but are required to deliver the activity, i.e. monitoring wage compliance on CDBG construction.
9. Grant Administration: This includes all administrative costs for the grant, including the audit.

## SOURCES

10. State CDBG: Enter amount requested from the State Community Development Block Grant Program, as applied to each use.
11. Owner Equity: This is defined as the amount to be invested by owners or the value of ownership of a directly related asset, such as land or equipment. Any equity contribution must be documented by a letter from the person authorized to make the commitment and by cost estimates, appraisals, invoices, or financial statements. Equity must be listed as applied to each use.
12. Private Lender: Any loans that have been or will be made to finance the activity must be included in this category supported by any loan agreements, loan documents, letters of commitment, or letters of interest. List as applied to each use.
13. Other Private: Any contribution from any other private source to the activity, as applied to each use.
14. Other Public: Any other contributions from federal, state, or local sources must be included in this item. Examples could include Small Business Administration, Rural Economic and Community Development Services, Economic Development Administration, local redevelopment agencies, Workforce Investment Act, or Employment Training Panel, as applied to each use.

## PUBLIC INFRASTRUCTURE SOURCES AND USES OF FUNDS FORM

### USES

### SOURCES

**IMPORTANT:** The off-site improvements are distinct from the on-site improvements. This sources

	CDBG	Equity		Private Lender		Other Private		Other Public		Total
		Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	Costs Already Incurred	Costs to be incurred	
Roads										
Utilities										
Water										
Sewer										
Other										
Activity Delivery: General Administration										
Total										

and uses form is for OFF-SITE improvements *only*

**NOTE:** All sources of funds must be identified and documented by letter of interest, except equity, which must be documented by letter of commitment and financial statements. All uses of funds must be supported by third party cost estimates or quotations.

## PROGRAM BUDGET SUMMARY FORM

**NOTE:** Submit one form for entire application.

1. Applicant: \_\_\_\_\_ 2. Date Prepared: \_\_\_\_\_

3. ACTIVITY NAME AND NUMBER	a. STATE CDBG	b. EQUITY	c. PRIVATE	d. OTHER FEDERAL	e. OTHER STATE	f. LOCAL	g. PROGRAM INCOME THIS GRANT	h. PROGRAM INCOME CLOSED GRANT	i. TOTAL BUDGET	
4. TOTAL PROGRAM										
5. TOTAL PROJECTED QUARTERLY EXPENDITURES (STATE CDBG ONLY)	—/20— 1st QTR	—/20— 2nd QTR	—/20— 3rd QTR	—/20— 4th QTR	—/20— 5th QTR	—/20— 6th QTR	—/20— 7th QTR	—/20— 8th QTR	—/20— 9th QTR	—/20— 10th QTR
6. Jobs Projected Quarterly (Show as Cumulative)										

7. Audit Expenses \$ \_\_\_\_\_

## PROGRAM BUDGET SUMMARY FORM

*The Activity Budget Summary displays the total budget for all proposed activities including grant administration costs and provides the total projected expenditures for the grant period.*

1. Enter the applicant's name.
2. Enter the date the form is prepared.
3. Enter the name and number of each proposed activity (including grant administration).
- 3a-h. Enter the total funds budgeted for each activity by funding source.
- 3i. Enter total budget for each activity.
- 4a. Total all sources of funding to be used in carrying out the proposed activities. Item 4a should indicate the total amount of State CDBG funds requested.
5. Enter the total projected expenditures for each three-month period of the program. The projections are to be cumulative and should only include the STATE CDBG funds budgeted. The last amount entered should be equal to the total CDBG budget in item 10 in the preceding budget.
6. Enter jobs projected on a quarterly basis. Show as cumulative, last quarter of job creation/retention should equal total projected job creation/retention.
7. Audit Expenses. Grant audits can be performed by certified or licensed public accountants under contract to the city or county or by internal auditors meeting the requirements of the regulations (Section 7122). Enter the total dollar amount budgeted for audit expenses. Applicants may budget up to 1 percent of the total grant amount for the audit costs.

Applicants should be aware that local governments receiving more than \$500,000 annually in federal funds shall have an audit conducted each year in accordance with the requirements set forth in OMB Circular A-133.

When preparing the Administrative budget, the applicant should budget enough funds to pay only the CDBG share of the total funds audited annually.

## EMPLOYMENT PROJECTION FORM

**NOTE:** This form must be filled out for each business and signed by an authorized business representative.

### PART I

1. Company Name \_\_\_\_\_
2. Current workforce as of date of application: \_\_\_\_\_  
(Date)
3. Job Information for created or retained jobs.

Classification/Title (Created = [C] or Retained = [R])	Wage	Number of Jobs		TIG	
		Full-time	Part-time	Y	N
	(Please note whether wage is based on hour, month, or year)	(Minimum 1,750 hours per year)	(Minimum 875 hours per year)		
<b>TOTAL</b>					

4. Number of "full-time equivalent" jobs. \_\_\_\_\_ (A full-time equivalent job is two or more part-time jobs that equal one full-time job of at least 1,750 hours/year.)

### PART II

1. Please attach additional sheets to describe the method of recruiting, screening and hiring persons from the TIG. Note: For projects that meet the national objective of principally benefiting members of the Targeted Income Group, at least 51 percent of

all jobs must be filled by members of the TIG. (Please see attached Self-Certification Form or sample Job Training Agency Letter of Intent.)

2. If this is a job retention proposal, the following Self-Certification Form should be used to establish that the majority of jobs being retained are held by TIG employees. It is recommended that these forms be circulated at least one month prior to the submittal of the application. The form must be signed and dated by the employee.
3. Jobs depicted on the employment projection form must be reflected in cash flow projections contained in the financial information portion of the application.
4. The hiring schedule for the jobs depicted on the employment projection form must be reflected on the Activity Budget and Schedule Form and must indicate that new jobs will be created within a reasonable period after the date of the executed contract with the State Department of Housing and Community Development.

5. \_\_\_\_\_ Telephone  
Signature of Business Contact

6. \_\_\_\_\_ Telephone  
Signature of City/County Contact

7. \_\_\_\_\_ Telephone  
Signature of WIA/SDA Contact  
(If applicable)

## Employment Projections Form Instructions

**NOTE: A separate form must be submitted for each business.**

### PART I

1. Enter the company's name.
2. Enter the number of current employees (both full-time and part-time) as of the date of the application.
3. Jobs information. Please use additional sheets if necessary.

Column 1: Enter the job classification or title of employees to be hired (or retained, if applicable). Indicate whether the job is being created or retained.

Column 2: Enter the salary of each employee and indicate whether salaries are hourly, monthly, or yearly.

Column 3: Enter the total number of permanent, full-time employees working at least 1,750 hours per year per classification.

Column 4: Enter the total number of permanent, part-time employees working at least 875 hours per year.

Column 5: Indicate if the job will be filled by a TIG person.

4. Enter the number of "full-time equivalent" jobs. A full-time equivalent job is defined as two jobs of at least 875 hours each.

### PART II

1. Attach additional sheets to describe the method of recruiting, screening, and hiring the projected number of persons from the TIG. The applicant jurisdiction may elect to undertake this role using staff and/or the following Self-Certification Form. Alternatively, the applicant jurisdiction may contract with organizations such as Workforce Investment Act funded agencies. The sample Job Training Agency Model Employment Agreement may be used as a model for completing this information.
2. If this is a job retention proposal, use the following Sample Self-Certification Form and Sample Instructions to establish that the majority of jobs being retained are held by TIG persons. The applicable income figures should be listed on the form prior to circulation to the employees. The sample form is provided in English and Spanish. The form must be signed and dated by the employee.

3. Jobs depicted on the employment projection form must be reflected in cash flow projections contained in the financial information portion of the application.
4. The hiring schedule for the jobs depicted on the employment projection form must be reflected on the Activity Budget and Schedule Form and must indicate that new jobs will be created within a reasonable period after the date of the executed contract with the State Department of Housing and Community Development.
5. Signature of person authorized to act on behalf of the business.
6. Signature of city/county contact.
7. Signature of Workforce Investment Act funded agency, or Service Delivery Area contact, if such an agency is proposed to be utilized.

