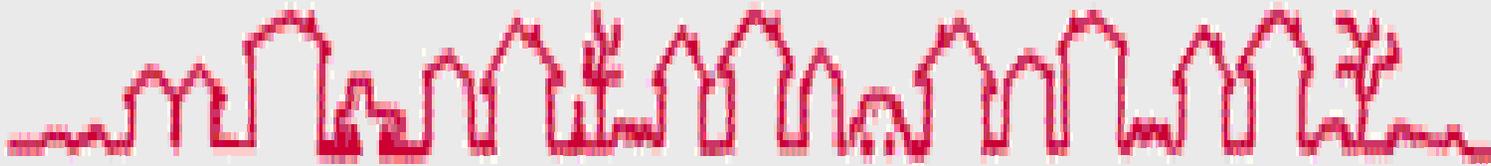


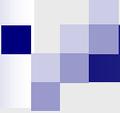


**CDBG – Economic  
Development**

**2010-11 Enterprise Fund  
Application Training Workshop**



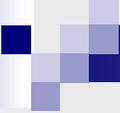
**State of California  
Department of Housing and Community Development**



# Enterprise Fund Program

## Important Information

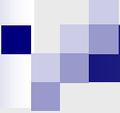
- \$500,000 maximum award
- 36 month contracts
- New requirement - income calculation and determination for microenterprises receiving CDBG financial assistance
- Provide a DUNS number in application.
- Check your Federal Debarred status at [www.epls.gov](http://www.epls.gov)
- Coming Soon! New Standardized Loan Memo



# Enterprise Fund Program

## Not New, **But Very Important**

- All business, microenterprise and Program Income loans using CDBG funds must be submitted to HCD for approval before funds can be disbursed.
- Use the business and microenterprise loan approval checklist to underwrite all loans.



# Enterprise Fund Program

## Not New, **But Very Important**

### CDBG Procurement:

- The jurisdiction must prepare the RFP and conduct the procurement process.
- RFP Scope of Work may include both Application Preparation and Grant Implementation.

### Subrecipient:

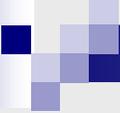
- Procurement not required.
- Indirect costs may be charged under a cost allocation plan prepared in accordance with OMB Circular A-21, A-87 or A-122 as applicable.

# Important Dates

- NOFA January 14, 2011
- Application Release January 24, 2011
- Final Filing Date **March 28, 2011**

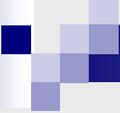
Applications must be received by HCD (Room 330)  
by 5:00 p.m.

- Housing Element March 28, 2011
- Awards Announcement **May 27, 2011**



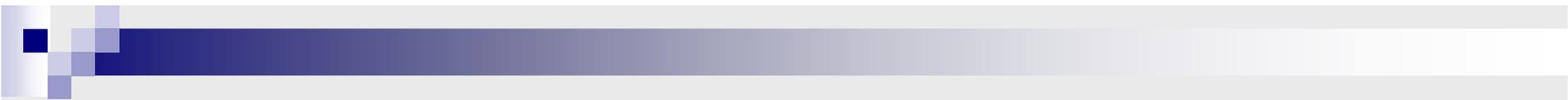
# Eligible Programs

1. Business Assistance (BA) – Small business loans for start-ups and/or expansions to create and/or retain jobs.
2. Microenterprise (ME) – Assist microenterprises by providing technical assistance and training, business counseling, loans, and support services to eligible TIG clients.



# Application Process

- Submit 1 original and 2 copies
- Incomplete or ineligible applications:
  - ✓ Returned within 30 days with explanation
  - ✓ Application cannot be resubmitted
- Rating and Ranking (R&R) Process
  - ✓ Completeness
  - ✓ Rating and Ranking (100 points)
- Timeframe to Implement:
  - ✓ Award to Executed Contract = 90 to 120 days
  - ✓ 90 days to clear Special Conditions



# **Application Evaluation Process**

## **Rating and Ranking**

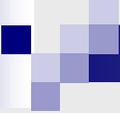
# Evaluation Criterion

- **Need for Program:** 30 Points
    - ✓ Poverty Index 15 Points
    - ✓ Unemployment Rate (%) 10 Points
    - ✓ Adverse Economic Event 5 Points
  - **Local Program Capacity:** 50 Points
    - ✓ Performance on Past ED Grants 20 Points
    - ✓ Strength of Basic Program Design 10 Points
    - ✓ Experience of Program Operators 10 Points
    - ✓ Other Local Organizational Support 10 Points
  - **Program Effectiveness** 20 Points
    - ✓ Commitment of Other Funding Sources 10 Points
    - ✓ Complements Local ED Plan 10 Points
- 100 Total Points



# **Program Design**

## **Eligible Activities**



# Eligible Activities and Use of Funds

## ■ Business Assistance Loan Program:

- ✓ Loans for business start-ups, expansions, and retaining or preserving jobs
- ✓ Land acquisition
- ✓ Construction
- ✓ Equipment purchases
- ✓ Working capital (inventory, FF&E, salaries)
- ✓ Debt refinancing (consult with your CDBG Representative)

### Note:

- ✓ **Must meet National Objective and Public Benefit requirements**

# Eligible Activities and Use of Funds

## ■ Microenterprise Assistance Program:

- ✓ Technical assistance and training
- ✓ Microenterprise loans for start-ups and expansions (typical loan size is up to \$50,000).
- ✓ Façade Improvement Program
- ✓ General Support such as transportation and day care for TIG client.
- ✓ State CDBG and HOME Income Calculation and Determination Guide for Federal Programs and additional information at:  
<http://www.hcd.ca.gov/fa/cdbq/GuideFedPrograms.html>

