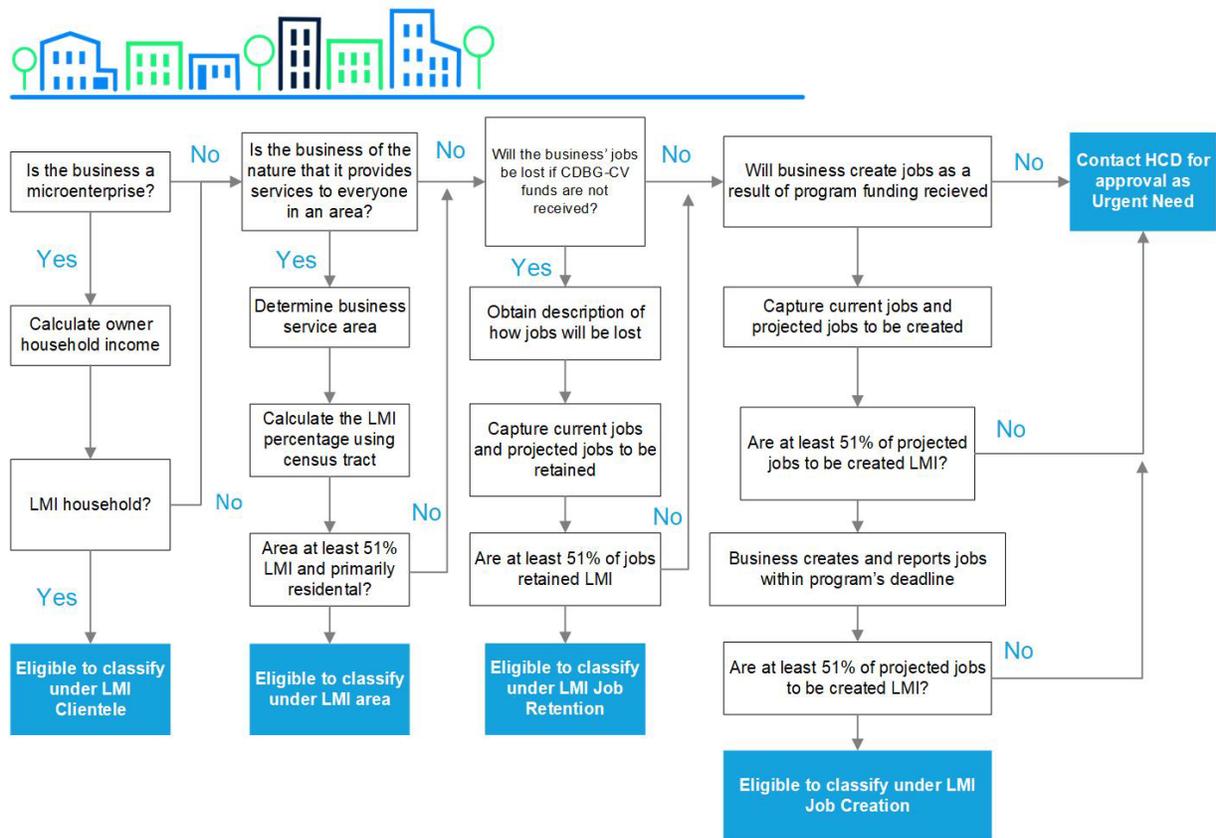




Economic Development: National Objectives

Pathway to Selecting a National Objective for Business Loan or Grant Program

There are multiple ways for special economic development and microenterprise activities to meet a national objective. However, some are easier, or require lower documentation than others. The flowchart below provides a high-level sequencing of the easiest to the most complex ways to meet a national objective when providing assistance to businesses and/or microenterprises. Each grantee will choose the process(es) that is(are) applicable to their program. The following section includes sample standard operating procedures (SOP) and sample templates for documenting LM national objectives when providing assistance for microenterprises and/or special economic development activities.





Standard Operating Procedures for Meeting Low Mod Income National Objectives

Section I: LMI Limited Clientele (LMC) for Microenterprises

Applicability: CDBG-CV and CDBG

Initial step for all businesses: Is the award being provided for activities that prevent, prepare for, and respond to coronavirus?

- If yes, document how the award is provided for activities that prevent, prepare for, and respond to coronavirus, and proceed to Step 1.
- If no, the project is not eligible under CDBG-CV.

Step 1 – Assess if the business is a microenterprise and if the business owner is LMI

Definition of Microenterprise: A commercial enterprise that has five or fewer employees, including the owner(s).

Step 1A: Does the business owner employ five or fewer employees, including all owner(s)?

- If yes, proceed.
- If no, move to the LM Area (Section II) national objective process.

Step 1B – Does/Do the business owner(s) family income(s) fall below the applicable low-and-moderate income thresholds for where they live?

- If yes, proceed. *
 - *Ask this question for each of the owner(s) if they are not all part of the same family.
- If no, move to the LM Area (Section II) national objective process.

Step 2 – Collect, review, and verify microenterprise and owner's information

Step 2A: Collect following documentation to confirm owner's LMI status:

- Complete application.



