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DIVISION OF FINANCIAL ASSISTANCE  
FEDERAL PROGRAMS BRANCH  
Community Development Block Grant Program (CDBG)**

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**CDBG MANAGEMENT MEMORANDUM**

**Community Development Block Grant Program - Memorandum Number 11-02**

**Date:** March 1, 2011

**To:** Eligible Community Development Block Grant (CDBG) Jurisdictions

**SUBJECT:** QUESTIONS AND ANSWERS FROM 2010-2011 CDBG ENTERPRISE FUND APPLICATION WORKSHOPS

The following are answers to questions that were raised at the Enterprise Fund (EF) Notice of Funding Availability (NOFA) training workshops. These answers should clarify and provide assistance in completing the EF application that you will be submitting on March 28, 2011.

**Question 1:** Is a Joint Powers Agreement (JPA) required for submitting a joint application between two or more eligible CDBG jurisdictions?

**Answer:** Yes, if multiple jurisdictions will applying for funding under a single application then a JPA must be approved and submitted with the application. The JPA must identify who will be the "lead" organization responsible for the management of the CDBG grant with the State of California for the purposes of receiving CDBG funds.

Please refer to the Joint Powers Agreement Sample in the Application Package on page 21.

**Question 2:** My jurisdiction will be proposing a micro enterprise program that includes technical assistance and loans to eligible micro enterprise clients. When preparing the application, do we have to describe how the jurisdiction will determine the eligibility of the micro enterprise client before receiving technical assistance or loans?

**Answer:** Yes, you must describe, as well as, incorporate the new income calculation methods into your program guidelines. Your application will have two sets of micro activity guidelines, one for technical assistance and one for financial assistance or loans. For the technical assistance activity, the program operator will require program participants to complete self certification forms to qualify micro enterprise owners, and then verify five or fewer employees.

For financial assistance (loans or grants) the program operator must do income qualification (again) using the higher standard of Part 5 method, then verify the five or fewer employees, and then underwrite the business to show it is financially viable. NOTE: Many micro program operators are not familiar with Part 5 method of income determination. Capacity for this critical task must be documented in the application. It may be possible to have a separate agency do the Part 5 process if the micro financial assistance program operator does not have the capacity.

Please refer to the Management Memo, titled “10-09 State CDBG Income Self-Certification Guide and Forms” and the following website for detailed information <http://www.hcd.ca.gov/fa/cdbg/mmemo/10-09.pdf>.

**Question 3:** In the past, micro enterprise applicants have been asked to submit most recent federal tax returns to document income eligibility, is this still a good practice?

**Answer:** Tax returns are no longer able to be used for micro enterprise applicant income eligibility. See the discussion above in question two. However, it may still be a good practice to review tax returns at the time of application processing to ensure a micro business can qualify for financial assistance after technical assistance and it helps to validate the income self certification form initially provided by the micro applicant.

**Question 4:** If an EF application is submitted for microenterprise assistance activities (technical assistance and microenterprise loans), can the funds between these two activities be moved without a formal grant amendment?

The question is being asked because it is possible that after the contract is executed that the demand for microenterprise technical assistance is greater than for microenterprise loans. It would be helpful to be able to move the money between the two activities without having to do a formal grant amendment.

**Answer:** A formal grant amendment is not required for moving funds between microenterprise technical assistance activities and microenterprise financial assistance because these activities are both under the same HUD activity code (18C) and are one budget line item in the contract.

However, be aware that a formal request must be made to HCD to approve this activity budget adjustment.

**Question 5:** How do I make sure that I receive information on the CDBG Program, specifically information regarding the 2010 NOFA?

**Answer:** Go to the following website to place yourself on the Department's list serve service: [http://www.hcd.ca.gov/fa/DFA\\_Subscriber.html](http://www.hcd.ca.gov/fa/DFA_Subscriber.html).