## SELF-CERTIFICATION FORM FOR FAMILY INCOME

Date: \_\_\_\_\_ City/County: \_\_\_\_\_  
 Community Development Block Grant request for fiscal year \_\_\_\_\_

The information you provide regarding your family income will be part of your request for state subsidy funds, which will assist the economic development of \_\_\_\_\_ (City/County) \_\_\_\_\_. The information will be confidential, but may require verification.

Please indicate by circling the number that represents the number of persons in your family and write in your family household income. Please indicate whether your income is above or below the County\* threshold amount noted below for your family size by initialing either the "over" or "under" column next to the household income amount you have provided here.. If your stay is seasonal and your permanent home is at a different place, use the number of family members who reside at the permanent residence.

FAMILY SIZE	COUNTY*	INCOME	ABOVE	UNDER
1	\$ _____	\$ _____	_____	_____
2	\$ _____	\$ _____	_____	_____
3	\$ _____	\$ _____	_____	_____
4	\$ _____	\$ _____	_____	_____
5	\$ _____	\$ _____	_____	_____
6	\$ _____	\$ _____	_____	_____
7	\$ _____	\$ _____	_____	_____
8	\$ _____	\$ _____	_____	_____

\*figure reflects 80 percent of Countywide median income per family household size

**Please complete and initial information for each of the following categories:**

How many hours do you work each month? \_\_\_\_\_

Gender and age of head of household: \_\_\_\_\_ Male \_\_\_\_\_ Female  
 \_\_\_\_\_ Over 62 years of age

Race and ethnicity of head of household: (initial **all** that apply)

**RACE:** \_\_\_\_\_ White \_\_\_\_\_ Black Asian \_\_\_\_\_ Alaska Native \_\_\_\_\_ Pacific Islander  
 \_\_\_\_\_ American Indian \_\_\_\_\_ and

**ETHNICITY:** Hispanic yes \_\_\_\_\_ no \_\_\_\_\_

Income Verification

I certify that this income information is correct and I understand that the information I have provided on my family income is subject to verification by authorized representatives of the City/County of \_\_\_\_\_, and the State of Californian Department of Housing and Community Development.

Signature \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
 Printed Name

Home Address: \_\_\_\_\_  
 \_\_\_\_\_

## **Self-Certification Form Instructions**

At the application stage, a Self-Certification Form should be completed by every employee in all cases of job retention to document the jobs being retained, and document the TIG benefit of those applications applying under the national objective of benefit to the TIG.

For job creation applications, a Self-Certification is the basis for determining verifiable income documentation.

The jurisdiction or the business should complete the date, jurisdiction and grant information at the top of the certification form, including the current HUD income limits by family size for their County.

The employee should complete the remainder of the form and then sign and complete the signature block of the form. The employee is to circle the family size, supply the household income amount and indicate by initialing whether the family income is above or under the HUD indicated figure. The employee should also complete the remainder of the form by initialing gender, age, race and ethnicity categories. According to HUD reporting requirements and census categories, the employee may check any box that applies. Please be sure to advise them accordingly as they are completing the form.

The Self-Certification Form should be translated into Spanish, if the employees do not read English.

## **FAMILY INCOME GUIDELINES**

Household income is defined as family income: all sources of income for one or more persons living in a single residence who are related by blood or marriage.

### **1. Inclusions in Family Income**

- a. **Gross Wages and Salary:** The total money earnings received from work performed as an employee. It represents the amount paid before deductions for income taxes, Social Security, bond purchases, Union dues, etc.
- b. **Net Self-Employment Income:** Net income (gross receipts minus operating expenses) from a business firm, farm, or other enterprises in which a person is engaged on his/her own account.
- c. Net rent income or, less frequently, rent receipts.
- d. Pensions or other retirement benefits.
- e. Alimony.
- f. Periodic insurance payments; frequently referred to as regular income from insurance policies, annuities.
- g. Government and/or military retirement, (other than compensation for disability or death per Title 38, United State Code, Chapter II).
- h. Contest or lottery income.
- i. Periodic gifts, including payment or rent and living expenses from persons outside the residence.
- j. Interest including interest paid on inheritance and trust accounts, and dividends.
- k. Public Assistance payments.
- l. Federal, state, or local unemployment insurance benefits.
- m. Cash payments received pursuant to a state plan approved under Title I Old Age Assistance, IV Aid to Families with Dependent Children (AFDC), X Aid to the Blind, or XVI Supplemental Security Income for the Aged, Blind and Disabled of the Social Security Act, or disability insurance payments received under Title II, Section 423 of the Social Security Act, or disability insurance payments received under Title II, Section 423 of the Social Security Act of payments received under the Black Lung Benefits Reform Act of 1977 (Public Law 95-239).
- n. Social Security, old age and survivors insurance cash payments. (Social Security Act, Title II, Section 402).
- o. Child support payments including payments made by state or local government on behalf of foster children in the home.

- p. Educational assistance and compensation payments to veterans and other eligible persons under Title 38, United States Code, Chapters 11, Compensation for Service-Connected Disability or Death; 13, Dependence and Indemnity Compensation for Service-Connected Death; 31 Vocational Rehabilitation; 34, Veterans' Education Assistance; 35, War Orphans' and Widows' Educational Benefits. In some cases, this item is simply referred to as "veterans' payments."
- q. Payments or allowances received by veterans while serving on active duty in the Armed Forces. In some cases, this item includes National Guard or military, naval or air force reserve activities.
- r. Payments made to participants in employment and training programs except wages paid for OJT, or Upgrading and Retraining. Exclude all compensation received under II-B.
- s. Capital gains and losses.
- t. Soil bank payments.
- u. Agriculture Stabilization Payments.
- v. Other income, except as indicated below.

2. Exclusions from Annual Family Income-Optional

- a. Non-cash income, such as food stamps, or compensation received in the form of food or housing.
- b. Imputed value of owner-occupied property or rental value of owner occupied property.
- c. Trade Act or Trade Readjustment payments.
- d. One-time unearned income, such as, but not limited to:
  - (1) Accident, health, and casualty insurance proceeds.
  - (2) One-time or fixed-term scholarship and fellowship grants.
  - (3) Payments received for a limited fixed term under income maintenance programs and supplemental (private) unemployment benefits plans.
  - (4) Lump sum inheritances including fixed-term annuities.
  - (5) One-time awards and gifts. Does not include contest or lottery income.
  - (6) Disability and death payments, including fixed-term (but not life time) life insurance annuities and death benefits.
  - (7) Fixed-term Worker's Compensation awards.
  - (8) Terminal Leave pay.

# **APPENDICES**

## APPENDIX 1: HUD INCOME ELIGIBILITY LIMITS BY COUNTY FOR 2007

### Instructions:

Income limits for the "TIG" (80 percent of the county's median income) are found by looking at the "lower income" column for the relevant county and reading across by household size. Income limits for the lowest TIG (50 percent of the county's median income) are found by looking at the "very low income" column for the relevant county and reading across by household size.

Income limits can be accessed online at the following web address:

[http://www.hcd.ca.gov/hpd/hrc/rep/state/cdbg\\_home07.pdf](http://www.hcd.ca.gov/hpd/hrc/rep/state/cdbg_home07.pdf)

Choose the income limits particular to the HCD CDBG and Home programs. These figures will update annually. As employees are screened the most recent household income figures must be used.

### Families with more than 8 persons:

Higher income limits apply to families with more than eight persons. For all income groups, the income limits for families larger than eight persons are determined as follows: for each person in excess of eight, add 8 percent of the four-person income limit base to the eight-person limit, and round the answer to the nearest \$50. For example, **the nine-person very low income limit for Alameda County is \$92,750.** ( $\$66,250 \times .08 = \$5,300$ ;  $\$87,450 + \$5,300 = \$92,750$ ;  $\$92,750$  rounded =  $\$92,750$ ).

Authority: Section 50093, Health and Safety Code.

Reference: Sections 50079.5, 50093, and 50105, Health and Safety Code.

HUD 1/27/99

## **APPENDIX 2: SAMPLE BANK COMMITMENT LETTER**

## INSTRUCTIONS

A commitment letter from a private lender should include the following information.

