

# **NOTICE OF FUNDING AVAILABILITY**

Community Development Block Grant Program  
Economic Development Allocation

**OVER-THE-COUNTER COMPONENT  
2009/2010**



**STATE OF CALIFORNIA  
Department of Housing and Community Development  
Division of Financial Assistance  
State Enterprise and Economic Development Section  
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TABLE OF CONTENTS

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	<b>Topic</b>	<b>Page #</b>
1	Funding Notice	1
2	Recent Changes	1
3	Use of Funds	2
4	Application Dates and Details	2
5	Application Workshops	3
6	Application Review Process	3
7	Award Processing	5
8	Funding Limits	6
9	Eligible Applicants	6
10	Eligible Activities	7
11	Program Requirements	8
12	General Administration Costs	9
13	Public Hearings	9
14	Statement of Assurances	9
15	Public Records Act	9

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**Appendices**

A	Eligible Jurisdictions and CDBG Economic Development Staff Assignments	10
B	Public Hearing Requirements	16

## 1. FUNDING NOTICE

The Department of Housing and Community Development (Department) announces the availability of approximately **seven million** (\$7,000,000) for the 2009/2010 funding cycle of the Over-The-Counter (OTC) Program Component of the State Community Development Block Grant (CDBG) Program's Economic Development (ED) Allocation.

Authorizing Legislation and Regulations: The CDBG Program is authorized by the Housing and Community Development Act of 1974 (Act) as amended, and Subpart I of the Federal CDBG Regulations. The requirements of the State Program are in Title 25 of the California Code of Regulations, Section 7050, et seq.

This Notice of Funding Availability (NOFA) summarizes portions of the regulations that are likely to be of greatest interest to the applicant or that require further explanation. This NOFA does not cover all the regulatory provisions that may be applicable. In addition to using this NOFA, applicants are encouraged to review the regulations, attend the application preparation workshop, and contact Program staff with additional questions.

Application Package: The Application contains the required forms for application submittal, instructions for completing those forms, and detailed descriptions of the requirements. **If you are interested in applying for funding, you must request the application from the CDBG program or download it from the Program's website at:**

<http://www.hcd.ca.gov/ca/cdbg/funds/>. For questions, contact the Program Secretary at the CDBG Program's main telephone line at (916) 552-9398.

## 2. RECENT CHANGES

There are no new changes this year. The following notable changes have been implemented within the last three years and continue to be in effect.

- A. Self-Certifications of housing element status will not be required with the application. Housing element status will be confirmed with the Department's Housing Policy Development Division. Jurisdictions not in compliance will not be eligible to be awarded funds.
- B. The maximum amount of funds available for the OTC component is \$2.5 million per applicant, per program funding year.
- C. Applicants may request a two-year grant, totaling no more than \$5 million. Each annual allocation would be for \$2.5 million.
- D. HUD is now gathering performance measurement information to determine how well programs and activities are meeting established needs and goals. Most of the information will be collected during or at the completion of the grant activity. Program reports submitted by grantees will be updated to request performance measurement data.

- E. There is no longer a requirement for economic development projects to meet the “but for” test. Applicants are not required to document that the proposed Economic Development project would not go forward without CDBG assistance. However, the issue of undue enrichment to a business/developer as a result of an infusion of CDBG funds into a project must be addressed.

**3. USES OF FUNDS**

Under the OTC Program, the Department provides grant funds to eligible cities and counties for the following purposes:

- A. To make loans to employers for an identified CDBG-eligible activity, which will result in the creation or retention of permanent jobs; or
- B. To construct infrastructure improvements, which are necessary to accommodate the creation, expansion or retention of a business that will create or retain jobs.

**4. APPLICATION DATES AND DETAILS**

- A. Key dates:

NOFA release:	<b>June 2009</b>
Application release:	<b>June 2009</b>
Applications accepted at the Department:	<b>Continuously, upon Invitation</b>
Final Application Due Date	<b>March 24, 2010</b>

- B. Number of copies: Original and two (2) copies, both with all required attachments.

- C. Mail to or Deliver to: State Community Development Block Grant Program  
Department of Housing and Community Development  
1800 3<sup>rd</sup> Street, Suite 330  
Sacramento, CA 95811

Telephone: (916) 552-9398 (Program Secretary)  
(916) 319-8400, Mimi Bettencourt, Program Manager  
Email: [mbettencourt@hcd.ca.gov](mailto:mbettencourt@hcd.ca.gov)  
Fax: (916) 319-8488

**5. APPLICATION WORKSHOPS**

The Department will present application training workshops at locations throughout the state. The dates and locations of these workshops will be posted at our website at: <http://www.hcd.ca.gov/fa/cdbg/mmemo>. The workshops will include a brief overview of the OTC Program, a discussion on “deal structuring,” and a discussion on application preparation/submission. Eligible applicants who intend to apply for OTC funding or who are interested in identifying potential OTC projects in their jurisdiction during this funding cycle should attend the workshop in their area. Interested applicants should review this NOFA as well as the Application Package and come prepared with questions and ideas for preparing an application.

The Department reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, the Department will notify interested parties.