**Question 6:** Can I submit the Local Economic Development Plan or Strategic Economic Development (SED) Plan on CD?

**Answer:** Yes

**Question 7:** Can a "draft" Local Economic Development Plan be submitted for an Enterprise Fund Application?

**Answer:** No, unless it has been procedurally adopted and/or approved by the local governing authority. For the purposes of completing Section 3.2, Extent to Which Program Complements Local or Regional Economic Development Plan in the Application you should refer to items a, b, c and d on page 63 or 79 of the application for Business Assistance or Microenterprise Assistance.

**Question 8:** In regards to the Local Economic Development Plan:

1. Does the EF application need to contain a complete Strategic Economic Development (SED) Plan as it could be hundreds of pages; and
2. Can a jurisdiction update their SED Plan or Local Economic Development Strategy? How can this be done?

**Answer:**

1. Yes, a complete SED plan must be included in the application. In lieu of a "hard copy", you can submit it on a CD ROM or memory stick. In the application you can cite the applicable pages in the SED section. Please refer to page 63 and 79 of the EF Application.

2. Yes, please refer to page 63 and 79 of the EF Application. Jurisdictions must follow local policies for amending the SED Plan. At a minimum, the amendment must be approved via a separate agenda item or consent item at a jurisdiction's normal governing body meeting so it can be formally reviewed and approved by elected officials.

**Question 9:** Will an applicant be penalized under Performance on Past CDBG ED Grants for not spending grant funds that was funded under the 2008 Enterprise Fund "Rollover" award?

**Answer:** Grants funded under the 2008 Rollover award will not be at a disadvantage under the Performance on Past CDBG ED Grants rating and ranking category.

**Question 10:** Is there a way to obtain a D-U-N-S number without going to Dun and Bradstreet (D&B)? There have been complaints from small businesses that D&B charges money for a number and then the business is heavily marketed.

**Answer:** Directions on how to obtain a D-U-N-S number are on page six of the Enterprise Fund NOFA. This link goes to the D&B web site and may be confusing to business applicants or program operators. Once at that web page look at the right side of the page and click on NEXT for U.S. Government Contractors, Vendors and Grant Recipients. This goes to the free sign up web site location.

Another direct link to the government's free D-U-N-S sign up is <http://fedgov.dnb.com/webform/index.jsp>. Also, D&B's Privacy Policy, which includes ways to block marketing by D&B can be found at: [http://www.dnb.com/US/home/privacy\\_policy/index.html](http://www.dnb.com/US/home/privacy_policy/index.html).

**Question 11:** What is the difference between the terms "retained jobs" and "preserved jobs?"

**Answer:** Both of these terms mean the same thing. When CDBG funds are provided to a business and the business is able to retain jobs because of CDBG assistance, then those jobs can be counted as retained for meeting public benefit requirements.

**Question 12:** How do I apply the National Objective for economic development activities using the "slums and blight" area designation?

**Answer:** See Attachment 1 or use the following link: <http://www.hud.gov/offices/cpd/economicdevelopment/toolkit/index.cfm> and go to page 37 for national objectives related to the elimination of slums and blight.

**Question 13:** Are ADA projects an eligible façade improvement activity if the project is in the public right-of-way under the Façade Improvement Program?

**Answer:** No, unless the ADA improvements are made to that part of the commercial building where the primary entrance is located.

**Question 14:** Are signs an eligible façade improvement project if the project is in the public right of way under the Façade Improvement Program?

**Answer:** No, the signage must be either attached to that part of the commercial building where the primary entrance is located and/or the owner's private property. Signage is not an eligible activity if the signage is in the public right-of-way.

**Question 15:** How do I get a copy of the Enterprise Fund Application Workshop Presentation?

**Answer:** A copy of the EF Application Workshop PowerPoint presentation is located on the HCD website at: <http://www.hcd.ca.gov/fa/cdbg/funds/> under “Economic Development Allocation - California Community Economic Enterprise Fund”.

**Question 16:** In the 2009-2010 Enterprise Fund applications, what was the number of letters (Other Organizational Support) and the amount of leverage (Commitment of Other Funding Sources) needed for applicants to receive full points under Rating and Ranking?

**Answer:** The following table shows the range of letters and leverage distribution based on the “applicant pool sets the standard”. The outlier represents the highest number of letters and leverage submitted by a single applicant.

