



EXAMPLE #3: SAMPLE SCOPE OF SERVICES FOR SPECIAL ECONOMIC DEVELOPMENT JOB CREATION ACTIVITIES

This is an example of a Scope of Services for a subrecipient that is providing low-interest loans to private for-profit businesses (per [24 CFR 570.203\(b\)](#)) as a means of creating jobs for low- and moderate-income persons. With such “special economic development activities” documentation that the loan program constitutes an **eligible activity** and meets a **National Objective** is crucial and therefore is given particular attention in this illustrative Scope of Services.

As mentioned in the preceding section that focused on housing rehabilitation, there are a variety of acceptable ways to structure the scope and compensation schedule for any particular activity being undertaken by a Subrecipient. Therefore, the example that follows **should not be viewed as required contract language**, but rather as one approach for structuring the Scope of Services in a Subrecipient Agreement.

Scope of Services

A. Principal Tasks

The Subrecipient will be responsible for administering a CDBG Year ___ economic development loan program, also referred to as (specific name of the program), for the city/county of (name of Grantee) hereinafter referred to as “the Grantee.” The Subrecipient will administer all tasks in connection with the aforesaid program in compliance with all applicable Federal, state, and local rules and regulations governing these funds, and in a manner satisfactory to the Grantee.

Changes to the program focus and objectives, scope of services, schedule, or budget contained in this Agreement, unless otherwise noted, may only be made through a written amendment to this Agreement, executed by both the Subrecipient and Grantee.

The focus of the Subrecipient’s efforts under this Agreement will be the provision of low-interest loans to private for-profit businesses located in the city/county of (name of grantee) that will result in the creation of jobs at those businesses primarily for low- and moderate-income individuals. The principal objective of the CDBG Year___ economic development loan program will be the creation of 25 jobs through the provision of up to ten (10) loans. The major tasks that the Subrecipient will perform in connection with the (specific name of program) include, but are not limited to, the following:

1. **Refinement of economic development loan program procedures and forms:** subject to the review and approval by the Grantee, the Subrecipient will establish, or make any necessary revisions to, the economic development loan program design, procedures, and forms (including but not limited to the underwriting criteria meeting the requirements of [24 CFR 570.209](#), collateral/loan security requirements, standards for loan value-to-job creation ratio(s), repayment terms, loan review procedures, standard application forms and loan documents, loan servicing terms and procedures, and loan re-negotiation, default and/or foreclosure policies).
2. **Outreach:** the Subrecipient will advertise the CDBG FY___ economic development loan program and conduct other forms of outreach. The Subrecipient’s outreach efforts will be sufficient to generate enough demand to be able to close loans that produce 25 jobs, the majority of which will be for low- and moderate-income persons.
3. **Completion of loan applications; underwriting assessment:** the Subrecipient will assist for-profit businesses in completing loan applications and will perform an assessment of each loan request to (a)

determine the CDBG eligibility of the loan, (b) evaluate the loan's job creation potential relative to meeting the National Objective and Public Benefit standards, (c) develop underwriting guidelines, and (d) ascertain that the loan will minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods. The Subrecipient will perform, based on established underwriting guidelines per [24 CFR 570.209](#), a front-end assessment to determine whether each loan and the financing terms associated with it are appropriate, and as part of this assessment will consider the business' need for financial assistance, the feasibility of the proposed venture or business activity, the past business experience of the applicant, the reasonableness of the proposed costs and return to the applicant, the commitment of other sources of funds, and the ratio of the loan amount to the full-time equivalent jobs expected to be created.