- Loan Amount
- Interest Rate
- Maturity/Term

Collateral:

- Deed of Trust
- U.C.C.-1 Filing
- Policy of Hazard Insurance

Other Conditions:

- Prerequisites to Disbursement
- Limitation on Draw/Salary
- Submission of Financial Statements
- Additional Borrowing
- Change of Ownership
- Sale or Transfer of Business Assets
- Contingent on CDBG award

## LETTERHEAD

Mr. John Smith  
Smith Heating Systems, Inc.  
555 3rd Avenue  
Typical City, CA

Dear John:

Wells Fargo Bank, National Association ("Bank") is pleased to provide to Smith Heating Systems, Inc. ("Borrower") a proposal to extend the credit accommodation described below in the maximum principal amount of Five Hundred Thirteen Thousand Five Hundred and no/100ths Dollars (\$513,500.00), on the following terms and conditions, so long as there has been no material adverse change in Borrowers financial condition, as determined by Bank:

1. Type of Credit: Real Estate Loan in conjunction with SBA under provisions of SBA 504 program.
2. Principal Amount: \$513,500.00.
3. Purpose: Permanent financing for industrial property located at Property Lot 00, Golden Leaf Lane, Golden Leaf, CA (a separate construction loan will need to be obtained).
4. Interest Rate: Money Market Funds Rate + 2 percent, fixed on date of disbursement and re-fixed at current Money Market Funds Rate + 2 percent on five-year anniversary date.
5. Repayment: Equal monthly payments of principal and interest based on 25-year amortization.
6. Prepayment: Market based prepayment penalty except on five-year anniversary date.
7. Maturity Date: 10 years from inception date of loan.
8. Commitment or Loan Fee: 2 percent plus out-of-pocket expense (e.g., title and escrow charges).
9. Collateral: First Deed of Trust on property at Property Lot 00, Golden Leaf Lane, Golden Leaf, CA.
10. Subject to: (a) Receipt of commitment from SBA for \$410,800.00

- (b) Total of monthly payments on Bank and SBA loans not to exceed \$11,333.00.
- (c) Financing required by Borrower cannot be fully satisfied by Bank without the participation of the SBA 504 loan program.
- (d) CDBG award from City of \_\_\_\_\_ in the amount of \$\_\_\_\_\_.

12. Contingent upon: Receipt of appraisal satisfactory to Bank.

This credit accommodation is made available subject to the terms, conditions and provisions of comprehensive loan documents to be executed by Borrower, including without limitation a loan agreement, all in form and substance satisfactory to Bank and all of which shall be executed prior to \_\_\_\_\_. Said loan documents shall include such representations, warranties, conditions, covenants and events of default as Bank deems appropriate, which shall be in addition to the terms and provisions stated in this letter.

This loan will fund upon Bank's normal standards and those of the SBA, but not later than \_\_\_\_\_, unless the Bank has further extended in writing.

Bank reserves the right to terminate this proposal at any time prior to Bank's receipt of acceptance by Borrower. This commitment expires on (date) unless executed by the Borrower. This proposal is personal to Borrower and may not be transferred.

\_\_\_\_\_  
Signature and Title of Bank Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Borrower

\_\_\_\_\_  
Date

**APPENDIX 3: SAMPLE EVIDENCE OF COMMITMENT  
FROM BUSINESS**

SAMPLE EVIDENCE OF COMMITMENT FROM BUSINESS  
(Corporate Letterhead)

September 9, 2007

City Manager  
City of XXX  
P.O. Box 1  
XXX, CA 9XXXX

Dear City Manager:

As you are aware, the XYZ Corporation has experienced a great deal of growth over the last several years. A result of this growth is the need to expand our operation. The XYZ Corporation plans to expand by constructing a 25,000 square foot building on land purchased by the firm two years ago at the Westside Industrial Park.

The total project cost for the purchase of land and construction of the building is \$1,300,000. The proposed financing for the project can be summarized as follows:

Bank Loan Funds	\$ 75,000
Corporate Equity	50,000
CDBG Loan Funds	<u>20,000</u>
	\$145,000

The equity is from two sources. The XYZ is contributing \$15,000 cash and \$35,000 in land equity to the project. The land equity is derived by the following:

Appraised Market Value	\$ 200,000 (See Attached Appraisal)
Less Debt on Land	<u>- 165,000</u>
Contributed Land Equity	\$ 35,000

The XYZ Corporation is committing this equity to the project and is willing to sign a legally binding commitment upon award of CDBG funds.

The project's feasibility, taking into consideration current long term financing costs, competitive investment alternatives, and near term economic conditions, is contingent upon XYZ Corporation obtaining CDBG funds. Any increase in XYZ Corporation's cash equity injection would seriously jeopardize our working capital requirements. I cannot emphasize too strongly the importance of the CDBG funds. Without these funds, we cannot proceed with the project at this time.

Sincerely,

Joe Smith  
President

## **APPENDIX 4: CALCULATING LEVERAGE**

## CALCULATING LEVERAGE

Private investment used by CDBG staff to calculate the private leverage ratio include funds from sources to be expended after the date the CDBG award. The only exception is where the Department has approved an expenditure for land, buildings, or equipment made in anticipation of receiving an award of CDBG funds. Approval of prior expenditures to be considered as leverage must be requested in writing prior to the submittal of the application. With the exception of land, prior expenditures must have occurred during the prior three-month period before the filing date.

For purposes of calculating leverage the following expenditures shall be included.

- a. Investments to develop or improve real property, such as land and building acquisition, on-site and off-site improvements, and "hard" construction and renovation costs.
- b. Furniture, fixtures, and equipment.
- c. "Soft" development costs, such as construction period interest and taxes, legal expenses, architectural and engineering fees, if paid to independent third parties.
- d. Tenant improvements to be paid by the tenant only if the tenant has committed to a lease, supplied a firm commitment to spend funds, supplied third-party verification of cost estimates, and documented the source of financing.
- e. Funding for any of the above uses originating from private loans guaranteed (not more than 90 percent) by the Small Business Administration or other public agencies, industrial revenue bonds, and other tax-exempt financing when the bond is secured by private collateral.

For purposes of calculating private leverage, the following shall be excluded:

- a. Any costs incurred prior to CDBG award, including any contractual obligations incurred prior to award unless they are contingent upon award of CDBG funds and have received Department approval prior to the final filing date.
- b. Investment in working capital, advertising, training, operating losses, or start-up costs.
- c. Expenses paid to any individual or organization which is not an independent third party to the project.
- d. Developer fees, profit, and overhead.
- e. Direct loans and grants from any public sources.

## Documentation of Private Leverage

All costs of the project should be clearly documented in the CDBG application.

- The costs of real property acquisition should be documented by an option agreement or purchase agreement (which will not close until after CDBG award).
- Construction and rehabilitation costs, including contingencies, should be documented by a recent, licensed contractor's bid.
- The cost of capital equipment and personal property acquisition, including any installation, should be documented by vendor quotes or, when appropriate, a non-binding purchase agreement.

In determining private investment in a project, the applicant should refer to the sources and uses statement submitted as a part of the financial review package. For example:

Uses	Sources			
	Total	Private Lender	Equity	CDBG
Land Acquisition	\$469,000	\$400,000	\$5,000	\$64,000
On-Sites	64,200	55,195	9,005	
Construction	903,656	776,904	126,752	
Equipment	256,294	120,616	19,678	116,000
Eligible Fees, Services	87,000	47,285	19,715	20,000
Interim Costs	106,250		106,250	
<b>TOTAL</b>	<b>\$1,886,400</b>	<b>\$1,400,000</b>	<b>\$286,400</b>	<b>\$200,000</b>

In this case, the private investment is \$1.4 million from the private lender and \$286,400 in private equity, for a total of \$1,686,400.

NOTE: When the applicant requests financing in support of a project which will retain jobs which are threatened, the private equity injection need not meet the recommended 2:1 leverage ratio. The financial review should indicate that the business is contributing financially toward the project to the extent that is feasible.

In developing a project, applicants are encouraged to contact their field representative if they have questions regarding contributed private investment.

**APPENDIX 5: SAMPLE LOAN AGREEMENT  
AND LOAN CLOSING INFORMATION**

## SAMPLE LOAN AGREEMENT

Applicants can structure loan features that provide maximum support for the business or developer in the form of low cost, long term financing for fixed assets or permanent working capital. There are no fees or points associated with a CDBG loan from this component. The rate and term of each loan will be negotiated based upon the needs of the specific project.