## 6. APPLICATION REVIEW PROCESS

- A. The Project Pre-Screening: The state strongly recommends that a project pre-screening packet be submitted to the Department prior to submitting a full application. The project pre-screening forms are found within the OTC Application. In addition to the project pre-screening, the appropriate checklist (i.e., Business, Developer, etc.) must be completed to provide information regarding the status of the project. The purpose of the project pre-screening is to allow CDBG staff to evaluate the viability of the project, identify project issues, and communicate the OTC program parameters and requirements.
- B. Project Pre-Screening Meeting: If a site meeting or conference call has not been accomplished prior to the project pre-screening submittal, a meeting will be scheduled to review and discuss the project in its entirety. Attendees at the site meeting should include a representative of the applicant jurisdiction, the developer and/or business owner receiving assistance, the CDBG Program's financial consultant and the CDBG Economic Development representative. The private developer or business will be required to bring all pertinent project and financial information to this meeting.
- C. Invitation to Submit an Application: When the Department has determined that the project is ready to move forward in the process, the jurisdiction will be invited to submit a full application to the Department. An invitation to submit a full application is based on readiness factors, such as:
- Market feasibility of the proposed activity;
  - Approval status of local and other regulatory requirements on the proposed project;
  - Ownership/control status of any real estate needed for the proposed activities;
  - Project and grant management capacity, proposed job creation/retention and public benefit; and
  - Eligibility of "net new jobs" created or jobs retained.
- D. Application Submittal: Applications are accepted on a continuous basis until all funds are awarded for the funding year. Upon receipt of an application, the Department will review the application under a four-stage process.
- i. Completeness: The application will first be reviewed for completeness. Incomplete applications will be returned to the applicant within **thirty (30) days** of receipt, along with a written explanation of any deficiencies that must be corrected prior to resubmission.

- ii. Threshold: Upon passing the completeness process, the application will undergo a minimum-threshold test. If the application fails this test, it will be returned to the applicant with a written explanation of any deficiencies that must be corrected prior to resubmission. In the State CDBG Regulations, Sections 7062.1 (c) (7) the threshold review is conducted according to the criteria specified. The application must attain at least 50 of the 80 threshold points in order to be eligible to pass on to the third review stage. The factors are listed below:

Factor	Maximum Number of Points
Percent of countywide unemployment relative to the statewide average	25
Ratio of CDBG funds per unit of public benefit: A maximum of \$35,000 per job created or retained or \$350 per low-/moderate-income person served	15
Ratio of private funds to CDBG funds	15
Quality of applicant's past performance of CDBG ED grants	15
Percent of funds allocated to applicant's general administrative costs	10
<b>Total Points Possible:</b>	<b>80</b>

- iii. Underwriting Review: Upon passing the threshold test, the application's financial underwriting will be reviewed using HUD underwriting guidelines. The evaluative factors used, which are specified in the State CDBG regulations, assess whether the following conditions or circumstances are present:
- a) Project costs are reasonable;
  - b) All sources of project financing are committed;
  - c) To the extent practicable, CDBG funds are not substituted for non-federal financial support;
  - d) The project is financially feasible;
  - e) To the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
  - e) To the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project.
- iv. CDBG Loan Committee: The final step is submission of the application to the CDBG Loan Committee, the Economic Development Advisory Committee (EDAC), at a public meeting held approximately **forty-five (45) days** from the receipt of a complete application.

This submission involves writing a summary report (staff report) of the project by CDBG staff, which recommends approval or denial of the application. In addition to the staff report, the applicant and/or business/developer makes a presentation to the EDAC on the project. The EDAC accepts, rejects or modifies the staff recommendation. The EDAC then votes on a funding recommendation to be provided to the Director of the Department who has final approval authority. The Director's funding decision is made **approximately sixty (60) days** from the receipt of a complete application.



**7. AWARDS PROCESSING**

All funded applications will be formalized through the execution of a Standard Agreement (Agreement). The Agreement contains information about the terms and any special conditions of the award. Special conditions must be met within **ninety (90) days** of the state's execution of the Agreement (i.e., the Department's stamped approval date). If the conditions are not met, the Department may terminate the Agreement.

After the Grant Agreement is executed by the Department, the project may expend General Administration funds to satisfy special conditions. However, costs for program-related activities may not be incurred until written approval is received from the Department that all Agreement conditions for the activity have been satisfied. Any grant costs the grantee incurs prior to this Agreement's execution by the Department will be at the jurisdiction's risk and may not be eligible for reimbursement. Information about processing times and authorization requirements will be provided at the time the Agreement is sent to the grantee.

For further information, please call your CDBG Economic Development Representative or the CDBG Program Secretary at (916) 552-9398.

**8. FUNDING LIMITS**

Maximum award limits: Up to \$2.5 million per application, per program year. Applicants may apply for up to \$5 million over a two-year allocation (\$2.5 million per year.)

**9. ELIGIBLE APPLICANTS**

- A. In general, incorporated cities with a population of less than 50,000 persons and counties with an un-incorporated area population of under 200,000 persons are eligible to participate in the State CDBG Program. The following exceptions apply:
- i. If a city with a population of less than 50,000 persons has entered into a three-year urban county Cooperation Agreement with HUD, that city cannot participate in the State CDBG Program until the expiration of the Agreement.
  - ii. If a city with a population of less than 50,000 persons has been declared the central city of a Standard Metropolitan Statistical Area, it cannot participate because it is entitled to receive CDBG funds directly from HUD.
- B. In addition, all applicants must meet the following criteria for funding consideration:
- i. No unresolved audit findings or performance problems: The applicant shall have resolved any audit findings or performance problems for prior State CDBG grants awarded under this program. Performance problems include unresolved monitoring findings and excessive program income on hand. If unsure of eligibility status, applicants should contact their Economic Development Representative.