### Note:

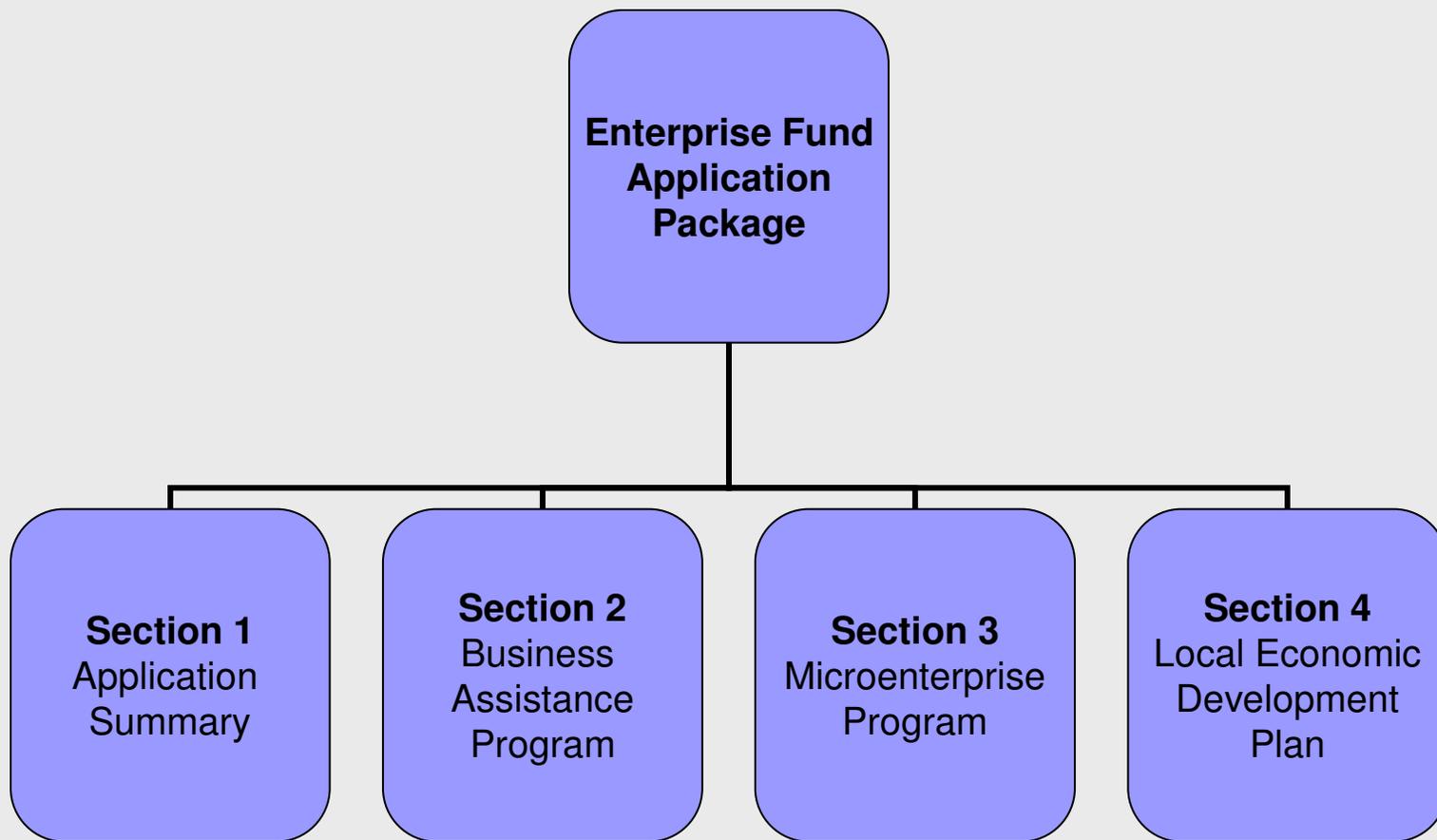
- ✓ Owner is TIG (Target Income Group ) certified.
- ✓ Micro business of 5 employees or fewer including the owner
- ✓ No job creation requirement for microenterprise activities, but you must track jobs for reporting purposes.



# **Application Package**

**Plan the Work and Work the Plan**

# Application Process Flowchart

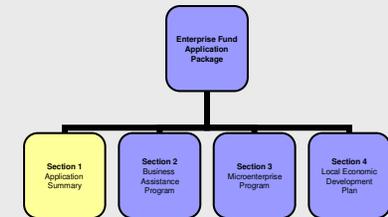




# **Section I**

## **Application Summary**

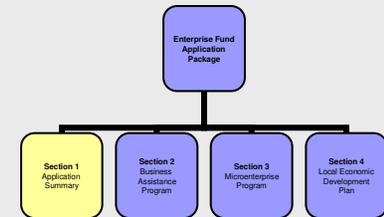
# 1.0 Application Summary



- 1.a Applicant Information
  - ✓ Joint Applicants are allowed
- 1.b Authorized Representative Information
- 1.c Applicant Contact Information



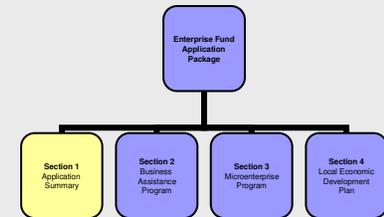
# About Joint Applications



## ■ Joint Applicants

- ✓ Check 1.a and complete Application Summary
- ✓ Joint application cannot exceed \$500,000
- ✓ Joint Powers Agreement required (see sample in Application Package, page 21)
- ✓ You must specify who is the **“lead”** organization in the JPA
- ✓ Joint applicants should contact and work with your State ED Representative