A well structured loan agreement should include:

- 1) provisions for a proportional or equal drawdown of equity funds to debt funds;
- 2) CDBG loan draws tied to documentation of all required loan security;
- 3) CDBG draws tied to invoices for equipment or construction milestones and issued as two party checks to borrower and contractor/vendor/supplier;
- 4) semi-annual financial reports to the city or county;
- 5) job tracking reports;
- 6) financial penalties for defaults on job creation;
- 7) incentives for exceeding job creation goals;
- 8) permission for periodic on-site visits by the applicant's staff, and
- 9) a due on sale, refinance or change in majority ownership clause.

The loan agreement must specifically state that the loan is predicated on job creation/job retention, if applicable, and indicate the total number of TIG jobs for which the business is accountable. Substantial failure to meet the goals is cause for declaring the loan in default. Once the grant award is made, the Department must approve loan agreements for consistency with these policies before they are executed and before activity funds are released to the grantee.

In order to protect the jurisdiction as a lender, the Department requires that applications include an extensive discussion of loan closing services to be utilized. Use of a bonded private sector firm that specializes in the handling of escrow transactions is suggested. The firm selected may be the same as that used by other lenders participating in the project. It is important that the firm chosen be a disinterested third party to all loans involved. The cost of this service is eligible for reimbursement from the grant administration budget if the project is funded. This approach is intended to overcome problems with inadequate loan documentation and issues with unsecured collateral prior to the initial disbursement of CDBG loan proceeds

The outline of a sample loan agreement below may be used as a guide. All CDBG loans are due and payable upon sale or refinance.

## Outline

### I. Parties

- A. Private Lender(s)  
Name  
Address  
Phone Number
  
- B. City or County  
Address  
Phone Number
  
- C. Borrower  
Address  
Phone Number

### II. Loan Description

The loan description will typically address several areas:

- . Amount of the loan.
- . Terms (length of loan, interest rate, equity position, total and TIG job goals, etc.).
- . Collateral (including position and prior lien holders).
- . Payment amount and schedule.
- . Repayment policy.
- . Purpose of the loan, which is to create or retain a specific number of jobs, principally for the TIG.

**MUST INCLUDE SPECIFIC LANGUAGE THAT MAKES THE LOAN DUE AND PAYABLE UPON SALE OR REFINANCE OR CHANGE IN MAJORITY OWNERSHIP INVOLVING GUARANTORS OF LOANS.**

### III. Conditions

#### A. Statement of Loan Purpose:

- . Use of Proceeds.
- . Role of parties.
- . Restrictions on fund users.
- . Property information.
- . Must include a non-monetary default clause that makes the loan due and payable if there is unsatisfactory job creation. This clause must state explicitly that the borrower is responsible for creating a total number of jobs and, for benefit to low income household (TIG) applications, a total number of TIG jobs.

#### B. Other Loans/Sources of Funds:

- . Name, address, phone.
- . Loan amount.
- . Terms and conditions.
- . Collateral.
- . Use of proceeds.

#### C. Special Terms and Conditions:

- . Equal opportunity policy.
- . Construction/contractor requirements (e.g., final plans and specification, insurance, federal prevailing wages (Davis-Bacon wages) bonding, etc.
- . Inspection, monitoring and reporting requirements.

#### D. Other Conditions:

- . Borrower must execute the note and loan agreement.
- . Borrower must execute and file all security agreements.
- . Principals/Borrowers must provide personal or corporate guarantees, if required.
- . Borrower must provide title insurance, if required.
- . Borrower must obtain all necessary governmental and other approvals.

#### IV. Representations and Warranties

The borrower must make several claims regarding its legal authority to borrow and conditions existing at the time of the loan application. This includes:

- . The corporation or partnership is a duly organized entity at the time of the application.
- . The borrower is authorized to borrow money (Corporate Resolution to Borrow, etc.).
- . The borrower is not presently involved in any legal suits of material nature (Opinion of Counsel).
- . The borrower is not in default on any other obligations at the time of loan closing.
- . The borrower has filed tax returns and paid taxes accordingly as required.
- . The borrower has not suffered any adverse change in its operation since applying for the loan.

#### V. Covenants

The business or developer must pledge to do and to prevent certain things.

##### A. Affirmative Covenants:

- . Create or retain the number of jobs described in the application with a minimum of 51 percent benefit to TIG.
- . Cooperate fully with job screening entity, comply with First Source Hiring Agreement.
- . Pay CDBG loan punctually.
- . Pay other loans punctually.
- . Maintain, insure, and pay all income, withholding, property and sales taxes as well as any taxes on the property used as collateral. Insurance will include hazard, liability, workman's compensation, and flood insurance (if appropriate).
- . Provide additional equity if there are cost overruns.
- . Maintain its legal existence.
- . Notify of any default.
- . Maintain all collateral property or equipment in good condition and at original site identified in CDBG grant application.
- . Allow access to premises for purposes of verifying condition of company, collateral and financial records and employment/personnel records for job creation/retention for TIG persons.

B. Negative Covenants:

- . Will not encumber or sell the assets used as collateral.
- . Will not change ownership composition.
- . Will not change location of assets used as collateral.
- Will not change location of business.

VI. Events of Default

The loan agreement will list the conditions (events) which will constitute a default in the agreement. Events of default typically include the following:

- . Non-payment of CDBG or other loans in the project.
- . Incorrect representation or failure to disclose material information needed in CDBG application or financial statements.
- . Default in any covenant.
- . Judgments in excess of liability insurance.
- . Failure to create jobs, principally for the TIG.

VII. Miscellaneous

The miscellaneous provisions provide for:

- . Making amendments to the agreement.
- . Waiving rights and notices.
- . Assigning the note and security interests.

VIII. Assurances

By signing the loan agreement, the parties accept the terms and conditions under which this loan is being made.

## SAMPLE LOAN AGREEMENT

1. This agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Oak Tree County, hereinafter referred to as "Lender", and ABC Systems Inc., hereinafter referred to as "Borrower", and Borrower agrees to borrow from Lender the sum of Three Hundred Thousand Dollars (\$300,000), which shall be used for the purchase and installation of machinery and equipment to be located at the project site and for the use more particularly described in the attached Exhibit "A" incorporated herein by reference and for general working capital for the operation. Borrower agrees to execute a promissory note to Lender, evidencing said indebtedness, in the original principal amount of Three Hundred Thousand dollars (\$300,000.00). Said promissory note shall provide for interest on the amount of the unpaid principal balance at the rate of \_\_\_\_\_ percent per annum on the funds loaned, from the time of receipt by Borrower until such time as all loan funds have been fully repaid. Commencing with the first day of the \_\_\_\_\_ (\_\_\_th) month of the loan term, Borrower shall make seventy-two (72) equal monthly payments sufficient to fully repay the original principal amount of the loan plus any accrued interest. Payments shall be credited first to accrued interest and then to principal. The promissory note shall be secured as set forth in Paragraph Two (2).
  
2. SECURITY: (a) The promissory note will be secured by a (First, Second, Third) Deed of Trust on the real property and improvements on that certain real property described more particularly in the attached Exhibit "A" incorporated herein by reference.  
  
(b) Borrower shall execute a Security Agreement and UCC-1 filing in a form satisfactory to Lender and Lender's counsel covering all furniture, fixtures, equipment, and inventory. Within twenty (20) days of the purchase of the furniture, fixtures, and equipment and fixtures provided for in this agreement, Borrower will furnish Lender with a complete and detailed list specifically identifying said items including serial numbers and shall cooperate fully in the filing of a new UCC-1 with said list attached. Borrower covenants not to permit any other encumbrances or liens to be placed against said items or to relocate said equipment/fixtures during the term of this loan. Said UCC-1 filing form shall be signed prior to the disbursement of any loan funds and shall be deposited with the title insurance company handling this transaction accompanied by Borrowers' written instructions to file said agreement with the Secretary of State upon submission by Borrower to it of the detailed listing of collateral within the prescribed twenty (20) day period. Borrower shall also cause all UCC-1 filings to be renewed in full during the 54th month of the loan.  
  
(c) Personal guarantee of the loan in a form satisfactory to Lender and Lenders' counsel.
  
3. DUE ON SALE: The Promissory Note and Deed of Trust securing the loan shall provide that the full balance of the Promissory Note shall become immediately due and payable upon sale, transfer, assignment or lease of the real property and improvements or of Borrower's and Guarantors interest therein.

4. CONSTRUCTION OF BUILDING: Borrower agrees to build \_\_\_\_\_ in accordance with plans and specifications prepared by \_\_\_\_\_ dated \_\_\_\_\_, and titled \_\_\_\_\_, as they may be amended from time to time, and approved by \_\_\_\_\_ acting in its official capacity of Building Inspector.

