

Georgia Department of Community Affairs CDBG Economic Development



Annual Competition and Set-Aside Programs
CDBG: EIP, RDF, and Capitalized RLF



December 10, 2019

DCA Staff

Employment Incentive Program (EIP)
and
Redevelopment Fund (RDF)
Threshold Based “Competition” Grants



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Set-Asides Overview

Local governments can implement a broad range of activities as long as they further the National Objectives of the Act.

Three National Objectives are:

- Majority benefit to low- and moderate-income persons through services and job creation;
- Prevention or elimination of slum and blight; and
- Immediate Threat & Danger.

Available Funding: Georgia

CDBG Funds from U.S. Housing and Urban Development (HUD)

HUD Authorization	\$41,142,822
EIP	\$8,000,000 set-aside
RDF	\$1,500,000 set-aside
Immediate Threat	\$500,000 set-aside

Features of Economic Development Programs

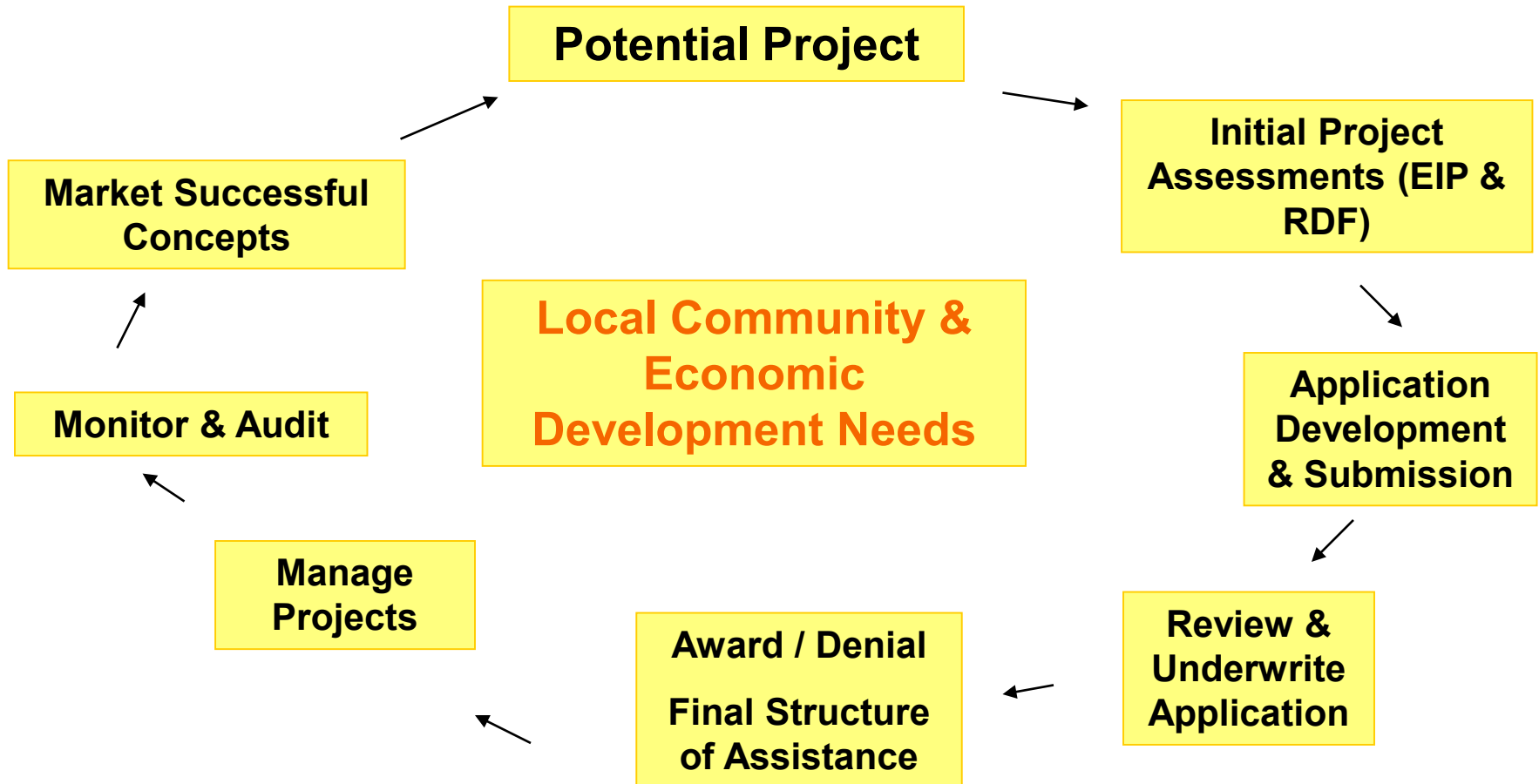
Maximum Grant Amount	\$750,000
Primary Purpose	EIP - Expand employment opportunities for L/M income people RDF – Eliminate Slum and Blight
Low/Moderate Income Benefit	At least 51% of jobs created and/or retained
Eligible Uses	Public facilities, infrastructure, business loans, elimination of Slum and Blight

