



The Economic Development Toolkit:

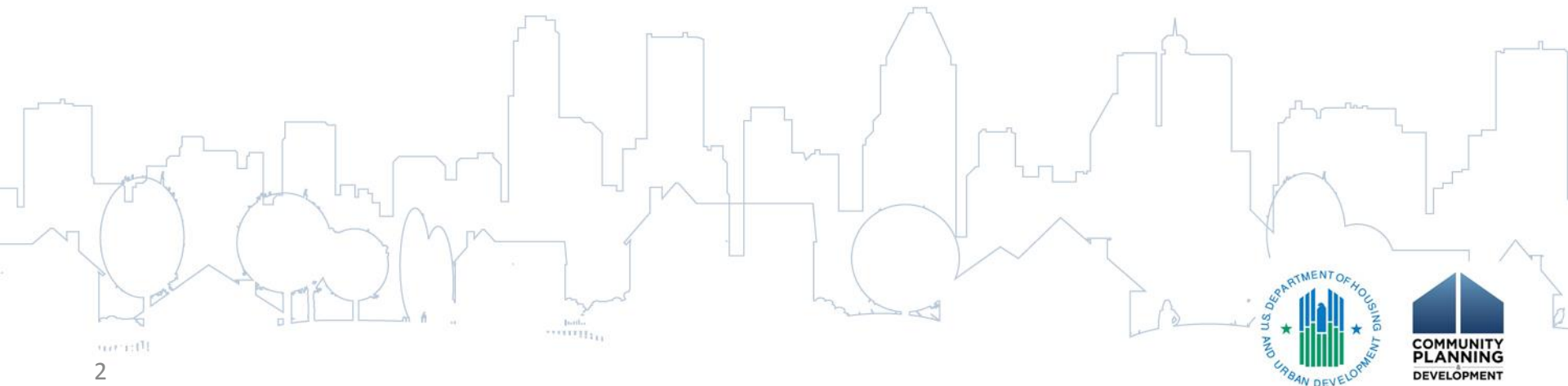
A Practical Guide to Constructing Your
Economic Development Program

CDBG Training Series 2011-12



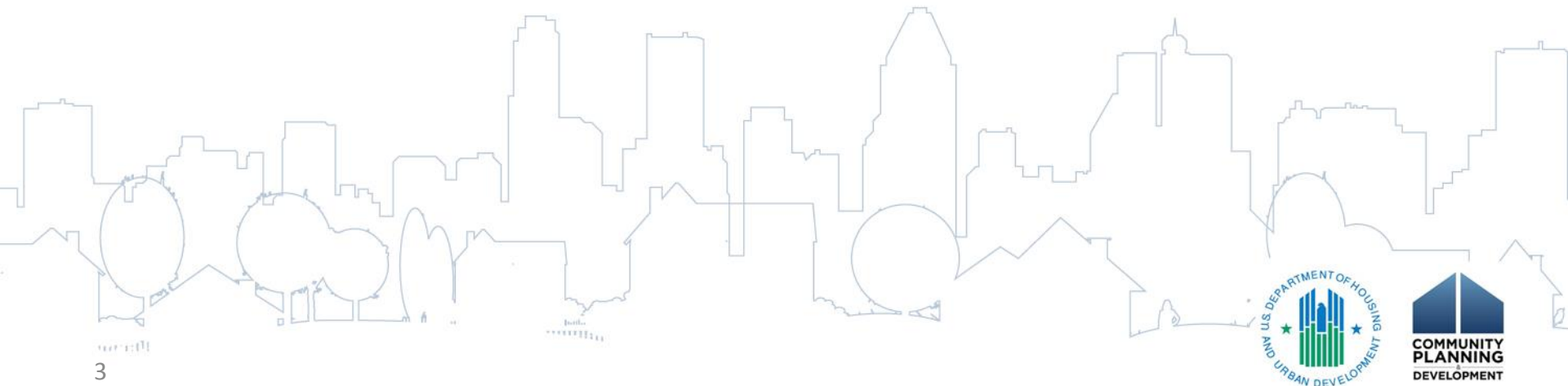
Welcome

- HUD's Office of Community Planning and Development
- Entitlement Communities and States Training
- Trainers are...



Participant Instructions

- Name
- Agency/ Organization
- Typical ED activities at your organization
- The most important question/issue to you

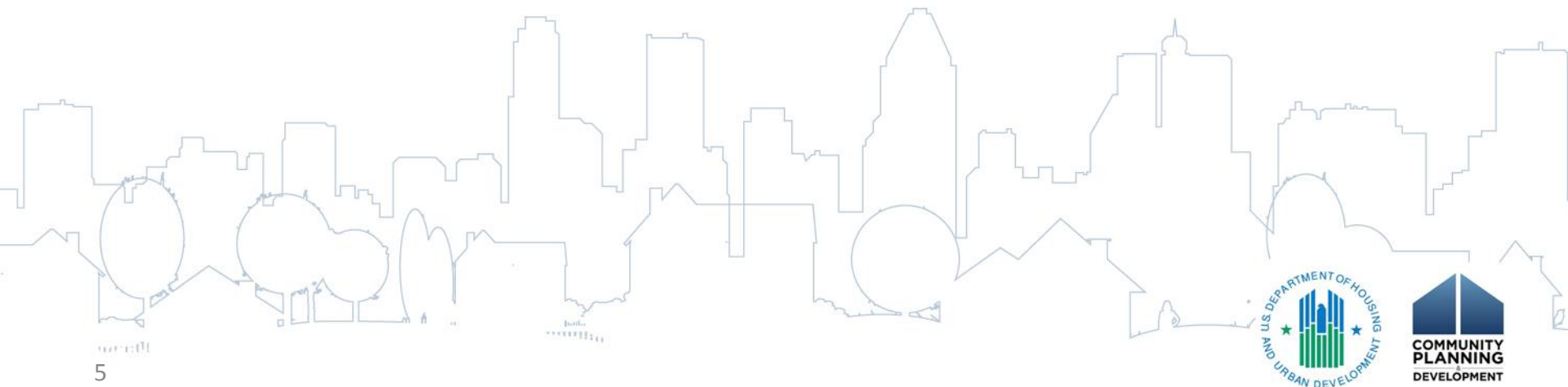


Learning Objectives

- Be familiar with types of ED strategies/activities
- Be able to determine eligibility and appropriateness of ED projects or programs for CDBG
- Understand how ED meets CDBG national objectives
- Comprehend Revitalization Strategies

Learning Objectives (cont'd)

- Recognize options for financing ED
- Grasp basics of financial underwriting
- Know requirements & process for section 108

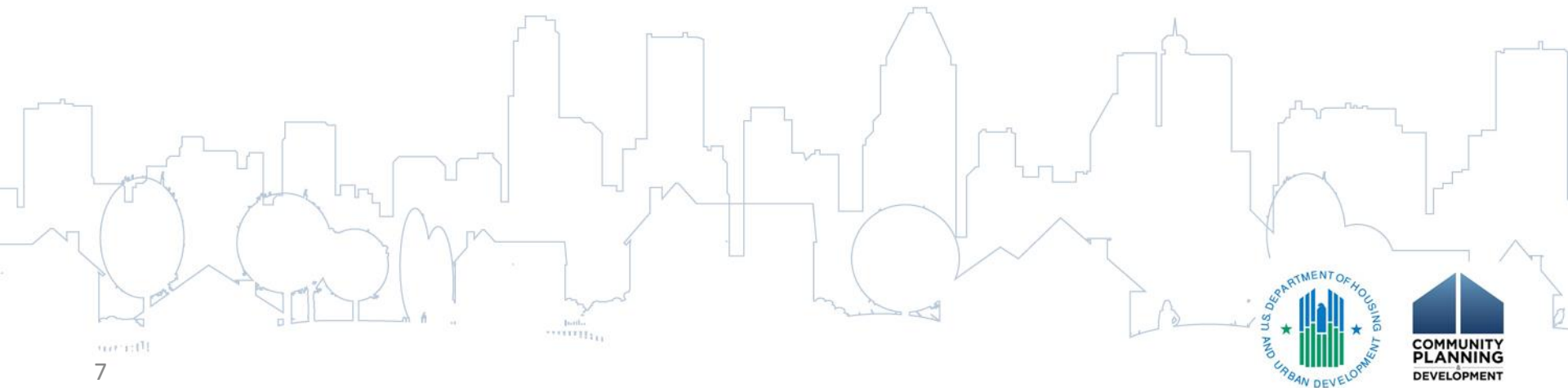


Agenda

- Day 1
 - Economic development strategies
 - CDBG Overview
 - History
 - Activities
 - National objectives
 - Public benefits
 - Program caps

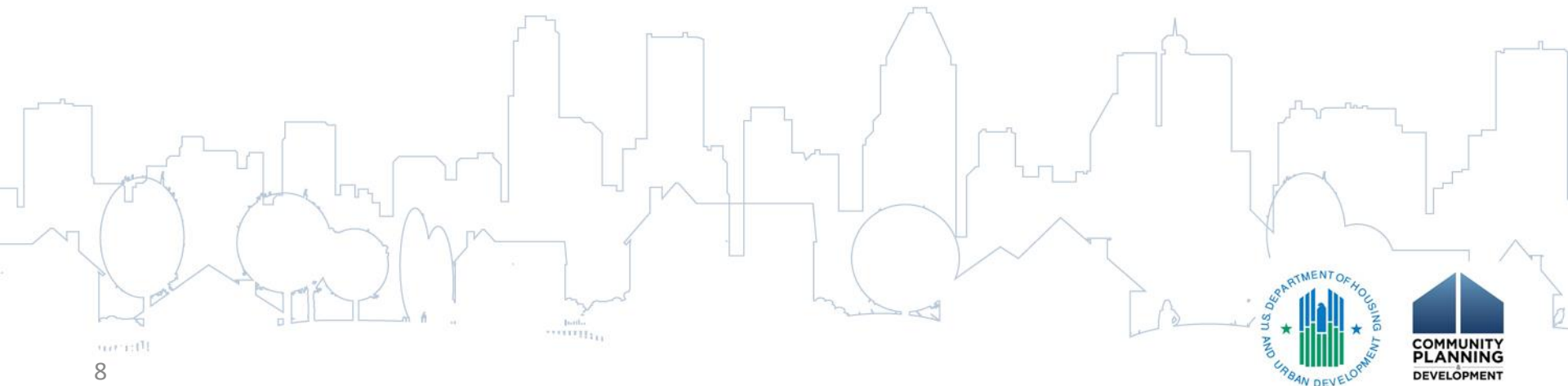
Agenda

- Day 2
 - Revitalization strategies – NRSA, CRSA
 - Small Business
 - Job Training and other public services
 - Large-scale development and infrastructure



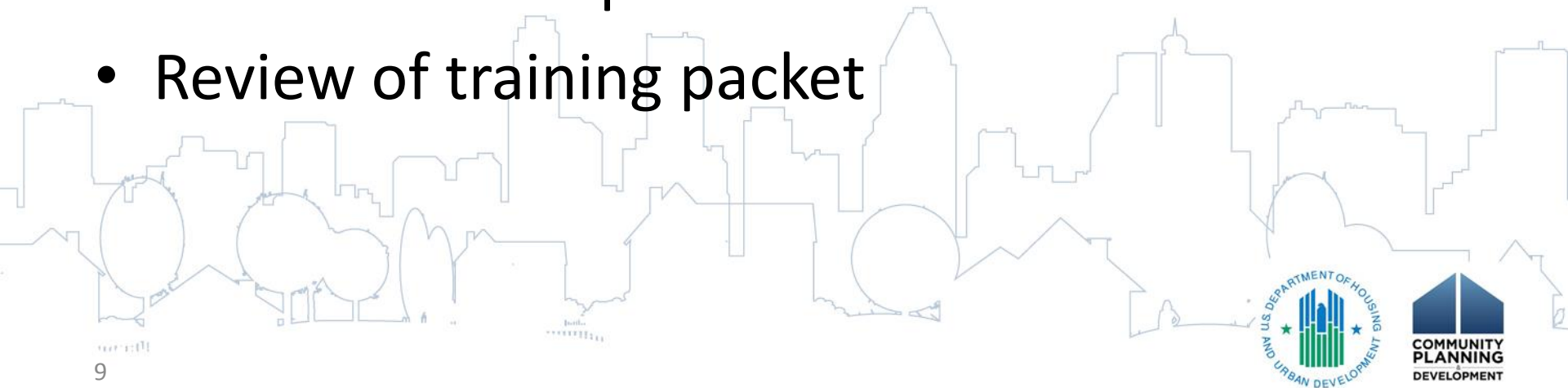
Agenda

- Day 3
 - Financing
 - Underwriting
 - Section 108 & Brownfields
 - Administration



Logistics

- Ask questions!
- Case study activities
- Breaks & lunch
- Facilities
- Please turn cell phones off or to vibrate
- Review of training packet



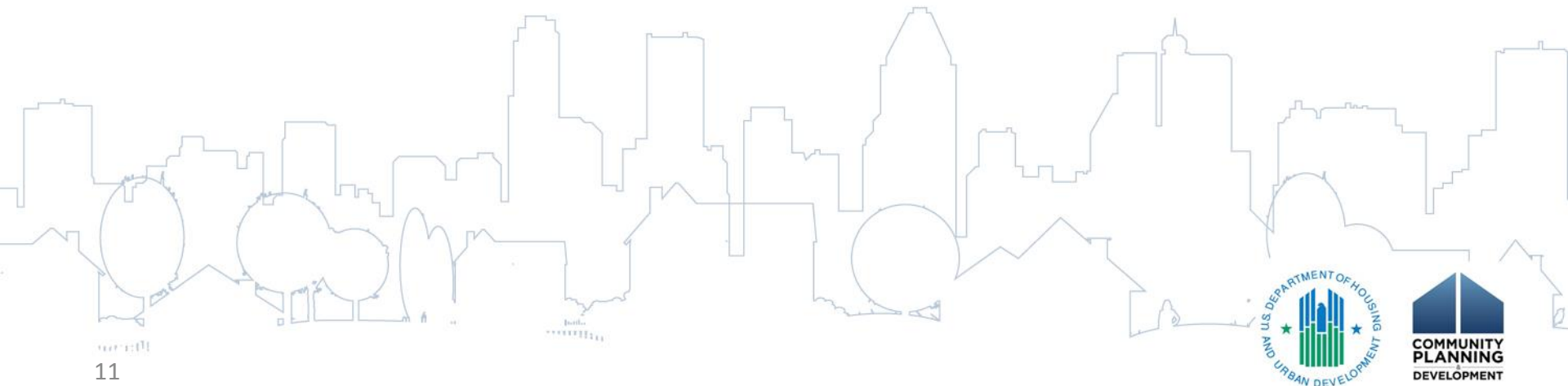
Chapter 1:

ED & CDBG Foundation



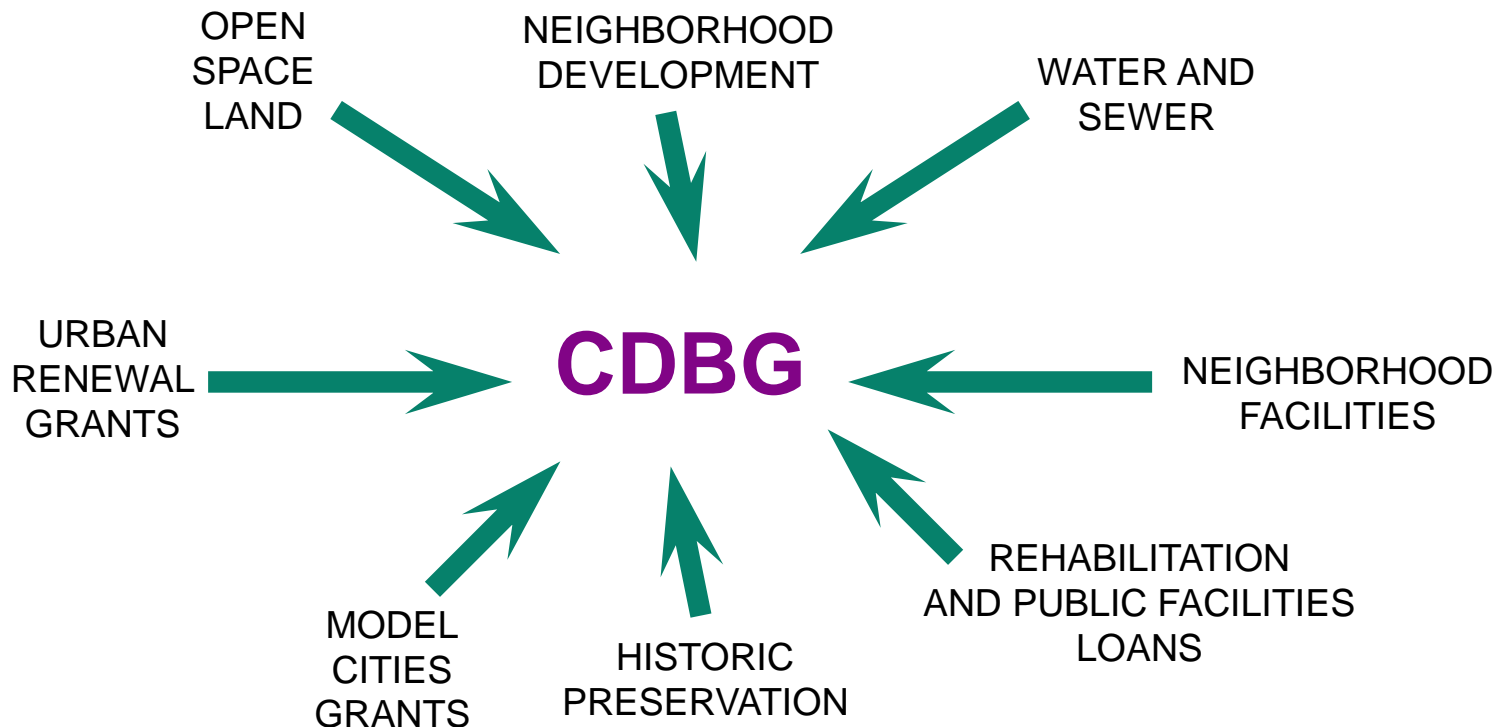
Topics

- CDBG history background
- Eligible & ineligible CDBG ED activities
- National objectives
- Public benefits & program caps



CDBG History

Authorized under Title I of the Housing and Community Development Act of 1974



Primary Purpose

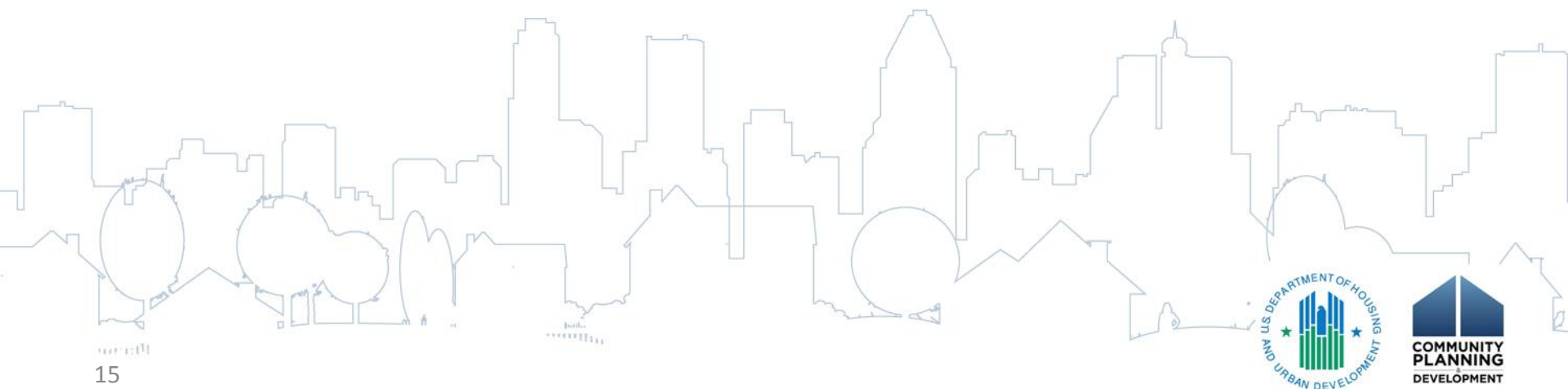
- Develop viable urban communities through:
 - Provision of decent housing
 - Suitable living environment
 - Expanding economic opportunities
 - Principally for LMI persons
- National Objectives and Eligible Activities: the two sides of the CDBG “coin”
- Consolidated Plan: the third side

Two Types of Allocations

- CDBG Entitlement Program
 - Large cities & urban counties – City/ County administers
 - Automatic annual allocation based on demographics
- CDBG State Program
 - Smaller communities – State administers
 - Throughout these slides the state CDBG program will reference the corresponding rule or law. If the statute controls, the cite will be the Section (Sec. of the law), and regulations will be cited in 24 CFR xxx.xxx

“Companion” Programs to CDBG

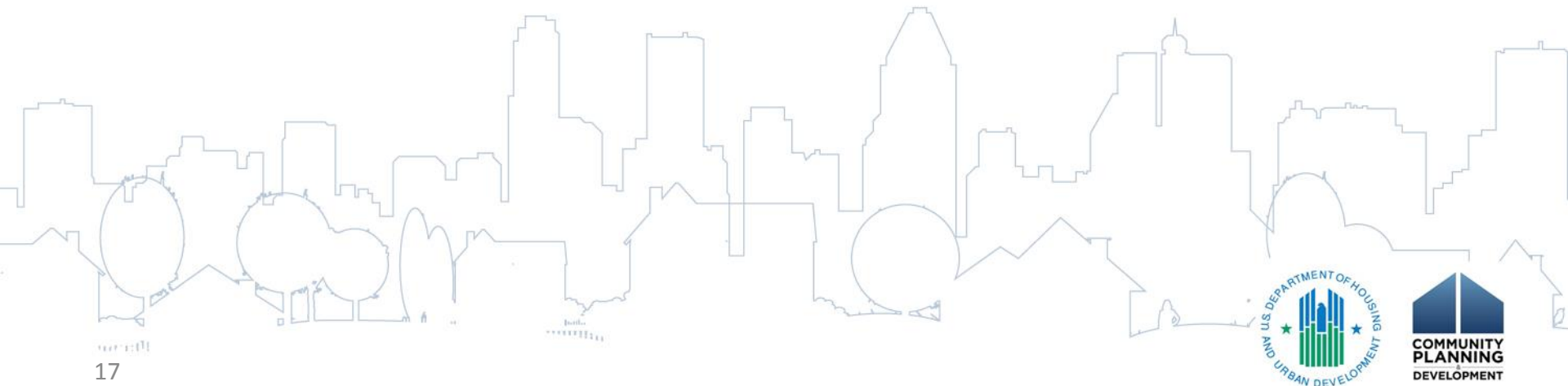
- Section 108 Loan Guarantee Program
 - Designed to provide financing for large economic development projects



CDBG Regulations

- 24 CFR 570
- Key changes related to ED
 - ED edits published 1/5/95
 - Expenditure documentation 7/19/99
 - Job relocation limitation 12/23/05
 - Consolidated Plan 2/9/06
 - Performance measurement 3/7/06
 - Brownfields 5/24/06
 - Eminent Domain 7/17/06

Eligible & Ineligible CDBG ED Activities



Typical CDBG-Funded ED Activities

- Loans for Businesses and Commercial Real Estate Development Project (Individual project loan or creation loan program; states: cannot provide direct loans to businesses)
- Business Incubators
- Façade Improvement Programs
- Microenterprise Assistance Activities
- Economic Development Infrastructure Projects
- Job readiness, skills training, and job replacement program

CDBG ED Project Decision Process

1. Determine eligibility
2. Check that it is not ineligible
3. Make sure a national objective will be met
4. Ensure compliance with other specific requirements
 - Ex: Public benefit test (Special ED assistance to for-profit businesses & some infrastructure)
 - Ex: Project Underwriting (assistance to a for-profit)

Eligible Activities

- Wide variety possible
 - Housing & other real property activities
 - Public facilities
 - Public services
 - Nonprofit development organizations
 - Other activities
 - Planning and Administration
- States: Statutory cites Sec. 105(a)1 and 24 CFR 570.480—497

Eligible Activity Categories

Entitlement/States

- CDBG Regulations 24 CFR Part 570, Subpart C
 - States: Subpart I
- 24 CFR Part 570.201 Basic Eligible Activities
 - States: N/A
- 24 CFR Part 570.202 Rehabilitation
 - States: Sec. 105(a)4 & (25)
- 24 CFR Part 570.203 Special Economic Development
 - States: Sec. 105(a)(17)
- 24 CFR Part 570.204 Activities by CDOs
 - States: by Nonprofit Development Organization Sec. 105(a) (14) & (15)
- 24 CFR Part 570.205 Planning
 - States: Sec. 105(a)(12)
- 24 CFR Part 570.205 Program Administration
 - States: Sec. 105(a)(13)

Eligible Categories

- States: Entitlement CDBG regulations are very broad about how financial support for special economic development assistance may be provided.
- Although not applicable to States, they can be used as a safe harbor and further explanation of what is permitted under the statute. For example, the grantee could provide loans, grants, loan guarantees, and other financial instruments.
- The grantee may choose any or all of these financial tools depending on its policies and the specific project.

Special Econ. Development

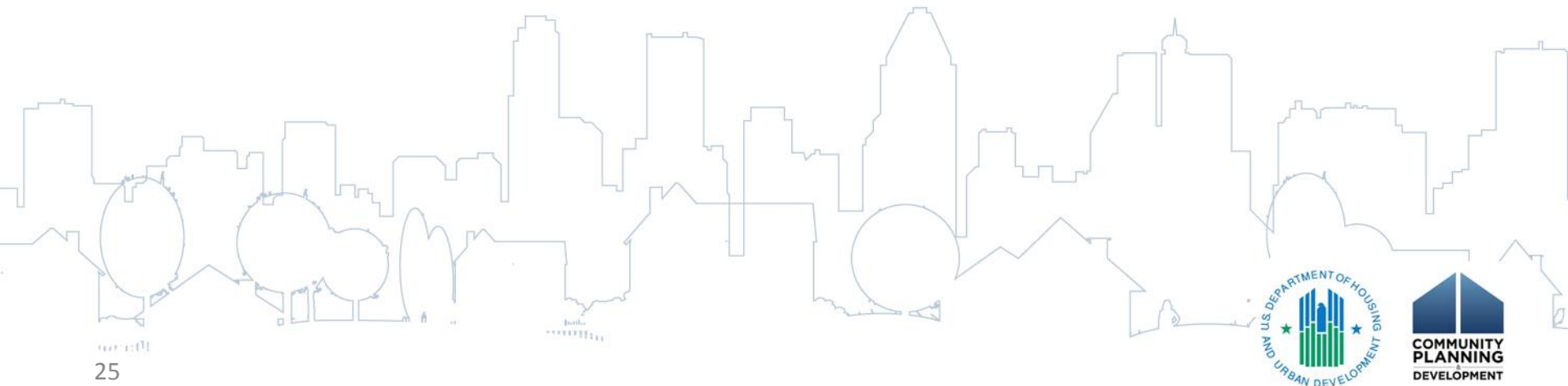
- Commercial/ industrial improvement (recipient/ subrecipient)
 - States: Communities eligible under the state non-entitlement program are termed Units of General Local Government (UGLG). UGLG are permitted to fund community development partners such as nonprofits and for profits, under cautionary terms. These entities are termed “sub-awardees.”
- Assistance to for-profit businesses
- Economic development services in conjunction with above activities (including job training)

Microenterprise Assistance

- Microenterprise
 - Commercial enterprise with ≤ 5 employees (one of whom is the owner)
 - Owners/persons developing a business
- Financial and/or Technical Assistance
 - Loans
 - Training
 - Business Plan Assistance
- General support (child care, transportation)

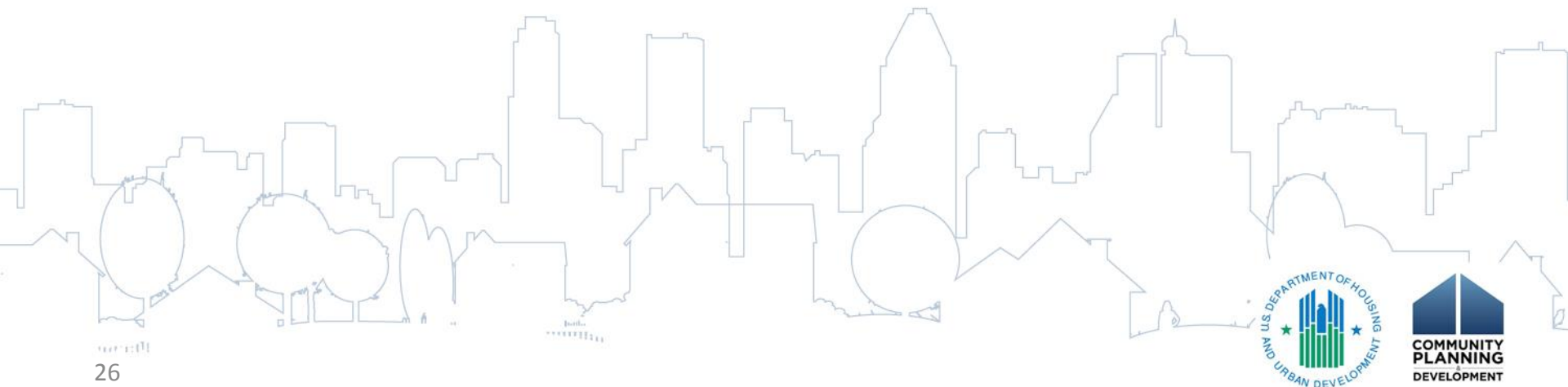
Commercial Rehab

- Limited types of rehab on commercial structures
 - Privately owned residence with a business
 - If for-profit owned, only exterior improvements or correction of code violations



Public Facilities & Services

- Often done in support of other economic efforts:
 - Ex: Infrastructure in support of business
 - Ex: Job training as a part of economic revitalization efforts



What is a CBDO [States: NPDO]

- Community – Based Development Organization [states: Nonprofit Development Organization]
- CBDO major criteria:
 - Organized under legislation, to carry out CD
 - $\geq 51\%$ of Board is LMI residents, organizations serving the area, reps of LMI neighborhood organizations
 - Board nominated by general membership
 - Primary purpose is community improvement, emphasis on LMI
 - Not an agency of the municipality or state, not more than 1/3 Board appointed by public officials

Special Activities by CBDOs

States: by Nonprofit Development Organizations
[see slides 39-40]

- Types of Activities
 - Neighborhood revitalization
 - Community economic development
 - Energy conservation
- Activities not subject to 15% public services cap
 - Services that increase economic opportunities thru job training, placement, and employer support
 - Any services carried out by a CBDO as a part of NRSA
 - States: Do not have NRSAs but they have “Community Revitalization Areas & they term the nonprofit partners “Nonprofit Development Organizations”

Planning

- Studies analysis, data gathering, preparation of plans
- Together with program admin., costs cannot exceed 20% in a program year
- States: 24 CFR 570.489 States Administrative are capped at 2% of the grant allocation and everything over \$100,000 must be 50% matched by the state.