5. DISBURSEMENT OF FUNDS: Funds for the purchase of equipment, furniture, and fixtures shall be disbursed by Lender as two party checks payable to Borrower and vendor(s) only upon presentation of invoices from said vendors, evidencing materials, services, or labor provided in connection with the project approved by Lender and the State of California. Disbursements made for working capital, using the borrowed funds, by Borrower shall be based on a pre-approved disbursement schedule and shall be only for the approved uses contained in the CDBG Standard Agreement and in accordance with State of California Department of Housing and Community Development regulations.

6. ADDITIONAL FUNDING: Prior to disbursement of any of the funds, Borrower shall provide to Lender and the Department of Housing and Community Development (HCD) satisfactory evidence that Borrower has obtained additional funding as described in the CDBG Standard Agreement and in a sum determined necessary to complete the construction of the project.

7. RECORD KEEPING: Borrower will comply with all of the following conditions concerning the records of this project:

a. All records concerning the construction, including invoices, receipt and contracts will be kept in conformity with the State of California Department of Housing and Community Development regulations.

b. All records pertaining to the construction and the receipts and disbursement of loaned funds shall be retained for a period of not less than three (3) years from the completion of construction.

c. If so directed by Lender or HCD, Borrower shall deliver to Lender or HCD all records, accounts, documentation and other relevant materials pertaining to the receipt and disbursement of the loaned funds.

d. All of Borrower's records pertaining to this construction shall be accessible and available for inspection or audit by Lender or HCD, at reasonable times and upon reasonable notice for a period of three years after final disbursement of the loan funds, or completion of construction, whichever last occurs.

8. INSPECTION: Lender and HCD shall have the right to inspect any site associated with or work performed in connection with the Loan to verify that the project has been done in accordance with applicable federal, state and local requirements and in accordance with this agreement.

9. CDBG REQUIREMENTS: Borrower agrees to fully perform all work described in the economic development application submitted to the State of California, Department of Housing and Community Development for a Community Development Block Grant, including the provision of jobs as set forth in the Employment Plan of that application and CDBG Standard Agreement, which is hereby incorporated by reference. Borrower agrees to provide quarterly reports to Lender on the number of jobs created and retained for the reporting periods and cumulatively and the number of those jobs that are held by members of the Targeted Income Group(TIG).

10. REPRESENTATION AND WARRANTIES: Borrower makes the following representations and warranties:

The total number of jobs to be created or retained is

\_\_\_\_\_.

The total number of TIG jobs to be created or retained is

\_\_\_\_\_.

a. There are no legal actions, suits, or proceedings pending or, to the knowledge of Borrower, threatened against Borrower.

b. Borrower is not in default of any obligation, bond, debenture, note or other evidence of indebtedness.

c. Borrower has filed all tax returns, which are required to be filed, and has paid, or has made provision for the payment of all taxes, which are due by Borrower. No tax liability has been asserted by the IRS, or any other taxing authority, materially in excess of those already provided for, and Borrower knows of no basis for any such deficiency assessment.

d. Borrower certifies that there has been no adverse change, since the date of loan application, in the financial condition, organization, operation, business prospects, fixed properties, or personnel of the Borrower.

e. Borrower will not permit, without the prior written consent of Lender, any material change in its ownership structure, control or operation, including but not limited to, a merger or consolidation with any other person, firm or corporation; significant issuance of any shares of its capital stock; changing the nature of its business; or a substantial distribution, liquidation or other disposal of Borrower's assets to its shareholders.

11. INSURANCE: Borrower agrees to maintain course of construction insurance on the work of improvement, and thereafter until payment in full of the loan, covering fire

and extended coverage, including vandalism, in the amount of at least the fair market value of the improvements, and naming Lender as beneficiary and loss payee in a form acceptable to Lender and Lenders' counsel.

a. ALTA title policy with endorsements 100, 111.5 and 116 and any other endorsements Lender requires after review of the preliminary title report and copies of all exceptions to title.

12. TAXES: Borrower agrees to pay, prior to delinquency, all real property taxes and assessments against the real property and improvements except that Borrower shall not be required to pay any such tax, assessment or governmental charge, which is being contested by it in good faith and by appropriate proceedings.

13. HAZARDOUS SUBSTANCES: Subject to final review of Lenders' counsel provisions shall be included in the loan documents providing among other things that:

a. Neither Borrower nor any tenant of space in the property will generate, sell, treat, store, handle, release, dispose of or otherwise deal with hazardous substances on the property, and

b. The property is in compliance with, and Borrower will comply with, all applicable laws, regulations, ordinances, licenses, permits, rules, and building codes pertaining to hazardous substances, and

c. Borrower does not know or believe, or have reason to know or believe, that hazardous substances are now, or have been, generated, treated, stored, handled disposed of, released or otherwise located on the property.

d. the Borrower shall indemnify and hold Lender harmless from all liability, claims, penalties, fines, losses, damages and expenses of any kind, including, without limitation, cleanup costs and reasonable attorneys fees, incurred by Lender as a result of Borrower's breach of the provisions of the Deed of Trust, as a result of Borrower's breach of warranty regarding hazardous substances, or as a result of the presence of hazardous substances on the property. The Indemnification Agreement is to be prepared by attorneys for Lender.

14. DEFAULT: At the option of the Lender the occurrence of any of the following events shall constitute a default.

a. Borrower shall fail to make any payment of principal or interest or any other amounts due Lender hereunder in connection with the issuance or administration of the loan proceeds when due and such failure shall continue for five days after notice thereof from Lender.

b. Borrower shall (a) fail to make any payment of any Indebtedness when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace or cure period, if any, specified in the agreement or instrument relating to such Indebtedness or (b)

otherwise materially breach any agreement or instrument relating to any Indebtedness, where the effect of such material breach is to accelerate, or to permit the acceleration of, the maturity of any Indebtedness.

c. Any material representation or material warranty made by Borrower herein in the First Deed of Trust, the Second Deed of Trust, Third Deed of Trust, Security Agreement, or Employment Plan is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished by Borrower to Lender is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

d. Borrower shall fail to perform any covenant, condition, or agreement set forth herein such as the creation or retention of \_\_\_jobs, making available for inspection payrolls and household income certification documents for new or retained hirees as meets the appropriate CDBG National Objective , or in any other Loan Document, and such failure shall continue for a period of 30 days after notice thereof (which notice shall specify in reasonable detail the nature of such failure) from Lender.

e. Borrower voluntarily suspends the transaction of business or there is an attachment, execution or other judicial seizure of any portion of Borrower's assets and such seizure is not discharged or stayed within 60 days.

f. Borrower becomes insolvent or unable to pay its debts as they mature or makes an assignment for the benefit of creditors, or there shall occur a material adverse change in the financial condition of Borrower.

g. Borrower files or there is filed against Borrower a petition to have Borrower adjudicated a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy unless, in the case of a petition filed against Borrower, the same is dismissed or stayed within 60 days.

h. Borrower applies for or consents to the appointment of a receiver, trustee or conservator for any portion of Borrower's property, or such appointment is made without Borrower's consent and is not vacated within 30 day.

i. Borrower fails or refuses to perform all of its obligations within the terms of the First Source Hiring Agreement.

In the event of default, Lender may immediately call the note due and payable and enforce its remedies under the law.

j. Borrower voluntarily changes location of business operation, affecting loan security or jobs for local employees.

15. OTHER DOCUMENTS: Lender may require and Borrower agrees to execute such other documents as may be required by Lender in its sole discretion in order to comply with applicable state and federal regulations governing the loan proceeds and prudent lending practices.

16. COLLECTION AGENT: Borrower hereby appoints Lender as its agent to appoint a collection agent to provide loan servicing in accordance with this agreement and other loan documents. Lender may remove or replace the loan agent in its sole discretion. Lender shall provide or cause to be provided notice to Borrower of a change in the collection agent.

17. WAIVER: No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof.

18. ATTORNEY'S FEES: If any party to this agreement becomes a party to any litigation concerning this loan or the security for this loan, by reason of any act or omission of any other party or its authorized representatives, and not by any act or omission of the party that becomes a party to that litigation or any act or omission of its authorized representatives, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorneys' fees and court costs incurred by it in the litigation.