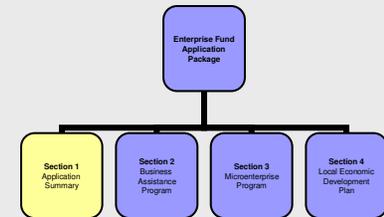
# Application Summary



## ■ 2. Requested Funding by Activity

- ✓ General Admin (GA) - Up to 7.5% of total grant budget
- ✓ Activity Delivery (AD) - Up to 15% of total activity budget. Grantee must use activity funds to draw down AD funds for loans.
- ✓ Activity Budget - Total grant amount less General Administration

# Application Summary

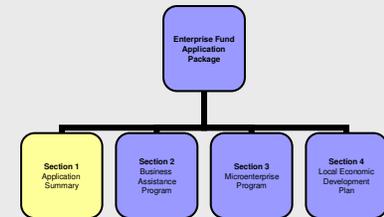


- General Administration (GA):
  - ✓ Reporting, monitoring and grant management
- Activity Delivery (AD):
  - ✓ Includes marketing, underwriting loans, income screening, servicing of loans
- Activity Budget:
  - ✓ Either business loans, microenterprise training assistance and loans
- Answer the ? Is this application a result of a PTA Grant?

## Note:

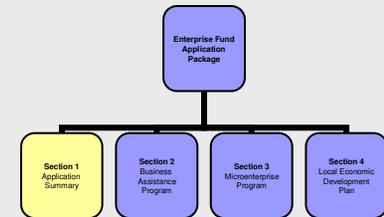
Refer to Cost Categories for General Administration, Activity Delivery, and Program Activity in the Supplemental Information, Attachment M.

# Sample Budget Calculation



■ Grant Budget	\$500,000
■ GA up to 7.5%	<u>\$ 37,500</u>
■ Subtotal	\$462,500
■ AD up to 15.0%	<u>\$ 69,375</u>
■ Eligible Activity	\$393,125

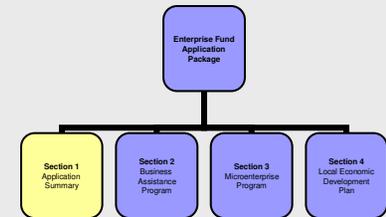
# Application Summary



- 3a & 3b Activity Leverage for BA and ME
  - ✓ Local government – Leverage must be in resolution with amount (\$) and type (cash or in-kind) and **must be in this table to be counted as leverage for R&R.**
  - ✓ Private Lenders – Letters of commitment on letterhead with amount, type and specific term of commitment.
  - ✓ Other Providers – Letters of commitment on letterhead with amount, type and specific term of commitment.

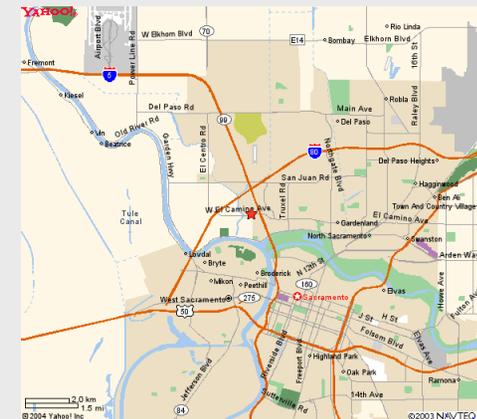
(Note: Equity requirement (%) for business loans in Program Guidelines – Will not be counted towards leverage points)

# Application Summary

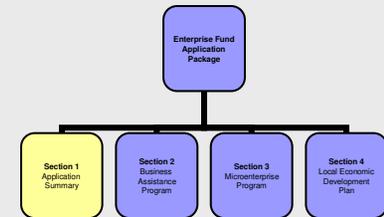


## ■ 4. Location of Activities – U.S. Census

- ✓ Be aware that targeting an area within a jurisdiction can increase poverty points but may constrict your ability to successfully market and use your activity funds vs. jurisdiction-wide activity

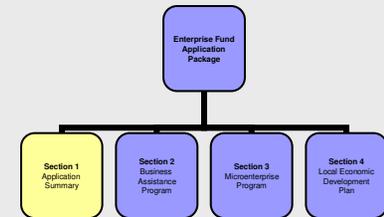


# Application Summary



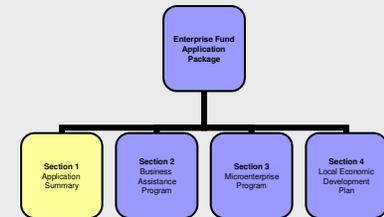
- 5. Proposed Activities and Beneficiaries
  - ✓ # of business startups and expansions
  - ✓ Jobs created and/or retained
  - ✓ # of TIG jobs (51% of jobs must be TIG unless slums/blight is checked)
  - ✓ # of TIG clients
  - ✓ # of estimated jobs created and/or retained

# Application Summary



- 6. Proposed Business Assistance Activities – National Objective
- 7. Proposed Business Assistance Activity – Public Benefit
- 8. Proposed Microenterprise Assistance Activities – Projected Beneficiaries
- 9. Other Projected Microenterprise Performance Indicators