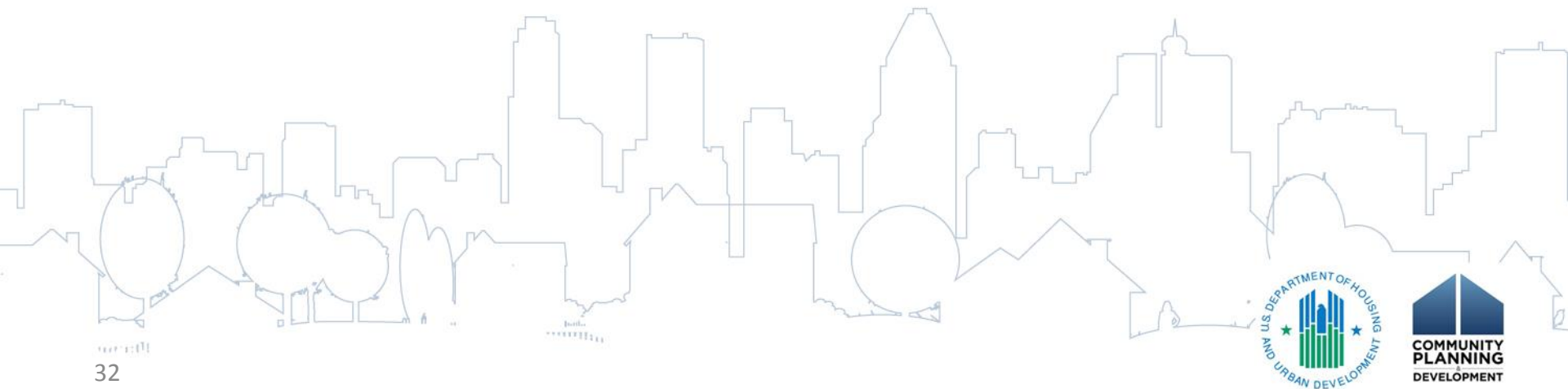
Ineligible Activities

- Buildings for conduct of government
- General government expenses
- Political or religious activities
- New housing construction
- Income payments
- Purchase of equipment
- Operations and maintenance
 - Except for public services & CDBG program staff office

Activity: Determining Eligibility



CDBG National Objectives



National Objectives 24 CFR 570.208

[States: 24 CFR 570.483]

All CDBG activities must either:

a) Benefit low- and moderate-income persons

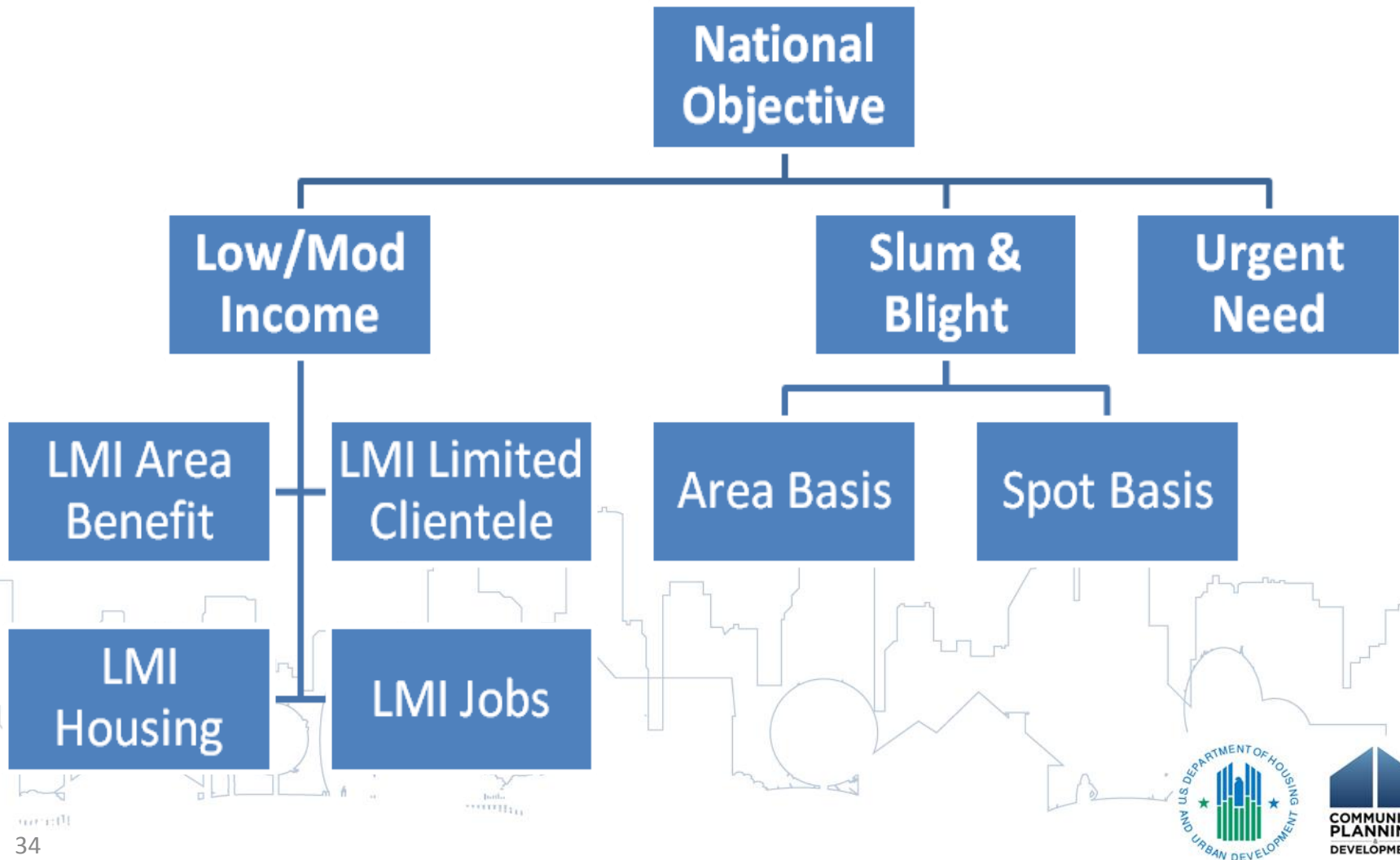
- 1) Area Benefit
- 2) Limited Clientele
- 3) Housing
- 4) Job Creation and Retention

b) Prevent slums or blight

- 1) Area
- 2) Spot

c) Meeting urgent community need

Categories Associated with National Objectives



Remember:

All National Objectives are not Equal

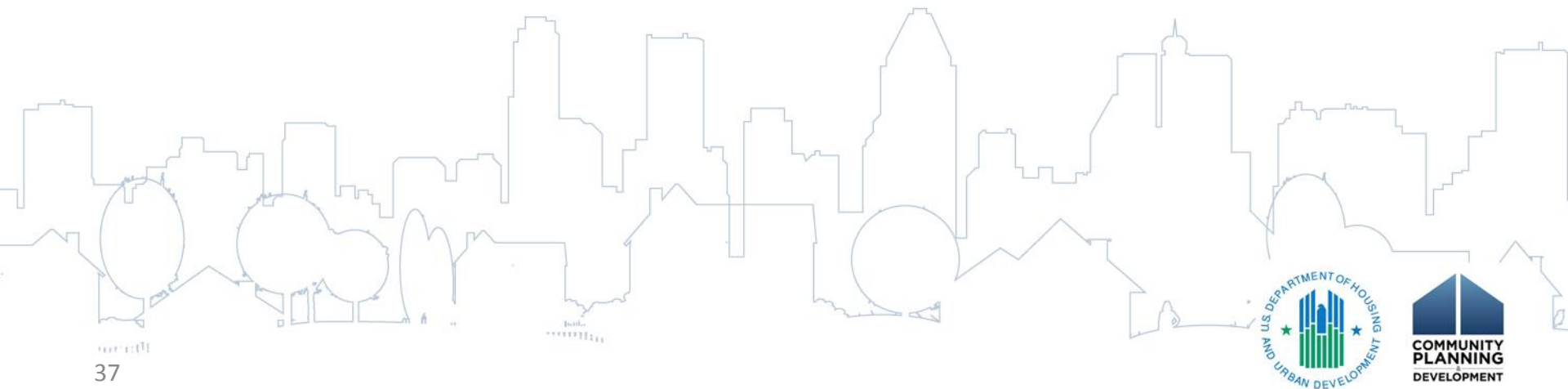
- LMI Priority
 - Grantees must spend $\geq 70\%$ of CDBG funds to benefit LMI (primary CDBG objective – develop viable communities for benefit of LMI persons)
 - So, only 30% can be spent on (b) Preventing Slums and Blight and c) Urgent Need
- Documentation
 - Different national objectives require different documentation
 - (Entitlements see 24 CFR Part 570.506 and for the State CDBG Program see 570.409)

LMI: Area Benefit

- Activity that benefits all residents of the area
 - That is primarily residential
 - Where 51% of residents are LMI (or highest quartile of area in jurisdiction)
 - That meets the needs of the residents
 - Streetscape improvements
 - Water/sewer lines
 - Loan to a neighborhood-serving business
 - Commercial façade programs

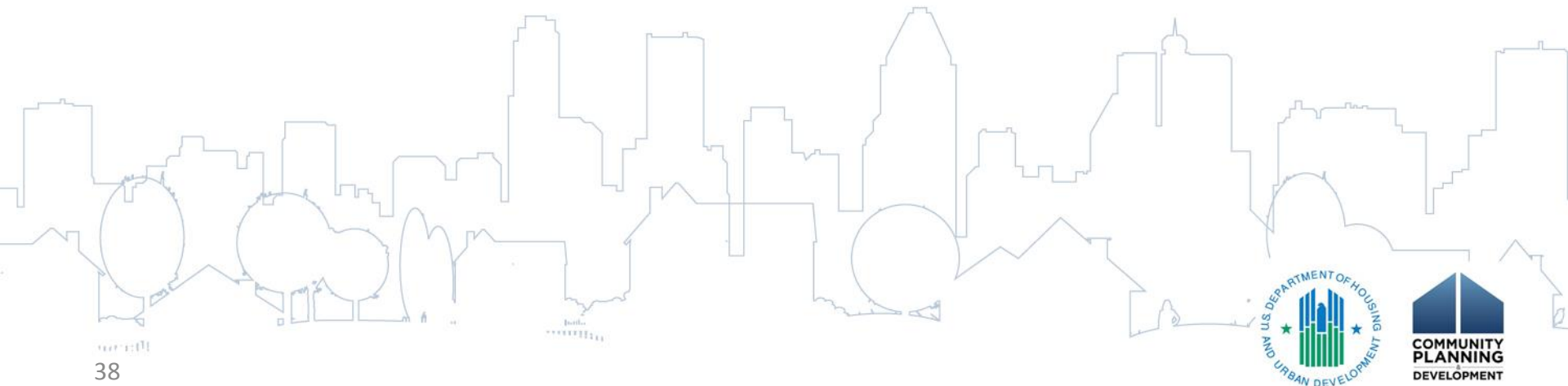
Job Creation/ Retention can only qualify as Area Benefit, if:

- Carried out by CDFI, investment area 51% LMI and primarily residential
- Activities part of HUD–approved Neighborhood Revitalization Strategy
 - States: Community Revitalization Strategy



Documenting Area Benefit

- Boundaries of the service area
- Income characteristics of service area and data used for determining % of LMI
- Proof area is primarily residential

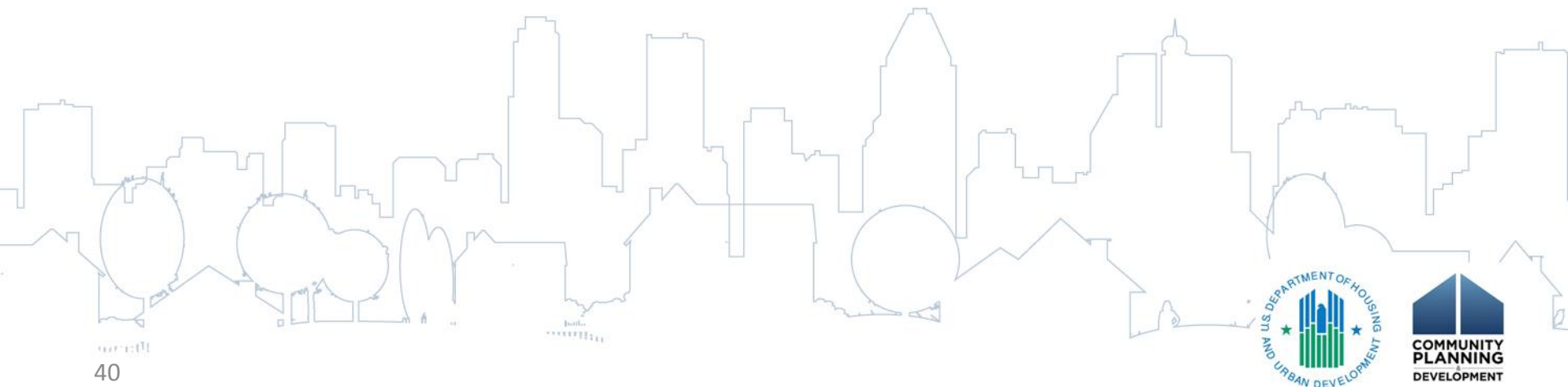


LMI: Limited Clientele

- Activity that benefits specific population
 - E.g., services for seniors, homeless shelters
- Options for meeting limited clientele
 - Presumed clientele
 - Eligibility requirements limit participation to LMI
 - Documentation that 51% participants are LMI
 - Nature and location indicate LMI
- Some activities are unique:
 - Removal of architecture barriers (some activities)
 - Microenterprise activities with LMI owners; or
 - Certain types of job training efforts

Job Training, Placement, or Support Service

- Can still be eligible for CDBG even if less than 51% beneficiaries are LMI if:
 - Only CDBG assistance to business
 - CDBG is proportionate to % LMI persons



Documenting Limited Clientele

- Income limits and timeframe
- Documentation showing that facility is designed for exclusive use by eligible “special needs” group; OR
- Documentation showing the nature and location is such that LMI can be presumed; OR
- Data showing size annual income of family of all persons receiving benefit

LMI: Job Creation & Retention

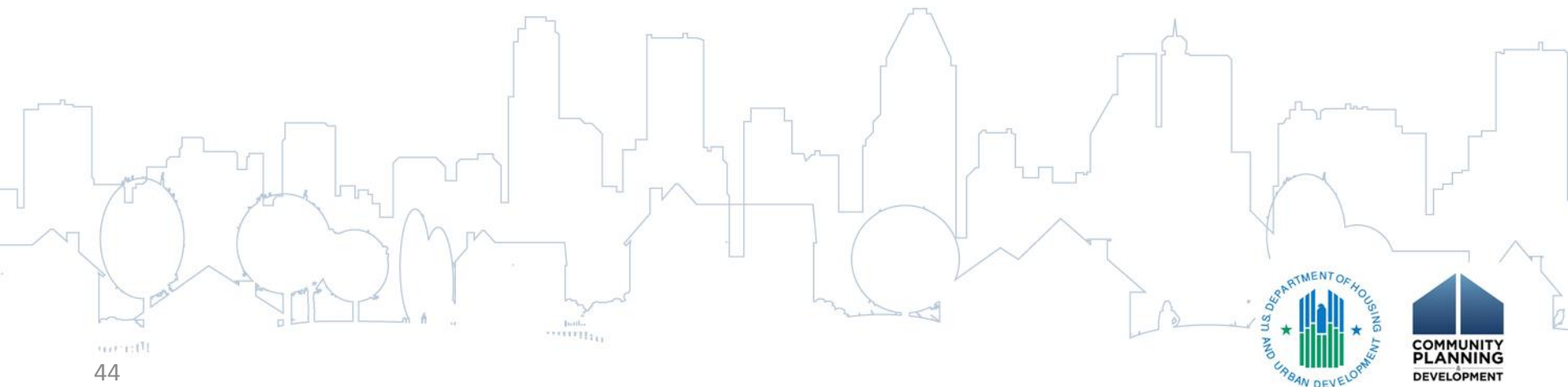
- Activities related to economic development
 - Typical activities: business loans, commercial rehabilitation, infrastructure to a business
- To meet this:
 - Activities must create or retain jobs AND
 - 51% of jobs must be held by or available to LMI persons (FTE basis)

Job Creation with LMI Benefit

- Job must be “available to” LMI person
 - No special skill/ train or education beyond H.S.
 - Employer agrees to give first consideration to LMI
 - Written agreement with employer
 - Reasonable application process, pool of applicants, no logistic barriers
- Jobs must be “held by” or “taken by” LMI
 - Documentation that employee was LMI at time of hiring
 - Self certification of income information from individuals
 - Qualification/referral through qualifying program/agency
 - Evidence can presume LMI
 - Must have a written agreement with business

Job Retention with LMI Benefit

- Document that jobs would be lost without CDBG
- Job is currently held by LMI person; or job expected to turn over in 2 years and will be filled by or available to LMI person



LMI Presumption

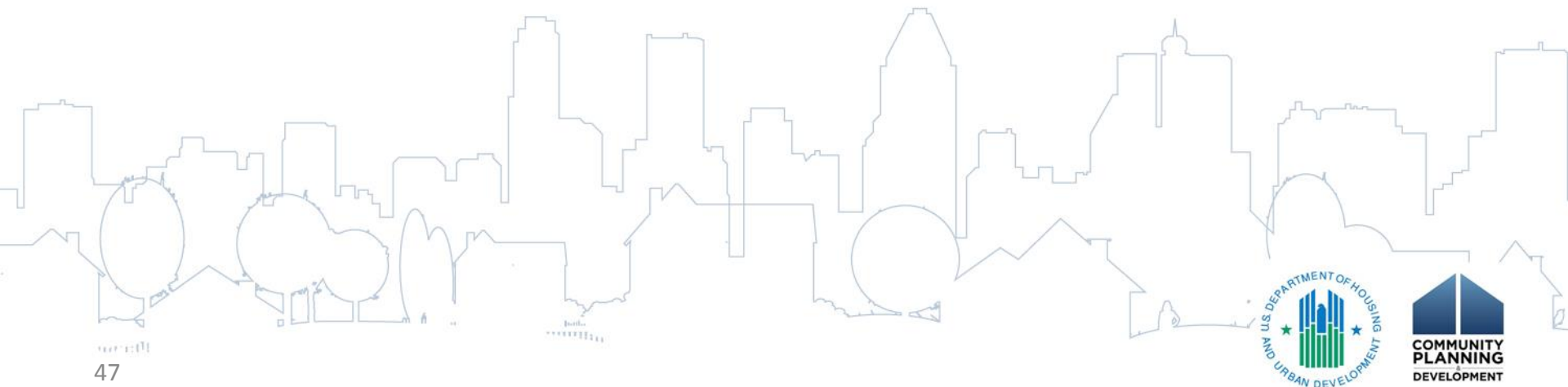
- Job can be presumed LMI if either:
 - Job holder resides in
 - Census tract with 20% poverty & general distress
 - Census tract with 30% poverty, CBD, & general distress
 - EZ/RC area OR
 - Census tract/block group with 70% LMI
 - Business and job located in
 - Census tract with 20% poverty and general distress
 - Census tract with 30% poverty, CBD, and general distress OR
 - EZ/ EC Area

Counting Jobs

- Each business tracked individually; for each business: 51% of jobs must be held by or available to LMI persons
- Permanent FTE basis: convert part-time jobs, no temporary jobs
- Can aggregate jobs if:
 - Property development only (incubator)
 - CBBG paying RLF staff & overhead only
 - Activities carried out by a CDFI
 - Technical assistance
 - Other important national interests (activities exempt from aggregate public benefit standard)

Special Requirement for Public Facilities and Improvements

- If >1 job/\$10,000 CDBG – aggregate only the jobs of businesses principally being assisted
- If ≤ 1 Job/\$10,000 will be created – all jobs created by all businesses in the service area



Counting Jobs

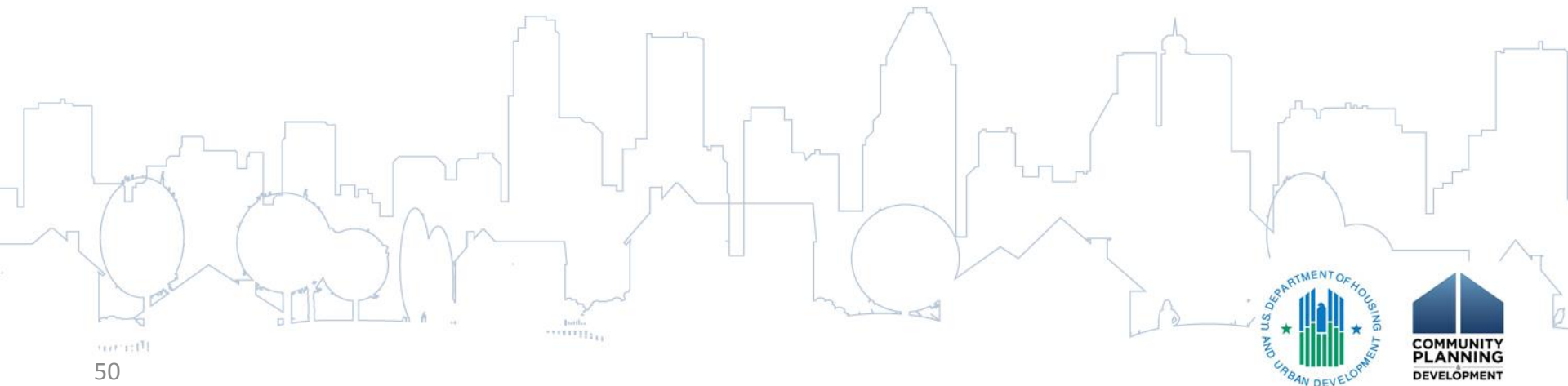
- Count all jobs created as direct result of CDBG \$\$\$\$
- Cannot stop counting at specified time or planned number of jobs
- Count first person to take position, not turn-over
- LMI based on current income, not salary of created job

Documenting Job Creation

- When “available to” LMI Individuals
 - Written agreement with business with listing of job titles, descriptions, FTE status and pre-requisites/skills required
 - Description of actions taken, how first consideration given to LMI, hiring process, names of persons interviewed, income status of persons interviewed

Documenting Job Creation

- When “taken by” LMI Individuals
 - Written agreement with business listing of job titles and FTE status
 - Listing of job titles filled
 - Name and Income status for each person hired



Documenting Job Retention

- Evidence that jobs would be lost without CDBG
- For retained jobs held by LMI persons
 - Job title, FTE status, household size and income of each LMI person
- For retained jobs expected to turn over to LMI
 - Job titles expected to turn over and basis for turnover assumption,
 - Actual turn over date, income status of person taking job
 - If not taken by LMI, records that jobs were available to LMI interviewee name, date, income status, and income status of person hired

Determining Income Status

- Written self-certification of income and household size prior to job application/hiring
- Referral from qualifying program/agency
- Evidence that person is homeless
- Address and qualifying demographic data for “presumption of LMI” status

Document LMI Presumption

- Person's address, Census tract, % LMI, data source (must be $\geq 70\%$ LMI)

OR

- Business address, Census tract, % of poverty (must be $\geq 20\%$, 30% if CBD) and data source, or other evidence of pervasive poverty and general distress

Slum & Blight: Area Basis

- Activities to address dilapidated physical environment
 - Not based on income of residents
 - Typical activities: code enforcement, infrastructure, commercial rehabilitation
- Area must meet state/local definition of S&B, and
 - 25%+ properties deteriorated/abandoned, declining values or know environmental contamination, or
 - Public infrastructure in disrepair

Documenting Area Slum & Blight

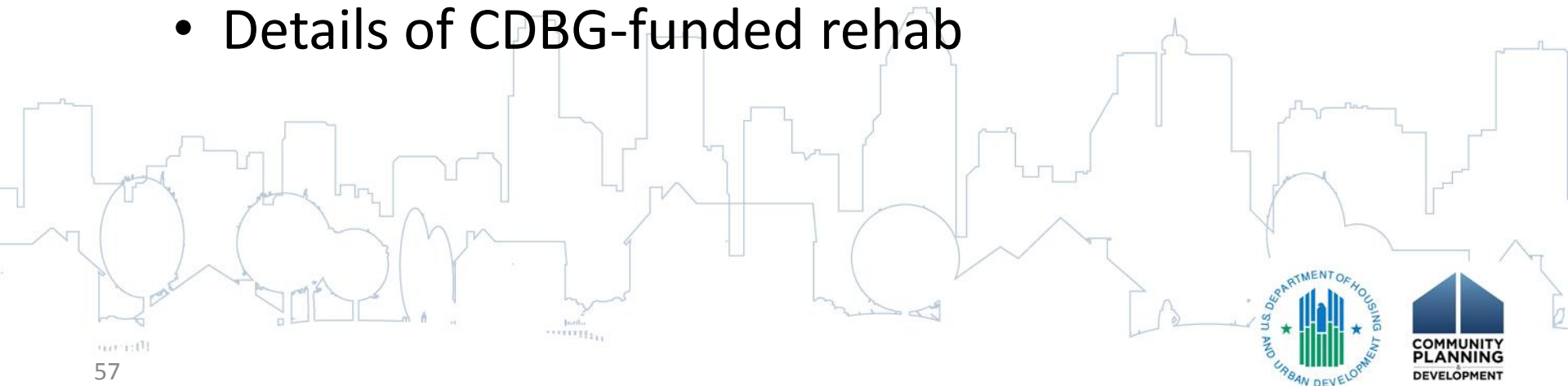
- Boundaries of area
- Description of conditions that demonstrate blight
- If residential rehabilitation:
 - Local definition of substandard
 - Pre-rehab inspection
 - Scope of CDBG rehab

Slum & Blight: Spot Basis

- Activities that address specific condition
- Activities limited: acquisition, clearance, relocation, historic preservation, environmental remediation, rebuilding rehab (limited to public health and safety)
- May rarely use for ED given limited eligible activities

Documenting Spot Slum & Blight

- Document activity was one of six possible
- Describe condition of blight or decay
- For rehab
 - Description of specific conditions detrimental to health and safety
 - Details of CDBG-funded rehab

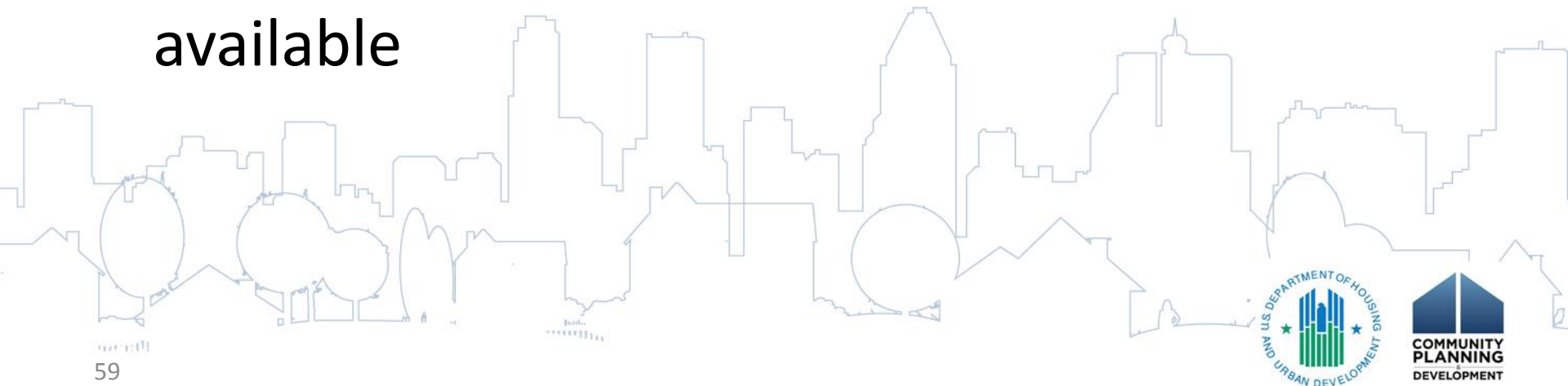


Urgent Need

- Activities that alleviate emergency conditions
 - Serious/immediate threat to health/welfare of the community
 - Recently became urgent (generally 18 months)
 - Inability of recipient to finance the activity on their own
 - No other means of funding
- Typical activities: infrastructure, interim assistance, rehab of community facilities

Documenting Urgent Need

- Documentation on nature and degree of condition
- Evidence that CDBG addresses this condition
- Information on timing of problem
- Evidence that other financial resources not available

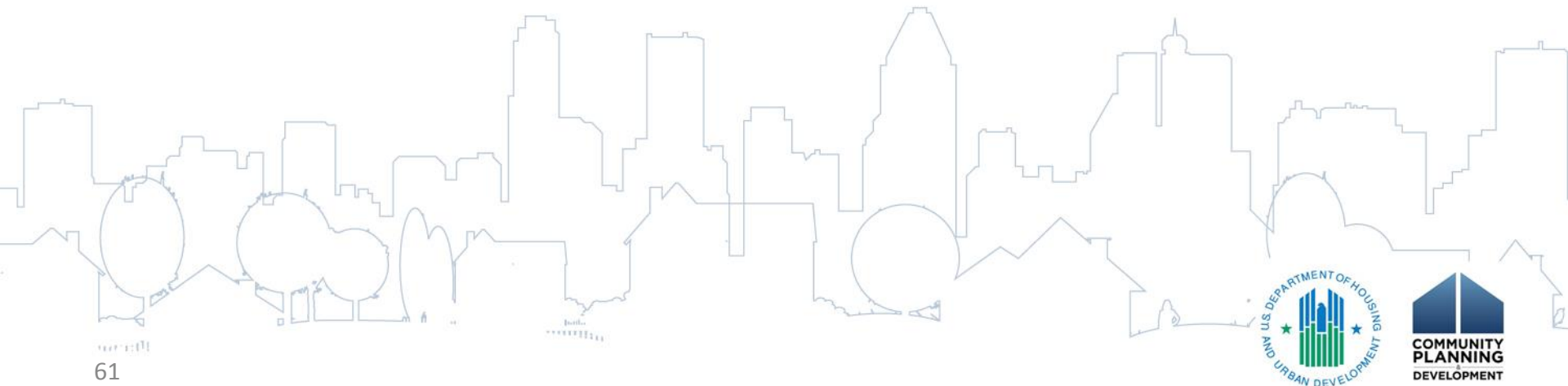


Activity:

Meeting National Objectives



Program Limitations & Public Benefit Standards



Limitations

- Job pirating is prohibited
 - As stated in the Quality Housing and Work Responsibility Act of 1998
- Eminent Domain
 - As of FY 2006 Appropriations Bill
- Faith-based Organizations
 - Executive Order 13279 issued 12-12-2002

Public Benefit Standards

Applies to:

- Special Economic Development Activities (24 CFR 570.203, States: 24 CFR 570.482(a))
- Special Economic Development Activities by CBDOs, otherwise eligible under Special ED
 - States: Activities by Nonprofit Development Organizations
- Public improvements carried out for ED, creating <1 job/\$10,000
 - 24 CFR 570.201©

Test at Two Levels

- Individual Standard – every project
 - Create/retain 1 Job per \$50,000 CDBG funds
 - Goods and services to 1 LMI person per \$1,000 CDBG
- Aggregate Standard – average of all projects grantee funds in a program year
 - Create/retain 1 Job per \$35,000 CDBG funds
 - Goods and services to 1 LMI person per \$350 CDBG

Applying Individual Standards

- If activity creates jobs and provides goods/ services, qualifies as long as it passes at least one criterion
- Applied at time of obligation
- If limited to job training/placement or employment services, the jobs assisted are considered jobs created/retained for purposes of the public benefit standard

Applying Aggregate Standards

- All activities obligated during program year
- Categorize each activity as either jobs or goods / services! But meet both criteria!
- Some job activities may be excluded:
 - Unemployed
 - Homeless
 - Low-skill, LMI w/clear advancement
 - Businesses in CT with $\geq 20\%$ poverty
 - Neighborhood $\geq 70\%$ LMI
 - CDFI serving predominantly LMI...