If either party commences an action against the other party arising out of or in connection with this loan, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees and costs of suit.

19. HEIRS, SUCCESSORS AND ASSIGNS: This agreement shall be binding upon, and inure to the benefit of the heirs, successors and assigns of the parties to this agreement.

20. AMENDMENTS: Any amendments or modifications to this agreement must be in writing and signed by both parties.

ABC Systems, Inc.

Oak Tree County

By: \_\_\_\_\_  
Bob Business Person  
President

By: \_\_\_\_\_  
County Administrative Officer

## **APPENDIX 6: MARKET ANALYSIS OUTLINE**

## **MARKET ANALYSIS OUTLINE**

### a. Product Definition

- What is the nature of the business?
- What will be the product of the business?

### b. Trade Area

- What are the primary and secondary areas?
- What are the trade area demographics?

### c. Sales Volume in the Market

- What sales volume does the trade area generate for similar products?
- How much sales volume growth exists?
- Is sales volume growth supported by industry trends?

### d. Competition

- What businesses provide similar products in the trade area?
- Where are these businesses located?
- What share of the market does each control?
- What competitive advantages or disadvantages do these businesses have (location, price, quality, etc.)?
- For job creation projects, summarize the expected net job increase/decrease

### e. Market Capture Strategy

- What competitive advantages does/will the business have?
- Do the keys to success include location, prices, quality, selection, merchandising, distribution, service, etc.?
- Which of the above factors represents the most significant competitive advantage?
- Will the business attract new customers or draw customers to other businesses?
- What share of the market will the business capture?
- How does it intend to capture this share?

### f. Estimated Business Sales

- What is the projected sales volume in the first year of operation or expansion?
- What evidence supports these sales estimates?

### g. Management Capacity

- What is the experience of the principals and or managers of this business?

**APPENDIX 7: MODEL BUSINESS FINANCIAL INFORMATION FORMS**

## MONTHLY INCOME CASH FLOW PROJECTIONS

<b>Year 1</b>	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	TOTAL
1. Total Sales							
2. Cost of Sales							
3. Gross Profit							
4. Pavroll							
5. Rent							
6. Interest							
7. Depreciation							
8. Other Operatind Expenses							
9. Total Gen. & Admin. Expens							
10. Net Income Before Taxes							
11. Beginning Cash							
12. Loan Funds							
13. Cash Sales							
14. Collection of Receivables							
15. Other Cash							
16. Total Cash Inflow							
17. Loan Principal Payments							
18. Owners Draw							
19. Cost of Sales							
20. Total Expenses							
21. Capital Expenditures							
22. Reserve for Taxes							
23. Other Disbursements							
24. Total Disbursements							
25. Cash Flow Monthlv							
26. Cash Flow Cumulative							

## MONTHLY INCOME CASH FLOW PROJECTIONS

Year 1	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	TOTAL
1. Total Sales							
2. Cost of Sales							
3. Gross Profit							
4. Pavroll							
5. Rent							
6. Interest							
7. Debrecciation							
8. Other Operatind Expenses							
9. Total Gen. & Admin. Expenses							
10. Net Income Before Taxes							
11. Beginning Cash							
12. Loan Funds							
13. Cash Sales							
14. Collection of Receivables							
15. Other Cash							
16. Total Cash Inflow							
17. Loan Principal Payments							
18. Owners Draw							
19. Cost of Sales							
20. Total Expenses							
21. Capital Expenditures							
22. Reserve for Taxes							
23. Other Disbursements							
24. Total Disbursements							
25. Cash Flow Monthly							
26. Cash Flow Cumulative							

## MONTHLY INCOME CASH FLOW PROJECTIONS

Year 2	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	TOTAL
1. Total Sales							
2. Cost of Sales							
3. Gross Profit							
4. Pavroll							
5. Rent							
6. Interest							
7. Depreciation							
8. Other Operatind Expenses							
9. Total Gen. & Admin. Expenses							
10. Net Income Before Taxes							
11. Beginning Cash							
12. Loan Funds							
13. Cash Sales							
14. Collection of Receivables							
15. Other Cash							
16. Total Cash Inflow							
17. Loan Principal Payments							
18. Owners Draw							
19. Cost of Sales							
20. Total Expenses							
21. Capital Expenditures							
22. Reserve for Taxes							
23. Other Disbursements							
24. Total Disbursements							
25. Cash Flow Monthlv							
26. Cash Flow Cumulative							

## MONTHLY INCOME CASH FLOW PROJECTIONS

Year 2	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12	TOTAL
1. Total Sales							
2. Cost of Sales							
3. Gross Profit							
4. Pavroll							
5. Rent							
6. Interest							
7. Debreiation							
8. Other Operatind Expenses							
9. Total Gen. & Admin. Expenses							
10. Net Income Before Taxes							
11. Beginning Cash							
12. Loan Funds							
13. Cash Sales							
14. Collection of Receivables							
15. Other Cash							
16. Total Cash Inflow							
17. Loan Principal Payments							
18. Owners Draw							
19. Cost of Sales							
20. Total Expenses							
21. Capital Expenditures							
22. Reserve for Taxes							
23. Other Disbursements							
24. Total Disbursements							
25. Cash Flow Monthlv							
26. Cash Flow Cumulative							

**NOTE:** All projections must be accompanied by detailed notes and a written set of assumptions

### 1. Total Sales

Total Sales outlook for the first \_\_\_\_ months/years following disbursement of loan proceeds is projected as follows:

First Year \$  
Second Year \$  
Total for the Period of  
Projection \$\_\_\_\_\_

Sales Projections are based on:

- A. Actual sales volume of the past \_\_\_\_\_ years.
- B. Expected \_\_\_\_\_ percent increase in sales volume due to deeper market penetration, increased production capacity, new product or services, etc.
- C. Result of market study.
- D. Letter from buyers/customers (see attached)

2. Cost of Sales:

- A. Existing business: Historically has averaged \_\_\_\_\_ percent of sales.
- B. New Business: Based on industry average obtained from Robert Morris and Associates, Dun and Bradstreet, other business profiles.

3. Gross Profit:

Line 1 minus Line 2.

4. Payroll

Based on an average \_\_\_\_\_ percent of sales. Payroll will gradually increase to \_\_\_\_\_ employees during the period of projection. Owner's draw is shown on Line 18.

5. Rent: \$\_\_\_\_\_ per month, per lease agreement.

6. Interest:

A. Existing Loans (See schedule of fixed debt):

Interest averages \$\_\_\_\_\_ per month.

Principal payments average \_\_\_\_\_ per month.

B. Proposed New Loan: \$\_\_\_\_\_ for \_\_\_\_\_ years at \_\_\_\_\_%

Average monthly interest estimated at \$\_\_\_\_\_

Average monthly principal payments estimated at \$\_\_\_\_\_ monthly payments of principal and interest of \$\_\_\_\_\_

7. Depreciation:

Assumes an average \_\_\_\_\_ year life of \$\_\_\_\_\_ depreciable assets.  
(using straight line method of depreciation, \_\_\_\_\_% of salvage)

8. Other Operating Expenses:

9. Total Expenses:

Sum of lines 4 through 8. \_\_\_\_\_% of Total Sales.

10. Net Income Before Taxes:

Line 3 minus Line 9. \_\_\_\_\_% of Total Sales.

**NOTE: The remaining portion of the projections are critical for start-up businesses.**

11. Beginning Cash:

Applicants cash contribution or cash on hand (From current balance sheet).

12. Loan Funds:

Proceeds of Proposed Loan \$\_\_\_\_\_.

13. Cash Sales:

\_\_\_\_\_ % of Total Sales, Line 1.

14. Collection of Receivables:

\_\_\_\_\_ % of Total Sales, Line 1. Average collection period \_\_\_\_\_ days.

15. Other:

Other cash inflow such as venture capital.

16. Total Cash Inflow:

Sum of Lines 11 through 15.

17. Loan Repayments:

Principal payments only. Please refer to Line 15.

18. Owner's Draw:

Owner's monthly draw will be \$\_\_\_\_\_ in the first year.  
\$\_\_\_\_\_ in the second year.  
\$\_\_\_\_\_ in the third year.

19. Cost of Sales:

From Line 2.

20. Total Expenses:

Line 9 minus depreciation (Line 7).