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- Complete Income Calculation Forms (Appendix D-2, D-3, and D-4), which may be supplemented or replaced with:
 - Copy of 2020 Personal Tax Return (for all family members), including Schedule C. If the return is on extension, can allow for 2019.
 - Other income documentation.
 - Copy of complete 2020 Federal Business Tax Return, if filed. If the return is on extension, can allow for 2019.
- Most Recent 941 (Employer's Quarterly Federal Tax Return), if filed.
- NOTE: If there is more than one owner, and each owner is part of a separate family, then each owner must complete an Income Certification for Microenterprise Owner(s) Form and provide their Personal Tax Returns.
- For all owners: Review the Income Certification for Microenterprise Owner(s) Form and compare it with the Personal Tax Return(s) to ensure the information reported on the form(s) is consistent with the Tax Returns.
- If any of the owners are not LMI (determined by family income level), then the business does not qualify under low-to-moderate income limited clientele (LMC); move business to LMI Area or LMI Job Retention national objective process.

Step 2B: Review Federal Business Tax Return (or alternative documentation such as a report from payroll systems or third-party payroll providers) to confirm the business employs 5 or fewer employees (including the owner(s)):

- If business employs 5 or fewer employees, proceed
- If business employs more than 5 employees, follow up with additional questions to understand their employee situation and to determine if they have part time employees. The 5-employee requirement includes part time and full-time employees; the additional information below allows the grantee to calculate the total full-time equivalency of the employees. This is done by aggregating the average weekly hours worked by part-time employees and dividing them by 30-33 (based on the grantee's program and how they quantify a "full-time job"):
 - Certified payrolls from most recent 8-week period
 - Commitment to provide Form 941 for next quarter, which will reflect the updated



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employee count

- If after following up with the business it is determined that the business currently employs more than 5 employees, move business to the LMI Area (Section II) national objective process.

Step 3: Determine whether the applicant meets the LMC National Objective requirements

- If the owner(s) are LMI as verified through documentation AND the business employs five or fewer FTE employees (including the owners), they meet the national objective requirements for LMI Limited Clientele.
- If the owner(s) are not LMI or if the business is found to employ more than five FTE employees, they may be eligible for assistance under one of the two following categories:
 - LMI Area – the business must provide services to a definable area, where the services are available to everyone in the area, the area is primarily residential, and the area is at least 51% LMI.
 - LMI Job Retention or Creation – 51% or created or retained jobs must be held by or available to LMI individuals.
 - Urgent Need – only available with pre-approval from HCD.

Step 4 – Make determination of LMI Microenterprise status

Document determination that the business qualifies as a microenterprise and all owners are LMI

Step 5 - Determine the eligible amount, based on grantee eligible uses of funds

Calculate the potential eligible amount of assistance for the business, based on the eligible expenses allowed under the grantee program policies.

Step 6- Conduct a duplication of benefits analysis

- Conduct a duplication of benefits analysis to determine if the business has received other funding from federal, state, local or private insurance to meet the same need, using the Duplication of Benefits Tracking Form (Appendix C-5).
- Reduce eligible award by any duplication of benefits to determine revised potential award amount.



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Step 7: Organize your documentation to meet LMI Limited Clientele

- Documentation per Steps 1-5 above

Additional Documentation Requirements

- DOB calculation and verification
- Documentation for compliance with other applicable federal cross cutting requirements (e.g., environmental review, labor standards when applicable)
- Debarment check (SAM.gov)



Section II: LMI Area (LMA)

Applicability: CDBG-CV and CDBG

Definition of Area Benefit:

Business' service benefits all residents in a particular service area, where at least 51 percent of the residents are LMI persons.

Initial step for all businesses: Is the award being provided for activities that prevent, prepare for, and respond to coronavirus?

- If yes, document how the award is provided for activities that prevent, prepare for, and respond to coronavirus, and proceed with Step 1.
- If no, the project is not eligible under CDBG-CV.

Step 1 – Determine if the business type meets qualifications

Does the business provide services that benefit all residents?

A few examples of businesses that provide services to all residents are grocery stores, pharmacies, and gas stations.

- If yes, move to the next step.
- If no, move to the LMI Job Retention (Section III) national objective process.

Step 2 – Determine the Service Area

Collect data on the business' service area

Step 2A: Obtain the census tract or census tracts of the areas that are served by the business

1. Document your process for identifying the service area by compiling a service area memo including a map to determine the service area is 51% LMI, indicating:
 - a. The nature of the activity
 - i. Consider: Some businesses provide products or services that serve a large geographic region, while some businesses may serve a smaller geographic area.
 - ii. Document consideration of the business type and potential capacity to serve customers in the service area memo.
 - b. The location of the activity