Summary: CDBG Foundation

- Three foundational elements of CDBG:
 - Eligible and Ineligible ED activities
 - National objectives relating to ED & the documentation required
 - (Entitlements see 24 CFR Part 570.506 and for the State CDBG program see 570.409)
 - Program limits, caps & the public benefit standards pertaining to ED

Activity:

Applying The Public Benefit Test



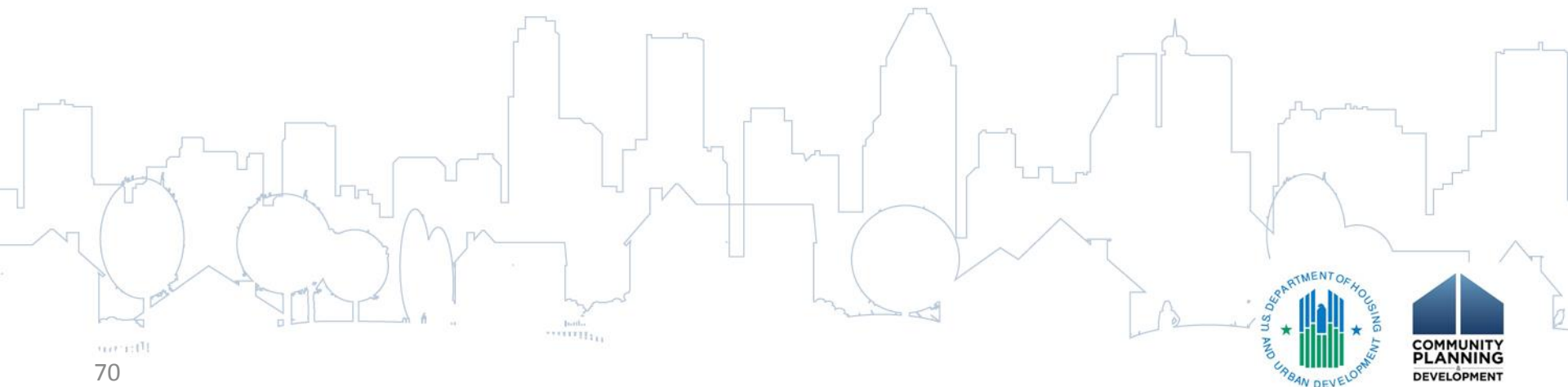
Chapter 2:

Small Business Development

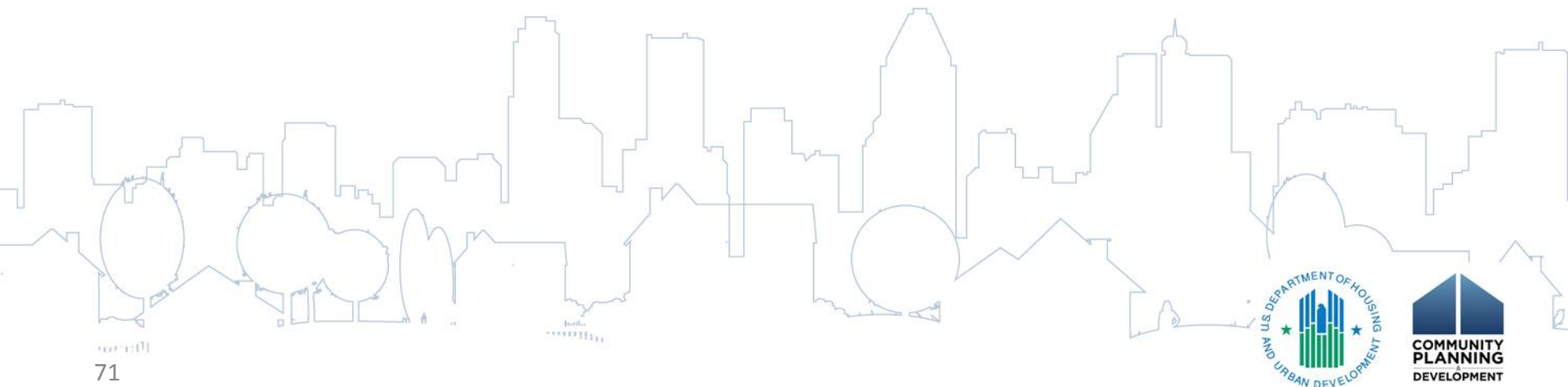


Topics

- Small Business development
- Microenterprise assistance
- Business incubators

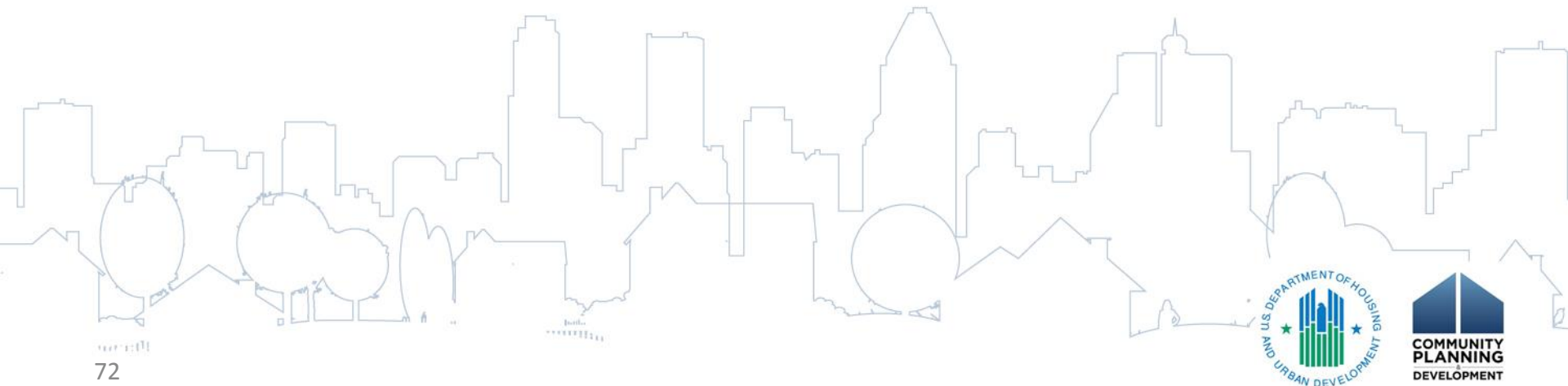


Small Business Development



Benefits of Small Business Development

- New/improved job opportunities
- Increased income for residents
- Expanded goods & services
- Increased tax revenue



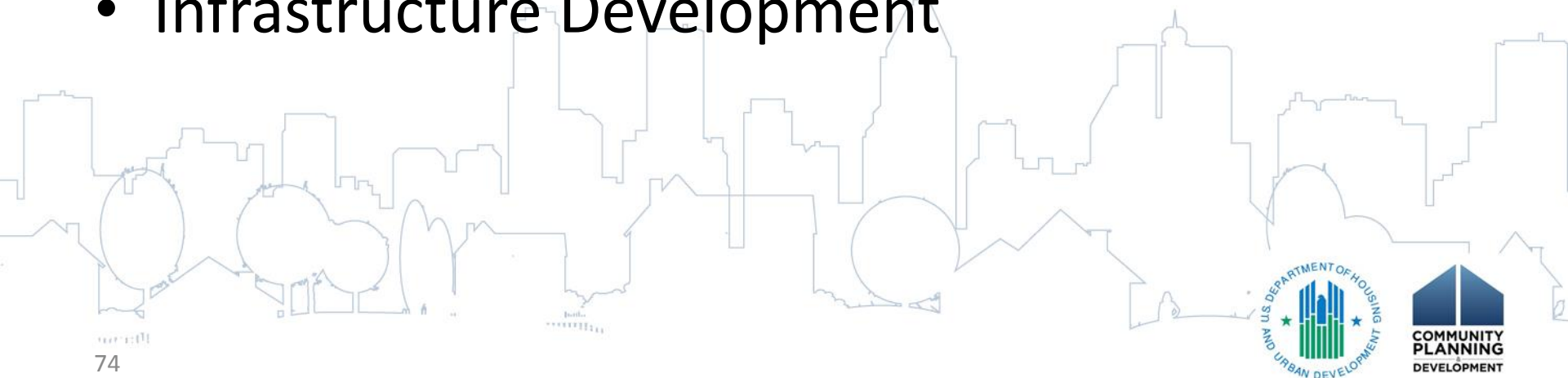
What is a Small Business?

- Not universal standard definition
- SBA defines thresholds for small businesses by NAICS code
 - Number of employees, or
 - Sales
- Most ED projects – businesses much smaller than SBA definition

Typical Small Business Assistance

(States: All business assistance by states must be conducted through local government)

- Technical Assistance & Training
- Financing Assistance
- Business Incubators
- Infrastructure Development

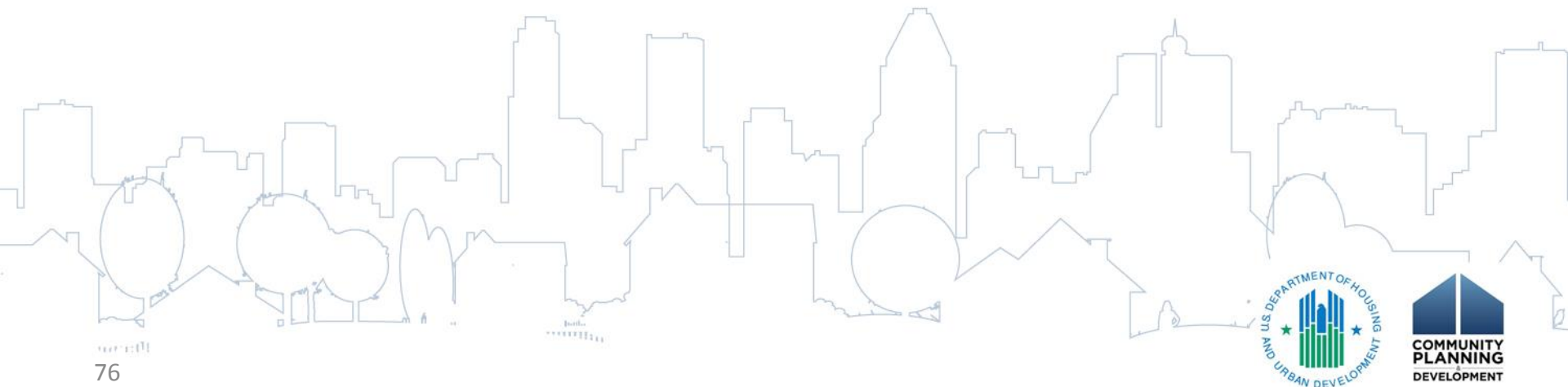


Technical Assistance

- Business consultation services
 - Often focused on business plan development, legal, and accounting issues
 - Often offered in conjunction with financial assistance
- Helps reduce risk
- Critical to programs directed to startups

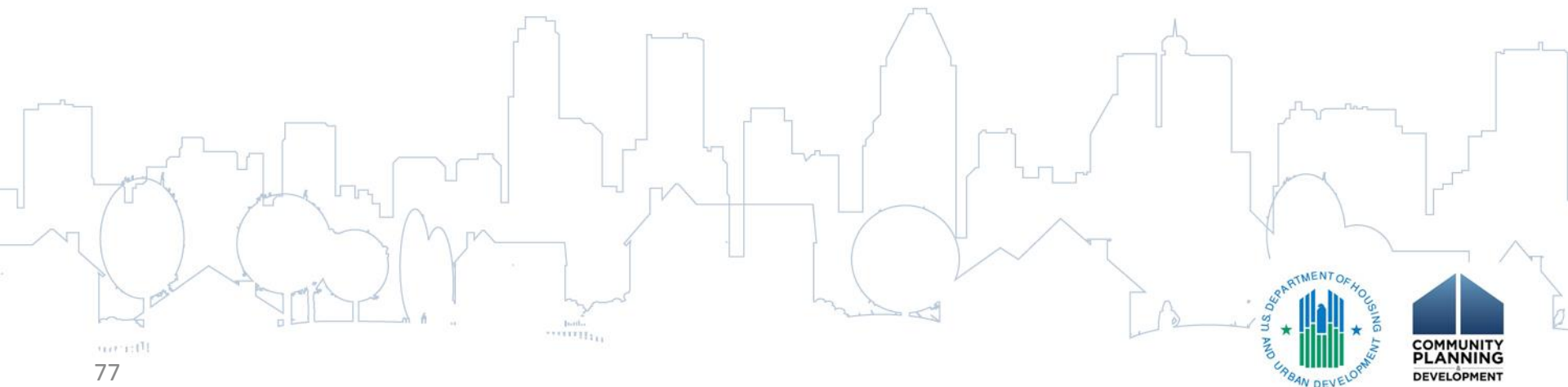
Training

- Single workshops on specific topics (e.g., social media marketing, e-commerce, “going green,” merchandising)
- Multi-week courses/more comprehensive (e.g., how to prepare a business plan)



Typical Training & TA Providers

- Local nonprofit agencies and Community Development Corporations (CDCs)
- Small Business Development Centers (SBDCs)
- Service Corps of Retired Executives (SCORE)



Providing TA & Training with CDBG

- 24 CFR 570.203 Special Economic Development [States: 24 CFR 570.482(a)]
- 24 CFR 570.201 Public services [States: Sec. 105 (a)(8)]
- 24 CFR 570.204 Activities by CBDOs [States: Nonprofit Development Organizations Sec. 105 (a)(14) & (15)]

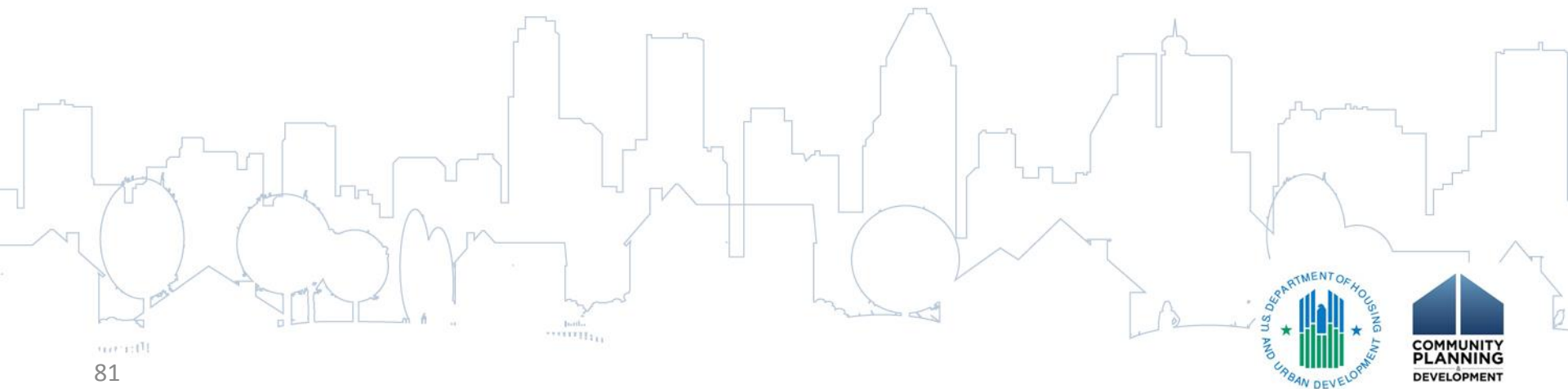
Financial Assistance

- Types of Assistance
 - Grants/Rebates
 - Loans
 - Loan Guarantees
- Grantees expected to establish policies compatible with CDBG regulations and address how applications will be reviewed, approved, & serviced

Providing Business Financing with CDBG

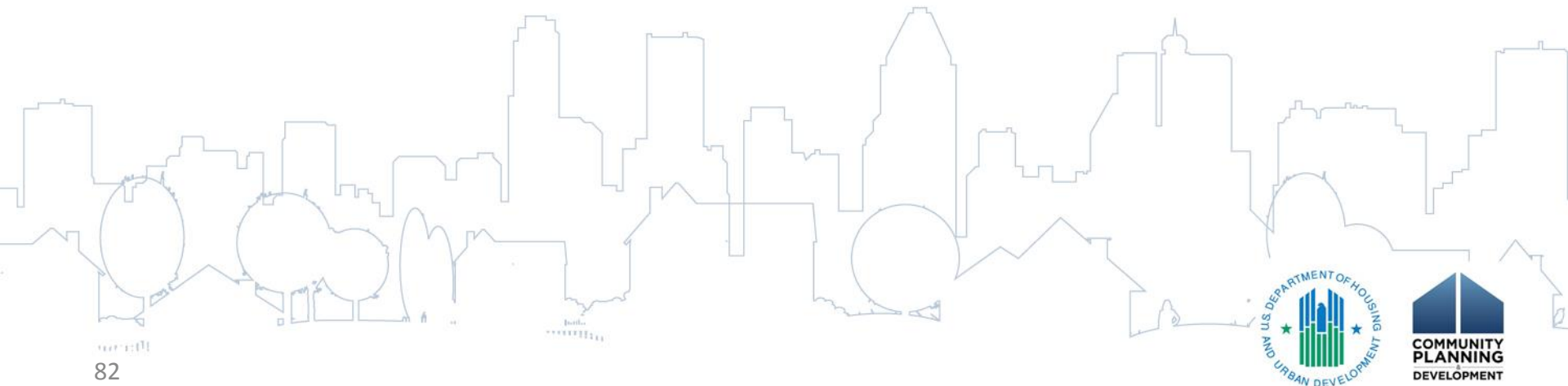
- 24 CFR 570.203 Special Economic Development
 - States: 24 CFR 570.202(a)
- 24 CFR 570.202 (a)(3) Commercial rehab (exterior & code only)
 - States: 24 CFR 570.202(a)(3)
- 24 CFR 570.204 (a)(2) Activities by CBDOs
 - States: 24 CFR 570.204(a)(2) by NPDOs

Microenterprise Assistance



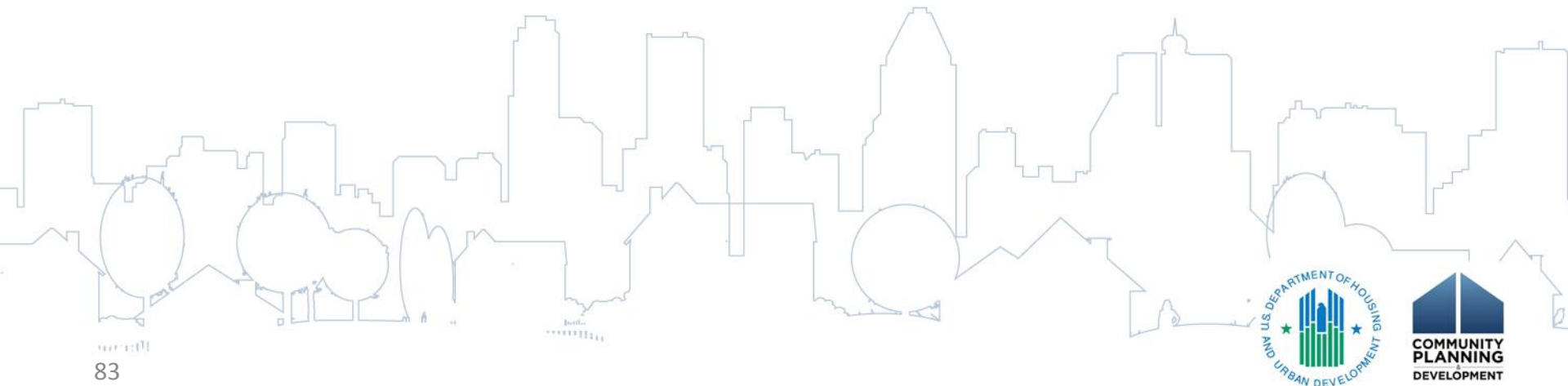
What is Microenterprise

- Commercial enterprise with ≤ 5 employees (one or more of whom is the owner)
- Owners or persons who are working toward developing a business



Microenterprise Assistance

- Financial assistance
- Technical assistance
- Training
- General support (childcare, transportation)

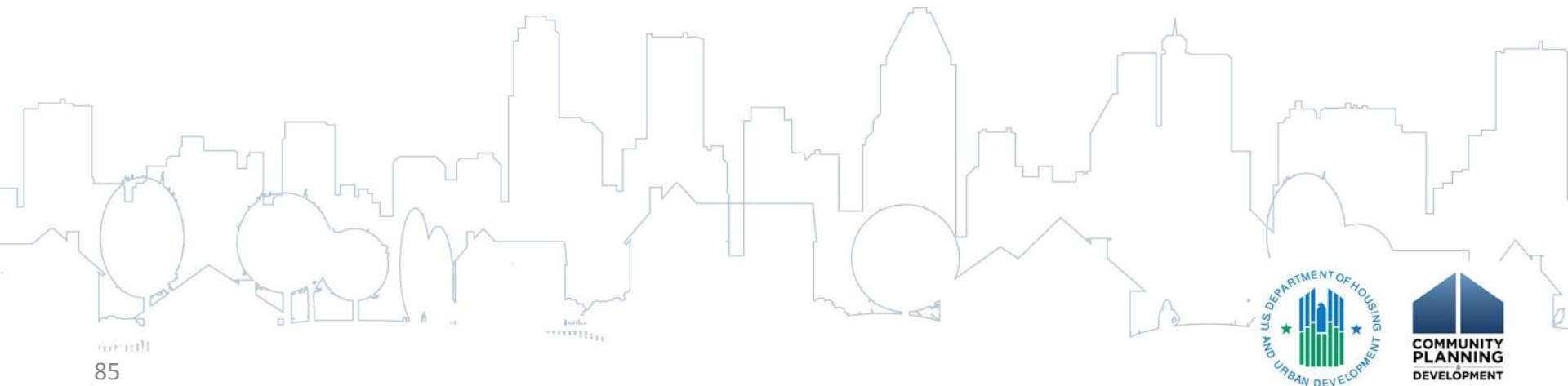


Using CDBG for Microenterprise

- Microenterprise assistance is eligible under 24 CFR 570.201(o)
- Can do TA and training to increase capacity of recipient/subrecipient to do microenterprise programs
- No limit on amount or type of CDBG loan/grant to microenterprise
- Not subject to public benefit test if separate program
- Some programs require microenterprises to receive TA and/or training before financial assistance

Documenting Income

- CDBG eligible definitions
- Documentation of income typically done under two approaches:
 - Self certification
 - Third-party verification



How to Set Up Small Business / Microenterprise Program

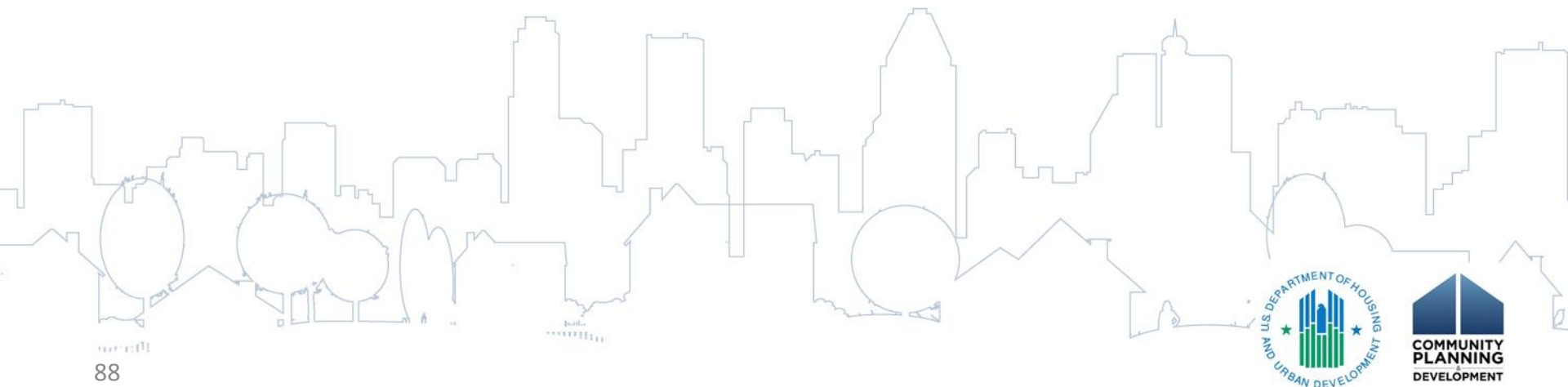
- Define program objectives
 - What do you want to achieve?
- Know your target market
 - Geographic Area
 - Characteristics of target business/entrepreneurs
- Consult with lead local economic development agency re: need, demand, avoiding duplicative efforts

How to Set Up Small Business / Microenterprise Program

- Determine technical and credit needs
 - Other sources of financing
 - Types of credit needed
- Develop lending program
 - Underwriting criteria
 - Administrative procedures
 - Loan criteria and fees

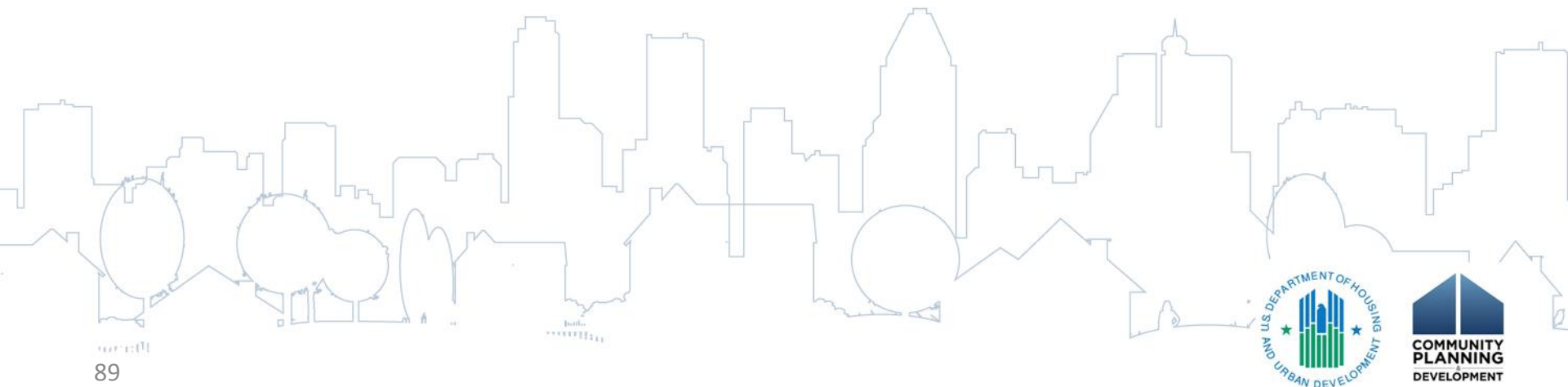
How to Set Up Small Business / Microenterprise Program

- Design TA and training
 - Offer in conjunction with financing
- Ensure program has funding and implement
- Monitor and evaluate progress



Case Studies: Small Business and Microenterprise Assistance with CDBG

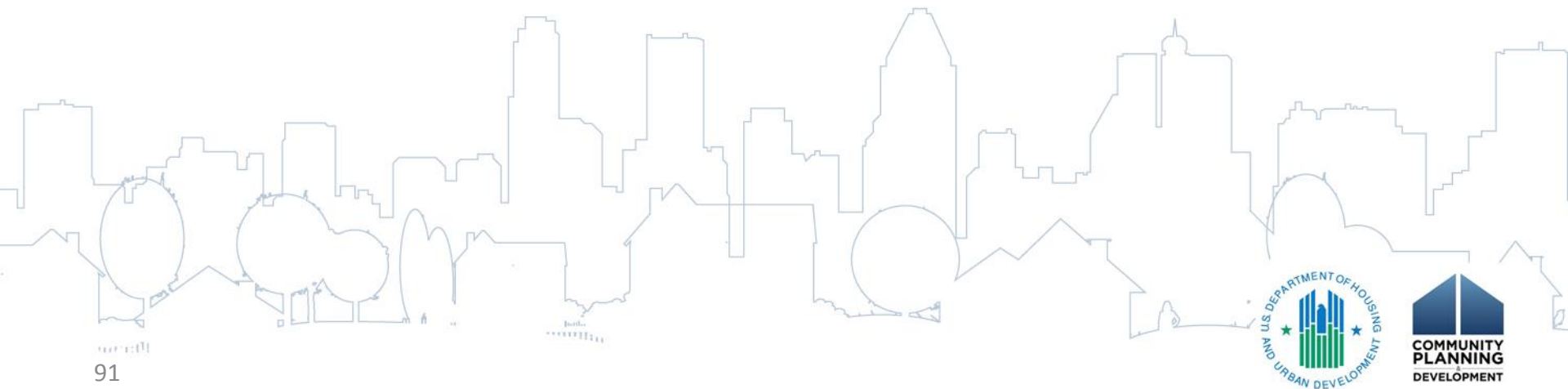
- Small Business Assistance
- Microenterprise Assistance



Summary: Micro/Small Business

- TA is an important element
- Labor intensive & high transaction costs
- Micro Loan Program should be separate from other ED revolving loan funds
- Beware of closing costs
- Many prospects for one funded deal
- Ensure the venture has a reasonable chance of success

Business Incubators

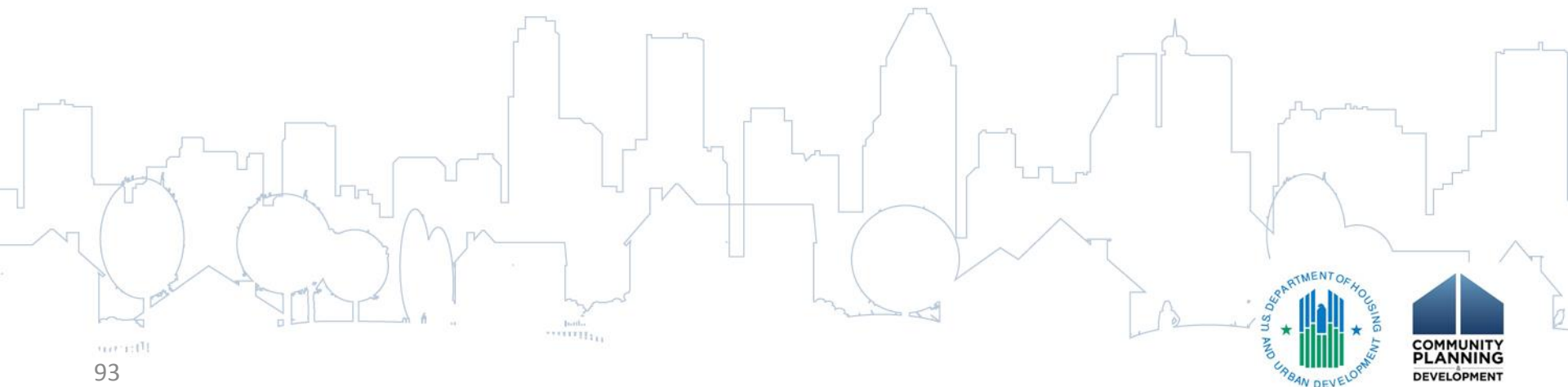


What are Business Incubators?

