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NYS Community Development Block Grant

Economic Development Small Business Assistance

PROGRAM GUIDELINES

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I. INTRODUCTION & BACKGROUND

NYS Community Development Block Grant Program (NYS CDBG) is a federally-funded program that provides financial resources to assist in the development of viable communities by providing decent housing and a suitable living environment by expanding economic opportunities, principally for persons of low and moderate income. The Office of Community Renewal administers NYS CDBG funds for non-entitlement communities which are generally cities, towns and villages with populations under 50,000 and counties with populations under 200,000. There are approximately 1,300 eligible communities (units of local government) statewide.

New York State must ensure that not less than 70% of its CDBG funds are used for activities that benefit low-and moderate-income (LMI) persons (at or below 80% of median). This is achieved by granting maximum feasible priority to activities that meet one of the following federal National Objectives: benefit low- and moderate-income persons or families; or aid in the prevention or elimination of slums or blight; or meet an urgent community development need.

The NYS CDBG Economic Development programs achieve the National Objective by providing job and economic opportunities for persons from LMI families. NYS CDBG Economic Development programs provide funds to eligible local governments to assist qualifying businesses who undertake activities resulting in the creation or retention of job opportunities for persons from LMI families. The NYS CDBG Economic Development program is a competitive process with applications accepted through the Regional Economic Development Council's (REDC) Consolidated Funding Application (CFA). Funding decisions are based, in part on the following: severity of need; public benefit; project or program feasibility; sustainability of activity outcomes; reasonableness of costs; consistency with the REDC's Strategic Plan; extent to which the activity complements other local, state, or federal programs; and public support for these locally-driven projects or programs.

II. ELIGIBLE APPLICANTS

Eligible applicants are non-entitlement units of general local government (village, city, town or county), excluding metropolitan cities, urban counties and Indian Tribes that are designated entitlement communities. Non-entitlement areas are defined as cities, towns and villages with populations of less than 50,000, except those designated principal cities of Metropolitan Statistical Areas, and counties with populations of less than 200,000. The NYS CDBG program does not provide direct financial assistance to businesses.

Eligible applicants must apply on behalf of the business seeking NYS CDBG funds. The Office of Community Renewal (OCR) makes awards directly to the applicant community and does not provide direct financial assistance to businesses.

III. PROGRAM OBJECTIVE & FUNDING CATEGORIES

Under the NYS CDBG Economic Development program there are two categories of funding activities:

1. Economic Development
2. Small Business

Economic Development and Small Business activities provide funds to local governments to support economic development projects that involve the creation or retention of permanent jobs, at least 51% of which must benefit LMI persons. In calculating employment opportunities to be used for determining the percentage of jobs that benefit LMI persons, the following applies:

- Part-time jobs must be converted to full-time equivalents (FTE). An FTE job is any combination of two or more part-time jobs that, when combined together, constitute the equivalent of a job of at least 40 hours per week.;
- Only permanent jobs count; temporary jobs may not be included;
- Seasonal jobs are considered to be permanent if the season is long enough for the job to be considered as the employee's principal occupation; and
- Jobs indirectly created or retained by an assisted activity are not eligible to be counted.

IV. ELIGIBLE ACTIVITIES

- 1) **Economic Development:** Funding is typically provided to eligible communities for traditional economic development activities such as business attraction, expansion, and retention projects to provide financial assistance to businesses for an identified CDBG eligible activity which will result in the creation or retention of permanent, private sector job opportunities principally for persons from low-and moderate-income families.
- 2) **Small Business Assistance:** Provides resources to eligible communities to foster small business development as a vehicle for sustainable economic development and growth while providing job opportunities for person from LMI families. For the purpose of this program, a small business is defined as a commercial enterprise that is independently owned, operated, and controlled, and has twenty-five (25) or fewer full-time equivalent employees at the time of application.

Eligible activities include providing assistance to businesses that are involved in sectors of manufacturing, warehousing and distribution, agri-business, high technology, research and development and traditional and innovative small business endeavors. Market driven businesses (i.e. restaurant, retail) will be considered when that business is an integral part of a community's revitalization efforts.

V. ELIGIBLE USES OF FUNDS

Eligible uses of NYS CDBG Economic Development funds include: acquisition of real property; financing of machinery, furniture, fixtures and equipment; building construction and renovation; working capital; inventory; and employee training expenses. Use of CDBG funds toward construction and renovation costs are subject to Davis Bacon Wage Rate requirements. This includes the cost of equipment that requires installation as well as the purchase of materials used for construction activities. Funds awarded under the NYS CDBG Small Business program may not be used for new construction activity.