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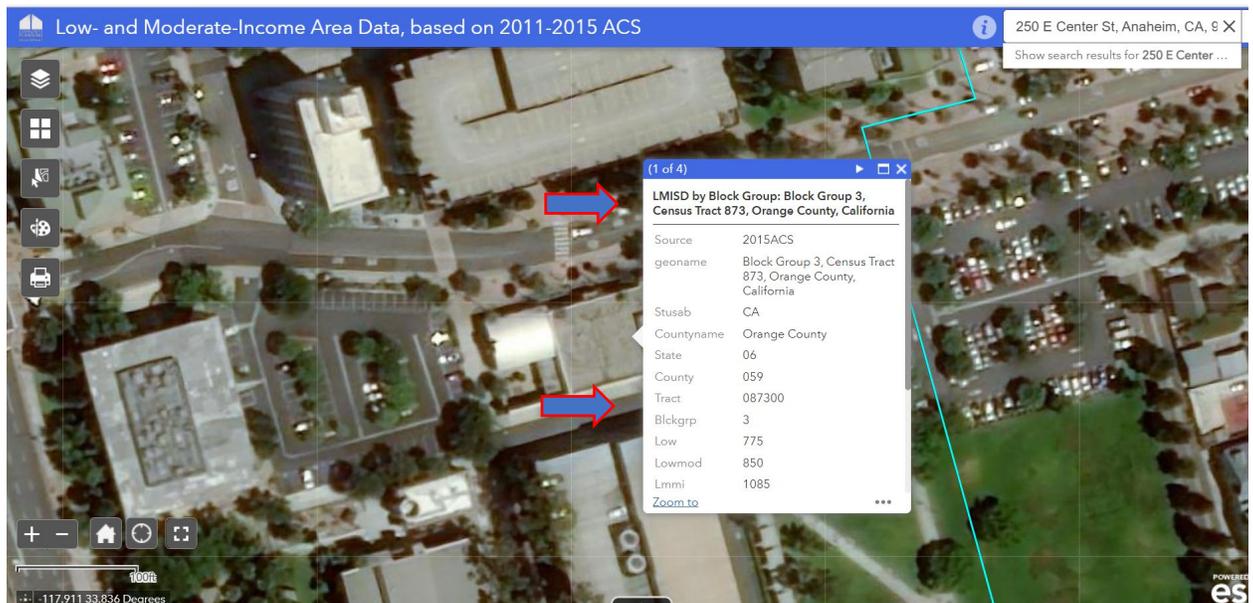
- i. Consider: use a rule of thumb consistently to map the entire area, ex: 10-minute walk to 10-minute drive¹ for a grocery store, or use a geographic distance, such as a ½ mile radius, ensuring that the boundaries align with contiguous neighborhoods where practicable²
- ii. Use the location of the activity, i.e. the storefront, rather than something like a corporate office or P.O. box.
- c. Any accessibility issues for the site
 - i. Consider things like:
 1. A river or interstate highway that separates a neighborhood from a business location – this may mean that neighborhood is not in the service area.
 2. Fees associated with the service, language barriers, and accessibility barriers for those with different abilities should be included in these considerations.
 - d. The availability of comparable activities.
 - i. The service area for your activity should not overlap with the service area of another similar business, (ex: two clinics or community centers within the same general area, two libraries, etc.)
2. Using [HUD's ArcGIS map](#), enter the address to determine the census tract(s) for the business location and other areas the business services
3. Click in the map near the search result to open the data box. The census tract and block group can be found in the heading of the data box or within the data box.

¹ Example: <https://storymaps.arcgis.com/stories/9658b5befb944256bb587bc9b268a09a>

² Example: <https://city.milwaukee.gov/ImageLibrary/Groups/cityGreenTeam/HOME-GROWN/Food-Access-Maps/Map-FoodAccessOctober262016002.pdf>

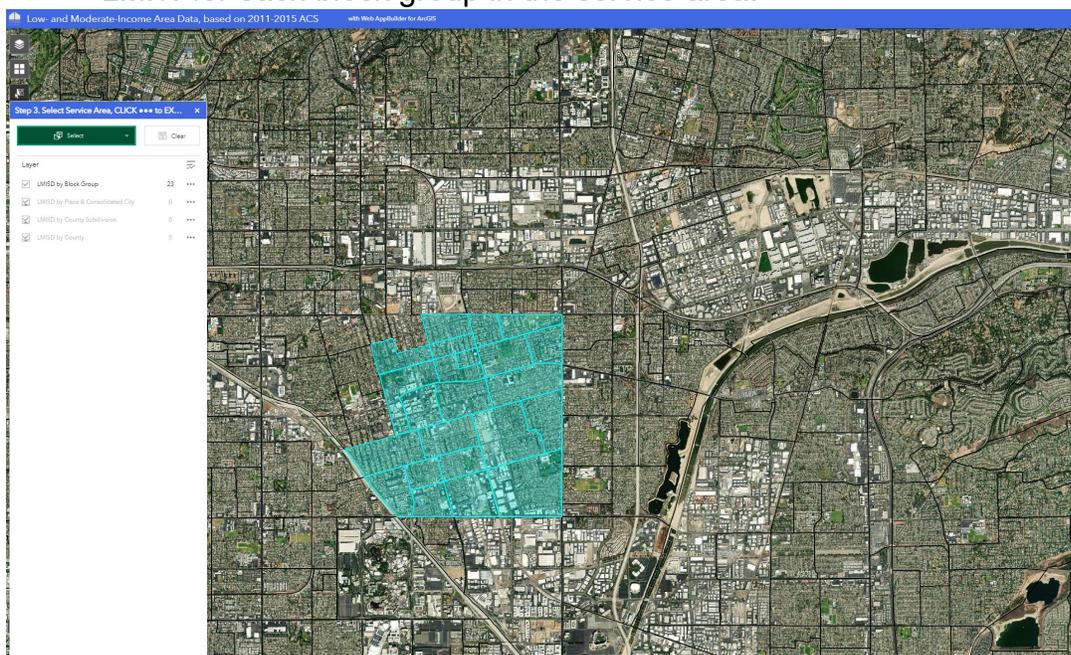


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Step 2B: Use [HUD's Low and Moderate Income Summary Data](#) to determine the percentage of LMI persons residing in the service area census tract(s) and block groups.

1. Identify the service area in the HUD ArcGIS Map and export the data to view the LMI% for each block group in the service area.