- Reasonable rent, flexible space for businesses
- Access to shared services, equipment, & expertise
 - Services depend on types of businesses
- Networking, peer reinforcement
- Technical assistance
- Adaptation
 - Incubators without walls
- Info resource: NBIA.org

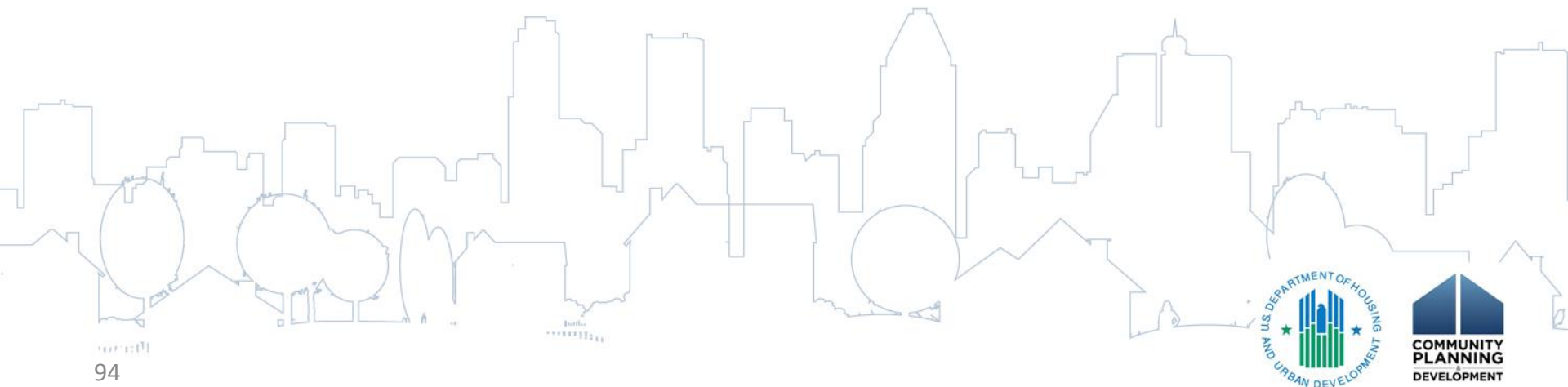
Benefits of Incubators

- Help reduce risk for businesses/increase chance of success
 - Lower costs, TA, peer support
- Supports business growth & job creation
- Can promote industry cluster growth



Cluster Incubators

- Focus on a particular industry sector/cluster
- Fosters information sharing, alliances, promoting identity
- Examples: software, food, health care, advanced technology

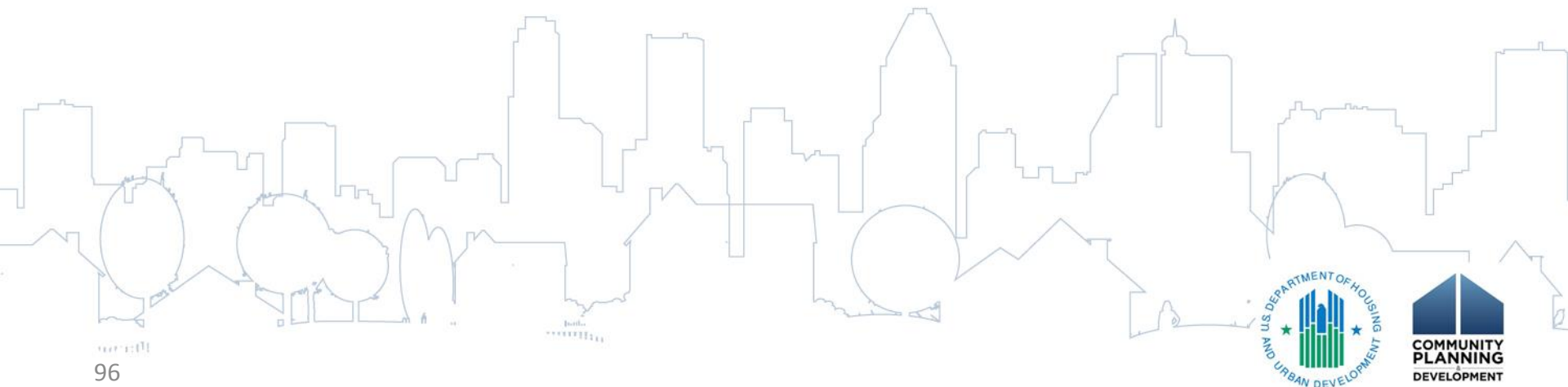


Financial Burden

- Incubator is a specialized real estate transaction
- Cash flow must fund operating expenses, capital expenditures, and debt service
- Successful incubators balance real estate realities with enhancing survival of fledging businesses
 - Important to keep capital costs low as possible

Use of CDBG

- Fund construction/development
- Provide assistance to businesses locating within incubator



Funding Incubator Construction

- Eligibility
 - 24CFR 570.203 Special Economic Development
 - 24 CFR 570.204 CBDOs
 - States: 24 CFR 570.482(a) (ED assistance to for-profit business) & 24 CFR 570.204(a)(2) (carried out by NPDOs)
 - Public benefit test applies
 - 24 CFR 570.201(o) Microenterprise
 - If tenants are restricted to microenterprises
- National objective
 - Job creation/retention – 51% LMI jobs
 - Can aggregate jobs
 - Area Benefit – If NRSA / CRSA

Funding Businesses in Incubators

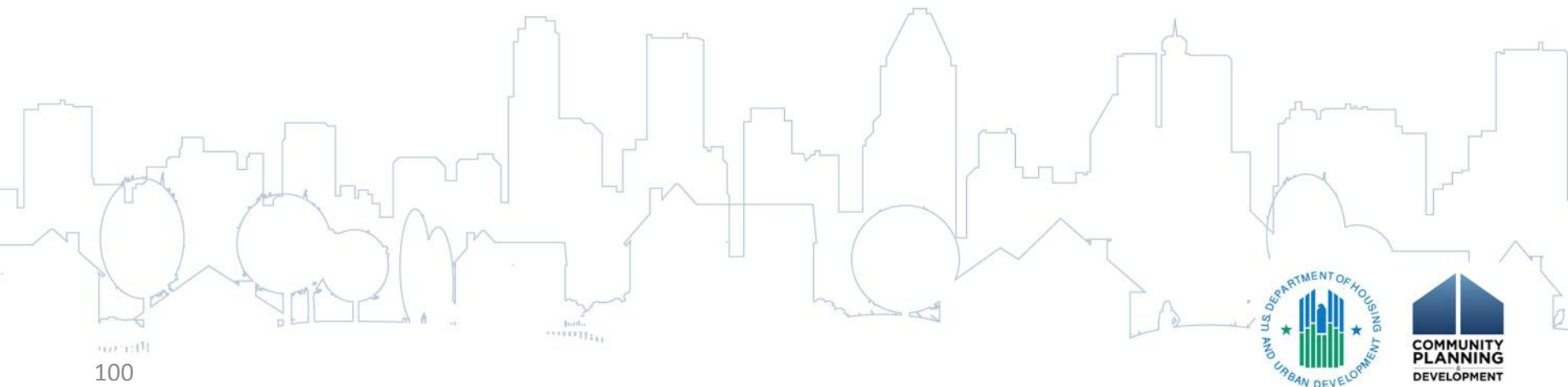
- Eligibility
 - Microenterprise 24 CFR 570.201(o)
 - ≤5 employees
 - Special ED (24 CFR 570.203) or States [24 CFR 570.482(a)]
- National Objective
 - Job creation/retention – 51% LMI jobs
 - Area Benefit – If NRSA/CRSA

How to Assist Business Incubator Development

- Prepare a feasibility analysis
- Locate site
- Assemble development team
- Prepare financials and marketing plan
- Identify resources
- Finalize construction contract & develop
- Market & lease

Case Studies

- Traditional Business Incubator
- Cluster Incubator



Summary: Incubators

- TA is important
- Businesses in incubator may need financing assistance
- Ultimately, an incubator is a real estate deal
 - Facility may need operating subsidies
 - Complete total analysis before funding acquisition

Activity:

Small Business Development



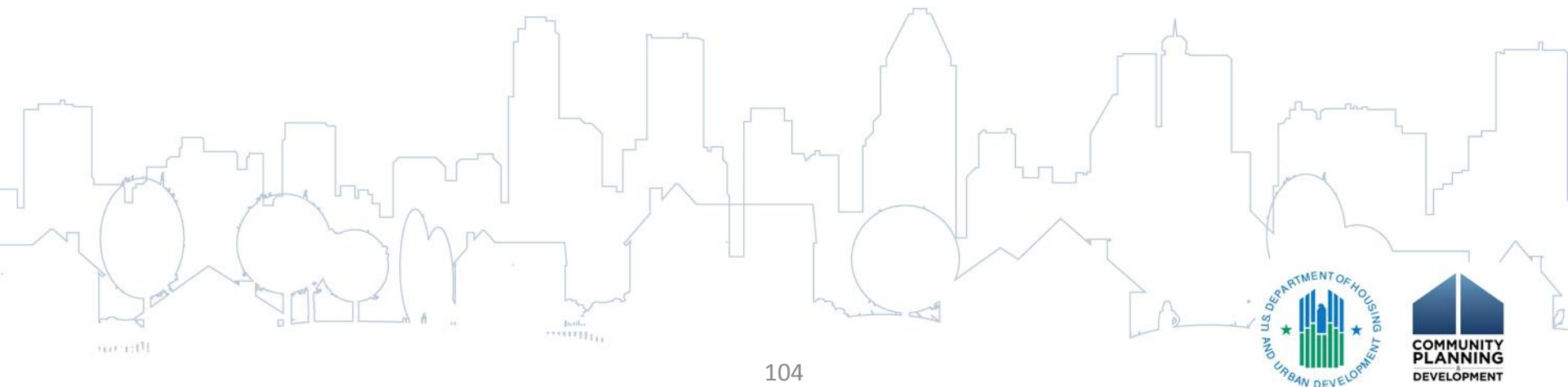
Chapter 3:

Job Training & Other Public Services



Topics

- Eligible activities
- National objectives
- Key steps



What is Job Training?

- Help unemployed or underemployed gain skills in demand in the labor market
- Frequently linked with job placement
- TA and entrepreneurial training to owner of microenterprise

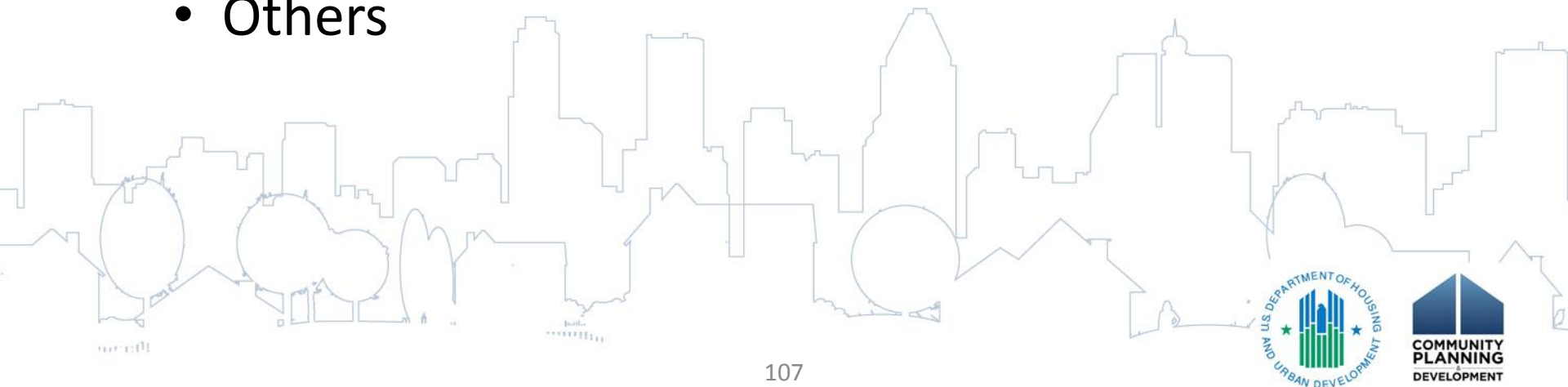


Eligibility Under CDBG

- Public service – 24 CFR 570.201(e)
 - States: Sec. 105(a)(8)
- As part of special economic development project – 24 CFR 507.203(c)
 - States: 24 CFR 570.482(a)
- By CBDO – 24 CFR 570.204
 - States: Nonprofit Development Organization
- As part of microenterprise efforts – 24 CFR 570.201(o)

Other ED Public Services

- To support economic development, may wish to consider other services such as:
 - Childcare
 - Transportation
 - Crime prevention
 - Others



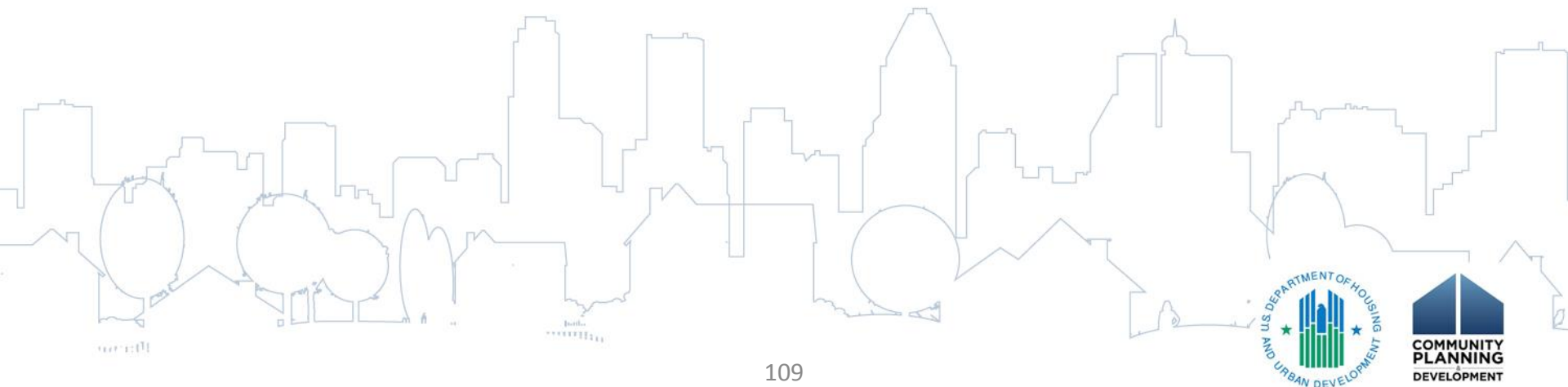
Who Can Undertake Training

- Grantee
- Other government agencies
- Subrecipients
- Businesses
- CBDOs



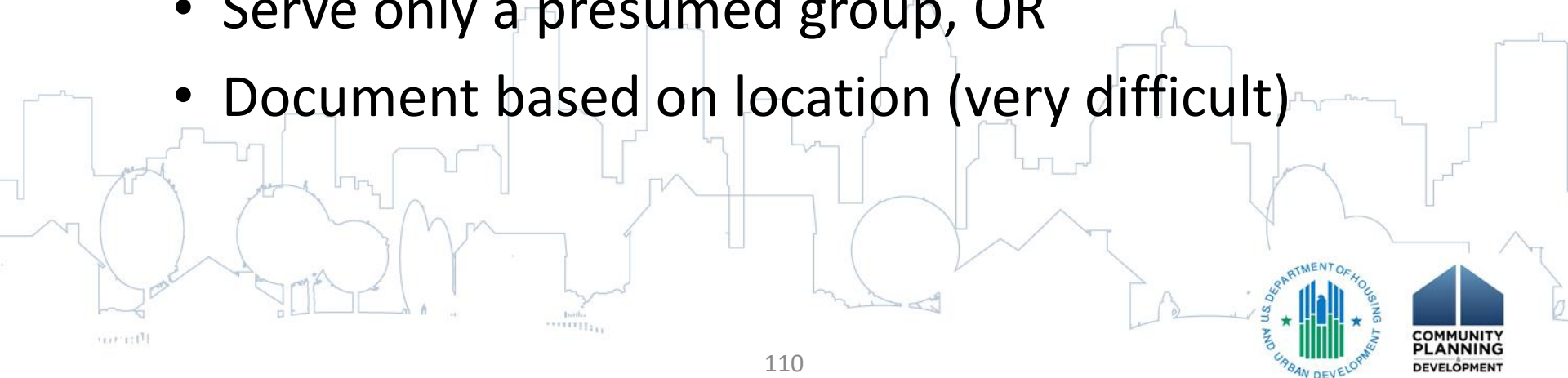
Types of Training Programs

- Job search assistance
- Short-term classroom training
- Long-term classroom training
- Subsidized employment



National Objective

- Training as a Public Service
- Qualify under LMI limited clientele:
 - Document household size and income & ensure that 51% are LMI persons
 - Limit only to LMI persons
 - Serve only a presumed group, OR
 - Document based on location (very difficult)

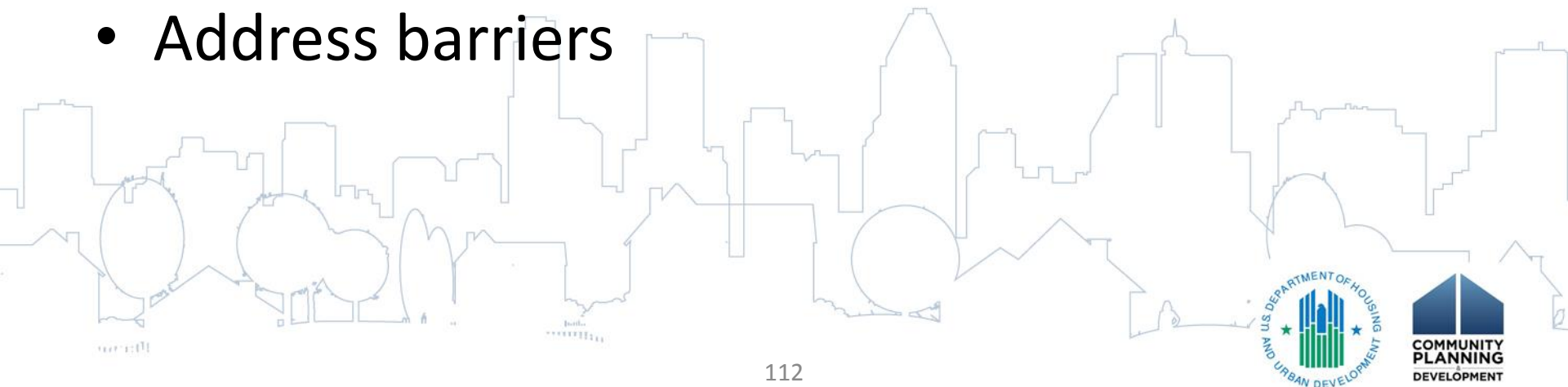


National Objective

- Training under Special ED
- Qualify under EITHER:
 - LMI jobs, if clear connection to jobs being created or retained; OR
 - LMI limited clientele, if CDBG is provided to business to pay only for training & the % of total project costs paid with CDBG is \leq % of LMI persons trained

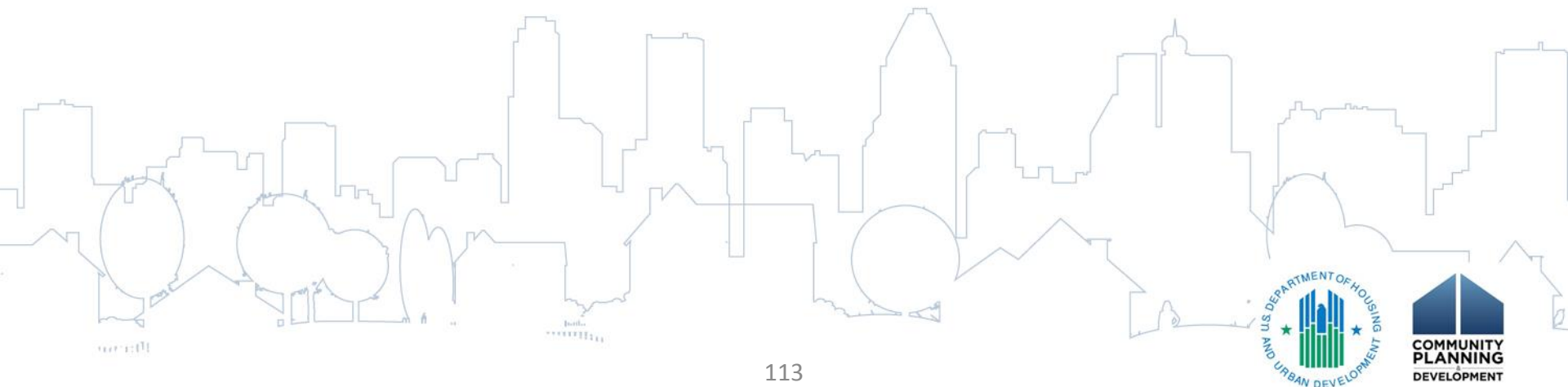
Key Steps

- Conduct a Market Study
 - An analysis of growing markets and/or sector analysis
- Identify employment opportunities
- Form Partnerships
- Address barriers



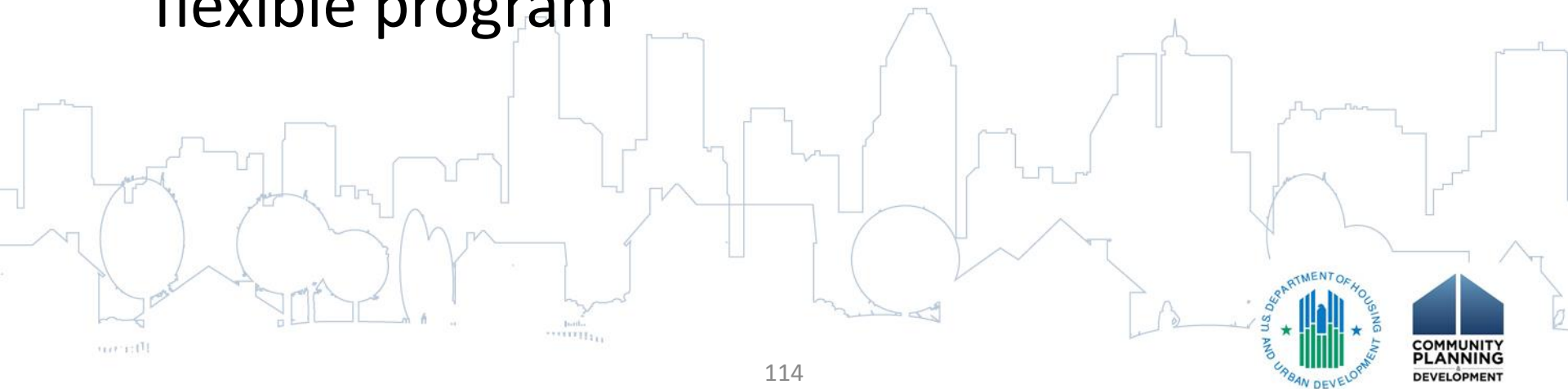
Key Steps (cont'd)

- Develop “soft skills” training
- Create a flexible program
- Define performance measures
- Consider other funding sources



Summary: Job Training

- Job training is CDBG-eligible under several scenarios
 - Sometimes other public services that support employment
- Assess needs & opportunities & design a flexible program



Activity: Job Training



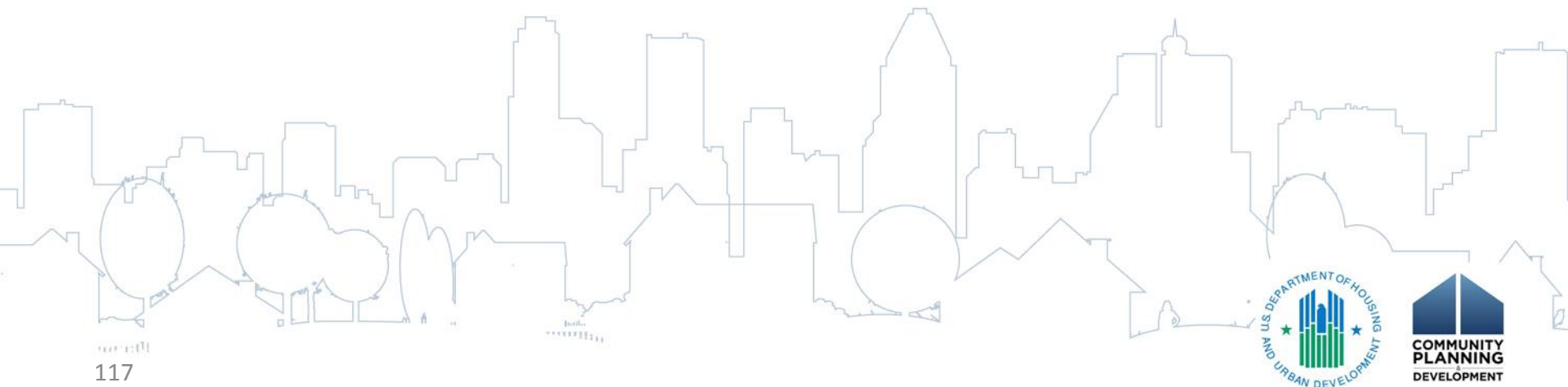
Chapter 4:

Large- Scale Projects



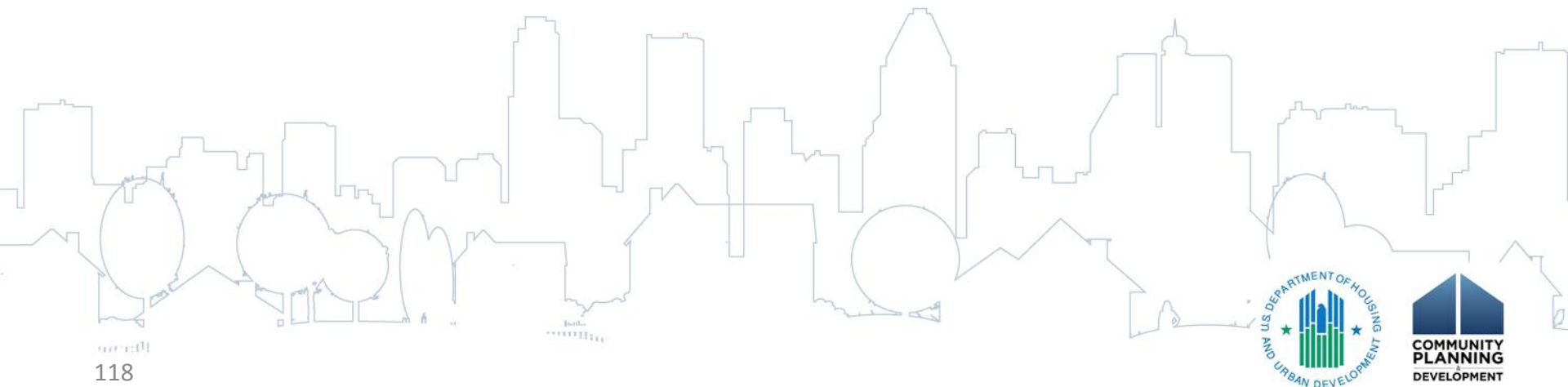
Topics

- Eligible activities
- National objectives
- Key steps



What are Large-Scale Projects?

- Activities such as:
 - Retail centers
 - Office buildings and other commercial manufacturing/industrial facilities
 - Public commercial development



Typical Characteristics

- Large financial investment
- Large impact
- Real estate development
- Project may originate at local or state economic development agency
- Multiple financing sources
- Might be appropriate for Section 108 activity

CDBG Roles

- Financing to business to rebuild/expand facility
- Ground lease
- Ancillary facilities for public use
- Assist with equipment or working capital
- Services
- Development costs
- Infrastructure

CDBG & Large Scale Projects

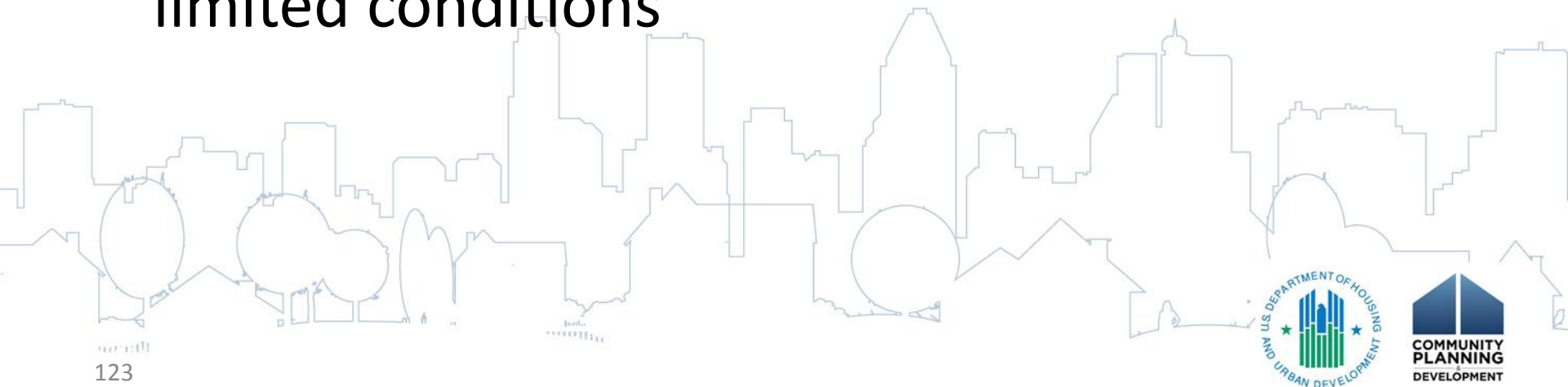
- Eligibility
 - Special Economic Development (24 CFR 570.203)
 - States: (24 CFR 570.482(a))
 - Community Based Development Organizations (24 CFR 570.204)
 - States: (24 CFR 570.204(a)(2))
 - Commercial Rehab (24 CFR 570.202)
 - States: (24 CFR 570.202(a)(3))
 - Infrastructure (public facilities) (24 CFR 570.201 (c))
 - States: (24 CFR 570.201(c))

Special ED Activities

- Acquisition, construction, reconstruction, rehabilitation, or installation by recipient or subrecipient
- Assistance to for-profit
- Economic development services
- Remember the public benefit test!