21. Capital Expenditures:

\$ \_\_\_\_\_ for land and buildings

\$ \_\_\_\_\_ for machinery and equipment

22. Reserve for Taxes:

\_\_\_\_\_ % of Line 10 has been reserved for income tax liability.

23. Other Disbursements:

\$ \_\_\_\_\_ to pay off existing loan at \_\_\_\_\_.

24. Total Disbursements:

Sum of Lines 17 through 23.

25. Cash Flow Monthly:

Line 16 minus Line 24.

\$ \_\_\_\_\_ of the beginning cash or loan proceeds have been allocated to meet working capital requirements.

26. Cash Flow Cumulative:

Line 25 plus Line 26 of the previous month.

### ANNUAL INCOME PROJECTIONS

Year	1	2	3	4	5
1. Total Sales					
2. Cost of Sales					
3. Gross Profit					
4. Payroll					
5. Rent					
6. Interest					
7. Depreciation					
8. Other Operating Expenses					
9. Total General & Admin. Expenses					
10. Net Income Before Taxes					

## ANNUAL INCOME PROJECTIONS

**NOTE:** *All projections must be accompanied by detailed notes and a written set of assumptions*

### 1. Total Sales

Total Sales outlook for the first \_\_\_\_ years following disbursement of loan proceeds is projected as follows:

First Year	\$ _____
Second Year	\$ _____
Total for the Period of Projection	\$ _____

Sales Projections are based on:

- A. Actual sales volume of the past \_\_\_\_\_ years.
- B. Expected \_\_\_\_ percent increase in sales volume due to deeper market penetration, increased production capacity, new product or services, etc.
- C. Result of market study.
- D. Letter from buyers/customers (see attached)

### 2. Cost of Sales:

- A. Existing business: Historically has averaged \_\_\_\_% of sales.
- B. New Business: Based on industry average obtained from Robert Morris and Associates, Dun and Bradstreet, other business profiles.

### 3. Gross Profit:

Line 1 minus Line 2.

### 4. Payroll

Based on an average \_\_\_\_ percent of sales. Payroll will gradually increase to \_\_\_\_ employees during the period of projection. Include owners draw on line 8.

### 5. Rent:

\$ \_\_\_\_\_ per month, per lease agreement.

6. Interest:

A. Existing Loans (See schedule of fixed debt):

Interest averages \$\_\_\_\_\_ per month.

Principal payments average \_\_\_\_\_ per month.

B. Proposed New Loan: \$ \_\_\_\_\_ for \_\_\_\_\_ years at \_\_\_\_\_%

Average annual interest estimated at \$\_\_\_\_\_

Average annual principal payments estimated at \$\_\_\_\_\_

Annual payments of principal and interest of \$\_\_\_\_\_

7. Depreciation:

Assumes an average \_\_\_\_\_ year life of \$\_\_\_\_\_ depreciable assets.  
(using straight line method of depreciation, \_\_\_\_\_% of salvage)

8. Other Operating Expenses:

9. Total Expenses:

Sum of lines 4 through 8. \_\_\_\_\_% of Total Sales.

10. Net Income Before Taxes:

Line 3 minus Line 9. \_\_\_\_\_% of Total Sales.





## BUSINESS DEBT SCHEDULE

*The information for this form should be obtained from the business. This form must be filled out twice, to show current debt without CDBG funds and also to show projected debt with CDBG funds.*

1. Enter same date shown on current balance sheet in blank provided at top of chart.
2. Creditor  
Enter name and address of each creditor
3. Original Amount and Date  
Enter the original amount and date of each loan in the boxes provided.
4. Present Balance and Interest Rate  
Enter the present balance and interest rate of each loan in the boxes provided.
5. Maturity Date and Monthly Payment  
Enter the maturity date and monthly payment amount for each loan in the boxes provided.
6. Collateral Security  
List the collateral or security for each loan in the box provided.
7. Status  
Indicate the status of each loan, (e.g., current, etc.).
8. Enter the present balance of all loans. This figure must agree with the balances shown on the current balance sheet.
9. The certification statement must be dated and signed by the chief fiscal officer of the business.

SCHEDULE OF COLLATERAL				
Asset	Date Acquired	Value	Balance Owing	Secured Party Lien holder Name & Address Account #

Column 1: Identify the asset. For real estate provide the location and parcel size. For machinery and equipment, provide the make and year model.

Column 2: Identify when the asset was acquired.

Column 3: Indicate the asset's current market value.

Column 4: Indicate the amount owing on the asset to any secured parties.

Column 5: Identify the secured party (name, address, and account number).

**DEVELOPER LOAN  
MONTHLY INCOME PROJECTION FOR TWO YEARS (IN 000'S)**

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
1. Rent													
a. Tenant													
b. Tenant													
c. Tenant													
d. Tenant													
2. Gross Income													
3. Vacancy													
4. Gross Effective Income													
5. Operating Expenses													
a. Management													
b. Reserves													
c. Assessment District													
d. Insurance													
e. Property Taxes													
f. Other													
6. Net Operating Income													
7. Bank Debt Service													
8. CDBG Debt Service													
9. Net Income													

**2004-05 ED/OTC  
Developer Loan Monthly Income Projection for Two Years  
Instructions and Sample Notes**

**DEVELOPER LOAN  
MONTHLY INCOME PROJECTION FOR TWO YEARS (IN 000'S)**

Month	13	14	15	16	17	18	19	20	21	22	23	24	Total
1. Rent													
a. Tenant													
b. Tenant													
c. Tenant													
d. Tenant													
2. Gross Income													
3. Vacancy													
4. Gross Effective Income													
5. Operating Expenses													
a. Management													
b. Reserves													
c. Assessment District													
d. Insurance													
e. Property Taxes													
f. Other													
6. Net Operating Income													
7. Bank Debt Service													
8. CDBG Debt Service													
9. Net Income													

**NOTE:** *All projections must be accompanied by detailed notes and a written set of assumptions*

1. Rent: \$\_\_\_\_ per square foot per tenant, with \_\_\_\_ percent escalation at end of \_\_\_\_ years. All leases are \_\_\_\_\_ (gross/net/triple net).

Projections are based on

- \_\_\_\_ percent lease commitments.
- \_\_\_\_ percent occupancy level in Month \_\_\_\_.
- experience in other similar centers operated by developer.
- absorption rates of other similar centers in the area.

2. Gross Income: Sum of Lines 1(a) through 1(d).

3. Vacancy: \_\_\_\_ percent vacancy based on \_\_\_\_\_. Vacancy rates usually range from five to 10 percent. Vacancy should be conservative and be based on some objective figures.

4. Gross Effective Income: Line 2 minus Line 3.

5. Operating Expenses:

- a. Management Expense: \_\_\_\_ percent of gross effective income.
- b. Reserves: \_\_\_\_ percent of gross effective income.
- c. Assessment District: \$\_\_\_\_ annual levy.
- d. Insurance: \$\_\_\_\_ annual premium, increasing \_\_\_\_ percent per year.
- e. Property Taxes: \$\_\_\_\_ annually, increasing \_\_\_\_ percent per year.
- f. Other:

All items listed above should be reflected in monthly figures and may not be applicable depending on lease terms.

6. Net Operating Income: Line 4 minus Sum of Lines 5(a) through 5(f).

7. Bank Debt Service: \$ \_\_\_\_\_ Principal at \_\_\_\_ percent interest with \_\_\_\_ year amortization. \$ \_\_\_\_\_ monthly principal and interest payments. Indicate additional terms, such as whether loan is callable, interest only, deferred, etc.

8. CDBG Debt Service: \$ \_\_\_\_\_ Principal at \_\_\_\_ percent interest with \_\_\_\_ year amortization. \$ \_\_\_\_\_ monthly principal and interest payments. Indicate additional terms, such as whether loan is callable, interest only, deferred, etc.

9. Net Operating Income: Line 6 minus Line 7 and Line 8.

**DEVELOPER LOAN  
ANNUAL INCOME PROJECTIONS FOR FIVE YEARS**

(IN 000'S)

Year	1	2	3	4	5
1. Rent					
a. Tenant					
b. Tenant					
c. Tenant					
d. Tenant					
2. Gross Income					
3. Vacancy					
4. Gross Effective					
5. Operating					
a. Management					
b. Reserves					
c. Assessment					
d. Insurance					
e. Property					
f. Other					
6. Net Operating					
7. Bank Debt					
8. CDBG Debt					
9. Net Income					
10. Debt Coverage					
11. Sale Proceeds					
12. Cost of Sale					
13. Repayment of					
14. Net Sale					
15. Project Cash					
16. Cash on Cash					
17. IRR (Before Tax)					

**NOTE:** *All projections must be accompanied by detailed notes and a written set of assumptions.*

1. Rent: \$\_\_\_\_ per square foot per tenant, with \_\_\_\_ percent escalation at end of \_\_\_\_ years.  
All leases are \_\_\_\_\_ (gross/net/triple net).