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- Then in your excel sheet you will divide the LMI population of all the census blocks by the total population, generating an overall LMI percentage for the service area. See guidance on making this calculation in excel below:

Use the appropriate calculation:

$$\text{LMI \%} = (\text{LMI Persons Geography A} + \text{LMI Persons Geography B} + \text{LMI Persons Geography C...}) \div (\text{LMI Universe Geography A} + \text{LMI Universe Geography B} + \text{LMI Universe Geography C...})$$

If exporting the csv file to Excel, the overall LMI percentage function would be

$$=\text{sum}(\text{lowmod})/\text{sum}(\text{lowmod_univ})$$

Margin of Error

The MOE does NOT provide an expanded range for compliance. For example, a service area of 50 percent LMI with a 2 percent MOE would still be just 50 percent LMI for compliance purposes.

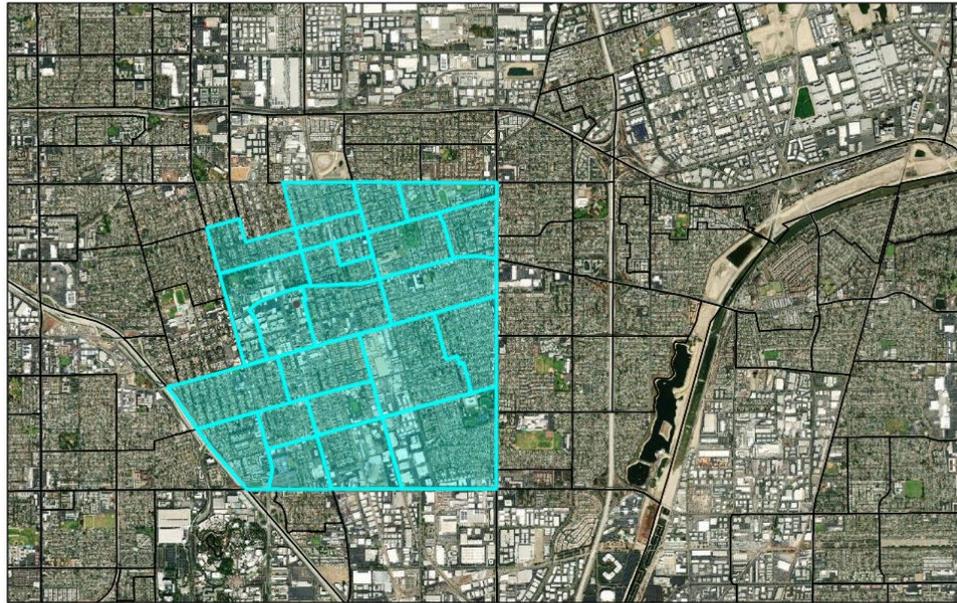
However, the 2 percent MOE would inform the grantee about the accuracy of the ACS data before undergoing the effort and cost of conducting a local income survey. See [CPD Notice 19-02](#) for more details on using the margin of error.

OBJECTID	GEOID	Source	geoname	Stusab	County	State	County	Tract	Blckgrp	Low	Lowmod	Lowmi	Lowmodu	Lowmod_ucl	Lowmod_lcl	MOE_Low	MOE_ucl	Shape_Area	
2	21866	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86301	1	1070	1940	2410	2670	72.66	1940	72.66	+/-23.45	5.75E-05
3	21867	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86301	2	625	1090	1845	2435	44.76	1090	44.76	+/-20.70	4.43E-05
4	21868	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86301	3	885	1525	1740	1960	77.81	1525	77.81	+/-23.42	7.95E-05
5	21871	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86303	3	555	950	1200	1705	55.72	950	55.72	+/-18.53	0.000101
6	21887	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86405	1	710	1295	1445	1630	79.45	1295	79.45	+/-24.54	2.18E-05
7	21888	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86405	2	920	1540	1580	1635	94.19	1540	94.19	+/-32.72	2.8E-05
8	21889	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86405	3	1165	1855	2310	2450	75.71	1855	75.71	+/-20.33	3.98E-05
9	21890	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86405	4	1120	1635	1685	1845	88.62	1635	88.62	+/-28.46	2.93E-05
10	21899	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86501	2	705	930	1200	1690	55.03	930	55.03	+/-21.72	3.08E-05
11	21902	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86502	2	1510	1850	1850	1930	95.85	1850	95.85	+/-23.73	1.74E-05
12	21903	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	86502	3	1340	2315	2445	2670	86.7	2315	86.7	+/-16.10	2.83E-05
13	21966	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87300	1	1040	1460	1460	1460	100	1460	100	+/-39.66	8.92E-06
14	21967	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87300	2	1800	2630	3465	3980	66.08	2615	65.7	+/-23.49	4.52E-05
15	21968	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87300	3	775	850	1085	1220	69.67	850	69.67	+/-26.72	3.35E-05
16	21969	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87300	4	410	930	1340	1530	60.78	930	60.78	+/-22.61	2.31E-05
17	21970	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87300	5	705	1165	1450	1570	74.2	1165	74.2	+/-34.90	4.78E-05
18	21971	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87401	1	340	695	1385	1990	34.92	695	34.92	+/-13.92	4.43E-05
19	21972	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87401	2	370	1200	1930	2230	53.81	1200	53.81	+/-20.31	5.48E-05
20	21975	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87404	1	2040	2540	2905	2930	86.69	2540	86.69	+/-13.04	2.85E-05
21	21976	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87404	2	340	735	945	1080	68.06	735	68.06	+/-26.02	2.18E-05
22	21977	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87405	1	935	1010	1375	1480	68.24	1010	68.24	+/-28.65	4.77E-05
23	21978	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87405	2	1400	1710	1745	1840	92.93	1710	92.93	+/-27.07	2.83E-05
24	21979	6.06E+10	2015ACS	Block Groi	CA	Orange Cc	6	59	87405	3	1910	2520	2740	2755	91.47	2520	91.47	+/-17.50	3.72E-05
25																			
26																			
27																			
28																			
29																			
30																			
31																			
32																			