Other Eligible Activities

- CBDOs can undertake under certain circumstances
 - But capacity & financial limitations of nonprofits as developers of large- scale projects
- Commercial rehab may be possible under limited conditions



Section 108 can be used for Large-Scale Activities

- Eligible Activities
 - ED activities eligible under CDBG
 - Acquisition of real property
 - Public facilities
- Must meet national objective
- Sample projects
 - Neighborhood shopping center
 - Grocery store
 - Mixed-use retail and housing rehab
 - Industrial expansion

How to Assist Large Scale Projects

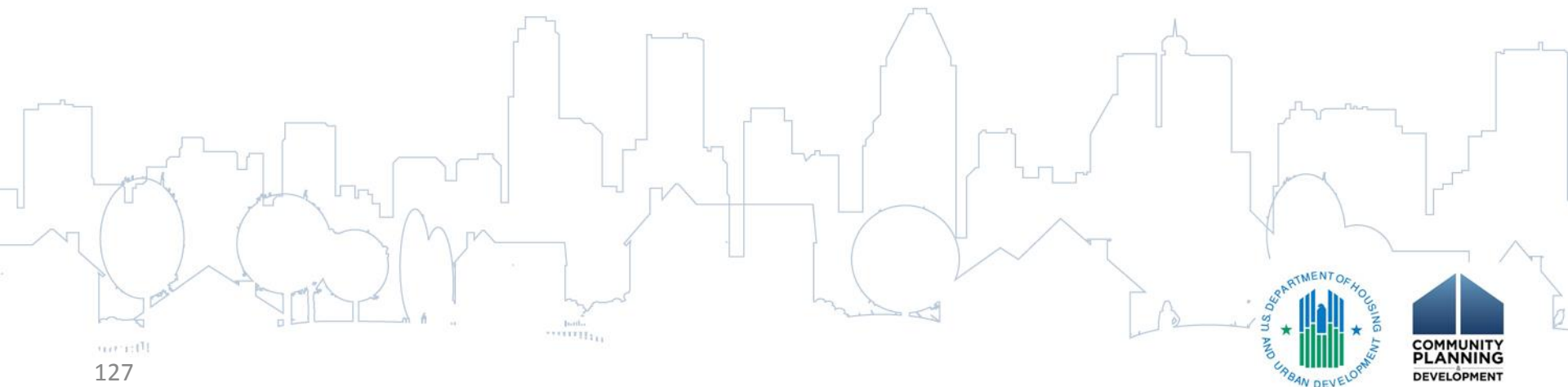
- Review and assess potential projects with partners (e.g. ED agencies, CBD0, etc.) if applicable
- Determine if want to target neighborhood for concentrated impact
- Ensure project meets HUD criteria
- Choose projects that are job generators
- Screen early

How to Assist Large Scale Projects

- Assess & control lending risks
- Make early decision about best way to conduct the project & develop a timeline
- Package financing, possibly with agreements from multiple sources
- Set benchmarks for job growth and/or retention in agreements with borrower
- Proceed with project

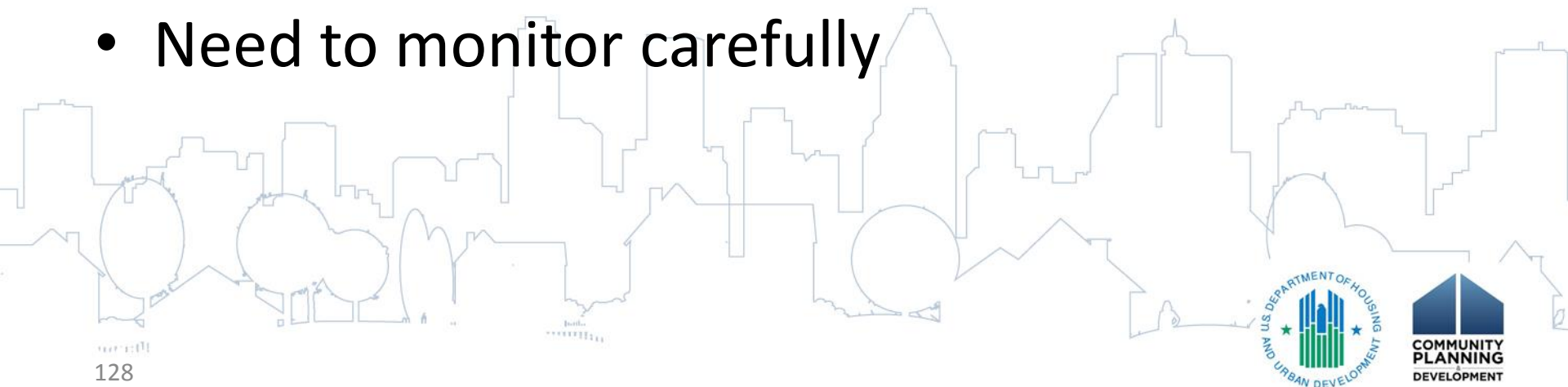
Case Studies

- Large scale project with multiple partners
- Large scale project using Section 108 financing



Summary: Large-Scale Projects

- Large investment & risk, but substantial economic impact
- Usually real estate based; careful underwriting required
- Often tied to Section 108
- Need to monitor carefully



Chapter 5: Infrastructure

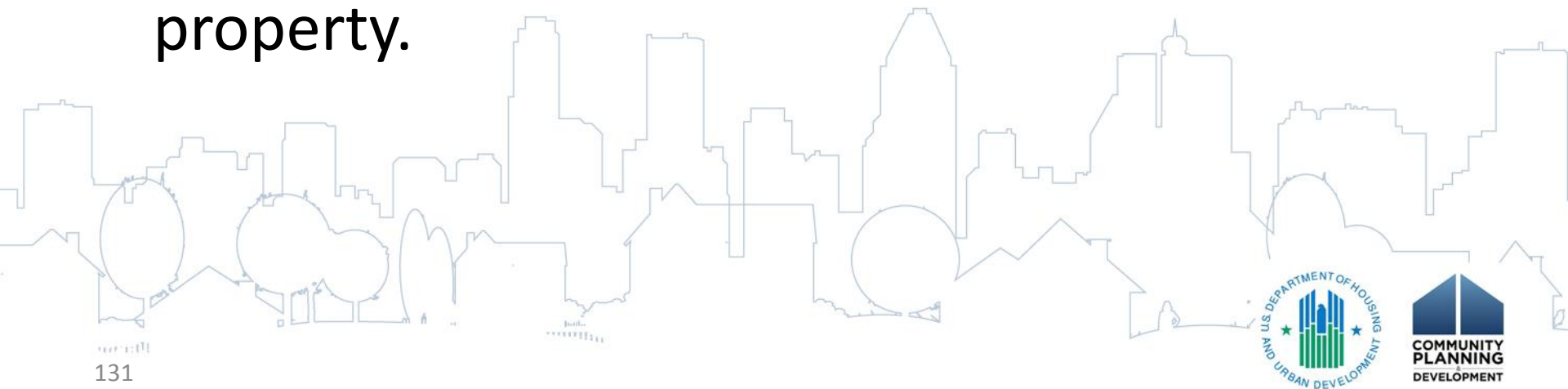


What is Infrastructure?

- Non-housing activities
- Public works
 - Transportation facilities
 - Water, sewer, drainage
- Community facilities
 - Parks, recreational facilities, senior centers
 - Neighborhood service center
 - Social services buildings

Privately Owned Utilities

- Covers utilities owned by private company not public agency
- Must meet a national objective
- Must be publicly regulated and provided through distribution lines to the private property.



Ineligible Infrastructure Activities

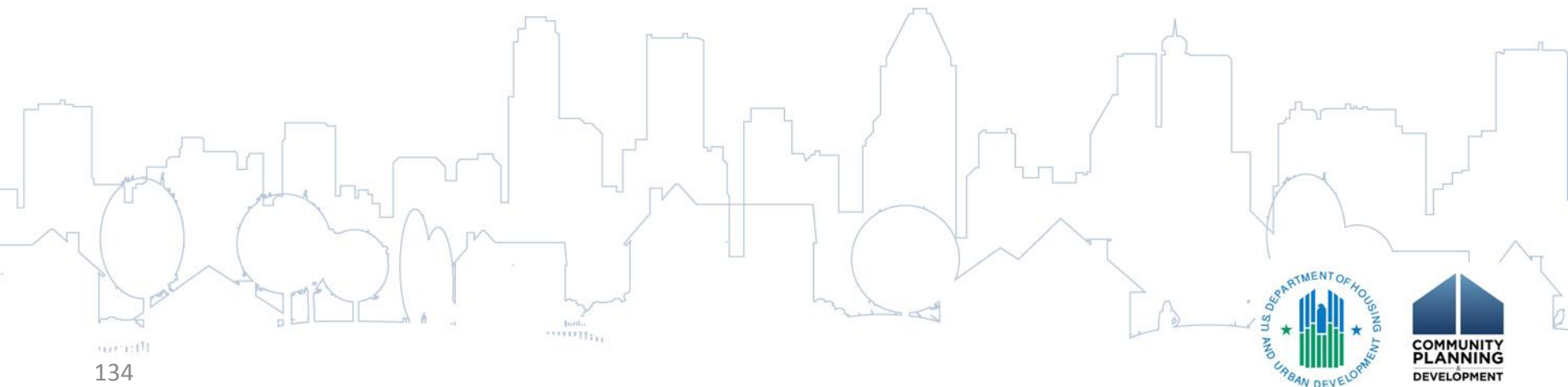
- Maintenance and repair of public facilities
 - Exception for handicapped accessibility
- Operating costs
 - Exception for costs related to operating a CDBG public service activity
- Building for general conduct of government (e.g., city hall)
 - Some exceptions

Special Assessments

- Special assessments are used to recover capital costs through a fee or charge
- Under CDBG, two ways think about special assessments:
 - To recover costs of CDBG-assisted public improvements
 - To pay private assessments for low/mod owner occupants

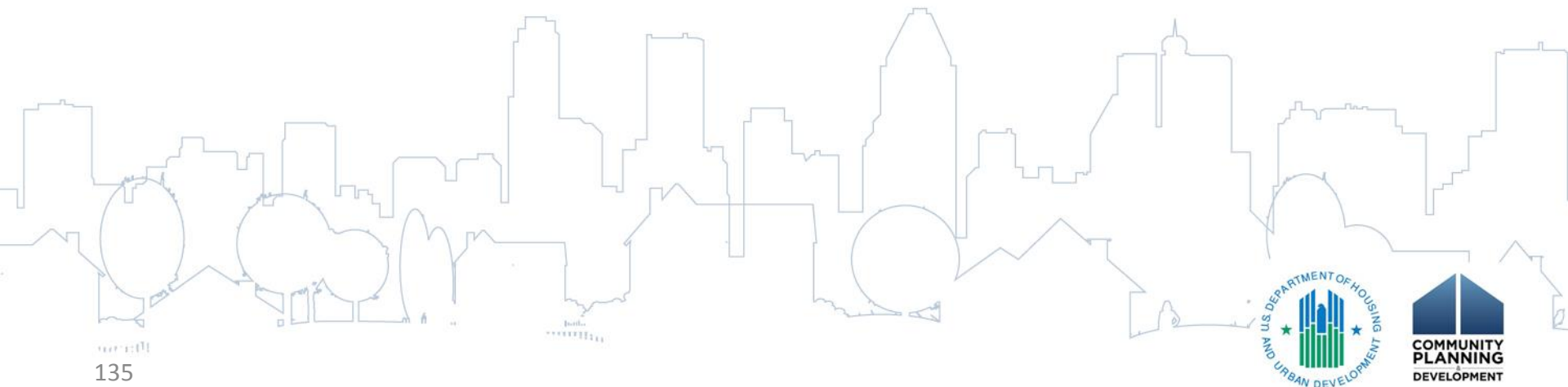
National Objective

- Typically, Low/Mod Job Creation/Retention for ED Projects
- Low/Mod Area Benefit
- Some improvements may fit Slum/Blight Area Basis



Key Steps

- Decide if want to target neighborhoods
- Ensure potential projects meet HUD criteria
- Choose projects that are generators

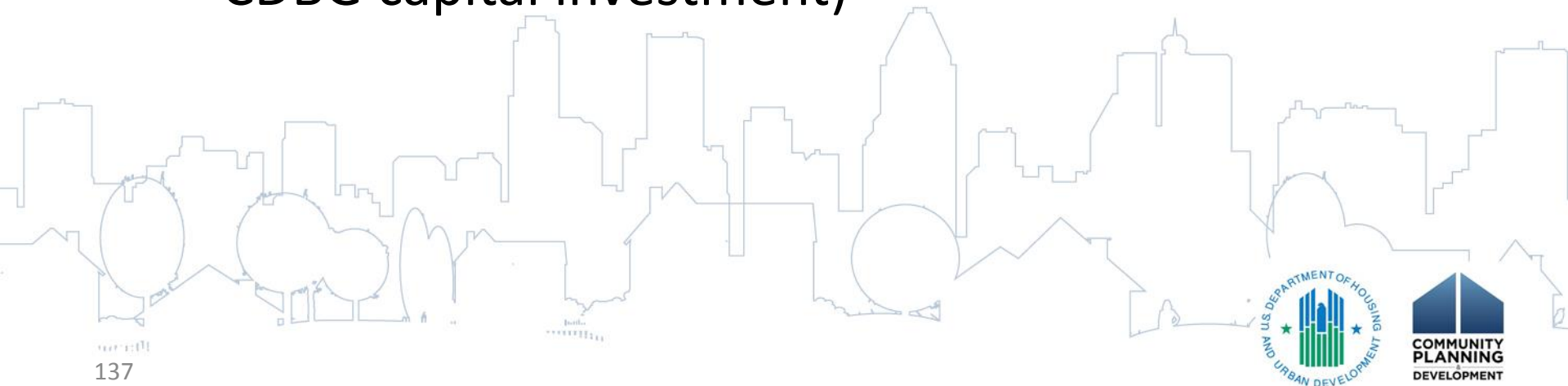


Cost Benefit Analysis

- Assess risk
- Determine amount of public participation – all costs
- Calculate benefit stream
 - Jobs
 - Tax increments
 - Payments
- Relate risk and cost to benefits over time

Summary: Infrastructure

- Public & private (with limitations) infrastructure is CDBG eligible
 - Capital cost, but not maintenance and operation
 - Special assessments if not infrastructure is CDBG funded (assessments may also be used to recover CDBG capital investment)



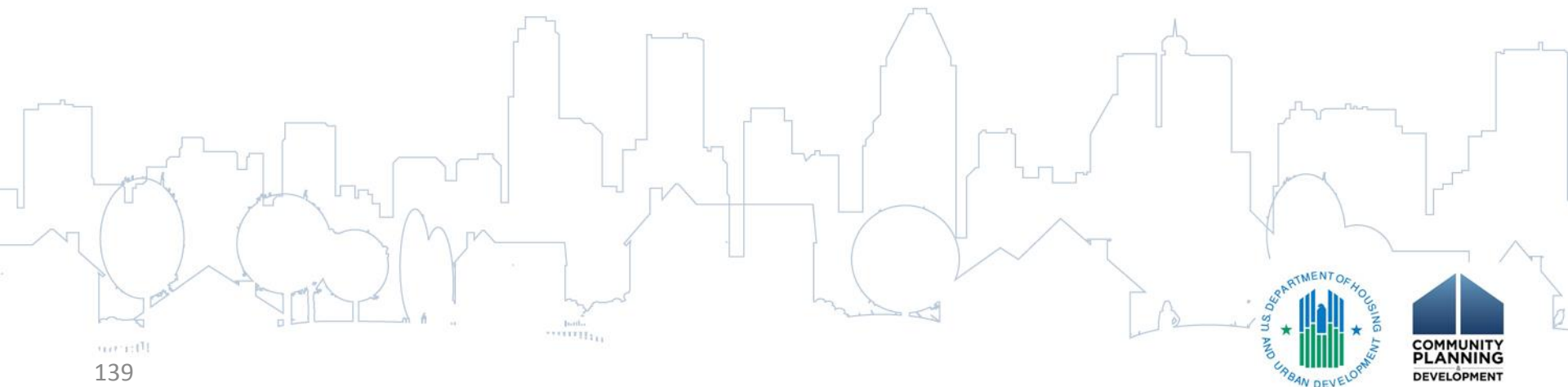
Chapter 6:

Economic Development Strategies



Topics

- Benefits of an economic development strategy
- Steps in developing a strategy
- Integration with other plans



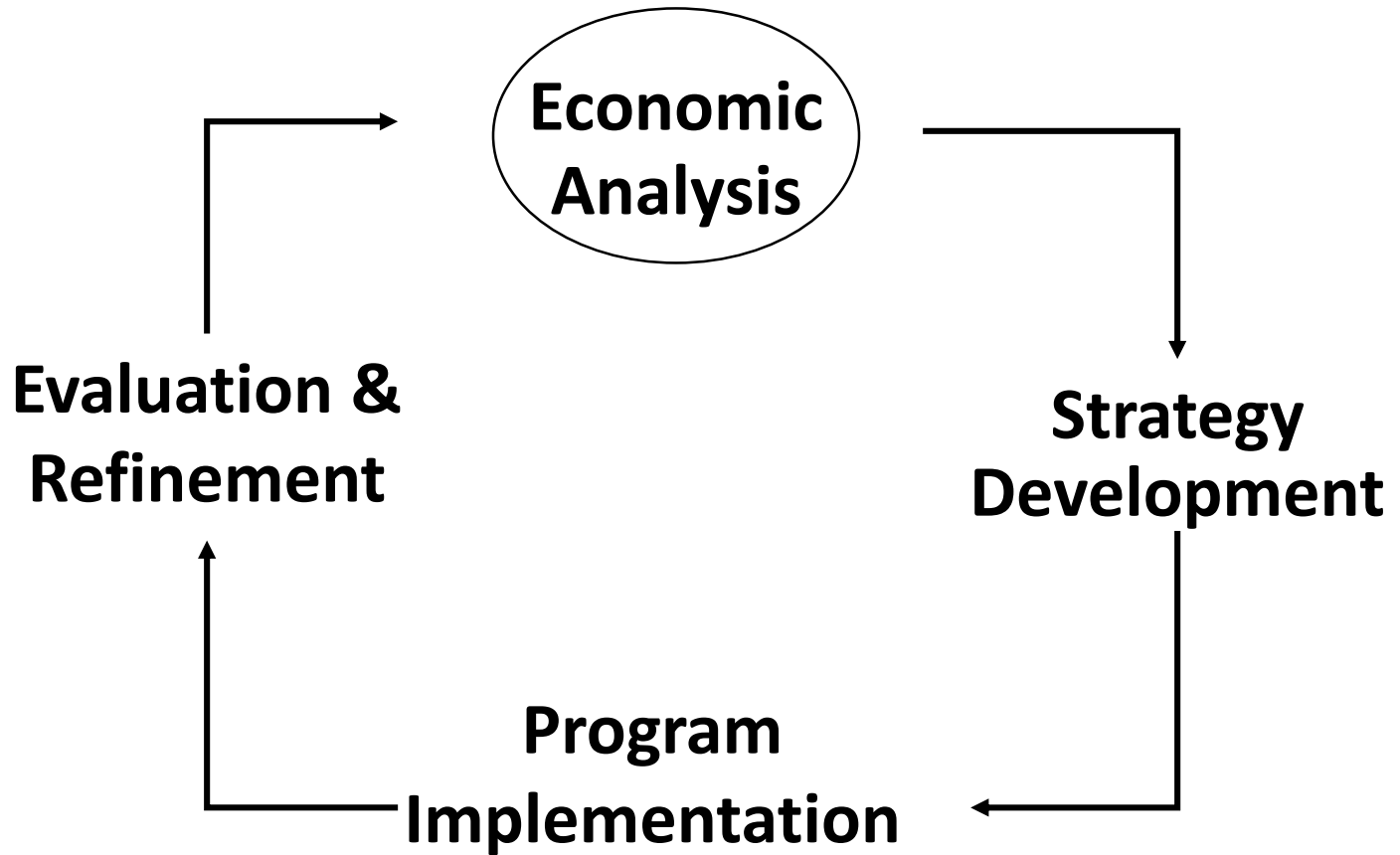
Overview of Economic Development

- ED = process, policies, & activities by which a jurisdiction improves the long-term economic & social well-being of its people
- ED strategy = a framework for making the programmatic & project choices to improve the local economy
 - Scale: neighborhood, municipal, regional, or statewide

Benefits

- Strategy is proactive & preventative: making good choices, avoiding bad investments
 - Poorly focused programs
 - ex. Loan program available to all; used by none
 - Program with no market
 - ex. High-tech incubator in low- tech area
 - Wasted resources
 - ex. Two microenterprise funds with same clients

The Process

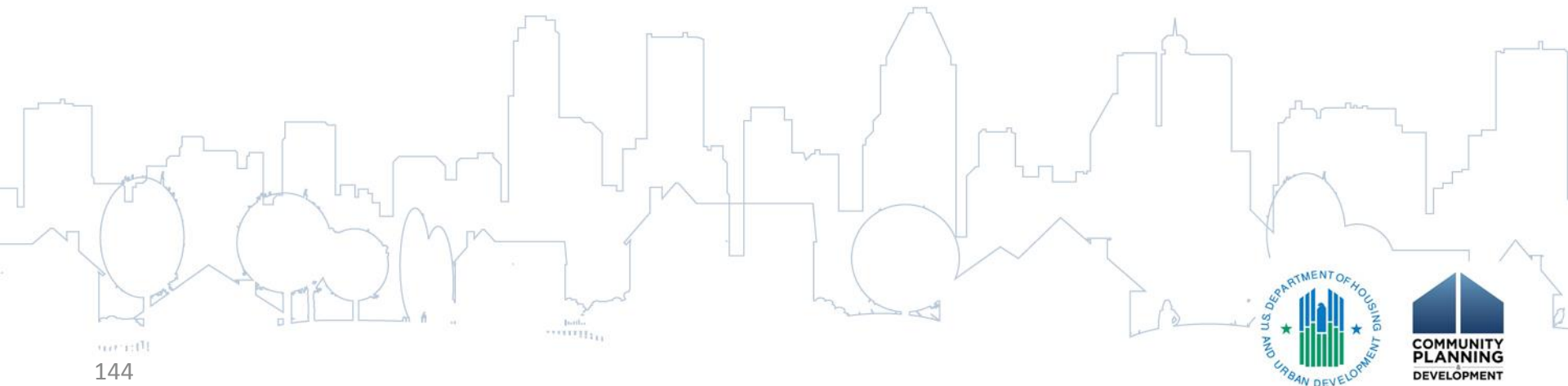


Steps in the Process

1. Assess existing conditions
2. Assess local resources
3. Select desired outcome(s) or goal(s)
4. Select market sector to target
5. Select general approach
6. Identify appropriate techniques
7. Develop a mission statement
8. Prepare a written strategy
9. Develop an implementation action plan
10. Assess, evaluate, and modify

Economic Analysis

- Assess qualitative and quantitative conditions
- Evaluate business and social environment
- Assess monetary, human, and physical resources & obstacles



Strategy Development

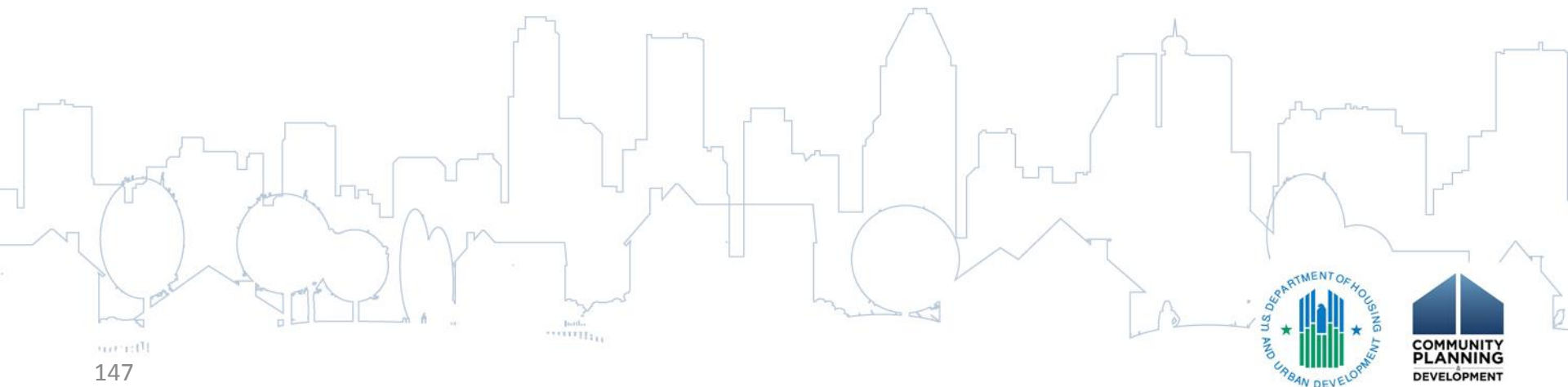
- Choose priority outcomes and market sectors
- Determine how to direct your assistance:
 - Locational approach
 - Minority/ disadvantaged business
 - Sectoral approach
- Choose activities to match intended outcomes

Strategy Options

	CDBG	108	Other Fed – CDFI, SBA, Ag	State	Private lender	Other agency
TA						
Job training						
Micro Business						
Incubators						
Small Business						
Infrastructure						
Large scale (real estate, large businesses)						

Coordination w/Other Plans

- Consolidated Plan
- Plans by other organizations & agencies
- Revitalization Strategy Areas (more on this later)

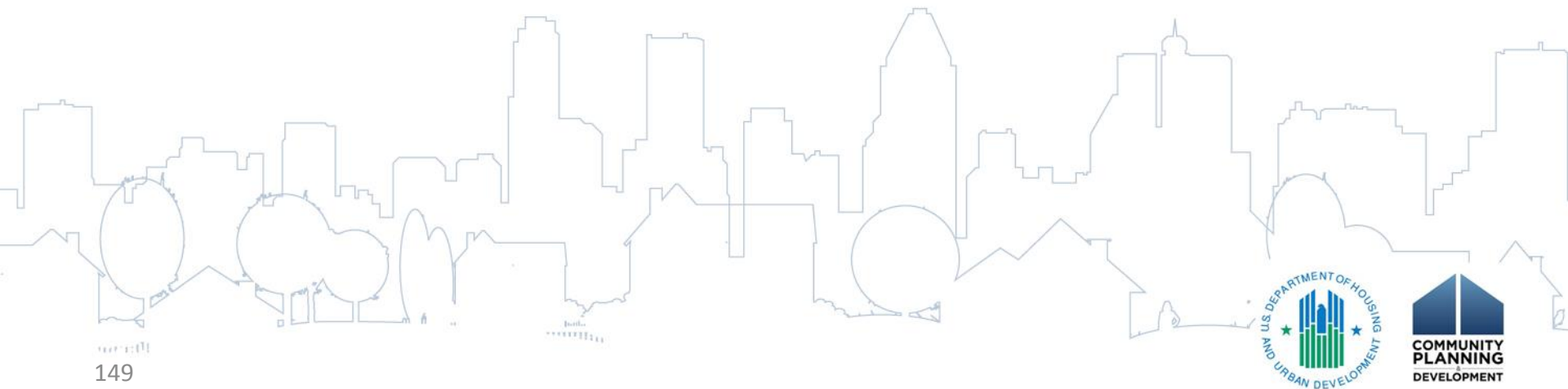


Implementation

- Describe goals
- Written strategy summarizes plans & needs
- Action Plan implements the strategy
 - Tie to method of distribution & application process
- Plan is iterative and refined based on monitoring and evaluation
- Implement program

Evaluation & Refinement

- Periodically review and assess progress toward strategy
- Establish measurable benchmarks to assess outcomes
- Update strategy based on assessment



Summary: ED Strategies

- Economic development focuses on improving economic/ social well-being
- Strategy is framework for making good investment decisions
- 10-step process for developing strategy
- Strategy evaluation/ refinement is ongoing

Chapter 7:

Revitalization Strategy Areas



Revitalization Strategies

- Multi-faceted strategic approach to address the needs in LMI Target Neighborhoods
- Target resources and efforts
- Approved Strategies offer flexibility in use of CDBG
- Entitlement: Neighborhood Revitalization Strategy Area(NRSA)
- States: Community Revitalization Strategy Area(CRSA)

Benefits of NRSA

- Job creation/retention activities meet LMI Area Benefit requirements
- Can aggregate scattered site housing as a single structure
- Economic development activities in area may be exempt from aggregate public benefit standards
- Any public service by CBDO [states: Nonprofit Development Organization] is exempt from public services cap

Strategy Area

- Area must be:
 - Contiguous
 - Primarily residential
 - High LMI
 - 70% LMI if upper quartile > 70% (use upper quartile % if quartile 51-70%; 51% LMI if upper quartile < 51%)
 - EZ/RC; or
 - 20% poverty rate in Census tracts/block groups and 90% have 25% poverty