# Application Summary



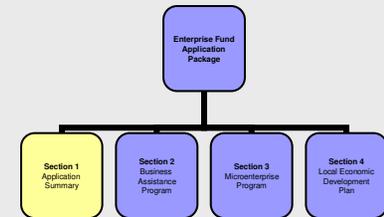
## ■ 10. Legislative Representatives

- ✓ Enter legislator's information
- ✓ Use website links in the application for correct contact information

## ■ 11. Target Populations

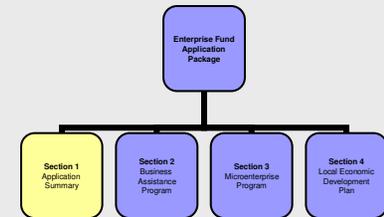
- ✓ Indicate if your program is designed to serve target populations.
- ✓ **Not a scoring factor – for HUD Reporting Purposes only.**

# Application Summary



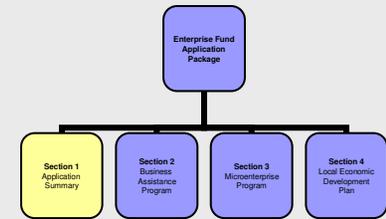
- 12. Hold Out Status of Applicant
  - ✓ Are you on hold out? **No jurisdictions are on holdout this year.**
- 13. Growth Control Compliance
  - ✓ If yes, attached a copy of the measure with the application.
- 14. Housing Element Compliance
  - ✓ Housing Policy Division will confirm compliance.
  - ✓ Application may be submitted, however, compliance with housing element will be verified on March 28, 2011. In the event the housing element has not been approved the application will be rejected.
  - ✓ Contact Paul McDougall at (916) 322-7995 if you have questions.

# Application Summary



- 15. Maps
  - ✓ Required for target areas
  - ✓ Must not exclude based upon ethnicity or income level
- 16. NEPA Environmental Clearance
  - ✓ Applies to the following Exempt Activities – General Administration Activities, Microenterprise Technical Assistance and General Support
  - ✓ Finding of Exemption – Authorized Official per resolution
  - ✓ FORM 58.6
  - ✓ Special Conditions have NEPA requirement for non-Exempt Activities
  - ✓ Business loans have their own NEPA requirement

# Application Summary



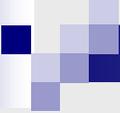
- 17. Official Authorized to Sign Application
  - ✓ Check your resolution
  - ✓ Application versus Grant Agreement



# **Section 2.0**

## **Application Summary**

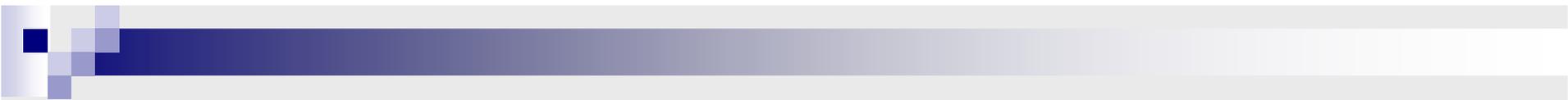
### **Attachments**



# Application Summary Attachments

Attached the following:

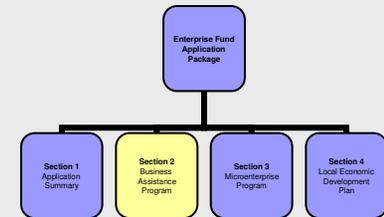
- ✓ Signed original of the Governing Body Resolution
- ✓ Statement of Assurances
- ✓ OMB Circular A-133
- ✓ Census Data
- ✓ Growth Control
- ✓ Location Map
- ✓ Ethnic/TIG Map
- ✓ Joint Powers Agreement



# **Section 2**

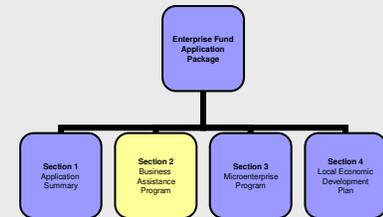
## **Business Assistance Activity**

# 1.0 NEED FOR PROGRAM



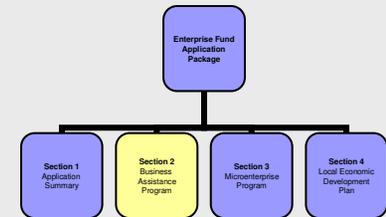
- Poverty Rate
  - ✓ Refer to Appendix B of the NOFA for jurisdiction poverty rate.
- Annual Average Unemployment Rate
  - ✓ See Form 400 C, November 2010, Appendix K of the Supplemental Information.
- Adverse Economic Impact
  - ✓ Event that has the effect of significantly reducing employment opportunities within your jurisdiction.
  - ✓ Adverse economic event must be documented with a detailed narrative and supporting data.
  - ✓ A condition that has existed longer than 18 months will not be considered to meet the above standard.
  - ✓ The event can only be claimed one (1) time.

## 2.0 LOCAL PROGRAM CAPACITY



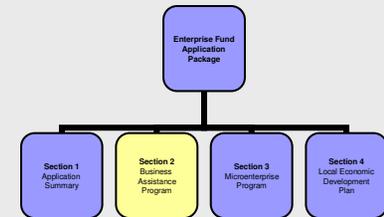
- The following areas of the proposed activity will be evaluated:
  - ✓ Overall Performance on 2006, 2007 and 2008 grants;
  - ✓ Strength of Business Assistance Program based on the information presented in the application;
  - ✓ Strength of the team and individuals that will be performing the work such as “Who will be underwriting the loans?”, “Who will handle portfolio management?”
  - ✓ Participation and active support of other community based organizations in the activity such as the SBA, Chamber of Commerce and financial institutions.