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Low- and Moderate-Income Data, based on 2011-2015 ACS 5-year Estimates



8/11/2021, 4:13:08 PM

□ LMISD by Block Group

1:48,149

0 0.33 0.65 1.3 mi
0 0.5 1 2 km

Maxar

U.S. Department of Housing and Urban Development, Web AppBuilder for Maxar |

3. If the percentage of persons residing in the service area census tract(s) is 51% or above, then move forward with the LMI Area Benefit National Objective. If the percentage is below 51%, then do not proceed with LMI Area and move to determine if business meets LMI Limited Clientele or LMI Jobs

The census tract is the preferred method for this program. However, a survey can also be used to determine the service area's percentage of LMI persons. The HCD must approve the use of the survey methodology prior to the start of the survey.

Step 3 – Only for entitlement areas where service area census data does not equal 51% LMI and the entitlement area is an “exception grantee”:

Note: If the business' service area is the entire city, then check [HUD's data set](#) to determine if the city is within HUD's upper quartile waiver.

HUD defines “exception grantee” as areas with unusually high incomes. For these grantees, the low/moderate income threshold is less than 51%. The link below will take you to the listing of 2021 exception grantees and their low/mod thresholds. For these communities, the minimum LMI Area benefit threshold will be lower than 51%. It will be the value shown in the “Top Quartile” column.

You can find the list here: <https://www.hudexchange.info/programs/acs-low-mod-summary-data/acs-low-mod-summary-data-exception-grantees/>



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NOTE: This only applies to entitlement areas and you will still need to identify your service area.

Step 4 - Conduct an underwriting analysis of the business

Step 4A. Collect financial data from the business, such as:

- o Federal and state tax returns
- o Audit reports, and/or
- o Profit and loss statements

Step 4B. Conduct an underwriting analysis of the business

- o Project costs are necessary and reasonable
- o All sources of project funding are committed
- o CDBG-CV funds are not substituted for non-Federal financial support
- o Project is financially feasible
- o Return on owner's equity investment will not be unreasonably high
- o CDBG-CV funds are distributed on a pro rata basis with other financing provided to the project

Step 5 – Determine the eligible amount, based on grantee eligible uses of funds

Calculate the potential eligible amount of assistance for the business, based on the eligible expenses allowed under the grantee program policies.

Step 6 - Conduct a duplication of benefits analysis

Conduct a duplication of benefits analysis to determine if the business has received other funding from federal, state, local or private insurance to meet the same need, using the Duplication of Benefits Tracking Form (Appendix C-5).

Reduce eligible award by any duplication of benefits to determine revised potential award amount.

Step 7 – Determine if the project meets the public benefit standard

The business award must provide goods and services to residents of an area such that the number of LMI persons residing in the area served by the assisted businesses amounts to at least one (1) LMI person per \$1,700 of CDBG-CV funds invested.

Divide the business award amount by the total number of LMI persons in the service area.

Confirm the amount is \$1,700 or less.



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If it is not, revise the award amount down to ensure the project meets the public benefit test, or move the business to the LMI Job Retention national objective process.

Step 8 – Organize your documentation to meet LMI Area Benefit:

1. Documentation that the business provides services available to everyone in the service area
 - Description of the business and the services it provides
2. An explanation of the basis for determining the boundaries
3. A map clearly showing the boundaries of the activity area
 - [HUD's ArcGIS map](#)
 - Google map
4. Data to justify 51% LMI service area
 - [HUD's Low- and Moderate-Income Summary Data](#)
 - [Income Survey Data](#) A chart listing of all the census tracts/block groups included in the service area, including both the total universe and low/mod population with a total calculation for the service area low mod percentage. (See above example for reference.)
5. Documentation that the area is predominantly residential
 - Land use map
 - Google map if clearly shows housing as the predominant land use.
 - Other acceptable documentation of land use

Additional Documentation Requirements

- SAM.gov Unique Entity Identifier (UEI)
- Source documentation and analysis of underwriting
- Documentation of award calculation and eligible use of funds
- Documentation and calculation that the project meets the public benefit standard
- DOB calculation and verification
- Documentation for compliance with other applicable federal cross cutting requirements (e.g., environmental review, labor standards when applicable)
- Debarment check (SAM.gov)

Make sure the documentation is easy to follow and clear so that you can address any questions should they come up in the future.



Section III: LMI Jobs - Retention (LMJ)

Applicability: CDBG-CV and FY2019/2020 CDBG Only

Definition of Job Retention:

Permanent jobs (at least 51% LMI) will be lost without CDBG-CV assistance.

Initial step for all businesses: Is the award being provided for activities that prevent, prepare for, and respond to coronavirus?

- If yes, document how the award is provided for activities that prevent, prepare for, and respond to coronavirus, and proceed with Step 1.
- If no, the project is not eligible under CDBG-CV.