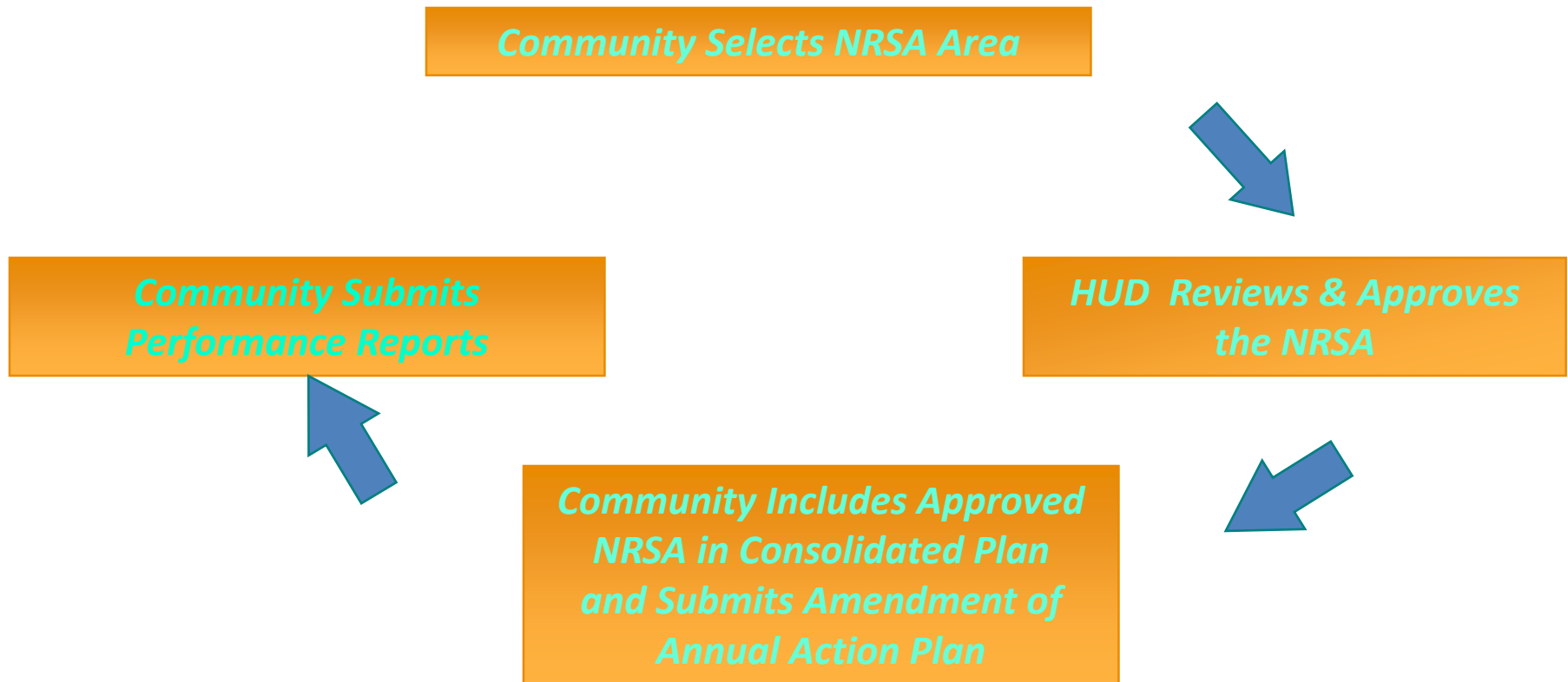
Process & Content

- Must be developed in consultation with community / stakeholders
- Assessment
- Economic Empowerment
- Identify Resources (not commit)
- Performance Measurements

Review & Approval

- Submitted with or as an Amendment to the Consolidated Plan
- Approved with the Consolidated Plan
 - Careful! Need specific approval for NRS/CRS
 - EZ/RC target area is automatic
- Amending the Strategy
- HUD will monitor outcomes against required NRSA/CRSA Annual Reports

HUD Approval & Review Process



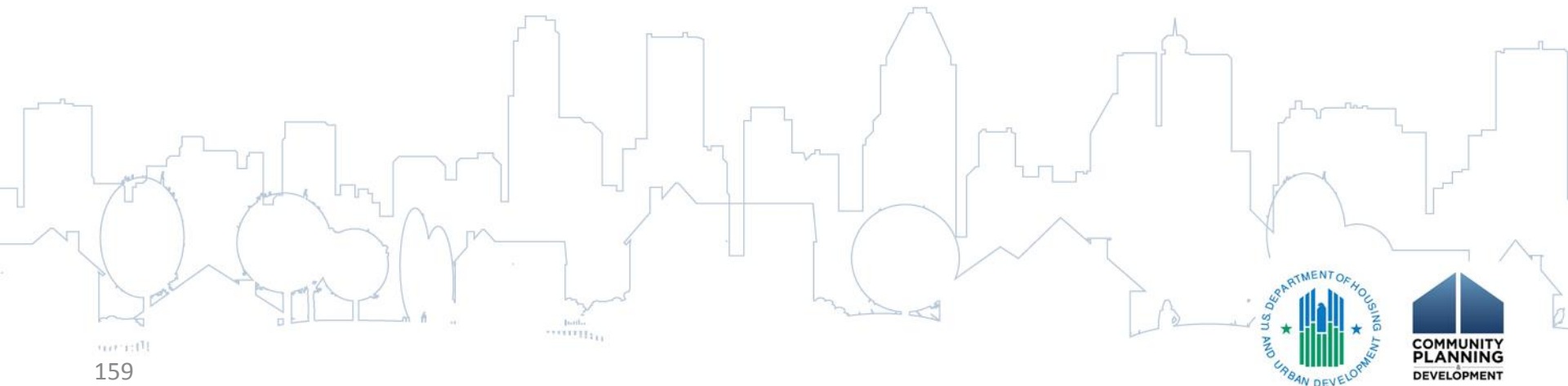
Chapter 8:

Financing Economic Development

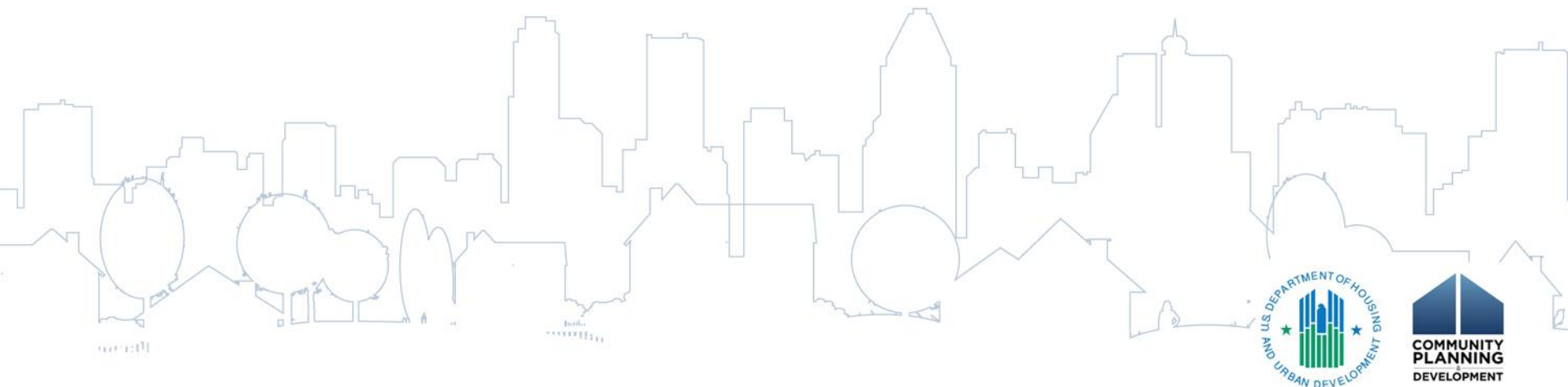


Topics

- Financing options
- Revolving loan funds
- CDFIs



Financing Options



Methods of Financing

- Debt financing
- Grants
- Sale/lease of assets
- Equity investment
- Loan guarantees

Debt Options

- Direct Loans
 - Subordinated loans
 - Tandem loans
- Repayment structure
 - Self amortizing
 - Contingent payment
 - Partial or full forgiveness

Amortizing Direct Loans

- Loans that are paid back over time
- Plusses:
 - Ensures business commitment
 - Extends resource
 - Interest can multiply impact
- Minuses:
 - Need loan processing/servicing skills
 - Must have default procedures
 - May not be financially feasible

Contingent Payment Loans

- “Deferred Payment” – part or all depends on future events
 - (e.g., sale of property, profit level, # of years)
 - Tip: Use simple, quantifiable measures
- Plus – permits loan to function as grant in short term, with option of eventual payment
- Minus – repayment might not happen
- Can mix contingent payment & amortizing loan
 - e.g. Forgivable deferred payment loan – façade improvement program

Grants

- Cash contribution or principal reduction
- Plusses
 - Easy to administer
 - May be only available \$ source
- Minuses
 - Resources not replenished
 - Business commitment?
- Examples:
 - Interest subsidy, Principal reduction, Rehabilitation rebate

Purchase & Sale or Lease

- Entity purchases asset and sells or leases asset to borrower at a negotiated price
- Plusses
 - Can target economic development
 - Increase feasibility of projects
- Minuses
 - Requires specific skills in acquisition & leasing

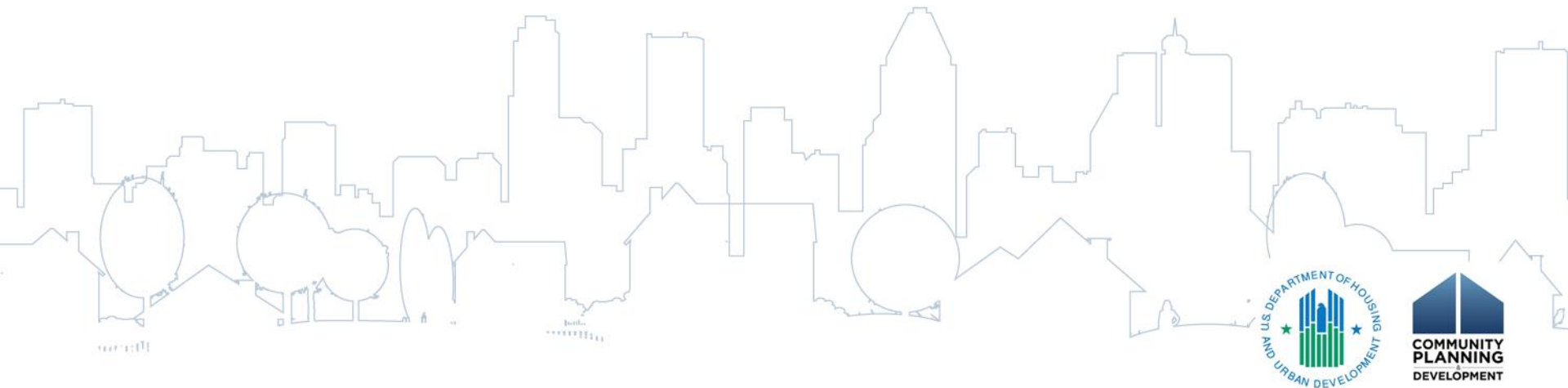
Equity

- Contribution of cash or property in exchange for share of ownership
- Plus
 - Share in success
- Minuses
 - Exit strategy
 - Risk, lack of recourse

Loan Guarantee

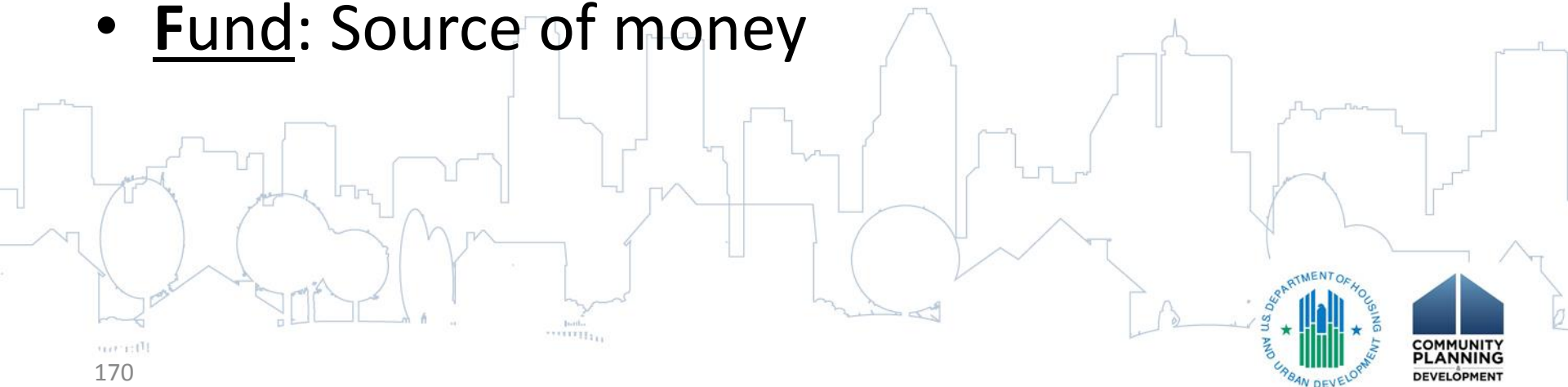
- Make it easier for business to borrow from private lender
- Pledge loan repayment in event of default (100% or portion)
- Plus – leverage, lower CDBG investment
- Minus – can be difficult to structure, must have very clear agreement on what guarantee covers and when will be paid

Revolving Loan Funds



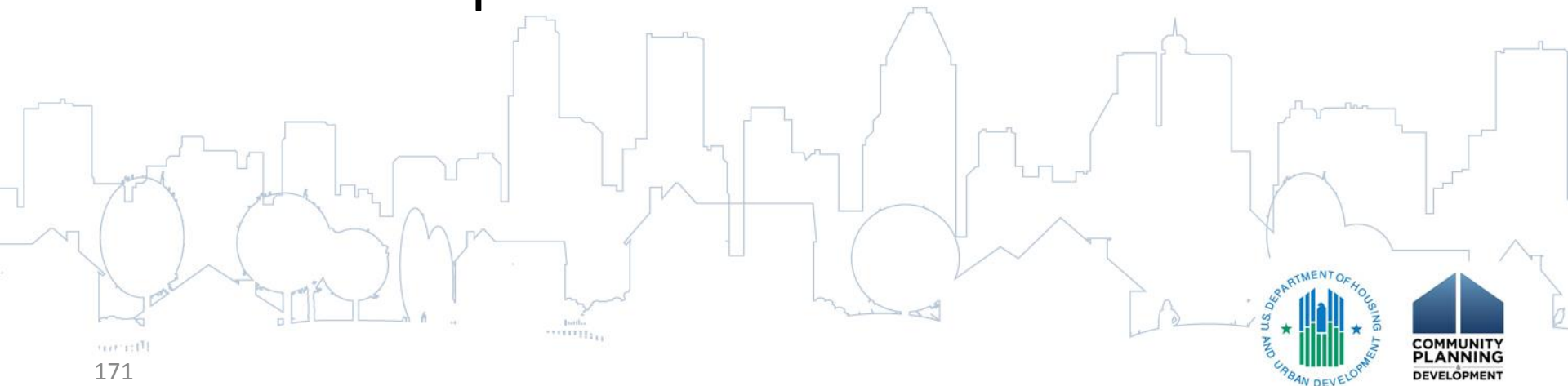
What is a RLF?

- **Revolving**: Loans are repaid and reloaned. With interest, the fund can increase and become an endowment.
- **Loan**: Used to make loans usually to small and medium sized businesses
- **Fund**: Source of money



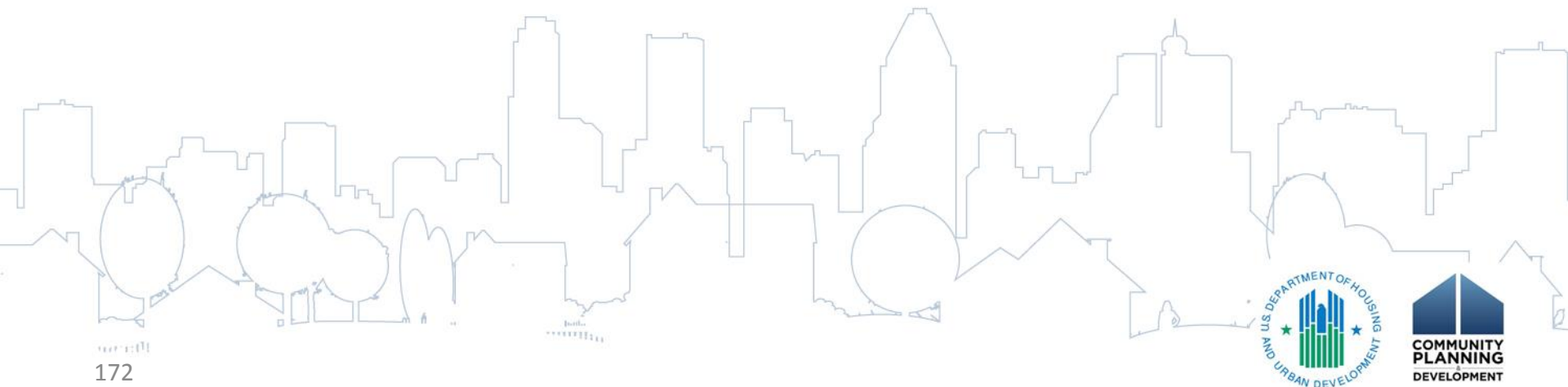
Typical Borrowers

- Existing businesses
- Startup ventures
- Developers
- Nonprofits
- Microenterprises



CDBG Rules of RLF

- Projects must comply with CDBG requirements
- Must be separate, interest-bearing fund
- Interest earned by RLF loans is program income



Steps: Market & Client Scan

- Confer with professionals & borrowers to identify market
 - Bankers
 - Realtors
 - Economic development personnel
 - Trade associations
 - Local officials
 - Small business groups or associations
- What gap in funding exists?
 - Understand existing efforts
 - Who will the effort serve?

Step: Program Design Focus

- Requirements/eligibility
 - Borrowers
 - Minimum/maximum loan amounts
 - Minimum leverage
 - Cost per job
 - Minimum equity requirements
- Establish loan rates & terms
- Seek funds to capitalize RLF

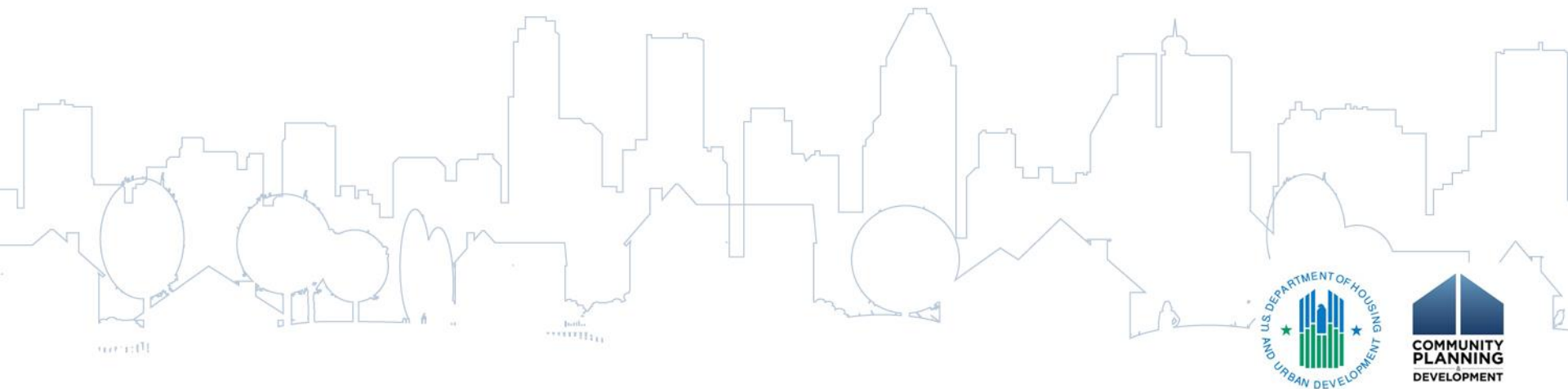
Step: Select Administrative Entity

- Who will administer the program?
 - City
 - Existing nonprofit
 - New organization
- Does staff have the necessary skills to implement?
- Develop organizational structure
 - Loan committee, staffing, budget

Step: Design Operational Procedures

- Establish systems for delivery
 - Marketing
 - Screening
 - Application
 - Approval
 - Closing
 - Disbursement
 - Portfolio Management

CDFIs



Community Development Finance Institution Fund

- Subsidiary of Department of Treasury
- Expands availability of credit, investment capital, & financial services in distressed and underserved communities
- Does not lend or grant money to individuals
- Provides capital to local intermediaries that, in turn, lend and invest the funds – CDFIs

CDFIs & CDBG

- CDFIs with 51% LMI service area
 - Job creation/retention activities meet Area Benefit
 - Housing units treated as a single structure
 - ED activities exempt from aggregate public services test
- All CDFIs
 - May aggregate jobs

Summary: Financing

- CDBG permits full range of financing options: grants, loans of various types, loan guarantees, equity, etc.
 - Each option has plusses and minuses
 - Appropriate under different circumstances
- Revolving loan funds permitted, but require structure/administration
- CDFIs can support ED and are compatible with CDBG

Chapter 9: Underwriting

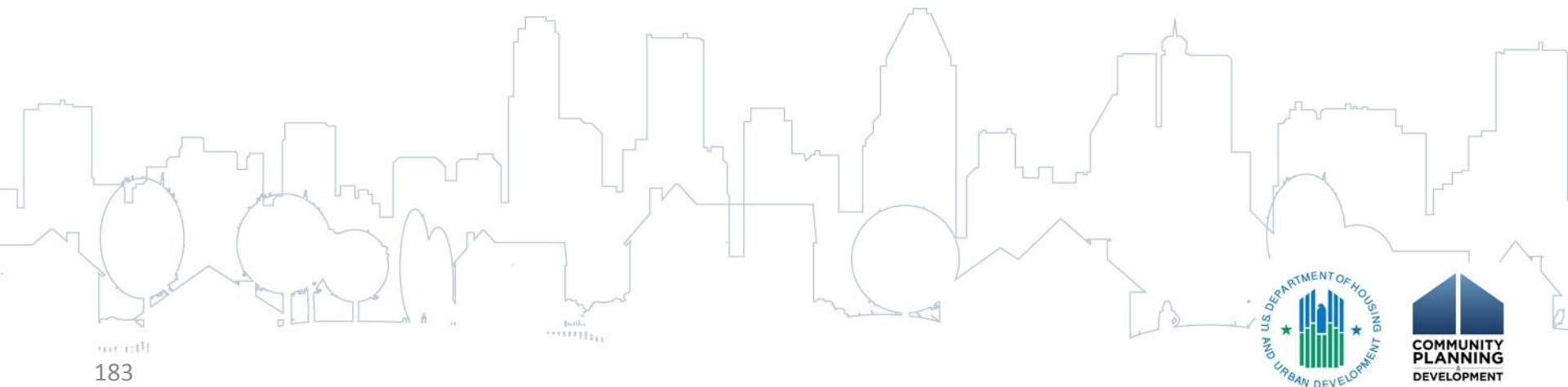


Topics

- Private vs. Public underwriting
- Public lender dilemma: not too bad / not too good
- Balancing level of assistance with public good = National Objective and sometimes Public Benefit
- Financial “Gap” Analysis

Private vs. Public Underwriting

- Understand private or conventional risk/return – maximize Rate of Return (ROR)
- Two perspectives – varying motivations

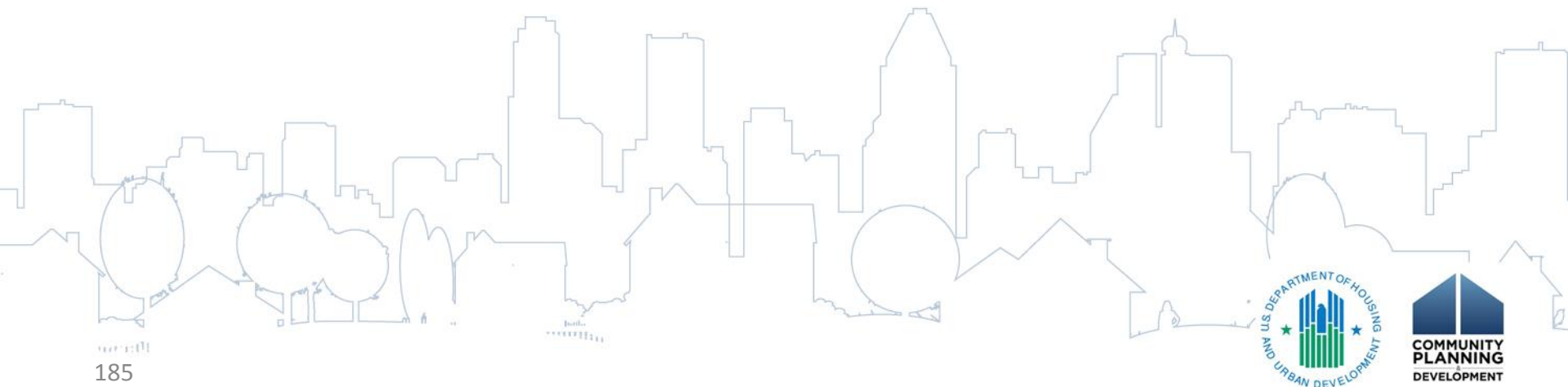


Public Underwriter's Dilemma

- Not too good, replaces conventional lenders / investors and assumes projected risk with a less Rate of Return
- Not too bad, regardless of financial Rate of Return, generates public good
 - National Objectives
 - Sometimes: Public Benefit

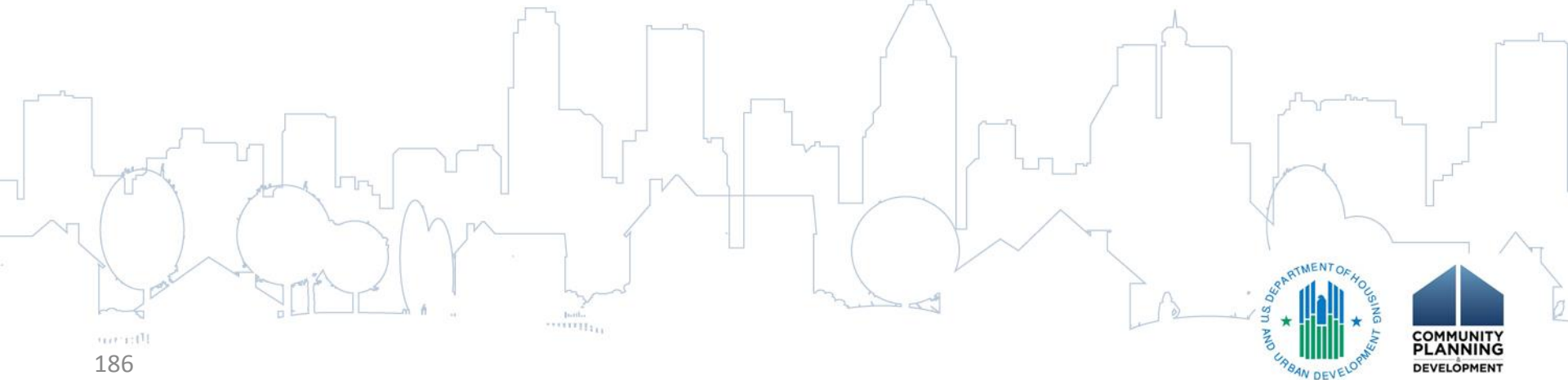
Why CDBG Assistance fills Gaps?

- CDBG is a government subsidy. It is the trade off for the return of a public benefit vs. a market-rate financial rate of return.



Why Subsidize?

- Market imperfections create local needs with national characteristics
 - “Cold” and “Hot” markets
 - Subsidies are used as a means to level the playing field, balance market imperfections, and or address weaknesses in the market.



Subsidy Tools

- Metaphor = shovel
- Technical Assistance
- Land Write Down
- Work Training
- Market Support
- “Source” Enhancement
 - Debt, Equity, GAP

Subsidy Method

- Metaphor = shovel by hand or mechanical
- Grants
- Loans (RLF)
- Guarantees
- Source Enhancements
 - Debt: lower rates, longer terms, negotiable collateral, credit guarantees
 - Equity: risk reduction, return improvements, contingent repayments

Subsidy Decision Making...

...on “Go” or “No Go” on subsidy tool, method amount, conditions...

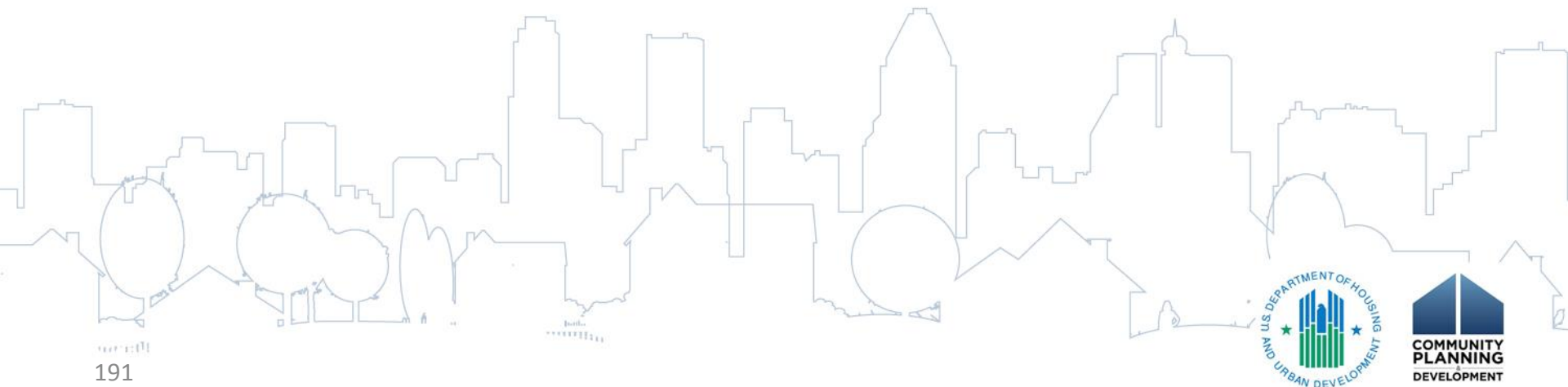
- Use Common Sense Approach
 - Reasonableness
 - Due Diligence
 - Financial Analysis
 - Heading off rip-offs (waste, fraud, abuse)
 - Appropriateness

Balance Risk with Return

- Risk
 - Two balance sheets, one partner: fiscal, social, reg partner to report to
 - What is fiscal risk?
 - What is social risk?
 - What is reg risk?
- Return
 - Money return
 - Public Interest return: National Objective; Public Benefits; Local needs met

Balance Gap with Public Good: The Triggers

- Common Sense
- 24 CFR 570.203(b) >>> 209 & Appendix A
- Section 108 24 CFR 570.703, 209 and Appendix A, as applicable



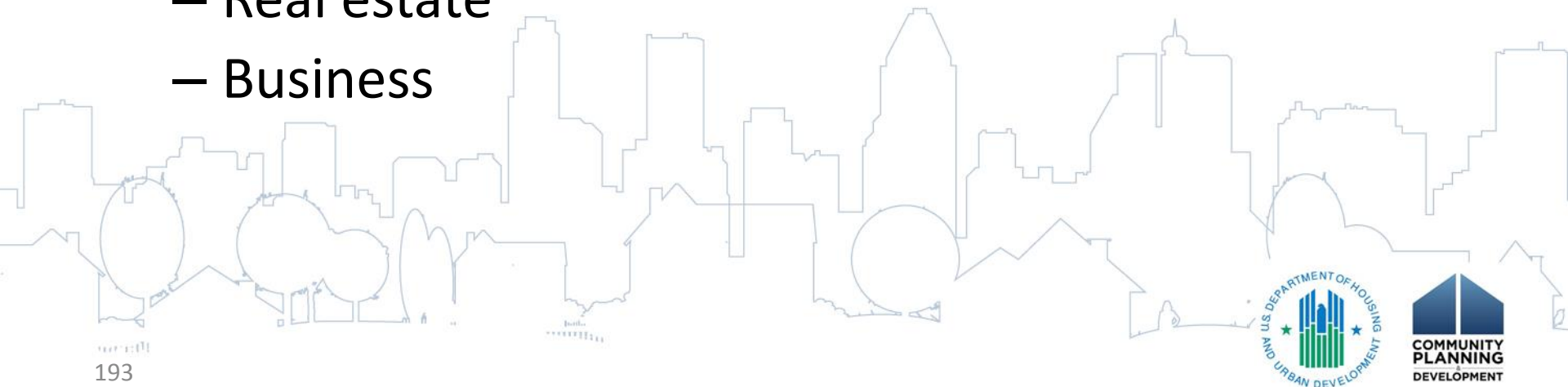
Balance Risk with Return

- Guidance in Appendix A of 24 CFR 570
- Local approach or safe harbor of Appendix A?
- Process: Size subsidy to Risk/Return equation
- = Financial Analysis or Underwriting

Note: Access to capital vs. cost of capital. Start-ups need access to capital. But charging the market-rate for capital is good business practice for the borrower who will need to frequently enter the capital markets and learn to account for the cost of capital as an ongoing operating expense.