Four Routes to ED with CDBG



1. **Employment Incentive Program;**
2. **Redevelopment Fund Program;**
3. **Local Revolving Loan Fund (generated by CDBG-ED, EIP or RDF loans);**
4. **Annual Competition CDBG-ED application.**

Organizational Processes



What exactly is this IPA?



Initial Project Assessment (DCA)

- The **Who, What, Why, When** and **Where** of a Project;
- Determines and Preserves Eligibility of activities and costs;
- Enables Pre-Agreement Cost Approval (PACA) which is especially important for federal funds;
- Ensures all available funding sources are considered; and
- Provides an idea how competitive your project might be.

Process - What happens after I submit an IPA?



Initial Project
Assessment EIP/RDF

PACA

Provides guidance
for application
development

Application
Development

Application
Submission and
Completeness
Check

Completeness Letter

- Completeness letters help identify shortcomings in the application
- Since EIP and RDF funding is “threshold-based”, the completeness letter allows for Technical Assistance to get applications to funding range.

Rating and Selection Criteria:

□ EIP – 300 Point Threshold

□ Demographics

- 120 maximum points**
- Determined by County level Census Data

□ Feasibility

- 110 maximum points
- 27.5 points per level

□ Impact

- 110 maximum points
- 27.5 points per level

□ Strategy

- 110 maximum points
- 27.5 points per level

□ Match: 1:1 Ratio

□ RDF – 375 Point Threshold

□ Demographics

- 120 maximum points**
- Determined by County level Census Data

□ Feasibility

- 210 maximum points
- 52.5 points per level

□ Strategy/Innovation

- 240 maximum points
- 60 points per level

□ Leverage of Additional Resources

- 30 maximum points
- 10 points per level

**** Demographic Scoring matches the same MOD change as the Regular Round**

EIP GRANT: PUBLIC INFRASTRUCTURE



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EIP Grant Program

Eligible Activities	Ineligible Activities
<ul style="list-style-type: none"><input type="checkbox"/> Public Facilities<input type="checkbox"/> Public Infrastructure<ul style="list-style-type: none"><input type="checkbox"/> Acquisition, Construction, and/or Rehabilitation of:<ul style="list-style-type: none"><input type="checkbox"/> Water;<input type="checkbox"/> Sewer;<input type="checkbox"/> Roads;<input type="checkbox"/> Storm water drainage;<input type="checkbox"/> Rail Spurs;<input type="checkbox"/> Other.	<ul style="list-style-type: none"><input type="checkbox"/> Working Capital<input type="checkbox"/> Refinancing<input type="checkbox"/> Speculative Projects<input type="checkbox"/> Capacity Building<input type="checkbox"/> General Conduct of Government<input type="checkbox"/> Project Not Meeting Federal Guidelines<input type="checkbox"/> Using Federal Funds to relocate businesses (Piracy - There are Restrictions)

ELP Infrastructure Grants



Financial Considerations Include an Assessment of:

- ❑ Infrastructure Fund Capacity Analysis (IFCA).
 - ❑ Examine financial capacity of local government.
 - ❑ Calculate operating and coverage ratios.
- ❑ Revolving Loan Fund Capacity.