Step 1 – Determine if the business' jobs are at risk of being lost

Step 1A: Ask the business if they have laid off staff or issued a layoff notice to affected employees or made a public announcement to that effect.

- If yes, obtain that layoff notice or public announcement as support documentation and proceed with Step 2.
- If no, proceed to Step 1B.

Step 1B: Conduct an analysis of the business' financial records to determine if they experienced a business revenue loss since the coronavirus pandemic. The grantee may define a minimum percentage decline (e.g., 10%) in their program policies.

1. Collect 2019, 2020 and 2021 (latest quarter available) financial statements available, such as:
 - a. Tax returns
 - b. Quarterly IRS 941 Form
 - c. Profit and loss statement from the business
 - d. Other acceptable documentation
2. Review and compare 2019 revenue to the revenue of latest available quarterly financial statement of 2021 to determine if there is a documentable revenue decline (in line with the grantee program policies). The latest financial statement of 2021 should be compared with the same quarter of 2019. If there is no revenue decline shown when comparing 2019 to 2021, then the grantee may choose to review 2020 financial statements to determine if there was a revenue decline from 2019 to 2020.



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- If there is documented revenue decline (per program policy requirement) from 2019 to 2021 or 2019 to 2020, then proceed to Step 2.
- If there is no revenue decline, then DO NOT PROCEED with the award and follow the procedures for award denial **or** proceed to Section IV for review under LMI Job Creation national objective. Flag for follow up with program supervisor.

Step 2 – Obtain a written commitment from the business

Include the Job Retention Business Commitment Certification form (Tool C-1) as part of the application.

Step 3 – Determine the salary/wages of the jobs to be retained. If the salary/wages are at or below the income of a one-person family (per HUD Income Limits for the current year), then the job is considered a low mod job (per CDBG-CV waiver). Collect data, review, and verify the business' current employees

Step 3A: Have the business complete the LMI Job Certification form (Tool C-2), entering data on jobs currently filled.

Step 3B: Collect the following documentation:

- Collect business' payroll registers/journals from the last two pay periods, or
- Most recent federal form 941 (Employer's Quarterly Federal Tax Return) (this supports the LMI Certification form)

Step 3C: Review the LMI Job Certification form (Tool C-2 and compare it with the payroll journals or Federal Form 941 to ensure the information reported on the LMI Job Certification form is consistent with the payroll registers/journals or Federal Form 941

Step 3D. Determine if 51% of jobs to be retained qualify as low mod jobs.

One or both of the following applies to at least 51 percent of the jobs:

- Job is held by a LMI person;
- Job can reasonably be expected to turn over within the following two years and steps will be taken to ensure that the job will be filled by, or made available to, a LMI person.

Step 4 - Conduct an underwriting analysis of the business

Step 4A. Collect financial data from the business

- o Federal and state tax returns



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- o Audit reports, if available
- o Profit and loss statements

Step 4B. Conduct an underwriting analysis of the business

Follow and document grantee processes for verifying:

- o Project costs are necessary and reasonable
- o All sources of project funding are committed
- o CDBG-CV funds are not substituted for non-Federal financial support
- o Project is financially feasible
- o Return on owner's equity investment will not be unreasonably high
- o CDBG-CV funds are distributed on a pro rata basis with other financing provided to the project

Step 5 – Determine the eligible amount, based on grantee eligible uses of funds

Calculate the potential eligible amount of assistance for the business, based on the eligible expenses allowed under the grantee program policies.

Step 6 - Conduct a duplication of benefits analysis

Conduct a duplication of benefits analysis to determine if the business has received other funding from federal, state, local or private insurance to meet the same need, using the Duplication of Benefits Tracking Form (Appendix C-5).

Reduce eligible award by any duplication of benefits to determine revised potential award amount.

Step 7 – Determine if jobs retained meet LMJ and public benefit requirements

The retention LMJ benefit national objective addresses activities designed to retain permanent jobs, which at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons. The calculation of FTE is based on the number of hours worked per week divided by 30-33 (based on grantee policies). Part-time jobs/positions are added together to calculate the total number of FTE jobs.

Step 7A: Are at least 51% of the jobs retained LMI?

Review LMI Job Certification Form and verify the number of FTE jobs retained and LMI/Non-LMI Status. The form calculates the number of FTE jobs based on the number of hours worked by the job/position and classifies the FTE jobs as LMI or Non-LMI.

Calculation:



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LMI FTE Jobs+ Non-LMI FTE Jobs = Total FTE Jobs Retained

LMI FTE Jobs/Total FTE Jobs=% of LMI Jobs Retained

Example using screenshot below:

$$4 + 3 = 7$$

$$4 \div 7 = 0.42$$

42% of the FTE jobs retained are LMI. In this case, the business does not meet LMI Jobs Retained National Objective.