## 2.1 Past Performance



- Performance on 2006, 2007 and 2008 grants will be evaluated for the following:
  - ✓ Expenditure of funds including leverage;
  - ✓ Outcomes of your business loan, and microenterprise TA and loan activities against those described in the application; and
  - ✓ Missing reports such as FARs, EDPR, PI, GPR, wage compliance, Section 3 and monitoring findings if the grant has been closed-out.
- Performance will be determine based on your results as of December 31, 2010.

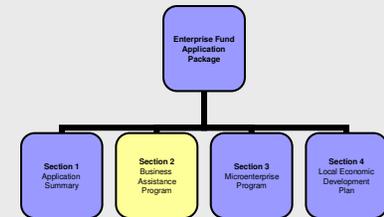
## 2.2 Relative Strength of Basic Program Design



### ■ Program Design:

- ✓ Description of the activity and methodology of how the services will be delivered;
- ✓ Description of the local need in the community;
- ✓ Description of why CDBG funds are the best and appropriate tool to meet the community's economic development needs; and
- ✓ Projected outcomes resulting from the activity.

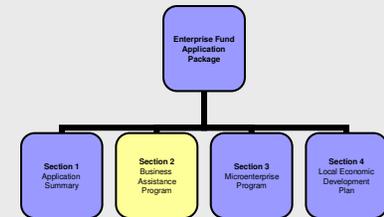
## 2.2 Relative Strength of Basic Program Design



### ■ Program Guidelines:

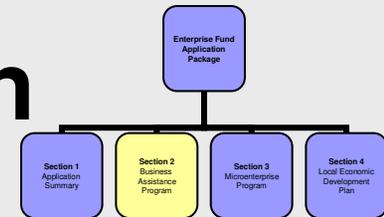
- ✓ Complete Task Matrix that coordinates with the guidelines (refer to Appendix H and place in Section 4-1 of the Business Assistance Attachments);
- ✓ Description of staff roles, subrecipients and/ program operators necessary to implement the activity that coordinates with the Task Matrix;
- ✓ Discussion of federal overlay requirements and who will be responsible for seeing that they are met;
- ✓ Description of how the program meets CDBG national objectives requirements;
- ✓ Description of how the Business Assistance loan will meet CDBG eligibility requirements and HUD underwriting guidelines.

## 2.3 Relative Experience of Program Operators



- The experience of program operators must include the following:
  - ✓ Provide an overall program organization chart and activity flowchart that clearly identifies all organizations and individuals who will be doing the work.
  - ✓ Provide complete duty statements of individuals performing work for the activity.
  - ✓ Provide full and complete resumes of all individuals that include relevant experience, education and special training.
  - ✓ Approved contracts for all subrecipients and consultants:
    - Letters of commitment or interest with resumes that include relevant experience of all individuals who will be doing the work, including experience, education and special training.

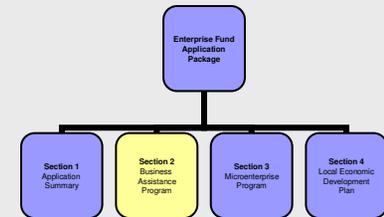
## 2.4 Other Local Organization Support



- Measures the applicant's ability to attract and use other local resources from other organizations such as the SBDC, community colleges, and EDC.
- Support can be in the form of cash\* (\$) or in-kind services.
- Support must be documented by letters and/or signed agreements on the organization's letterhead with:
  - ✓ Effective dates of commitment
  - ✓ Description of the contribution: (1) support only or (2) cash or in-kind cash equivalent.
  - ✓ Cash or in-kind cash equivalent, if documented, can also be counted as leverage. Must be on the "Commitment of Other Funding Sources" chart and also on pages 33 and 35 of the application.

\* State and federal funding is not counted as leverage.

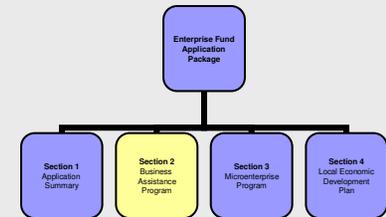
# 3.0 PROGRAM EFFECTIVENESS



The following areas will be evaluated:

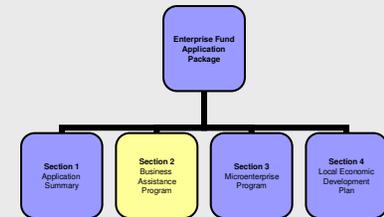
- ✓ The commitment of other funding sources to the activity by the applicant;
- ✓ The extent the activity complements the goals and objectives of the local economic development plan.

## 3.1 Commitment of Other Funding Sources



- Are you bringing leverage to your Application such as bank funds, private equity, or other organizations such as EDC?
- List sources and uses of funds, and documentation from these sources.

## 3.2 Economic Development Plan



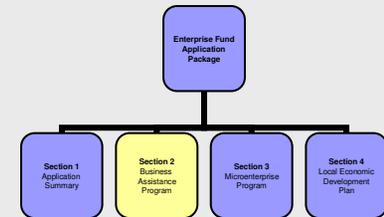
- Does the plan describe the linkage between the local need and/or demand and the need for CDBG funding.
- Where does it cite CDBG as a source of business funding support for loan assistance?