Projections are based on

- \_\_\_\_ percent lease commitments.
- \_\_\_\_ percent occupancy level in Month \_\_\_\_.
- experience in other similar centers operated by developer.
- absorption rates of other similar centers in the area.

2. Gross Income: Sum of Lines 1(a) through 1(d).

3. Vacancy: \_\_\_\_ percent vacancy based on \_\_\_\_\_. Vacancy rates usually range from five to 10 percent. Vacancy should be conservative and be based on some objective figures.

4. Gross Effective Income: Line 2 minus Line 3.

5. Operating Expenses:

- a. Management Expense: \_\_\_\_ percent of gross effective income.
- b. Reserves: \_\_\_\_ percent of gross effective income.
- c. Assessment District: \$\_\_\_\_ annual levy.
- d. Insurance: \$\_\_\_\_ annual premium, increasing \_\_\_\_ percent per year.
- e. Property Taxes: \$\_\_\_\_ annually, increasing \_\_\_\_ percent per year.
- f. Other:

Some of the items listed above may not be applicable depending on lease terms.

6. Net Operating Income: Line 4 minus Sum of Lines 5(a) through 5(f).

7. Bank Debt Service: \$ \_\_\_\_ Principal at \_\_\_\_ percent interest with \_\_\_\_ year amortization.  
\$\_\_\_\_ annual principal and interest payments. Indicate additional terms, such as whether loan is callable, interest only, deferred, etc.

8. CDBG Debt Service: \$ \_\_\_\_ Principal at \_\_\_\_ percent interest with \_\_\_\_ year amortization.  
\$\_\_\_\_ annual principal and interest payments. Indicate additional terms, such as whether loan is callable, interest only, deferred, etc.

9. Net Operating Income: Line 6 minus Line 7 and Line 8.

10. Debt Coverage Ratio: Line 6 divided by the sum of Line 7 and Line 8. The Debt Coverage Ratio provides a measurement to evaluate the margin between projected income and total debt service.

11. Sale Proceeds: (Compute for Year 5 only.) Year 6 Net Operating Income (Line 6) divided by capitalization rate of \_\_\_\_ percent. A sale should be assumed in at the end of Year 5 in order to calculate the rate of return on equity. The market capitalization rate ("cap rate") should reflect the type of project, location, and risk.

12. Cost of Sale: (Compute for Year 5 only.)
  - \_\_\_ percent of sale price; or
  - \$\_\_\_\_\_ in commissions and \$\_\_\_\_\_ fees.
13. Repayment of Debt: Balance remaining of \$\_\_\_\_\_ at end of Year 5.
14. Net Sale Proceeds: Line 11 minus Line 12 and Line 13. (Compute for Year 5 only.)
15. Project Cash Flow: Line 9 plus Line 14.(Compute for Year 5 only.)
16. Cash on Cash (Return on Investment) Return: \$\_\_\_\_\_ in contributed equity divided by Line 15. (Compute for Year 5 only.)
17. Internal Rate of Return (IRR): The rate of return at which discounted future cash flows equal the initial cash outlay. The IRR formula incorporates the outflow of funds (the equity/down payment) and inflow of funds (net income (Line (9) and net sale proceeds (Line 14)). In the event a ground lease will stay in effect after the sale, its residual value should be determined by dividing sixth year ground lease payments by an appropriate market capitalization rate. (Compute for Year 5 only.)

NOTE: Both Line 16 and Line 17 are based on before-tax figures.

**PERSONAL FINANCIAL STATEMENT**

As of \_\_\_\_\_ 20 \_\_

Complete this form if 1) a sole proprietorship by the proprietor; 2) a partnership by each partner; 3) a corporation by each officer and each stockholder with 20 percent or more ownership; 4) any other person or entity providing a guaranty on the loan.

Name \_\_\_\_\_

Residence Phone \_\_\_\_\_

Residence Address \_\_\_\_\_

Business Name of Applicant/Borrower \_\_\_\_\_

**ASSETS**

(Omit  
Cents)

**LIABILITIES**

Cash on hand & in Banks ....\$ \_\_\_\_\_  
 Savings Accounts ..... \_\_\_\_\_  
 IRA ..... \_\_\_\_\_  
 Accounts & Notes Receivable  
 (Describe in Section 6) ..... \_\_\_\_\_  
 Life Insurance-Cash  
 Surrender Value Only ..... \_\_\_\_\_  
 Stocks and Bonds  
 (Describe in Section 3) ..... \_\_\_\_\_  
 Real Estate  
 (Describe in Section 4) ..... \_\_\_\_\_  
 Automobile-Present Value .... \_\_\_\_\_  
 Other Personal Property  
 (Describe in Section 5) ..... \_\_\_\_\_  
 Other Assets  
 (Describe in Section 6) ..... \_\_\_\_\_  
 Total .....\$ \_\_\_\_\_

Accounts Payable \$ \_\_\_\_\_  
 Notes Payable (to Bank & Others)  
 (Describe in Section 2) \_\_\_\_\_  
 Installment Account (Auto) \_\_\_\_\_  
 Mo. Payments \$ \_\_\_\_\_  
 Installment Account (Other) \_\_\_\_\_  
 Mo. Payments \$ \_\_\_\_\_  
 Loans on Life Insurance \_\_\_\_\_  
 Mortgages on Real Estate  
 (Describe in Section 4) \_\_\_\_\_  
 Unpaid Taxes  
 (Describe in Section 7) \_\_\_\_\_  
 Other Liabilities  
 (Describe in Section 8) \_\_\_\_\_  
 Total Liabilities \_\_\_\_\_  
 Net Worth \_\_\_\_\_  
 Total \$ \_\_\_\_\_

**Section 1. Source of Income**

**Contingent Liabilities**

Salary .....\$ \_\_\_\_\_  
 Net Investment Income ..... \_\_\_\_\_  
 Real Estate Income ..... \_\_\_\_\_  
 Other Income (Describe)\* .... \_\_\_\_\_

As Endorser or Co-Maker \$ \_\_\_\_\_  
 Legal Claims & Judgments \_\_\_\_\_  
 Provision for Fed Income Tax \_\_\_\_\_  
 Other Special Debt \_\_\_\_\_

Description of Items Listed in Section 1 \_\_\_\_\_  
 \*(Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.)

**Section 2. Notes Payable to Banks and Others**

Name & Address of Note holder	Original Balance	Current Balance	Payment Amount	Terms (Monthly - etc.)	How Secured or Endorsed - Type of Collateral

**Section 3. Stocks and Bonds:** (Use separate sheet if necessary)

No. of Shares	Names of Securities	Cost	Market Value Quotation/Exchange	Date Amount

**Section 4. Real Estate Owned.** (List each parcel separately. Use supplemental sheets if necessary. Each sheet must be identified as a supplement to this statement and signed.)

Address-Type of Property	Title is in name of	Date Purchased	Original Cost	Present Value	Mortgage Balance	Amount of Payment	Status of Mortgage

**Section 5. Other Personal Property.** (Describe, and if any is mortgaged, state name and address of mortgage holder and amount of mortgage, terms of payment, and if delinquent, describe delinquency).

**Section 6. Other Assets, Notes & Accounts Receivable** (Describe)

**Section 7. Unpaid Taxes.** (Describe in detail, as to type, to whom payable, when due, amount, and what, if any, property tax lien attaches)

**Section 8. Other Liabilities.** (Describe in detail)

**Section 9. Life Insurance Held** (Give face amount of policies-name of company and beneficiaries)

Lender is authorized to make all inquiries deemed necessary to verify the accuracy of the statements made herein and to determine my/our creditworthiness.

(I) or (We) certify the above and the statements contained in the schedules herein are a true and accurate statement of (my) or (our) financial condition as of the date stated herein.

Signature

Signature

Date

SOCIAL SECURITY NO.

SOCIAL SECURITY NO.