

CDBG WEBCAST

HUD, OFFICE OF BLOCK GRANT ASSISTANCE





MODULE 6: *Economic Development*

WELCOME



- ❑ Training Presented by HUD, Office of Community Planning and Development, Office of Block Grant Assistance (OBGA)
 - ◆ Richard Kennedy, Director, OBGA
 - ◆ Stan Gimont, Deputy Director, OBGA
 - ◆ Steve Johnson, Director of Entitlement Programs
 - ◆ Diane Lobasso, Director of State Programs
 - ◆ Paul Webster, Director of Financial Management Division

CDBG TRAINING SERIES



- ❑ Eight modules in series:
 - ◆ Module 1: Welcome, CDBG Statutory/Regulatory Context, National Objectives
 - ◆ Module 2: State CDBG Program
 - ◆ Module 3: Administration/Planning, Financial Management, Including Program Income
 - ◆ Module 4: Housing and Other Real Property Activities
 - ◆ Module 5: Public Facilities, Interim Assistance, Public Services and Other Activities
 - ◆ **Module 6: Economic Development, Including Public Benefit**
 - ◆ Module 7: Section 108
 - ◆ Module 8: IDIS, Performance Measurement, Reporting
- ❑ Training presented by OBGA staff
- ❑ Available on HUD's website at:
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>

MODULE 6 TOPICS AND TRAINERS



□ Topics:

- ◆ Special economic development
- ◆ Technical assistance
- ◆ Commercial rehabilitation
- ◆ Microenterprise assistance
- ◆ Infrastructure for economic development
- ◆ Public benefit standards

□ Trainers:

- ◆ Dick Kennedy
- ◆ Stan Gimont
- ◆ Mark Walling

ELIGIBLE ECONOMIC DEVELOPMENT ACTIVITIES



- ❑ Special economic development activities
- ❑ Technical assistance to businesses
- ❑ Microenterprise activities
- ❑ Commercial rehabilitation
- ❑ Community-based development organizations
- ❑ Infrastructure to assist businesses
- ❑ Job training

SPECIAL ECONOMIC DEVELOPMENT ACTIVITIES



- ❑ Acquire, construct, rehabilitate, reconstruct or install commercial/industrial buildings or equipment
 - ◆ By recipient or subrecipient only
- ❑ Assistance to for-profits
- ❑ Economic development services in connection with special economic development activities

SPECIAL ECONOMIC DEVELOPMENT (cont)



- ❑ Special economic development has flexibility in types of assistance to businesses
 - ◆ Grants
 - ◆ Loans
 - ◆ Guarantees
 - ◆ Technical Assistance & Support Services
- ❑ May meet several different national objectives; depends on business and location
- ❑ Triggers the requirement for public benefit standards

TECHNICAL ASSISTANCE TO BUSINESSES



- ❑ Helps reduce risk of business failure
- ❑ Often focused on business plan development or legal and accounting issues
- ❑ Often offered in conjunction with financial assistance
- ❑ Critical to programs directed to start-ups

TECHNICAL ASSISTANCE TO BUSINESSES (cont)



- Under CDBG:
 - ◆ As part of special economic development
 - Caveat: must meet public benefit
 - ◆ As a public service
 - ◆ Through a CBDO
 - Must also meet public benefit

MICROENTERPRISE ASSISTANCE



- ❑ CDBG can fund micro enterprise assistance
- ❑ Microenterprise =
 - ◆ Owners or persons who work toward developing, expand, stabilize business
 - ◆ Commercial enterprise with ≤ 5 employees (including owner)
- ❑ Note: this definition differs from SBA

MICROENTERPRISE ASSISTANCE (cont)



- ❑ May provide assistance as loans, grants and other forms of financial support
- ❑ Other support activities eligible:
 - ◆ TA, advice, and business services to owners and persons developing microenterprises
 - ◆ General support to owner and persons developing microenterprises
 - ◆ Training and TA to build recipient and subrecipient capacity

MICROENTERPRISE ASSISTANCE (cont)



- ❑ 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 each microenterprise
- ❑ Not subject to public benefit test if separate program under §570.201(o)
- ❑ Owner not required to be LMI, but remember must meet a national objective

COMMERCIAL REHABILITATION



- ❑ Rehabilitation of commercial or industrial structures – §570.202(a)(3)
- ❑ If private, for-profit owner:
 - ◆ Rehabilitation limited to exterior of building and correction of code violations
 - ◆ Other improvements must be carried out under the special economic development category §570.203
- ❑ Not subject to public benefit standards if carried out under §570.202(a)(3)

COMMUNITY BASED DEVELOPMENT ORGANIZATIONS



- ❑ CBDOs may carry out three kinds of projects:
 - ◆ Community economic development
 - ◆ Neighborhood revitalization
 - ◆ Energy conservation
- ❑ If job training done through a CBDO, doesn't count against public services cap
- ❑ CBDO economic development activities do trigger public benefit standards