# **Section 4**

## **Business Assistance Attachments**

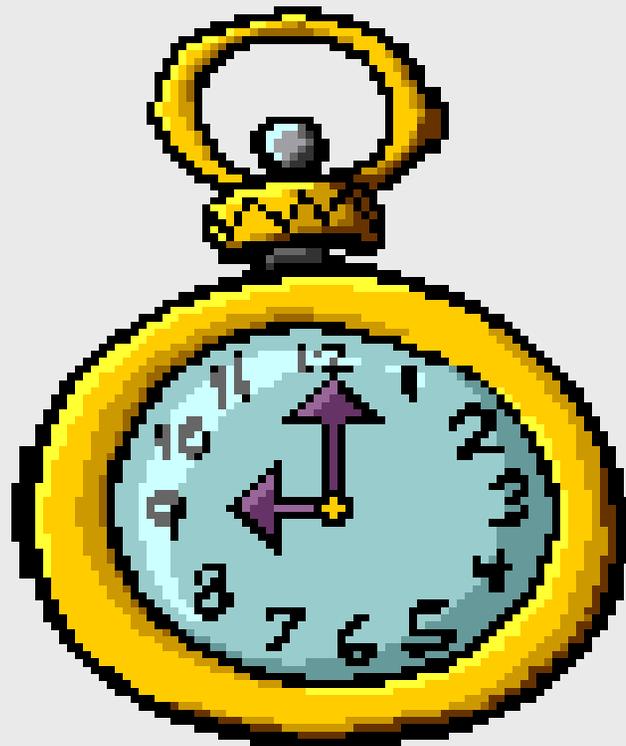
# Business Assistance Attachments



Include the following:

- ✓ Business Assistance Task Matrix
- ✓ Business Assistance Program Guidelines
- ✓ Other Local Organizational Support
- ✓ Commitment of Other Funding Sources (Leverage)
- ✓ Adverse Economic Event

# How About a 15 Minute Break?

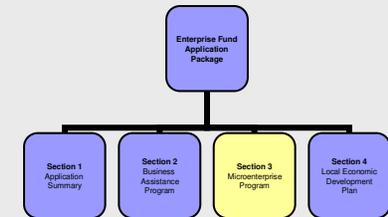




# **Section 3**

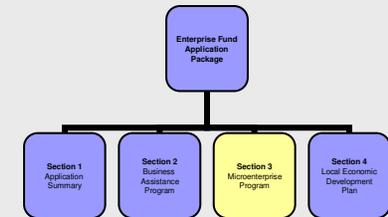
## **Microenterprise Assistance Application**

# 1.0 NEED FOR PROGRAM



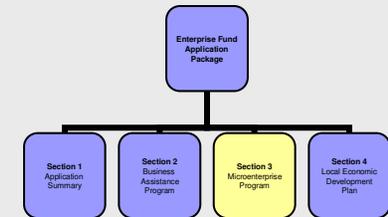
- Poverty Rate
  - ✓ Refer to Appendix B of the NOFA for jurisdiction poverty rate.
- Annual Average Unemployment Rate
  - ✓ See Form 400 C, August 2008, Appendix L of the Supplemental Information.
- Adverse Economic Impact
  - ✓ Adverse event that has the effect of significantly reducing employment opportunities within the jurisdiction.
  - ✓ Adverse economic event must be documented with a detailed narrative and supporting data.
  - ✓ A condition that has existed longer than 18 months will not be considered to meet the above standard.
  - ✓ The event can only be claimed one (1) time.

## 2.0 LOCAL PROGRAM CAPACITY



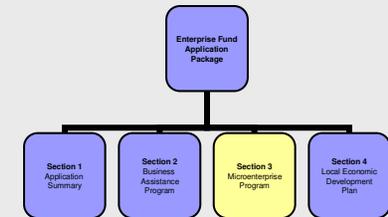
- The following areas of the proposed activity will be evaluated:
  - ✓ Overall Performance on 2006, 2007 and 2008 grants;
  - ✓ Strength of Microenterprise Program based on the information presented in the application;
  - ✓ Strength of the team and individuals that will be performing the work such as “Who will be underwriting the microenterprise loans?” or “Who will be providing one-on-one counseling to microenterprise clients?”
  - ✓ Participation and active support of other community based organizations in the activity such as the SBA, Chamber of Commerce and financial institutions.

## 2.1 Past Performance



- Performance on 2006, 2007 and 2008 grants will be evaluated for the following:
  - ✓ Expenditure of funds including leverage;
  - ✓ Outcomes of your business loan, and microenterprise TA and loan activities against those described in the application; and
  - ✓ Missing reports such as FARs, EDPR, PI, GPR, wage compliance, Section 3 and monitoring findings if the grant has been closed-out.
- Performance will be determine based on your results as of December 31, 2010.

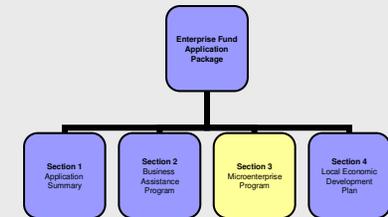
## 2.2 Relative Strength of Basic Program Design



### ■ Program Design:

- ✓ Description of the activity and methodology of how the services will be delivered;
- ✓ Description of the local need in the community;
- ✓ Description of why CDBG funds are the best and appropriate tool to meet the community's economic development needs; and
- ✓ Projected outcomes resulting from the activity.