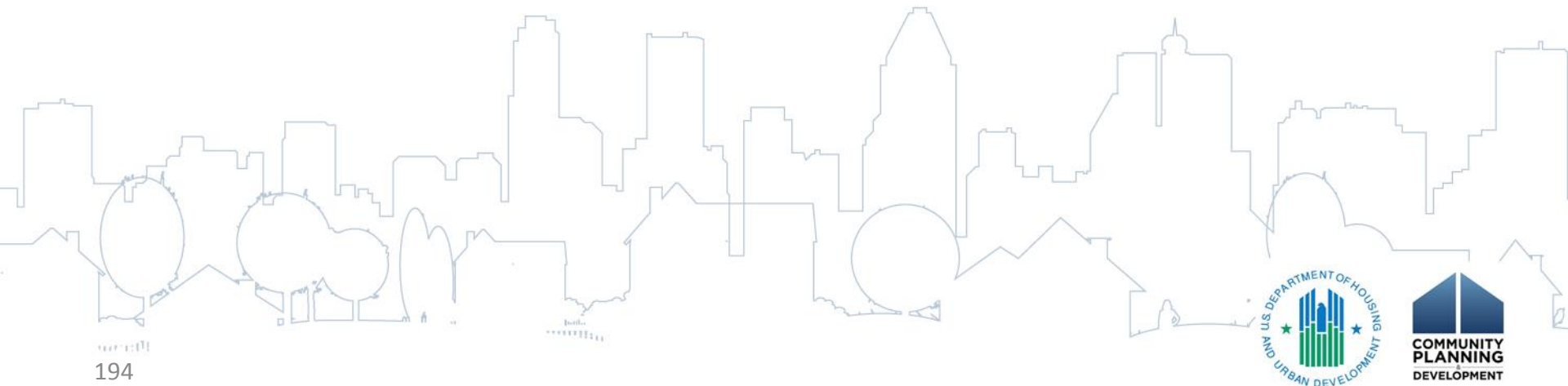
Underwriting

- Is the project feasible?
- If so, does it need subsidy?
 - If yes, why and how much?
 - If yes, under what conditions?
- Be aware of 2 types of projects
 - Real estate
 - Business



Underwriting Documents

- Sources / Uses
- Operating Statement
- Balance Sheet



Sources and Uses

- Uses
 - + Acquisition (value appraisals)
 - + Hard (compare/test)
 - + Soft (about 25-30% of total)
 - = Total
- Are “uses” reasonable?

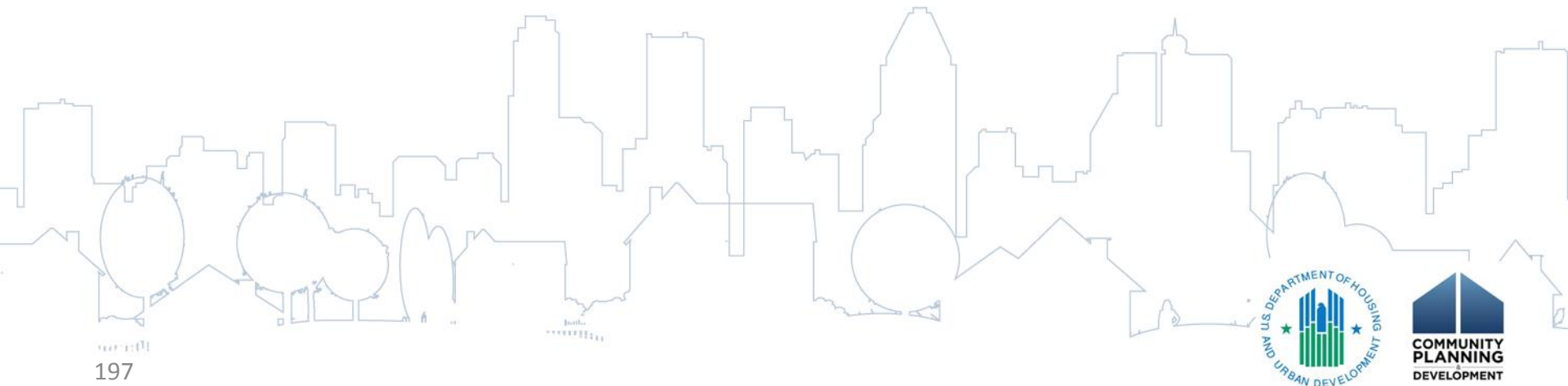
Sources and Uses

- Sources

- Debt (loans / borrowing, takes collateral)
- Equity (invests, takes no collateral, shares in profits, but takes most risk)
- GAP – Is there a shortfall? Which source will balance the “Sources and Uses” proforma - debt and/or equity?

Sources and Uses

- Maximize private debt
- Maximize private equity
- Compare with “Sources”
- Size GAP
- Fill GAP?



Sources and Uses

- Maximize private debt – the 4 Cs of lending
 - **Credit**
 - **Capacity** (experience, character, business plan, education)
 - **Collateral** (LTV = Loan to Value)
 - **Cash Flow** (DCR = Debt Service Coverage Ratio)

Cash Flow

- Income minus expenses = NOI (Net Oper. Income)
- $\text{NOI} / \text{DSC ratio} = \text{Available for Payment}$
- 1.2 DSC or higher is conventional
- $\text{NOI} / \text{DSC} = \text{P} + \text{I}$
- $\text{NOI} / \text{P} + \text{I} = \text{DSC}$
- Excel “financial” PMT function variables:
 - $\text{Pmt} = \text{P} + \text{I}$ service payment
 - $\text{PV} = \text{Principal to be borrowed}$
 - $\text{Nber} = \text{term of loan in same time at rate and payment}$
 - $\text{Rate} = \text{interest rate}$

Collateral

- Collateral: measured LTV (Loan to Value)
- What is Value?
 - Unencumbered assets at fair-market value
 - Encumbered assets with net worth FMV
 - Examples of collateral
 - Examples of deals
(Bear in mind asset liquidity as well)

Excel Function: Loan Principal Possible

The screenshot displays a Microsoft Excel spreadsheet titled "Microsoft Excel - Toolkit Version Op Stmt Ver2". The spreadsheet is divided into two main sections: "DC HUD Training 20-Jul-11" on the left and "Pro Forma Operating Statement" on the right. The "Pro Forma Operating Statement" section includes the following data:

Income	\$	66,150	
Expenses	\$	34,440	
Net Operating Income	\$	31,710	
P+I pmts.	\$	26,425	NOI / DSC = Pmt.

The "DC HUD Training 20-Jul-11" section includes a formula in cell C9: `=PV(F5,F6,C9)`. A "Function Arguments" dialog box is open, showing the following arguments for the PV function:

- Rate: F5 = 0.07
- Nper: F6 = 20
- Pmt: C9 = 26425
- Fv: = number
- Type: = number

The dialog box also displays the formula result: `= -279946.8264`. Below the arguments, it states: "Returns the present value of an investment: the total amount that a series of future payments is worth now." and "Pmt is the payment made each period and cannot change over the life of the investment." The formula result is shown as `Formula result = $ (279,947)`. The dialog box has "OK" and "Cancel" buttons.

Sources and Uses

- Maximize Equity
- FACT = Rate of Return (RoR)
 - Fees
 - Asset Appreciation
 - Cash Flow (Residual after P+I Payments)
 - Tax Benefits

Gap Analysis

- Add up reasonable “Uses”
- Deduct conventional private “Sources”
- If “Uses” exceed “Sources” = Gap
- If location increases risk / cost
 - Compare both locations
- Size Gap

Gap Analysis

- Gap commensurate with public good / interest
- Balance
- Collaborate
- Negotiate
- Decide / Close
- Record / Monitor / Manage portfolio
- Adjust for next one

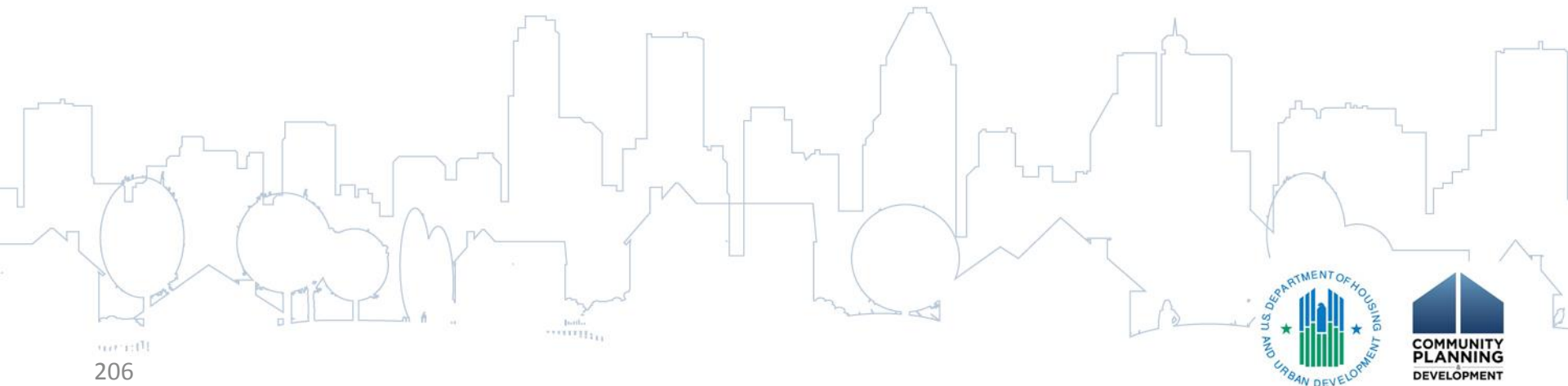
Double Check Against Appendix A

Six steps:

- Cost Reasonableness
- Other financing sources committed
- Necessary GAP funding
- Feasibility of project
- Reasonable private return
- CDBG funds disbursement

Summary: Underwriting

- CDBG warrants careful use
- Amount of assistance and risk must be commensurate with public return
- Good underwriting demands reliable financial analysis



Activity: Underwriting



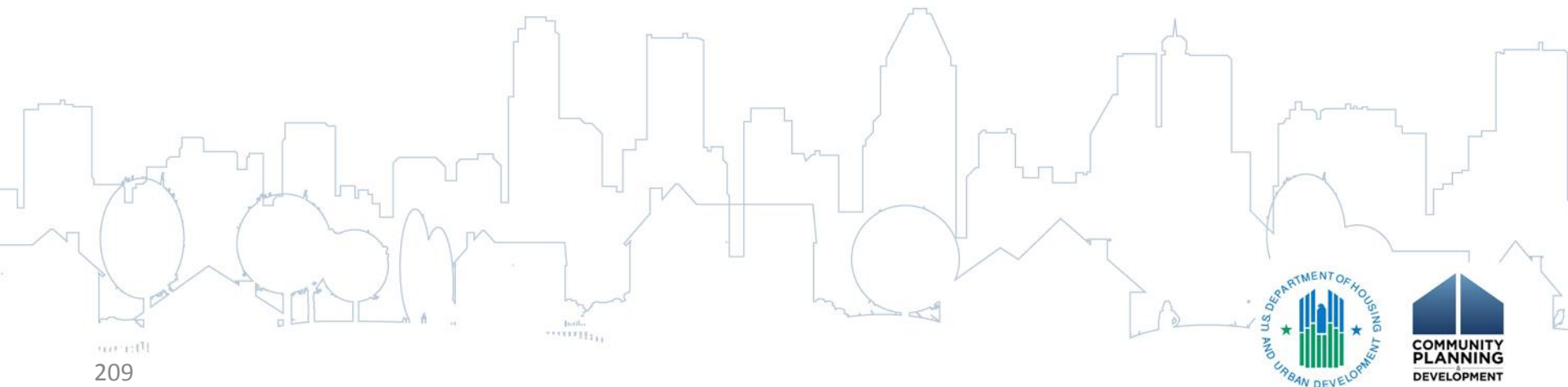
Chapter 10:

Section 108

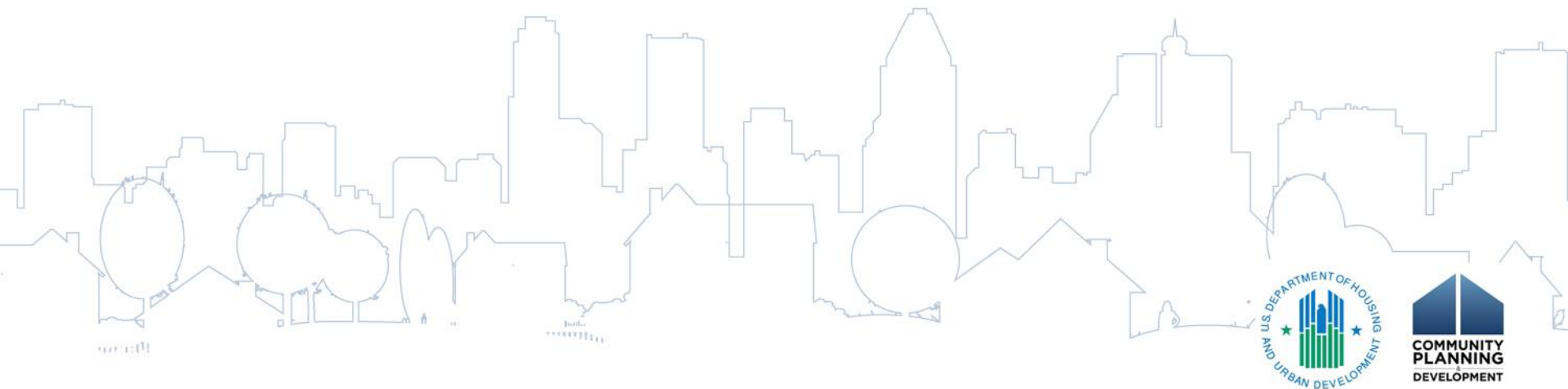


Topics

- Section 108 Overview
- Application Process



Section 108 Overview

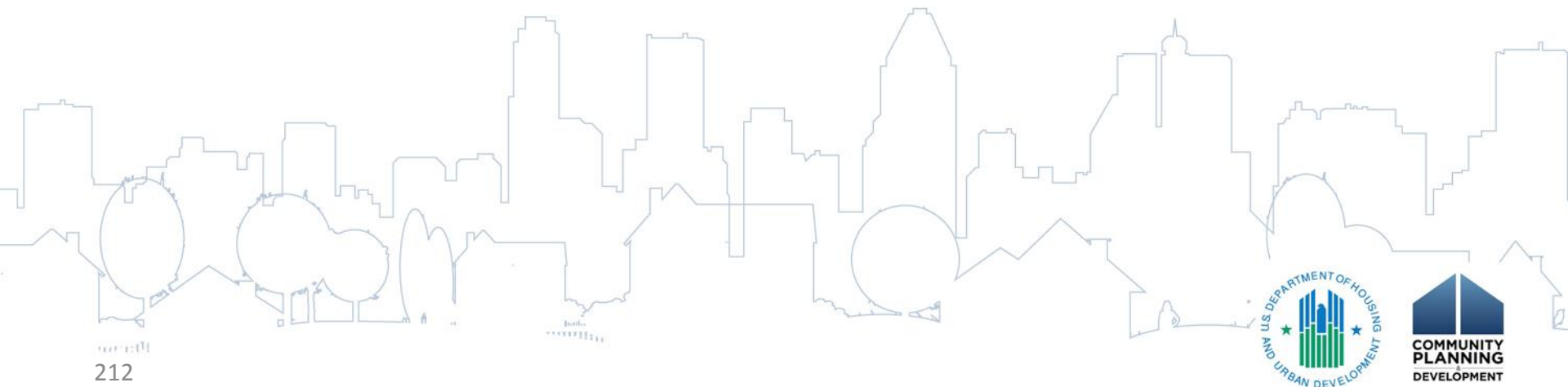


What is Section 108?

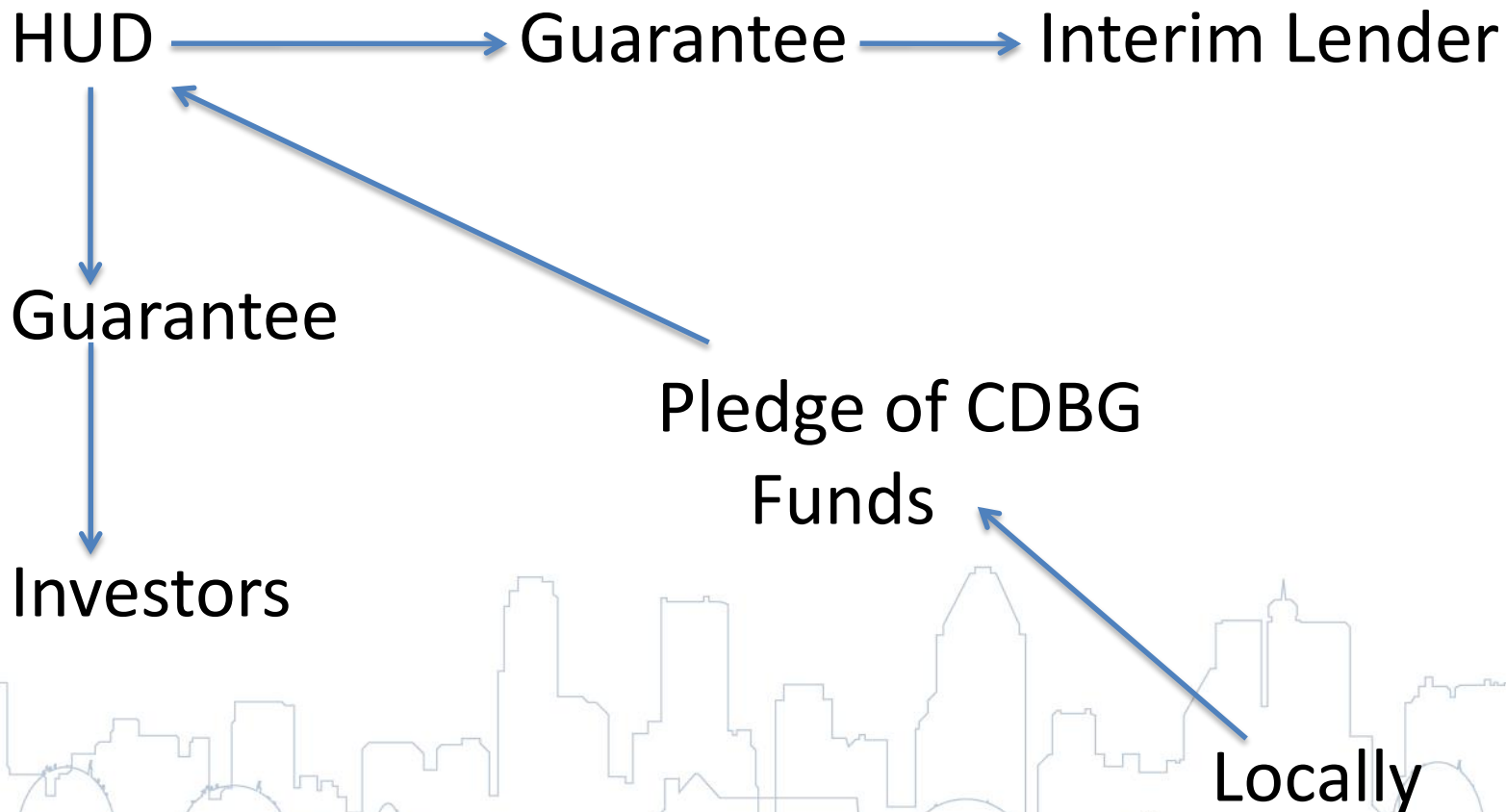
- Loan not a grant
- Community borrows money from private investors
- Communities either use the loan to carry out activities or re-loans the funds to a third party
- HUD provides a 100% guarantee to the public investors who purchase the notes at public offering

Levels of Transactions

- Level #1:
Communities borrow from investors
- Level #2
Communities undertake activities or re-lend

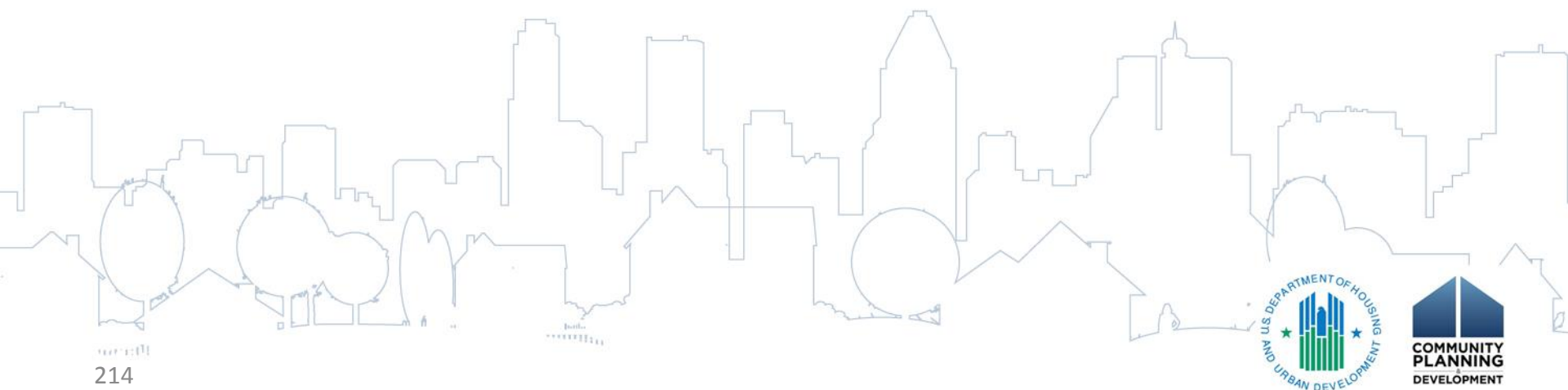


Section 108 Guarantee



How much can communities borrow?

- Communities or States (small cities program) can receive authority to borrow up to 5x annual CDBG allocation
- Maximum loan term is 20 years



Advantages of 108

- Leverage
 - Access funds = 5x CDBG while retaining use of CDBG \$
- Avoid referendum
 - Not a general obligation
- Accelerate CDBG activities
- Avoid private benefit restrictions
- Access to funds at AAA rate

Eligible Activities

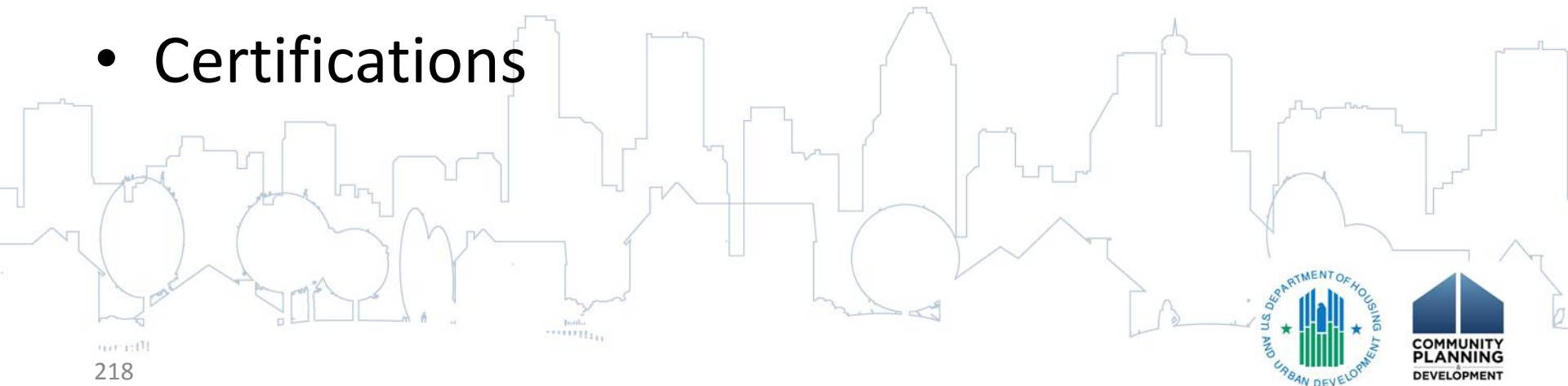
- Acquisition, clearance, demolition, site prep
- Rehabilitation of publicly-owned property
- Economic development activities
- Housing rehabilitation and preservation
- Issuance and finance costs – Section 108 loans
- Infrastructure

How is the loan secured?

- Communities or States must pledge their future CDBG funds to HUD
- HUD cannot rely only on the CDBG pledge
- Project must meet prudent underwriting standards, OR
- Community must pledge other assets/additional security (e.g., parking revenue, land)

Program Requirements

- National objectives
- Other Federal requirements (relocation, Davis Bacon, environmental, etc.)
- Public benefit test for economic development
- 70% rule
- Certifications



Interim Loans

- Public offering usually once a year
- Interim loan available until public offering
- Must close Level #1 transaction
- Fiscal Agent makes interim loan
- Interest rate: 90 day LIBOR + 20 basis points
- Interim loan is taken out by permanent financing at next public offering

Interest Rates

- Level # 1
 - Serialization
- Level # 2
 - Grantee may add spread over cost of funds to third-party borrowers
- Interim
 - 90 Day LIBOR plus 20 basis points

Typical Projects

- Loans
 - Industrial expansion
 - Hotels
 - Shopping centers
 - Business incubators
- RLFs
- Public facilities
 - With alternative collateral and income streams

Players & Roles

- Community
- HUD
- Underwriter
- Fiscal Agent
- Private Investors
- Third-Party Borrowers

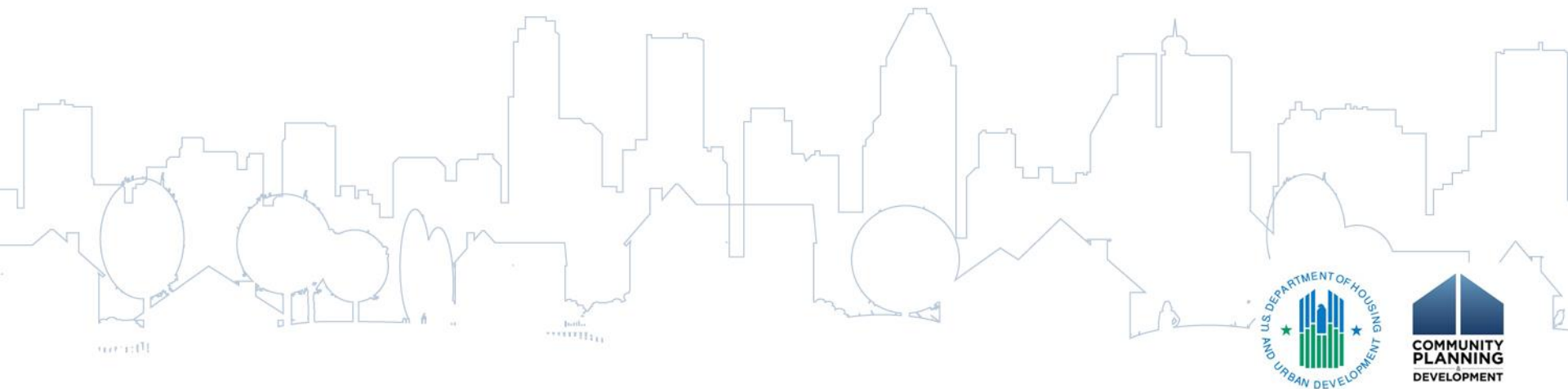
Risk Management

- Institute prudent underwriting
- Diversify portfolio (if revolving fund)
- Establish loss reserves
- Maintain minimum leverage requirements
- Limit balloon payments
- Certify costs

Defeasance

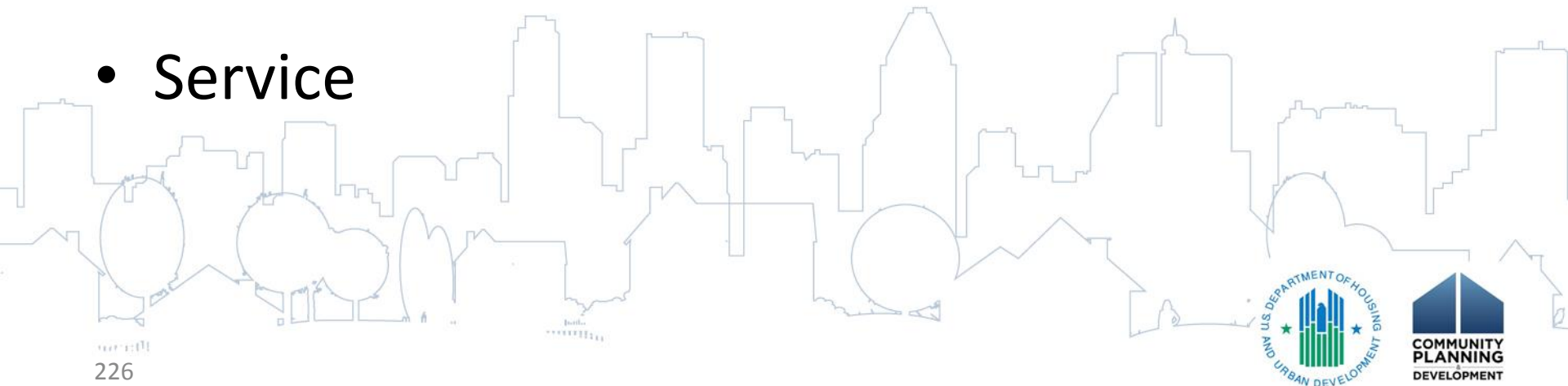
- Covers early payment
- Technically cannot prepay but by guaranteeing the income stream, borrower is defeasing (voiding) the obligation
- Community please deposit (usually in form of Treasury bills) with Fiscal Agent which will provide promised income stream to investor
- Penalty or premium is possible