The proposed project or program will be reviewed and evaluated for, but not limited to:

- Eligibility of activities, National Objective and overall program compliance,
- Project feasibility and to ensure business owner and community have the capacity to perform,
- Reasonableness of project costs,
- Commitment of all other funding sources, and
- Assurance that CDBG funds are not being substituted for non-federal funds and that CDBG funds do not over-subsidized private investment or provide undue enrichment.
- Consistency with the NYS HCR Investment Strategy and compliance with the Smart Growth Public Infrastructure Act.
- Project selection shall take into consideration the recommendation of the relevant regional economic development council or the Commissioner's determination that the proposed project aligns with the regional strategic priorities of the respective region.

OCR will use the guidelines that meet the requirements set forth in 24 CFR 570.482(e) and Appendix A to Part 570. The purpose is to select economic development projects which are financially viable and make the most effective use of NYS CDBG funds.

VI. GUIDELINES, REQUIREMENTS AND LIMITATIONS

1) Economic Development program

- a. Maximum award amount of \$750,000 (minimum \$100,000).
- b. NYS CDBG can fund up to 40% of a total project cost, not to exceed maximum award amount.
- c. Projects must result in the creation or retention of at least one permanent, FTE job for every \$15,000 of NYS CDBG funds awarded.
- d. NYS CDBG funds should be used as gap funding to induce project completion.

2) Small Business Assistance program

- a. Award amounts of \$25,000 to \$100,000 for assistance to individual business.
- b. Projects must result in the creation or retention of at least one FTE job per \$25,000 of CDBG funds provided.
- c. NYS CDBG can fund up to 40% of a total project cost.
- d. Minimum of 20% owner equity contribution to the project is required*.

- e. *To induce sustainable, green projects the equity contribution may be lowered to a minimum of 10% if the activity is certified by the community and OCR as a NYS CDBG Green project.

The maximum awards are not intended to serve as a target figure for requests for assistance. The amount of CDBG assistance should be based on need and CDBG funds should not be used to reduce the amount of non-federal financial support for the project. The equity requirement must be provided as cash and must not to be associated with debt of any kind.

A minimum of fifty-one percent (51%) of the jobs that are created or retained as a result of an economic development award must be either held by and/or made available to persons from low- and moderate-income (LMI) households.

- “taken (held) by” - A job is considered to be taken by a LMI person if, at the time their employment starts, that person is a member of a family whose income falls at or below the applicable Section 8 Income Limits. (Reference www.huduser.org/datasets/il.html for the most current income limits.) In the instance of retention, a job must be either held by LMI persons at the time CDBG assistance is provided and/or expected to turn over to LMI persons within two years.
- “available to” - A job is considered to be made available to a LMI person if the position does not require special skills acquired from substantial training or work experience, and education beyond high school is not a prerequisite to employment. Also, the assisted business must take actions to ensure that LMI persons receive first consideration for filling such jobs.

Special Rules for Retained Jobs:

In order to consider jobs retained as a result of CDBG assistance, there must be clear and objective evidence that permanent jobs will be lost without CDBG assistance. For these purposes, “clear and objective” evidence that jobs will be lost would include:

- evidence that the business has issued a notice to affected employees or made a public announcement to that effect, or
- analysis of relevant financial records which clearly and convincingly shows that the business is likely to have to cut back employment in the near future without the planned intervention.

To meet the LMI jobs standard, 51% or more of the retained jobs must be either:

- known to be held by LMI persons at the time CDBG assistance is provided and/or
- jobs not known to be held by LMI persons, but which can be reasonably expected to “turn over” to LMI persons within two years. (This would involve the grant recipient and the business being assisted taking actions to ensure that such a job, upon turnover, will be either taken by or made available to LMI person in a manner similar to that pertaining to a newly created job, as discussed above.)

Applicants should only apply for the amount of funding that can be fully expended and the type of activities that can be completed within the specified project completion period of twenty-four (24) months. Applicants should not proceed with a project that cannot be completed within the specified timeframe or with the assumption that an extension of the project deadline will be considered.

VII. APPLICATION PROCESS

As part of Governor Cuomo's transformative plan to improve the state's economic development model, a NYS Consolidated Funding Application (CFA) has been created that will streamline and expedite the grant application process. Now, sponsors of economic development projects will use the CFA as a support mechanism to access multiple state funding sources through one application, making the process quicker, easier, more productive, and better aligning State resources with regional economic development priorities. Eligible applicants under the Office of Community Renewal's (OCR's) NYS CDBG Economic Development program will no longer apply directly to OCR through traditional application methods, and now will apply through the Consolidated Funding Application. To access the CFA, and any related materials, please visit <http://nyworks.ny.gov>

The following steps summarize the NYS Consolidated Funding Application (CFA) process for NYS CDBG Economic Development projects:

- 1) Citizen Participation:** Applicants must hold at least one (1) public hearing prior to the submission of the CDBG application for the purpose of obtaining citizens' views and responding to proposals and questions. The application must be made available to the public for inspection at the municipal office(s). Upon award, a recipient of CDBG funds must hold a minimum of one public hearing to report project accomplishments. For more information on citizen participation requirements, refer to the OCR Grant Administration Manual at www.nyshcr.org
- 2) Submission of Applications:** Applications are project-based. Applicants will answer threshold questions to determine whether their project may be eligible for Regional Council funding and from what funding source(s). Because some funding sources are only available to certain categories of project sponsors—such as municipalities, nonprofits, or businesses—two sponsors undertaking similar projects may qualify for different funding sources.