INFRASTRUCTURE FOR ECONOMIC DEVELOPMENT



- ❑ Roads, streets, sewers that are:
 - ◆ Leading to business location
 - ◆ Within an industrial park
 - ◆ On a business site
- ❑ If public facility must be owned by public agency/nonprofit
- ❑ If owned by business, conduct as special economic development
- ❑ Triggers the public benefit standard if using the jobs national objective standard and spend more than \$10,000/job

JOB TRAINING



- ❑ Help unemployed or under-employed gain skills to meet labor market demands
- ❑ Linked to job placement
- ❑ TA and entrepreneurial training to owners of micro-enterprises

JOB TRAINING (cont)



- ❑ As a public service -- §570.201(e)
- ❑ As part of special economic development project -- §570.203 (c)
- ❑ By CBDOs -- §570.204
- ❑ As part of micro-enterprise activities -- §570.201(o)

ECONOMIC DEVELOPMENT NATIONAL OBJECTIVES



- ❑ Economic development projects typically fall under Low/Mod Job Creation/Retention
- ❑ Be sure to document:
 - ◆ How jobs will be created or jobs will be lost without CDBG (retained jobs)
 - ◆ How jobs made available to or held by LMI
- ❑ Track jobs for reasonable period of time (not defined in regulations) as long as jobs are still being created

JOB CREATION NATIONAL OBJECTIVE



- May presume person is LMI if:
 - ◆ Lives in Census tract with 70% LMI
 - ◆ Lives in Census tract within EZ/EC
 - ◆ Lives in Census tract area with poverty rate of 20% and no CBD (unless 30% poverty) and evidences pervasive poverty and general distress
 - ◆ Business/job is located in EC/EZ; OR area with poverty rate of 20% and no CBD (unless 30% poverty) and evidences pervasive poverty and general distress

OTHER NATIONAL OBJECTIVES



- ❑ Some activities may qualify under other Low/Mod national objective categories
 - ◆ Microbusinesses (limited clientele)
 - ◆ Job training (limited clientele)
 - ◆ Service type businesses (area benefit)
- ❑ Can do some economic development activities under Slum/ Blight national objective
 - ◆ Activities must address conditions of deterioration
 - ◆ Ensure remaining activities meet the 70% requirement for low-and moderate-income persons

EVALUATING ECONOMIC DEVELOPMENT PROJECTS



- ❑ Evaluation and selection of economic development projects has two parts:
 - Voluntary underwriting guidelines
 - Mandatory public benefit standards

- ❑ Determinations must be in writing §570.200(e)

VOLUNTARY UNDERWRITING GUIDELINES



- ❑ Grantees should ensure that:
 - ◆ Project costs reasonable
 - ◆ All sources of financing are committed
 - ◆ CDBG not substituted for non-federal
 - ◆ Project is financially feasible
 - ◆ Return on investment reasonable
 - ◆ CDBG funds distributed pro-rata

PUBLIC BENEFIT STANDARDS



- ❑ Mandatory for:
 - ◆ Special economic development projects -- §570.203
 - ◆ CBDO projects, as applicable -- §570.204, and
 - ◆ Public improvement projects classified under Low/Mod Job Creation/Retention where more than \$10,000/job in CDBG assistance
- ❑ Not applicable to microenterprise activities -- §570.201(o), or commercial rehabilitation -- §570.202(a)(3)

CALCULATING PUBLIC BENEFIT



- ❑ Two options for determining benefit:
 - ◆ Jobs created or retained
 - ◆ Goods or services provided to LMI persons
- ❑ Projects must meet individual test
- ❑ Entire program must meet aggregate test
- ❑ Applied at time of CDBG obligation, and
- ❑ Assessed upon completion, based on actual achievements

INDIVIDUAL STANDARDS



- ❑ May not exceed \$50,000 per FTE permanent job created or retained

OR

- ❑ May not exceed \$1,000 in expenditure per LMI person to which goods or services are provided

APPLYING THE INDIVIDUAL STANDARDS



- ❑ Activities that create both jobs and LMI services are disqualified only if amounts exceed *both* standards
- ❑ Standards applied at time of obligation
- ❑ When job-training only activity, jobs considered created or retained for applying standards

AGGREGATE STANDARDS



- ❑ Create or retain at least one full-time (FTE) permanent job per \$35,000 of CDBG funds

OR

- ❑ Provide goods and/or services to at least one LMI person per \$350 of CDBG expenditure

APPLYING THE AGGREGATE STANDARDS



- ❑ Applies to all activities obligated in a given CDBG program year
- ❑ Depending upon activity, applicable to job creation or LMI goods/services, but *not both*
- ❑ When training only activity, jobs considered created or retained
- ❑ Certain activities may be excluded from aggregate standards