Application & Implementation



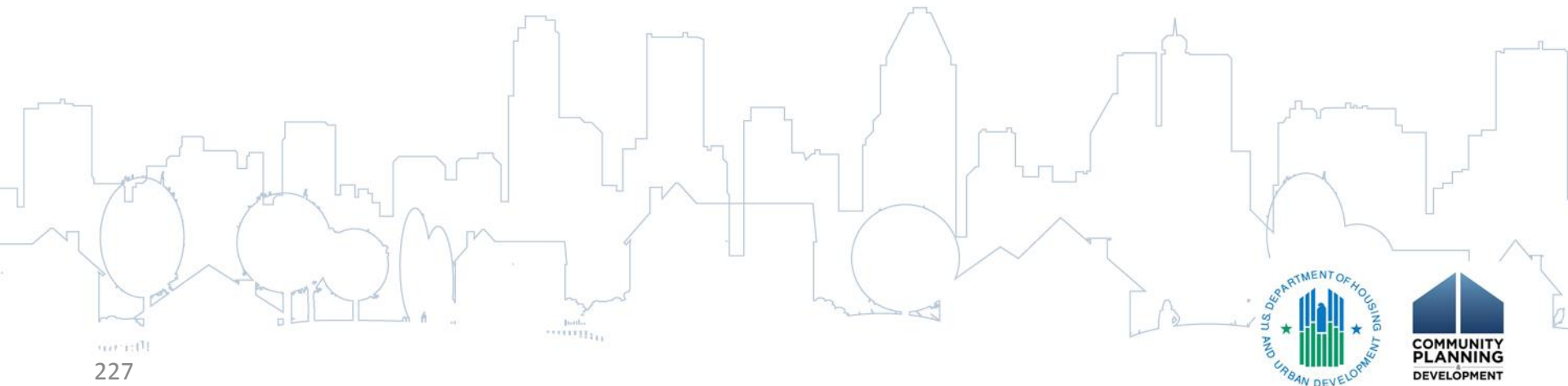
Overview of Process

- Screen project
- Submit application
- Approval
- Close
- Disburse
- Service



Project Screening

- Screen projects prior to HUD application
- Look at:
 - Credit
 - Eligibility



Application Types

- Generic Applications
 - No transaction identified
 - HUD approves underwriting criteria
 - Capitalizes a revolving loan fund
 - Apply for eligibility determination as projects materialize
- Detailed Application
 - Funds earmarked for specific project

Presubmission Requirements

- Amend CD plan or incorporate Section 108 in final plan
- Citizen participation
- Advertise needs hearing
- Conduct needs hearing
- Publish proposed statement and projected uses
- Advertise second public hearing
- Conduct second public hearing

Citizen Participation

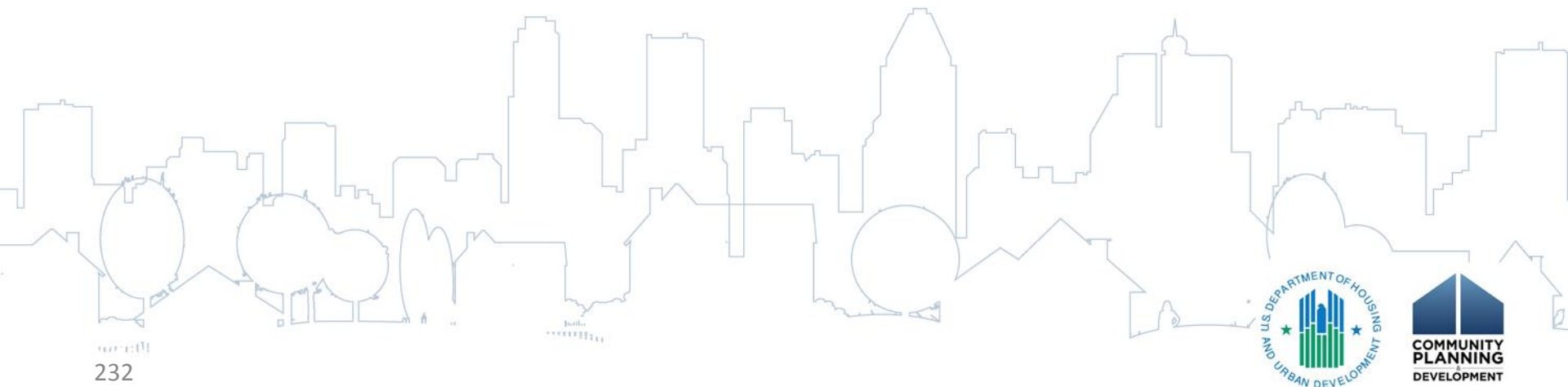
- Provide adequate notice of hearings
- Provide technical assistance to low/mod persons
- Provide access to records
- Address needs of non-English speaking persons
- Respond to comments, grievances, and/or complaints

Submission

- Application to HUD should include:
 - Project description
 - National objective
 - Repayment schedule
 - Principal portions only
 - Round to even (000's)
 - Certifications

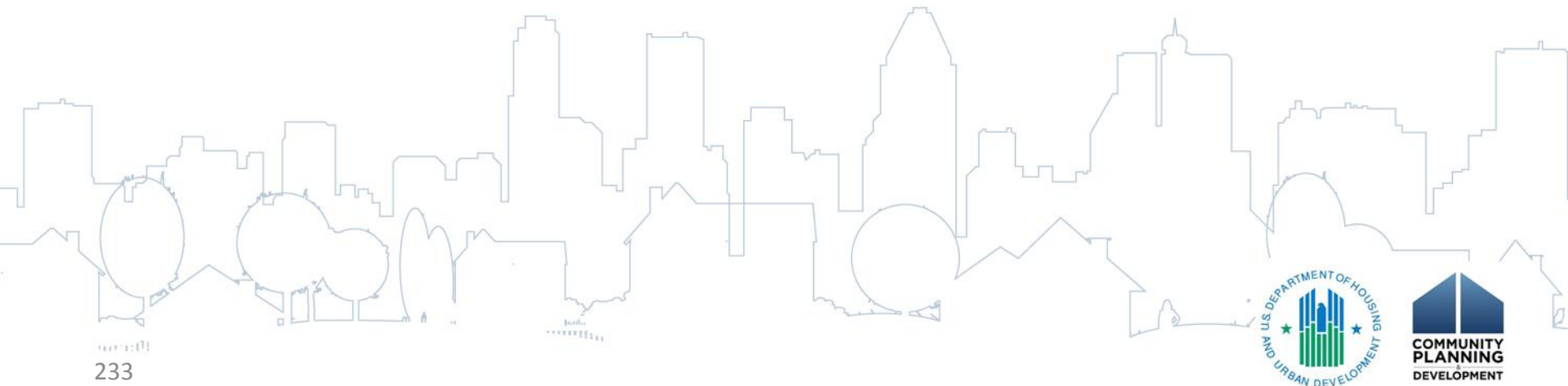
HUD Review

- Review by area office
- Review by central office



Approving & Closing

- HUD approves & notifies
- Then can close Section 108 loan
- Level #1 and Level #2 transactions separate closings

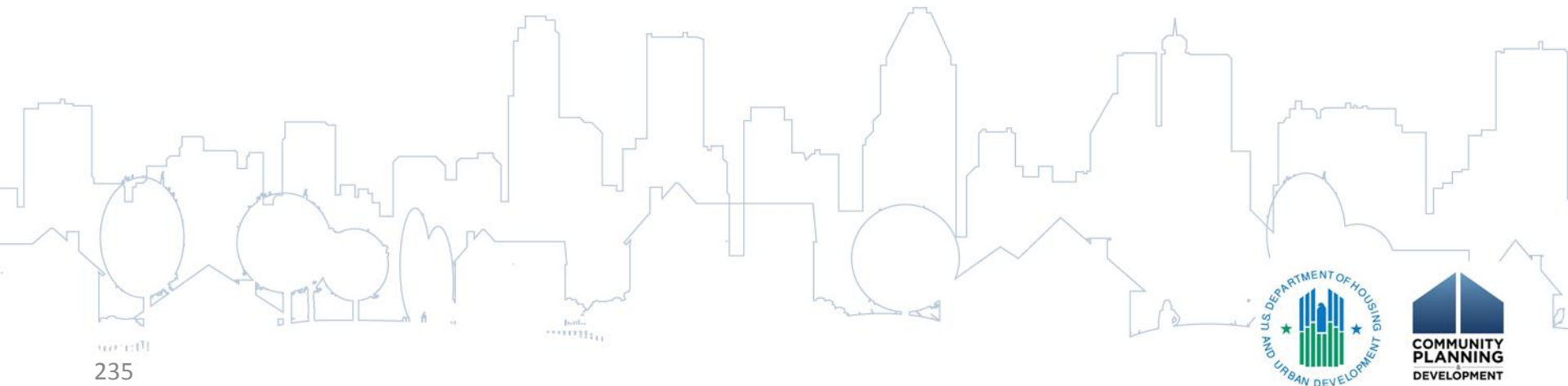


Disbursing & Servicing

- Custodial lender holds funds until used by community
- Fiscal Agent services Level #1
- Community must establish system for Level #2
- Custodial Accounts
 - Loan Guarantee Account
 - Loan Repayment Account
 - Reserve Account

Loan Portfolio Management

- Collections
- Monitoring & accounting
- Collateral preservation
- Anticipate & deal with problems
- Foreclosure



Summary: Section 108

- Section 108 provides ability to leverage CDBG allocations, but carries risk
 - Jurisdiction has to repay loan
- Two levels of lending
- Jurisdiction must apply to HUD
- Underwriting & loan servicing necessary
- EDI & BEDI can be tied to Section 108 lending, when funds are available

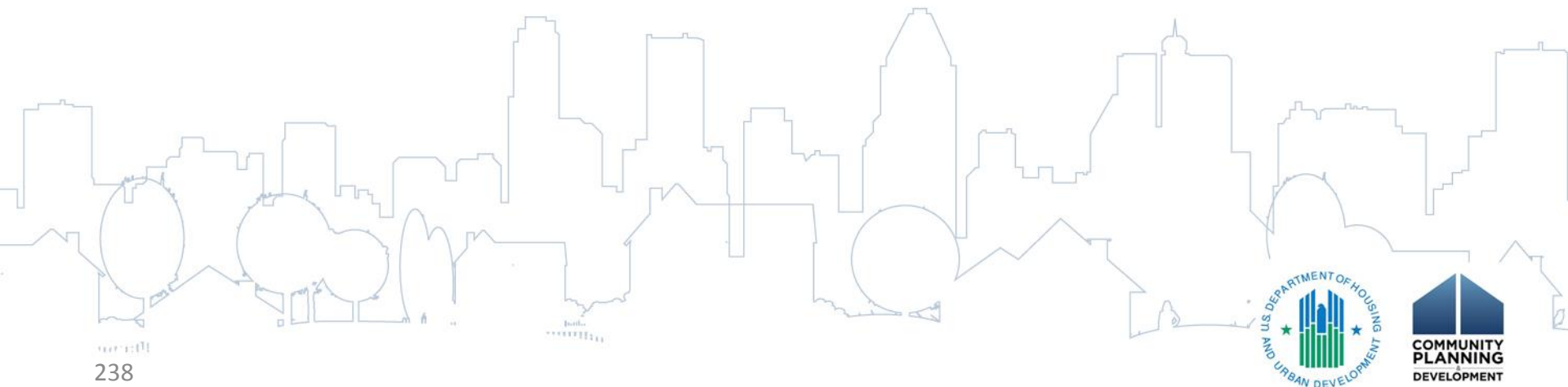
Chapter 11:

Program Administration

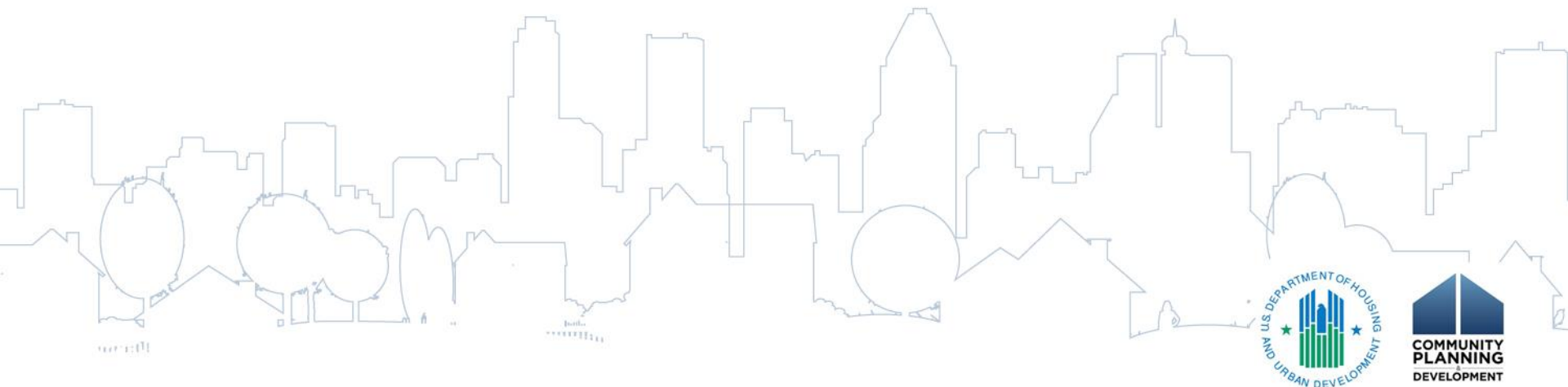


Topics

- Program design & administration
- HUD reporting
- Measuring success



Program Design & Administration



Key Questions

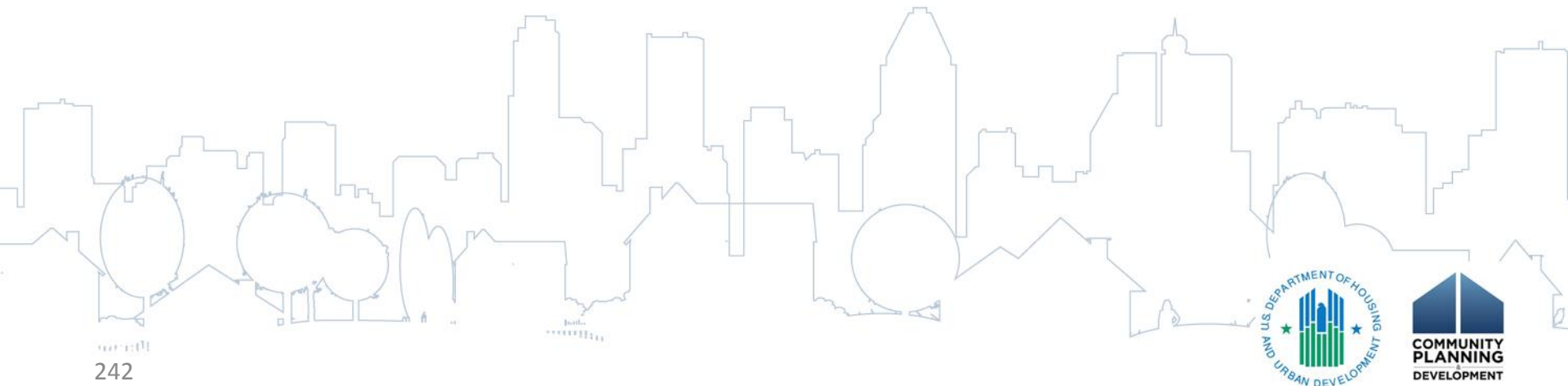
- Who should undertake the program?
- How much will it cost?
- Where and how will the program occur?
- How will it be “sold”?
- What records must be kept?
- How well are objectives met?

Who Will Manage & Implement?

- Grantees have options:
 - Staff
 - Sub recipients
 - CBDOs
 - CDFIs
 - Contractors
 - NPDOs

Recordkeeping

- Important element!
- Must be well thought out and efficient
 - How?
 - Who?
 - What?



Program-Wide Records

- Consolidated Plan
- Executed grant agreements
- Personnel files
- Citizen participation plan & compliance
- Other Federal: fair housing, relocation, etc.
- HUD monitoring correspondence

Financial Records

- Chart of accounts
- Manual on accounting procedures
- Journals and ledgers
- Source documentation
- Procurement files
- Real property inventory

Financial Records

- Bank records, including revolving loan
- Draw down requests
- Payroll records
- Financial reports
- Audit files
- Relevant financial correspondence

Project Records

- Eligibility
- National Objective
- Location and characteristics of beneficiaries
- Subrecipient agreement, bids & contracts
- Compliance with special program requirements:
environmental review, other Federal compliance
- Budgets and expenditures
- Status

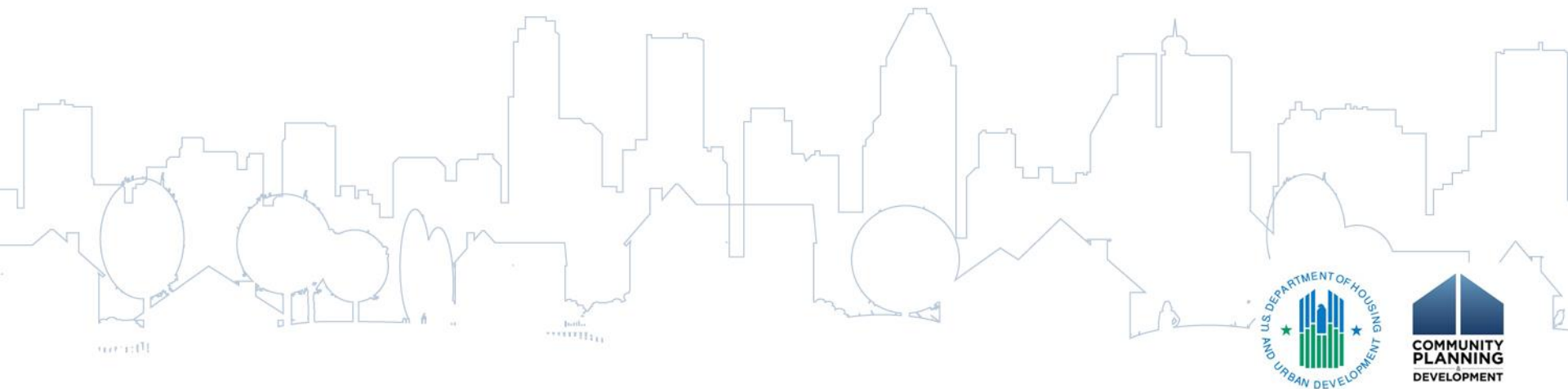
Subrecipient

- Subrecipient application
- Written agreement
- Financial records
- Audits
- Progress reports
- Draw down requests
- Monitoring reports
- Correspondence

Recordkeeping

- Record retention
 - Four (4) years following program year
 - Consistent with Consolidated Plan
 - Consistent with HOME
- Access
 - Citizens must have reasonable access
 - Citizens must be provided timely information

HUD Reporting



HUD Requirements

- GPRA & PART: HUD outcome framework
 - New data collection
 - Reporting (in IDIS)
 - Changes in Con Plan
 - Changes in timing of information collection
 - Requires outcome, objective, indicators

Indicators & Reporting

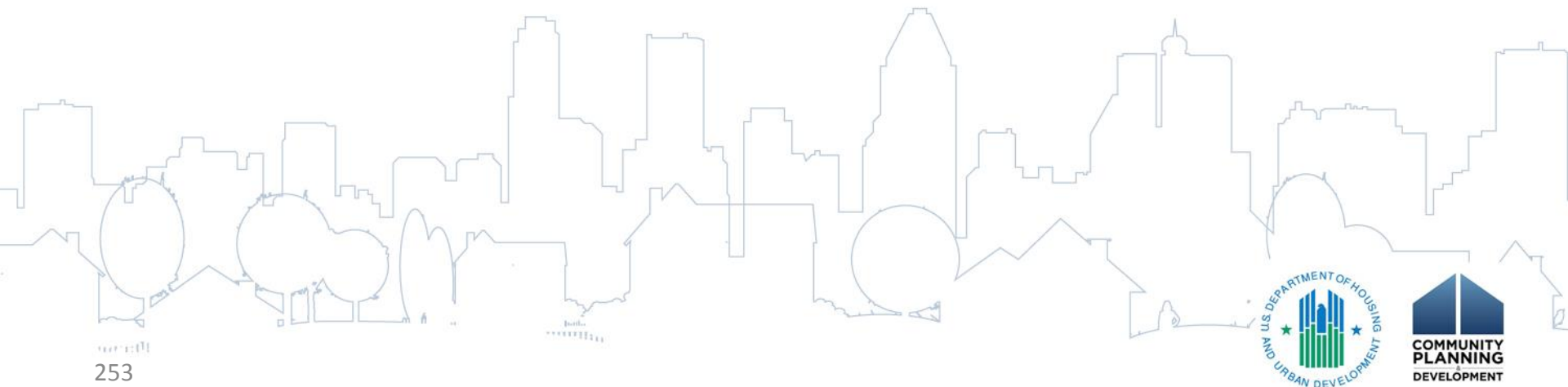
- Grantees must report certain data on ED activities
- Reporting not necessarily tied to objective & outcome chosen
- Instead, based on:
 - Use of Job Creation/Retention National Objective
AND
 - Whether businesses assisted under certain IDIS Matrix Codes

Jobs Reporting

- For job creation:
 - Total number of jobs created in program year
 - Number of jobs with employer-sponsored health care
 - Number of persons who were employed prior to taking job created
 - Number of jobs by EDA job classifications

Job Reporting

- For job retention:
 - Total number of jobs retained in program year
 - Number of jobs with employer-sponsored health care
 - Number of jobs by EDA job classifications

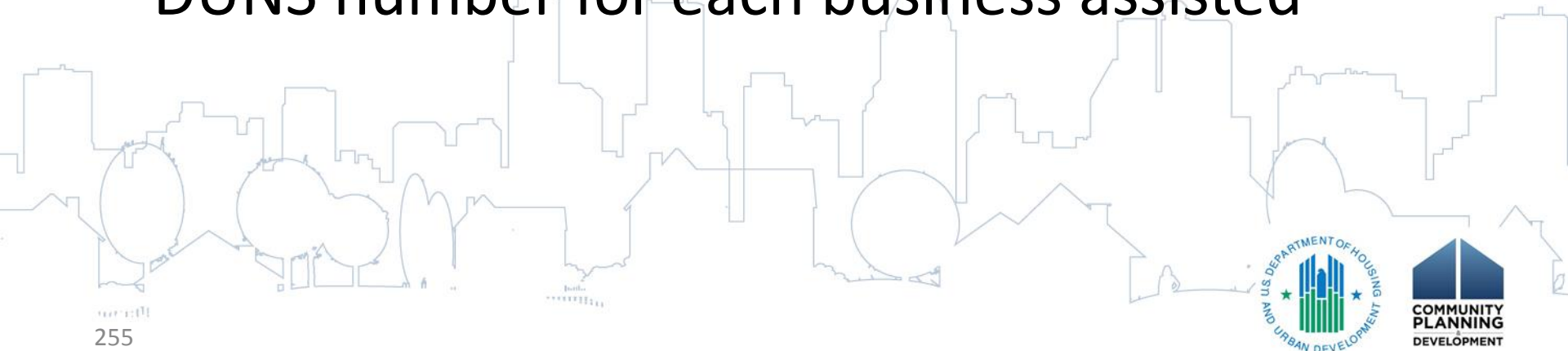


Businesses Assisted Reporting

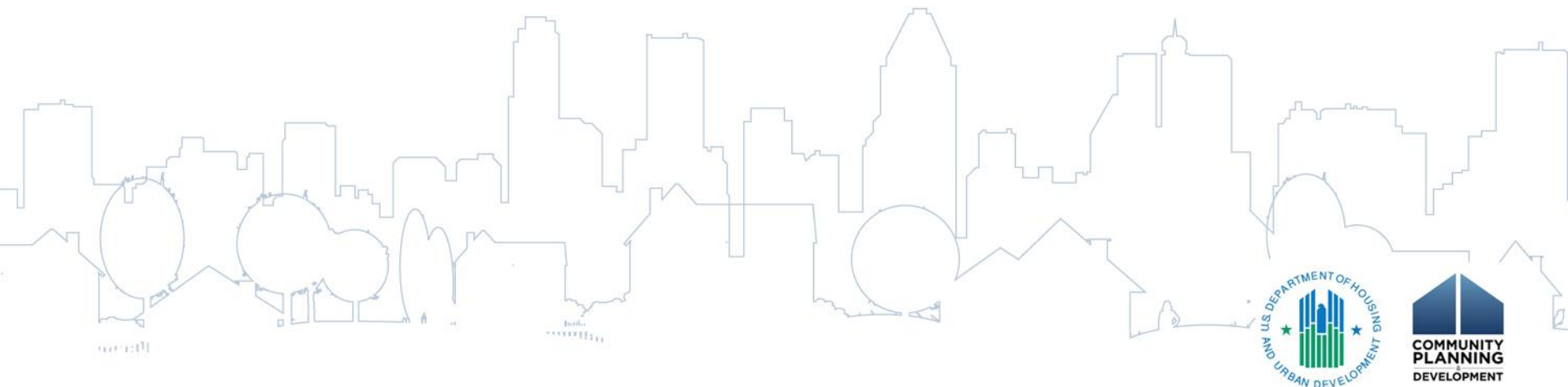
- Applies to the following ED activities:
 - Commercial or industrial improvements by a grantee or nonprofit (IDIS Matrix Codes 17A-D)
 - Rehab of publicly or privately owned commercial or industrial buildings (IDIS Matrix Code 14E)
 - Direct ED assistance to private, for-profit companies including micros (IDIS Matrix Codes 18A-C)

Businesses Assisted Reporting

- Number of businesses with commercial façade or business building rehab
- Number of businesses that provide good/services to meet needs of a service area/neighborhood/community
- DUNS number for each business assisted



Measuring ED Program Success



Measuring Success

- Measures of success:
 - Flow of capital into the community
 - Economy diversified; tax base enhanced
 - Jobs created & skills increased
 - Assets expanded
 - Self sufficiency & access for LMI persons
 - Barriers to employment reduced

Monitoring

- Grantees are responsible for:
 - Following program requirements
 - Ensuring that subrecipients and beneficiaries comply with rules & achieve their performance objectives
- Grantees should have a formal monitoring plan

Monitoring Plans

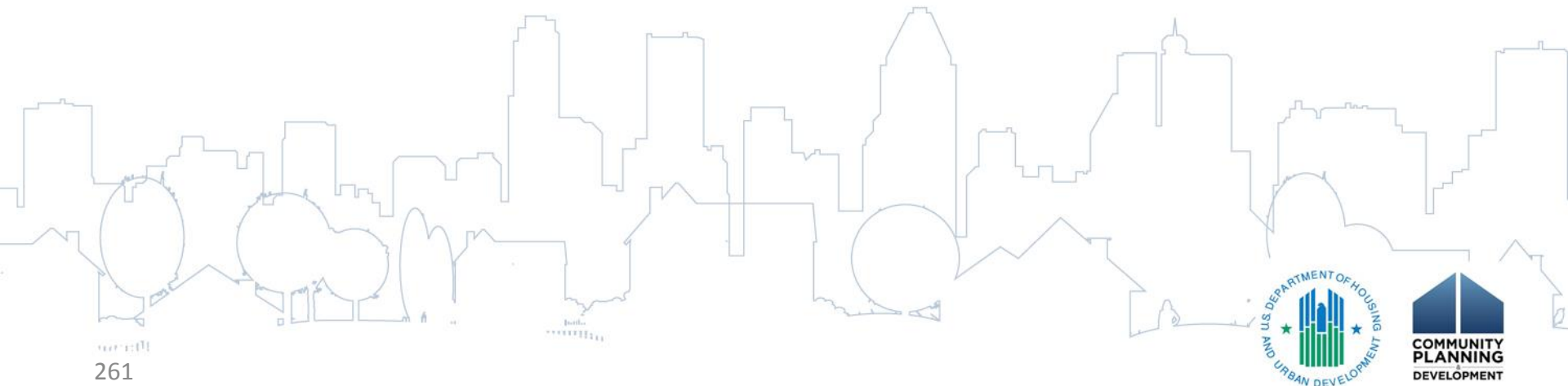
- Define monitoring objectives
- Standardize monitoring procedures
- Identify “risky” entities
- Establish monitoring schedule
- Prepare for the monitoring visit
- Conduct monitoring visit & follow-up

Monitoring Actions

- Technical Assistance & Reporting
- Probation
- Restrict draws
- Sanctions
 - Repayment
 - Suspend or terminate agreement
- Initiate legal action

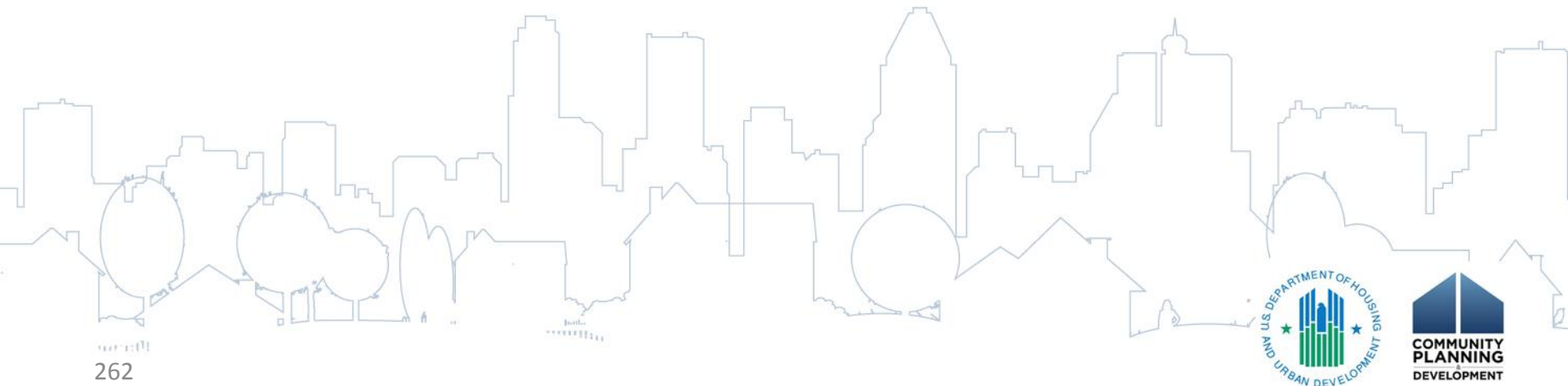
HUD Program Monitoring

- HUD will review a range of areas including:
 - Compliance with primary & national objectives
 - Timeliness
 - Financial management & cost reasonableness
 - Equal opportunity and fair housing



Summary: Administration

- CDBG ED activities require administration
 - Multiple roles & responsibilities
- HUD requires performance measure reporting
- Jurisdictions should also monitor and evaluate their activities for results



Activity: Project/Activity Records



Wrap Up

- Final Questions
- Evaluations