4. **Obtain loan collateral:** the Subrecipient will identify and obtain loan collateral, or other appropriate forms of loan security, sufficient to reduce the financial risk associated with each CDBG-funded loan, consistent with the program intent of providing financing in situations where adequate conventional financing is not available.
5. **Loan Review Committee:** the Subrecipient will establish and maintain a Loan Review Committee, consisting of a representative of the Subrecipient, a representative of the Grantee, and three representatives of local financial institutions familiar with business loans. The Loan Review Committee will review all loan recommendations forwarded to it by the economic development program staff of the Subrecipient. No loan will be made under the economic development loan program without the approval of a majority of the members of the Loan Review Committee.
6. **Loan closing:** with the authorization of the economic development loan program's Loan Review Committee, the Subrecipient will execute all necessary documents and will draw down funds as necessary to cover the expenses of approved applicants for activities authorized by executed loan agreements. The loan documents executed with applicants will include explicit provisions describing (a) the records that loan recipients must maintain to demonstrate the eligibility of the CDBG expenditures and the satisfaction of the CDBG National Objective, and (b) the conditions and procedures under which late payment penalties, default and/or foreclosure will occur.
7. **Loan servicing/loan portfolio management:** the Subrecipient will establish and maintain a consistent method for recording monthly payments, with up-to-date ledgers and timely reconciliations (at least quarterly). The Subrecipient will also establish a system to monitor the financial health of the ventures funded, in order to anticipate repayment problems. The Subrecipient will apply its policies and procedures regarding late payments, defaults, loan re-negotiation, and foreclosure in a timely and consistent manner.
8. **Monitoring of job creation:** the Subrecipient will monitor loan recipients on at least a quarterly basis to assess their progress in creating jobs for low- and moderate-income persons, and will institute default and foreclosure of the loan (with penalties if appropriate) in instances where the loan recipient fails to take sufficient action to satisfy the CDBG National Objective requirement.
9. **Management of program income:** any program income generated in connection with the economic development loan program, including loan repayments, late payment penalties, recaptures, or proceeds from foreclosure, will be utilized consistent with the provisions of [24 CFR 570.500\(a\)](#), [570.503\(a\)](#) and [\(b\) \(3\)](#), and [570.504](#), and all other applicable CDBG program requirements. The Subrecipient shall apply this program income toward additional loans under the economic development loan program through the use of a revolving fund pursuant to [24 CFR 570.500\(b\)](#).
10. **Maintenance of records:** in addition to the financial records regarding loan repayment cited in Paragraph A.6 above, the Subrecipient will maintain sufficient records to fully document (a) the loan application and underwriting review, including the front end assessment of CDBG eligibility and appropriateness of the loan, (b) the final terms and conditions of the loan, including collateral or other forms of loan security involved, (c) satisfaction of the CDBG National Objective, and Public Benefit requirements consistent with the requirements of [24 CFR 570.208\(a\)\(4\)](#) and [570.209](#), and (d) proper utilization of program income received. All such records will be maintained according to the general requirements of [24 CFR 570.506](#) and those specified in the section of this Agreement on retention of records [Grantee to add a specific reference here].

Along with this Scope of Services, the grantee should develop Agreement language regarding Key Personnel and should include a Project Schedule and a Line Item Budget comparable to those found in the preceding example for housing rehabilitation activities. The Project Schedule may be more difficult to develop in the instance of this special economic development activity, however, because it probably will be harder to predict when individual loans might be closed. Nevertheless, in the Project Schedule, the grantee should at least identify the discrete tasks and make every effort to frame measurable milestones and/or levels of accomplishment over time.

For the Method of Compensation/Payment Procedures section, the Subrecipient's drawdown of funds to finance the loans themselves should be predicated on the amount needed to cover the actual expenses of approved applicants relative to activities authorized by executed loan agreements. The somewhat uncertain schedule for loan closings also might make it difficult to structure compensation for the Subrecipient's operational/administrative expenses on a "performance basis;" that is, payment to the Subrecipient for operational/administrative expenses based on the number of loans closed or jobs created, etc. An alternative method is to reimburse the Subrecipient for operational and administrative costs simply based on expenses incurred.

These sections on Scope, Project Schedule, Budget, and Method of Compensation/ Payment Procedures can be added to the general Agreement "boilerplate" language to form a complete Subrecipient Agreement.