EIP GRANT: LOAN TO PRIVATE FOR-PROFIT BUSINESS



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EIP Direct Loan Program

Eligible Activities	Ineligible Activities
<ul style="list-style-type: none"><input type="checkbox"/> Acquisition of land and buildings<input type="checkbox"/> New construction<input type="checkbox"/> Renovation to existing buildings<input type="checkbox"/> Acquisition of M&E<input type="checkbox"/> Limited soft costs* <p><i>* Costs directly related to the fixed asset expenditure. Examples include: architectural/engineering costs; installation costs for machinery; and financing costs for bank loans.</i></p>	<ul style="list-style-type: none"><input type="checkbox"/> Working capital<input type="checkbox"/> Capacity building<input type="checkbox"/> Refinancing<input type="checkbox"/> Inventory/receivable financing<input type="checkbox"/> Speculative real estate development<input type="checkbox"/> Relocation costs<input type="checkbox"/> Office equipment, small tools, supplies<input type="checkbox"/> General conduct of government

ELP Direct Loan Program

❑ **Loan Terms – Life of the Asset**

- Up to 15 years for financed real property;
- Up to 7.5 years for financed personal property;
- The interest rate is fixed at or below market rates.

❑ **Security/Collateral**

- 1st or shared 1st priority mortgage and/or lien position on project costs/uses financed;
- Personal guaranties from owners (>20% ownership);
- Corporate guaranties from related companies.

❑ **Repayment**

- ELP Loan repayments must capitalize or be placed into a local Revolving Loan Fund (RLF).

EIP Loan Disbursement



□ Loan Disbursement

- Disbursement agreement included in the EIP loan agreement.
- The Borrower's other public and/or private financing will be disbursed on a pro-rata basis with the EIP loan proceeds.

REDEVELOPMENT FUND PROGRAM (RDF)



Overview of the RDF Program

Encourage communities with blighted properties to focus on long-term community development.

Projects must demonstrate the following:

- ❑ Resolution of Spot/Area Basis Blight;
- ❑ Long-term planning and development efforts of the community;
- ❑ Significant impact on the overall project;
- ❑ Strong community commitment;
- ❑ Ready to Proceed; and
- ❑ Completed within 24 months.

Elimination of Slum and Blight

“Spot Basis” vs “Area Basis”

□ Spot Basis

- Spot basis activities are limited to the extent necessary to eliminate specific conditions detrimental to the public health and safety.

□ Area Basis

- Area basis activities are delineated by a unit of local government, meets a definition of a blighted, deteriorated, deteriorating, or slum area under State or Local law.

CDBG ED Applications

✓ Engage Pertinent Partners:

- ☐ Local Government
- ☐ Development Authority
- ☐ Engineer/Architect
- ☐ Business Contact
- ☐ Grant Writer/Administrator
- ☐ DCA Community Services Representative
- ☐ Other federal/state programs
- ☐ Owner
- ☐ Railroad (if applicable)
- ☐ Operator (if applicable)
- ☐ Tenant (if applicable)

LOCAL REVOLVING LOAN FUND (RLF)



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Local Revolving Loan Funds

- ❑ EIP/RDF loan repayments capitalize local RLF loan. The repayments (including interest), and bank account interest retain federal identity. This is considered program income.
- ❑ RLFs may be used for local CDBG eligible economic development needs.
- ❑ Opportunities available to partner with local banks to finance eligible activities (same as EIP) that create employment for LMI persons.
- ❑ 50/40/10 Rule: Project funded with 50% RLF, 40% local bank, and 10% private funding.

Local Revolving Loan Funds

- ❑ **63 active RLF's throughout Georgia, with:**
 - ❑ \$34.7 million in RLF assets;
 - ❑ \$10.7 million in cash; and
 - ❑ \$23.1 million in loan receivables.

- ❑ **Encourage Local RLF's to use RLF funds as a funding gap for large projects – may request one-time waiver to DCA, if necessary.**

What's We are Seeing

- ❑ **Lack of sufficient documentation**
 - ❑ **Company/Personal Financial Information**
 - ❑ **Source of committed funds (where is the money actually coming from – Company Equity, Loan, Etc.**
 - ❑ **Insufficient PER/PAR**
 - ❑ **Insufficient evidence of Slum and Blight**
- ❑ **Failure to disclose potential difficulties**
 - ❑ **Conflicts of Interest**
 - ❑ **Acquisition/Relocation**
 - ❑ **Environmental Concerns**
- ❑ **Deficiencies in Administration**
 - ❑ **Davis-Bacon: Surveys, Interviews, Wage Rates**
 - ❑ **Lack of communication between engineers, administrators, and the community**

CONTACTS



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