- If 51% of the jobs are LMI, move to Step 7B.
- If the jobs retained are less than 51% LMI, then **DO NOT PROCEED** with the award and follow the procedures for award denial or contact HCD for request for approval to utilize the Urgent Need national objective

County (Income Area):	Placer <small>(County of Business' Physical Address)</small>	One Person Income:	50,750 <small>(HUD Limit 2021)</small>				
Instructions:							
<ul style="list-style-type: none"> - Combine multiple jobs on one row ONLY if Position Title and Wages/Compensation are the same. - For Wages/Compensation, enter either and Hourly Rate OR Annual Salary - Do Not enter both. - If a salaried employee works less than 33hrs/wk, use calculated Hourly Rate to indicate Wages/Compensation instead of Annual Salary. - County (above) must be selected in order for One Person Income and FTE's to calculate properly. 							
Employment Positions:							
Job/Position Title	Check ONE: <input type="checkbox"/> Expected <input checked="" type="checkbox"/> Actual	# of Jobs Created/Retained	Hours per Week	Wages/Compensation <small>(enter as Hourly Rate OR Annual Salary)</small>		FTEs	
				Hourly Rate	Annual Salary	LMI	Non-LMI
Receptionist		1	55	\$ 20.00		-	1.7
Cashier		3	33	\$ 25.00		3.0	-
Manager		1	50	\$ 50.00		-	1.5
Supervisor		1	20	\$ 30.00		0.8	-
Total Employment		6	158			4	3

Step 7B: Determine if at least one full-time equivalent permanent job is being retained per \$85,000 of CDBG-CV funds awarded.



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1. Take the award amount and divide it by the number of full-time equivalent jobs retained on the LMI Job Certification Form.

For example,

Award = 120,000 Number of FTE Jobs Retained = 3

$120,000/3 = \$40,000$

The business meets the requirement by retaining 3 jobs per \$40,000 awarded, which is lower than the \$85,000 per job threshold.

OR

Ask yourself: Is the business retaining at least.....

- 1 job, if awarded less than \$85,000
 - 2 jobs, if awarded less than \$170,000
 - 3 jobs, if awarded less than \$255,000
 - 4 jobs, if awarded less than \$340,000
 - 5 jobs, if awarded less than \$425,000
- And so on.
- If yes, classify the award as LMJ Job Retention and move to Step 8.
 - If no, reduce award amount to a maximum of \$85,000 per total number of jobs retained, and proceed to Step 8.

Step 8 – Organize your documentation to meet LMI Jobs - Retention

1. Documentation per Steps 1-6 above.
2. Notice or announcement of an employment loss or layoff OR financial records and written analysis of anticipated job loss
3. 2019, 2020 and 2021 (latest quarter available) financial statements
4. Job Retention Business Commitment Certification Form
5. LMI Job Certification Form
6. Payroll registers/journals, payroll forms or federal form 941
7. Job Retention compliance documentation (application review and post-award forgiveness terms)

Additional Documentation Requirements

- SAM.gov Unique Entity Identifier (UEI)
- Source documentation and analysis of underwriting
- Documentation of award calculation and eligible use of funds
- Documentation and calculation that the project meets the public benefit standard



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- DOB calculation and verification
- Documentation for compliance with other applicable federal cross cutting requirements (e.g., environmental review, labor standards when applicable)
- Debarment check (SAM.gov)

Step 9 – Document Compliance Requirement

Determine the period for which compliance with the job retention commitment will be tracked per program policy (minimum 3 months required per HCD).

Collect payroll registers / journals, payroll forms or federal form 941 for the quarters during which retention will be tracked.

Section IV: LMI Jobs - Creation (LMJ)

Definition of Job Creation:

Creating permanent jobs utilizing CDBG-CV assistance.

Initial step for all businesses: Is the award being provided for activities that prevent, prepare for, and respond to coronavirus?

- If yes, document how the award is provided for activities that prevent, prepare for, and respond to coronavirus, and proceed with Step 1.
- If no, the project is not eligible under CDBG-CV.

Step 1 – Determine that the business intends to hire new employees.

Step 1A: Determine the number of jobs the business intends to create using the Job Creation Commitment Certification Form.

Step 2– Determine the salary/wages of the jobs to be created.

If the salary/wages are at or below the income of a one-person household at 80% AMI for that jurisdiction, then the job is considered a low mod job (per waiver).

Step 2A. Collect position descriptions for the positions to be hired, including any specific requirements for each position.

Step 2B. Document the methods to be used to make the position available to low- and moderate-income individuals, such as

- Use of local Workforce Board Job Bank



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- Posting in public housing complexes
- Publication in local papers
- Posting with local unemployment office
- Other (with documentation)

Step 3 – Obtain a written commitment from the business

Have the business complete the Job Retention Business Commitment Certification form.

Step 4 - Conduct an underwriting analysis of the business

Step 4A. Collect financial data from the business, such as:

- Federal and state tax returns
- Audit reports, if available, and/or
- Profit and loss statements

Step 4B. Conduct an underwriting analysis of the business

- Project costs are necessary and reasonable
- All sources of project funding are committed
- CDBG-CV funds are not substituted for non-Federal financial support
- Project is financially feasible
- Return on owner's equity investment will not be unreasonably high
- CDBG-CV funds are distributed on a pro rata basis with other financing provided to the project

Step 5 – Determine the eligible amount, based on grantee eligible uses of funds

Calculate the potential eligible amount of assistance for the business, based on the eligible expenses allowed under the grantee program policies.

Step 6 - Conduct a duplication of benefits analysis

Conduct a duplication of benefits analysis to determine if the business has received other funding from federal, state, local or private insurance to meet the same need, using the Duplication of Benefits Tracking Form (Appendix C-5).

Reduce eligible award by any duplication of benefits to determine revised potential award amount.

Step 7 – Document the number of jobs created over the pre-determined time period



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Track hiring over a pre-determined period of time (suggest two quarters following last new hire).

- Require business to submit quarterly federal Form 941 or some other form of payroll documentation.