<b>Other Organizational Support Letters</b>	<b>Highest Number</b>	<b>Lowest Number</b>	<b>Outlier</b>
Business Assistance	7	1	10
Microenterprise Assistance	7	1	10

<b>Commitment of Other Funding Sources (Leverage)</b>	<b>Highest (\$)</b>	<b>Lowest (\$)</b>	<b>Outlier</b>
Business Assistance	\$170,500	\$5,100	\$600,000
Microenterprise Assistance	\$52,500	\$1,100	\$93,023

Applicants should be aware that leverage is a commitment that will be included by dollar (\$) amount and the source of the commitment in the grant agreement. It will be held as a monitoring standard should the application be funded and may impact your competitiveness on future EF applications if the leverage is not spent. The amount of leverage should be realistic because it needs to be fully spent during the term of the grant.

## Attachment 1

*Reference: HUD Economic Development Toolkit, Chapter 2, CDBG Foundation, National Objectives, Elimination of Slums and Blight, Page 37-39*

### Elimination of Slums and Blight

- This section highlights the national objectives related to the elimination of slums and blight.
- Activities under this national objective are carried out to address one or more of the conditions which have contributed to the deterioration of an area designated as a slum or blighted area.
- The focus of activities under this national objective is a change in the physical environment of a deteriorating area. This contrasts with the LMI benefit national objective where the goal is to ensure that funded activities benefit LMI persons.
- This difference in focus has an impact on the information that is required to assess the qualifications of an activity. Under the LMI benefit national objective, determining the number of LMI persons that actually or could potentially benefit from an activity is central to qualifying the activity. Under the elimination of slum and blight national objective, determining the extent of and physical conditions that contribute to blight is central to qualifying an activity.
- There are two categories that can be used to qualify activities under this national objective:
  - Prevent or eliminate slums and blight on an area basis; or
  - Prevent or eliminate slum and blight on a spot basis.

### Slum Blight Area Basis (SBA)

- This category covers activities that aid in the prevention or elimination of slums or blight in a designated area. Examples of economic development activities that qualify when they are located within the slum or blighted area include:
  - Infrastructure improvements in a deteriorated area; and
  - Economic development assistance in the form of a low-interest loan to a business as an inducement to locate a branch store in a redeveloping blighted area.
- To qualify under this category, the area in which the activity occurs must be designated as slum or blighted. The following tests apply:
  - The designated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated or deteriorating area under State or local law;

- Additionally, the area must meet either one of the two conditions specified below:
  - Public improvements throughout the area are in a general state of deterioration; or
  - At least 25 percent of the properties throughout the area exhibit one or more of the following:
    - Physical deterioration of buildings/improvements;
    - Abandonment of properties;
    - Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings;
    - Significant declines in property values or abnormally low property values relative to other areas in the community; and
    - Known or suspected environmental contamination.
  - Documentation must be maintained by the State on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualifications.
  
- As stated above, qualified activities must address the identified conditions that contributed to the slum and blight.
  
- NOTE: When undertaking residential rehab in a slum/blight area, the building must be considered substandard under local definition, and all deficiencies making the building substandard must be eliminated before less critical work is undertaken.
  
- Records to be maintained for area slums and blight may include:
  - Area designation (e.g., boundaries) and date of designation; and
  - Documentation and description of blighted conditions (e.g., photographs, structural surveys, or development plans).
  - For residential rehabilitation:
    - Building qualification as substandard;
    - Pre-rehabilitation inspection report and work plan describing deficiencies;
    - Scope of work performed with documentation that substandard elements were addressed first; and
    - Evidence that the activities undertaken address the conditions that contributed to the deterioration.

## **Slum Blight Spot Basis (SBS)**

- These are activities that eliminate specific conditions of blight or physical decay on a spot basis and are not located in a slum or blighted area.
- Activities under this category are limited to acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, and building rehabilitation activities.
- Furthermore, rehabilitation is limited to the extent necessary to eliminate a specific condition detrimental to public health and safety.
- Program files should include the following:
  - Description of condition addressed by activity;
  - Documentation of activity eligibility under this category; and
  - Records required for residential rehabilitation as listed above under Area Basis.