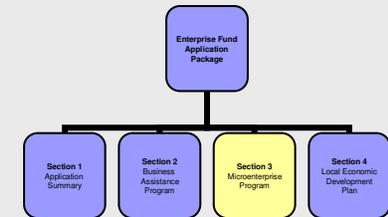
## 2.2 Relative Strength of Basic Program Design



### ■ Program Guidelines:

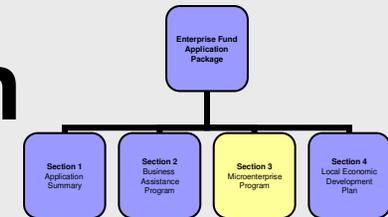
- ✓ Complete Task Matrix that coordinates with the guidelines (refer to Appendix H and place in Section 4-1 of the Microenterprise Assistance Attachments);
- ✓ Description of staff roles, subrecipients and/ program operators necessary to implement the activity that coordinates with the Task Matrix;
- ✓ Discussion of federal overlay requirements and who will be responsible for seeing that they are met;
- ✓ Description of how the program meets CDBG national objectives requirements;
- ✓ Description of how the Microenterprise Assistance Technical Assistance and Loans will meet CDBG eligibility requirements and HUD underwriting guidelines.

## 2.3 Relative Experience of Program Operators



- The experience of program operators must include the following:
  - ✓ Provide an overall program organization chart and activity flowchart that clearly identifies all organizations and individuals who will be doing the work.
  - ✓ Provide complete duty statements of individuals performing work for the activity.
  - ✓ Provide full and complete resumes of all individuals that include relevant experience, education and special training.
  - ✓ Approved contracts for all subrecipients and consultants:
    - Letters of commitment or interest with resumes that include relevant experience of all individuals who will be doing the work, including experience, education and special training.

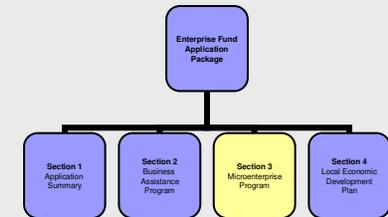
## 2.4 Other Local Organization Support



- Measures the applicant's ability to attract and use other local resources from other organizations such as the SBDC, community colleges, and EDC.
- Support can be in the form of cash\* (\$) or in-kind services.
- Support must be document by letters and/or signed agreements on the organization's letterhead with:
  - ✓ Effective dates of commitment
  - ✓ Description of the contribution: (1) support only or (2) cash or in-kind cash equivalent.
  - ✓ Cash or in-kind cash equivalent, if documented, can also be counted as leverage. Must be on the "Commitment of Other Funding Sources" chart and also on pages 33 and 35 of the application.

\* State and federal funding is not counted as leverage.

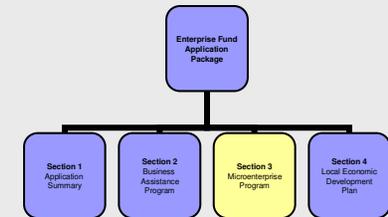
# 3.0 PROGRAM EFFECTIVENESS



The following areas will be evaluated:

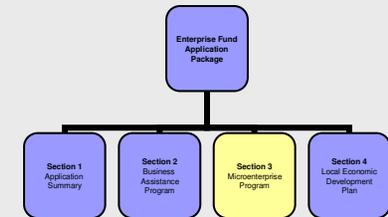
- ✓ The commitment of other funding sources to the activity by the applicant;
- ✓ The extent the activity complements the goals and objectives of the local economic development plan.

# 3.1 Commitment of Other Funding Sources

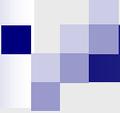


- Are you bringing leverage to your Application such as bank funds, private equity, or other organizations such as EDC?
- List sources and uses of funds, and documentation from these sources.

## 3.2 Economic Development Plan



- Does the plan describe the linkage between the local need and/or demand and the need for CDBG funding.
- Where does it cite CDBG as a source of microenterprise funding support for technical assistance and loans?

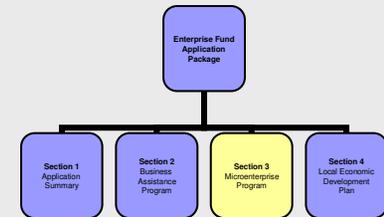


# **Section 4**

## **Microenterprise**

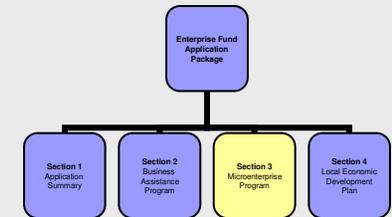
### **Assistance Attachments**

# Microenterprise Assistance Attachments



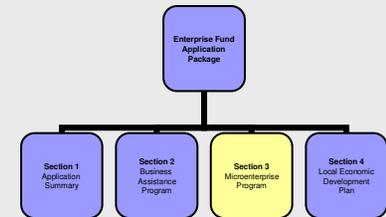
- Task Matrix Attachments
- Program Guidelines
  - ✓ Technical Assistance, Microenterprise Loans, and Façade Improvement activities)
  - ✓ Technical Assistance - Beneficiary Tracking Plan
- Cost Allocation Plan
  - ✓ Required if serving TIG and Non-TIG clients
  - ✓ Cost per Unit Delivery
- Other Local Organizational Support Attachments
- Leverage Attachments

# Façade Improvement Activity



- Grantees can use CDBG funds to create a Façade Improvement activity under their Microenterprise Assistance Program only.
- Purpose of this loan activity is to allow eligible microenterprise businesses to borrow funds to improve the appearance of the exterior façade where the business is located.
- Goal is to create a positive downtown business environment.

