

CDBG Economic Development

Kansas Department of Commerce



What is CDBG ED?

CDBG ED are business finance grants to cities or counties that can be loaned to private businesses to provide gap financing that creates or retains permanent jobs. Funding is also available for infrastructure improvements that directly create or retain permanent jobs.



Funding Details

- ▶ Applications accepted January 4, 2021 – December 3, 2021.
- ▶ Minimum level of funding is \$25,000 and the maximum level is \$750,000. Applicants may apply for up to \$35,000 per job.
 - 51% of the created or retained jobs must meet HUD's low-and-moderate income(LMI) test for the county where the project is located.
- ▶ 50% match required
- ▶ Cities and counties submit on behalf of a private for-profit businesses.

National Objective

- ▶ Job Creation and Retention to benefit low-and moderate-income persons.
 - Must create or retain jobs.
 - 51% of jobs created must be held by LMI persons (FTE basis) as verified by the Employee Certification form.
 - Businesses will have 24 months to create the jobs set forth in the application.

- ▶ In the event the number of jobs proposed to be created falls short of the contractual commitment, repayment of the grant shall be equal in proportion to the jobs not created when compared to the total number of jobs committed.

What is Job Creation and Retention?

▶ Who are the beneficiaries?

- The employees that are hired or whose jobs are retained as a result of the CDBG grant.

▶ Job creation refers to the business entity's (and affiliates) net increase in its permanent labor force in Kansas on a full-time equivalent basis.

▶ Job retention refers to those jobs that would be lost if the business fails to receive assistance from the CDBG program.

▶ LMI income status is to be made based on income at the time the CDBG assistance is provided (Previous 12 months).

Project Types

▶ Business Finance

- 3% below prime or 3.5%

▶ Infrastructure

- Non-Retail- 25%: 10 years @ 0%
- Retail/Local- 50%: 10 years @ 0%
- Payback mechanism is through a Special Assessment

*Retail or local service businesses are eligible for CDBG funding. However, the city or county submitting the application must certify that the retail or local service business does not have direct competition in the community.

Business Finance Activities

- ▶ Working capital
 - Term: Up to 5 years
- ▶ Machinery & Equipment
 - Term: up to 10 years
- ▶ Building
 - Term: up to 15 years
- ▶ Land
 - Term: up to 15 years



Business Finance

- ▶ The 18-month or less principal moratorium may be added to the term of a five-year loan for a total term of up to six and one-half years.
 - Interest will be charged on the loan balance during the moratorium period.
- ▶ When a Business Loan project fulfills all requirements in the 24-month contractual period with NO issues, a 25% forgiveness on principal will be applied to the Amortization Schedule.

Infrastructure Activities

- ▶ Streets, roads, and storm drains
- ▶ Water and sewer lines
- ▶ Sewer pretreatment facilities
- ▶ Rail spur
- ▶ Gas or electric lines

General Overview-Application Timeframe



- ▶ Application review period is 45 days (Including Environmental Review)
- ▶ Construction or other expenditure of funds CANNOT begin until after official award is made and Environmental Clearance is approved.

Application



- ▶ The Application packets contains forms that are supplied by the grantee (city/county) and contains required documents and forms that the business will need to fill out and complete.
- ▶ These forms can be found in the Economic Development Application and Guidelines.
 - Application in process of being built online

Business Data For Application

- ▶ 3 years of historical financials: Profit Loss (P/L), Balance Sheets(BS) and Cash flow statements(CF)
- ▶ 3 years of projected financials: P/L, BS, CF
- ▶ Aging Schedule of Accounts Receivable (A/R) and Accounts Payable (A/P)
- ▶ Existing & proposed obligations
- ▶ Personal financial statements
- ▶ Business Plan
- ▶ Resumes
- ▶ Letter of Commitment from business
- ▶ Letter from Bank or other lenders.

City/County Duties

- ▶ Conduct public hearings
- ▶ Serve as applicant/grantee
- ▶ Responsible for environmental review
- ▶ Collect loan payment and remit to State
- ▶ Hire a grant administrator
- ▶ Secure collateral
- ▶ Undertake recovery actions, if needed
- ▶ City/County is not a guarantor of loan.

Business Duties

- ▶ Spend CDBG dollars and match dollars per budget
- ▶ Document job creation/retention and the attainment of 51% LMI
- ▶ Make loan payments on a timely basis

Administrative Cost

- ▶ CDBG expenditures up to 10% of the award or \$17,000, whichever is the lesser amount. These administrative costs must have been incurred after the date of award, except for environmental review costs.
- ▶ Costs associated with the preparation of an application are ineligible under all circumstances.

Public Hearing

- ▶ Notices must be published in a local newspaper having general circulation in the community.
- ▶ Notice must be published at least five full days before (starting one day after publication date and not counting the date of the hearing, i.e., a total of seven days).
- ▶ No more than 20 days before the hearing.
- ▶ Must contain:
 - Detailed project description
 - Exact project location
 - CDBG grant amount and total project cost

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