Throughout the online application process, applicants are notified that they need to submit specific documentation to OCR to complete their application.

- 3) Regional Council Review:** A submitted CFA is sent electronically to the Regional Council(s) for the geographic area(s) in which the proposed project will take place. A map of the regions is on the CFA registration page. The CFA sent to the Regional Council will contain all information necessary for review of the application. Confidential or proprietary information in the application will be included in the material reviewed by OCR, but will not be forwarded to the Regional Council.

Each Regional Council will review and rank applications based on a set of regional endorsement standards. Endorsement standards developed by each region will be available on the Regional Council web pages, accessed from the dropdown menu at <http://nyworks.ny.gov>. Each Regional Council will assign from 0 to 20 points to each CFA received.

- 4) The Office of Community Renewal Review:** In addition to review and scoring by Regional Councils, applications will undergo due diligence and technical review by the Office of Community Renewal (OCR). OCR will undertake a comprehensive review of the application to determine compliance with federal, state, and program regulations, policies, and statutes.

Applications will be reviewed by OCR based on the scoring criteria established for NYS CDBG Economic Development programs listed below, and points will be assigned to applications equaling up to 80% of the total possible score. The remaining 20% will be based on the Regional Council's review. OCR will then incorporate the endorsement criteria from the Regional Councils to assign a full score. OCR will submit a list of total projects scores by program to the NY Works Sub-Cabinet for interagency review.

OCR Scoring Criteria – 100 Points Total

Economic Development and Small Business Assistance

Applications within the funding categories of Economic Development and Small Business Assistance are rated and scored using the criteria below. Applications are evaluated and ranked against all applications within the Economic Development Program.

Total Vision and REDC Strategies – 20 points

- The degree that the proposed project aligns with the Regional Council's Strategic Plan.

Public Benefit/Impact – 20 Points

- The demonstrated need for the project.
- The overall employment and economic impact of the project.
- The extent to which the project will create or retain permanent, full-time equivalent jobs for persons from low- to moderate-income families.

Implementation – 20 Points

- The degree of project readiness and ability to implement upon award.
- The degree to which the project is financially and technically feasible within the 24-month term of the grant agreement.
- The reasonableness of the project costs.

Leveraged Resources – 20 Points

- The extent to which the project coincides with previous state or program investments.
- The availability and commitment of non-CDBG leverage.

Performance Measures – 20 Points

- The number of jobs created/retained in relation to CDBG investment (CDBG cost per job created/retained).
- The administrative capacity of the applicant, and the degree to which the applicant has demonstrated a clear understanding of, and ability to meet, the program requirements.
- The demonstrated viability of the business.
- The project's alignment with green principles and sustainable development practices.
- The overall quality of the jobs to be created/retained, and the ability for future advancement of the employees.

HCR staff shall generally apply the criteria noted above when awarding funding for applications received through the Consolidated Funding Application. In addition to the criteria noted above, HCR shall have the discretion to consider additional factors in determining the relative merits of projects.

- 5) Post Award:** If funding is approved by the HTFC, the Recipient must undertake the following prior to the disbursement of funds.
- Participate in a Program Implementation Conference Call arranged by OCR Economic Development staff. All parties involved in the implementation of the project or program must participate.
 - Execute the grant agreement and set up a non-interest bearing bank account specifically for the deposit and disbursement of NYS CDBG funds.
 - Conduct an environmental review of the project and complete the environmental review record. Refer to the OCR Grant Administration Manual at www.nyshcr.org for additional information on the environmental requirements.

* Additional economic development funds may be available throughout the 2012 Program Year for projects that may meet the New York State priorities for economic development and are consistent with federal, state, and program regulations, policies, and statutes.

We strongly recommend that you refer to the NYS CDBG Grant Administration Manual: (<http://nysdhcr.gov/Programs/NYS-CDBG/GrantAdministration.htm>), for additional program guideline details and statutory requirements. We also encourage you to contact us directly for information related any of the NYS CDBG Economic Development activities at (518) 474-2057 or visit our website at www.nyshcr.org.