Step 8 - Determine if jobs created meet LMJ requirements

The job creation LMJ benefit national objective addresses activities designed to create permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons. The calculation of FTE is based on the number of hours worked per week divided by 30-33, based on grantee policies. Part-time jobs/positions are added together to calculate the total number of FTE jobs.

Step 8A: Are at least 51% of the jobs created held by LMJ persons?

Review LMI Job Certification Form and verify the number of FTE jobs created and LMI/Non-LMI Status. The form calculates the number of FTE jobs based on the number of hours worked by the job/position and classifies the FTE jobs as LMI or Non-LMI.

Calculation:

LMI FTE Jobs+ Non-LMI FTE Jobs = Total FTE Jobs Created

LMI FTE Jobs/Total FTE Jobs=% of LMI Jobs Created

Example using screenshot below:

$$4 + 3 = 7$$

$$4 \div 7 = 0.42$$

42% of the FTE jobs created are LMI. In this case, the business does not meet LMI Jobs Created National Objective.

- If 51% of the jobs are LMI, move to Step 8
- If the jobs to be created are projected to be less than 51% LMI, then DO NOT PROCEED with the award and follow the procedures for award denial, or contact HCD for request for approval to utilize the Urgent Need national objective .



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- 4 jobs, if awarded less than \$340,000
 - 5 jobs, if awarded less than \$425,000
- And so on.
- If yes, classify the award as LMJ Job Creation and move to Step 10.
 - If no, reduce the award to a maximum of \$85,000 per job to be created (to meet the public benefit standard) and proceed to Step 10.

Step 10 – Document File

1. Documentation per Steps 1-6 above.
2. Summary of determination that the business qualifies under LMI Job Creation
3. Job Creation Business Commitment Certification Form
4. LMI Job Certification Form
5. Payroll registers/journals, payroll forms or federal Form 941
6. Job Retention compliance documentation (application review and post-award forgiveness terms)

Additional Documentation Requirements

- SAM.gov Unique Entity Identifier (UEI)
- Source documentation and analysis of underwriting
- Documentation of award calculation and eligible use of funds
- Documentation and calculation that the project meets the public benefit standard
- DOB calculation and verification
- Documentation for compliance with other applicable federal cross cutting requirements (e.g., environmental review, labor standards when applicable)
- Debarment check (SAM.gov)
- Job Creation compliance documentation (application review and post-award forgiveness terms)

Step 11 – Document Compliance Requirement

Determine the period for which compliance with the job creation commitment will be tracked per program policy.

- Collect Payroll registers/journals, payroll forms or federal Form 941 for the quarters during which creation will be tracked.

Section V: Urgent Need (UN) for CDBG-CV

Step 1 - Work with your HCD Representative to obtain approval to use Urgent



Need

Grantees must receive prior approval from HCD before they can assign any public facility projects to urgent need. Grantees should reach out to their Grant Administrators and/or HCD Representatives to initiate a discussion around whether their public facility project will meet the national objective of Urgent Need. A contract amendment may be required to change an activity to this national objective. Grantees may request the use of urgent need under the following general circumstances:

1. The grantee has identified an urgent public facility need **prior to award approval** and would like to fund the project because it will demonstrably prevent, prepare for, and respond to coronavirus.

Step 2 - Conduct a duplication of benefits analysis

Conduct a duplication of benefits analysis to determine if the public facility as received other funding from federal, state, local or private insurance to meet the same need, using the [Duplication of Benefits Tracking Form](#) and the Grantee's DOB Policy (sample policy is [here](#) as a word document under the files tab).

Reduce eligible award by any duplication of benefits to determine revised potential award amount.

Required Documentation for Urgent Need

- Subrecipient/Award Recipient's certification** (e.g. Board Resolution) that:
 - 1) The activity is designed to alleviate existing conditions created by COVID-19;
 - 2) The existing conditions pose a serious and immediate threat to the health or welfare of the community and are of recent origin or recently became urgent; and
 - 3) The subrecipient/award recipient is unable to finance the activity on its own, and that other sources of funds are not available
- To meet #2, a subrecipient/award recipient may certify that the activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community within 18 months following a date determined by one of the following three methods:
 - Referral to a U.S. Department of Health and Human Services issued press release declaring a public health emergency for the entire United States found at <https://www.hhs.gov/about/news/2020/01/31/secretary-azardeclares-public-health-emergency-us2019-novel-coronavirus.html>. The declaration was retroactive to January 27, 2020;
 - Referral to the President's declaration of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic as an emergency of sufficient severity and magnitude to warrant an emergency declaration for all states, tribes, territories, and the District of Columbia pursuant to section 501(b) of the



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Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121–5207 (the “Stafford Act”). (The President subsequently approved additional major disaster declarations for states); or

- Referral to the effective date of a grantee’s own local or state emergency declaration.
- Records** showing grant funds were used to prevent, prepare for, and respond to coronavirus
 - Duplication of Benefits support documentation**
 - Determine the eligible amount, based on grantee eligible uses of funds
 - Calculate the potential eligible amount of assistance for the business, based on the eligible expenses allowed under the grantee program policies.
 - Conduct a duplication of benefits analysis
 - Conduct a duplication of benefits analysis to determine if the business has received other funding from federal, state, local or private insurance to meet the same need, using the Duplication of Benefits Tracking Form (Appendix C-5). Reduce eligible award by any duplication of benefits to determine revised potential award amount.