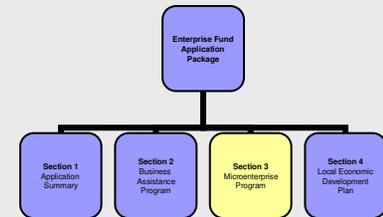
# Façade Improvement Activity



## ■ Program Design:

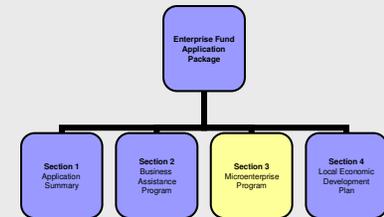
- ✓ Make exterior improvements to a commercial building where the primary entrance to the business is located.
- ✓ Need consent of building owner
- ✓ Examples of exterior improvements may include: exterior painting, replacement/refurbishing of doors, windows, decorative stone, awnings, signage, and lighting.
- ✓ CDBG funds may be used to make exterior ADA improvements to that part of a commercial building where the primary entrance to the business is located.
- ✓ CDBG funds may not be used for improvements to the interior of the business or improvements to landscaping, sidewalks, or walkways.

# Façade Improvement Activity



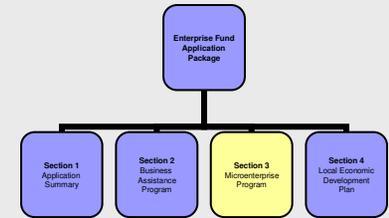
- Grantees are responsible for developing guidelines defining what types of exterior façade improvements are eligible for funding.
- Grantees will need to update Microenterprise guidelines to implement activity.
- Contact your CDBG Economic Development Representative if you have questions.

# Façade Improvement Activity



- **Activity Guidelines should describe the following:**
  - ✓ Program's structure;
  - ✓ Management and staffing;
  - ✓ Public noticing and reporting requirements;
  - ✓ Procedures for approving, documenting, closing, and servicing a façade loan transaction; and
  - ✓ Procedures for establishing and maintaining files for recordkeeping.

# RAM Drugs, City of Corcoran

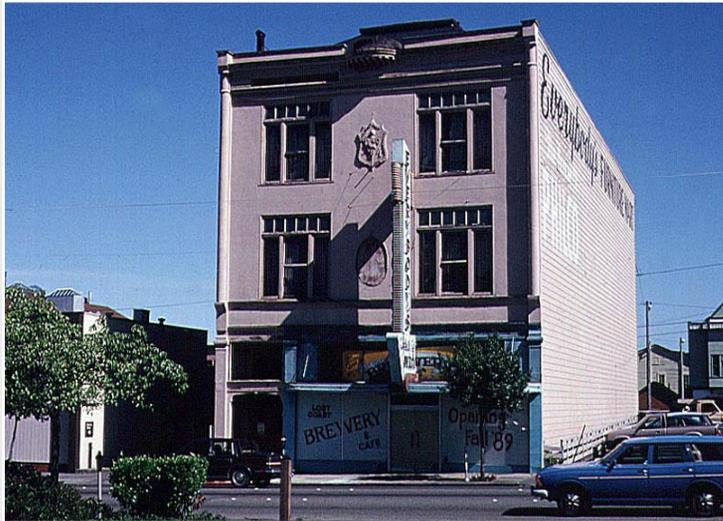
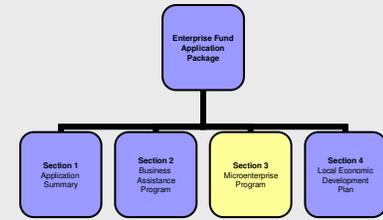


**Before**



**After**

# Lost Coast Brewery, Eureka



**Before**



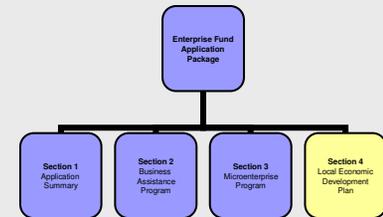
**After**



# **Section 4**

## **Local Economic Development Plan**

# 4.0 Local Economic Development Plan



- **Local Economic Development Plan**
  - ✓ Current means adopted within the last 5 years.
  - ✓ Must indicated where CDBG funding is cited in the plan.
- **Supplemental Economic Development Plan Update Information**
  - ✓ Provide if local ED plan is not current.
  - ✓ Provide if you are submitting regional ED plan.
  - ✓ Must provide detailed description and data to support local economic development activities, including CDBG activities.
  - ✓ Can be approved at the same time the application is approved for submission be the local governing body.



# **Common Issues**

## **Past Applications**

# Issue Areas

- Grant application – linkage of local need and use of CDBG funding not documented in the local economic development plan or supplemental ED information.
- CDBG not cited in your local economic development plan.
- Signatures are not in “**blue ink**”.
- Authorized Representative signature is not correct individual per the resolution.
- Unrealistic leverage commitment or leverage has not been spent.

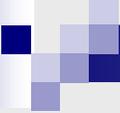


# Issue Areas

- Business Assistance loan funds were not obligated by the 30<sup>th</sup> month of the contract.
- Demonstrating capacity to perform the work is key to achieving maximum points, i.e. does the business loan underwriter have the experience and financial knowledge to underwrite a business loan applying CDBG and HUD guidelines.

# Overall Funding Process

- **Grant awards announced on May 27, 2011**
- **Grant Agreement Process**
  - ✓ Funds reserved for the program
  - ✓ Timeframe to process and receive your grant agreement - 90 days
  - ✓ G&A and Activity expenditures (BA/ME)
  - ✓ Drawdown requests – signed executed agreement
  - ✓ Clearing **Special Conditions** – 90 days
  - ✓ Monitoring and closeout of grant



# **The Payoff for All Your Efforts**

Awards to successful grantees  
will be announced on  
May 27, 2011



**Any Questions?**

Thank you for attending  
the Workshop