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## Economic Development Webinars 09/10/2020 and 09/22/2020

### Questions and Answers

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Q: On the 70/30 test, how does Public Admin fall into play for the national objectives? For example, if 20% is spent on admin, then is there only 10% left for non-LMI?

- A. The public benefit test is on activity funds only. Administrative funds are not included in the calculation. For example, if you have a \$120,000 grant and you budget \$20,000 for administrative purposes, the principal benefit is determined on the remaining \$100,000. 70% of the \$100,000 must be used on activities that benefit low- and moderate-income persons or \$70,000.

Q: As a follow-up, assuming the 70/30 rule is being followed for all other activities at 100%...does it mean that if 100 businesses were funded, 30 businesses would NOT have to be LMI?

- A. Each activity must meet a National Objective. The principal benefit test is based on the amount expended per activity (LMI, Slum/Blight, Urgent Need) not on how many businesses are assisted. For example, a Small Business Assistance Program makes 10 grants of \$10,000 each. At least 7 of the businesses must meet the national objective of LMJ (70% of the funds awarded/expended).

Q: Is the definition of small business = Less than \$1 million annual revenue. Is that a DCED definition? I've only seen the 100 or fewer employees.

- A. Yes, to maintain consistency among DCED programs, the definition of an eligible small business is ≤ \$1, million annual revenue and ≤ 100 employees.

Q: Would urgent need that include food programs created by nonprofit, churches or school? or Does that fall within another area?

- A. Food programs and similar activities are considered Public Service activities and would not be funded under a business assistance program. Questions on Public Services should be directed to DCED's grant managers.

Q: Is public benefit standard data captured in IDIS? What are best practices to monitor?

- A. The IDIS State manual is the best resource. IDIS Reports that can help with public benefit calculations are:

PR 17 – CDBG Activities Subject to Jobs/Services Public Benefit Calculation

PR 26 – CDBG Financial Summary Report

For guidance with IDIS, please refer to the STATE IDIS reference manual at:

<https://www.hudexchange.info/resource//2532/idis-online-for-state-cdbg-grantees/>

HUD Direct entitlements who receive their own allocation from HUD directly should refer to the HUD DIRECT ENTITLEMENT manual at:

<https://www.hudexchange.info/resource//2685/idis-online-for-cdbg-entitlement-communities-training-manual/>

Q: Also, how does the standard apply if \$10,000 grants are being offered?

A. The Public Benefit standard applies to all business assistance. If the amount of grant or loan will not exceed \$35,000 (or \$85,000 with CDBG-CV) the public benefit test has been met.

Q: Is there a retention requirement for the jobs being created?

A. For the CDBG-CV small business assistance program, DCED has not placed a timeframe on retention for jobs created. However, it is the grantees responsibility to underwrite each business assistance and make wise choices to fund businesses that will likely succeed.

Q: Is there guidance regarding specific underwriting requirements?

A. CDBG required underwriting requirements can be found at 24 CFR Part 570 Appendix A. DCED also recommends grantees review the Economic Development Toolkit that HUD has available on the HUD Exchange that provides additional guidance on underwriting. The Toolkit can be accessed at: <https://www.hudexchange.info/resource/2376/cdbg-economic-development-toolkit/>

Q: Grants vs. loans...does the option to offer either differ between microenterprise and small business?

A. The grantee will design its program and can offer loans, grants or a combination of both. However, the grantees must administer its program consistently with each business assisted.

Q: If we use the CV alternative income certification for LMJ, sometimes the salary would not qualify as LMI for a one-person household but would for a multi-person household. In that case, should we consider doing family income documentation?

A. The CDBG-CV waiver gives you the flexibility to just use the salary and the one-person household income limit to qualify thereby limiting the administrative burden of collecting the information. However, you are certainly still allowed to use the self-certification form and family income to qualify the person as LMI. However, grantees must use one method of income qualification per business assisted.

Under the CDBG-CV small business assistance program, DCED recommends that one method of income qualification be used for all businesses assisted.

Q: Regarding the self-certification for CDBG-CV, should we use the income limits for a one-person household and compare it to the salary for the position in question?

A. See answer to question above.

Q: Considering you've put all the efforts into developing your program for a grant and/or loan program. Do you have any suggestions or strategies in advertising it?

A. Session #2 covered various ways for communities to market or outreach to local businesses.

Q: If you have implemented a loan-based program, can you amend that program and change it to a forgivable loan or grant program?

A. Yes, grantees will follow the revision process and submit to DCED for approval.

Q: For CDBG-CV specifically; should individual underwriting still be done? Grant amounts are miniscule and specifically in response to covid.

A. Yes. Underwriting is required for all small business assistance with the exception of microenterprises. However, microenterprise assistance still requires the local government assess the need and likelihood of a microenterprise being successful.

Q: It was said that CDBG funds cannot replace private funding. If we are proposing a grant program, are you saying that they cannot receive the grant if they can get a loan of the same amount elsewhere or a grant of the same amount elsewhere?

A. The grantee should review the economic development project to ensure that, to the extent practicable, CDBG funds will not be used to substantially reduce the amount of non-Federal financial support for the activity. This will help the recipient to make the most efficient use of its CDBG funds for economic development. This does NOT mean that the assisted business must be unable to receive commercial funding.

Q: So, in other words, the grant application we assemble is going to need to require a bank denial letter?

A. No. See answer above.

Q: I thought the first webinar stated that up to four part-time positions can be combined to create one FTE. This webinar clarified that the number is two in the state of PA. Can we get one more clarification on this number?

A. Correct: Up to four (4) jobs can be counted as an FTE in the DCED program.

Q: Can you explain the documentation needed for each business assisted regarding environmental review in more detail?

- A. The grantee must prepare an ERR for each grant/loan that includes all activities related functionally or geographically, regardless of the source of funding. More information on Environmental Review can be found in the DCED Environmental Review Manual at: <https://dced.pa.gov/download/er-policy-and-procedures-manual-2019/?wpdmdl=93178&refresh=5f6b8d45e9d981600884037>.

Q: If a business is granted funds and it is later determined an ineligible activity how is it repaid? Can we revert them to a loan to collect repayment? Is the Grantee responsible for immediate repayment?

- A. Grantees should be reviewing expenses for eligibility before drawing funds. The grantee will be responsible for repayment to DCED of all ineligible expenses. All grant/loan contracts must include language outlining the repayment of funds on all activities that are deemed ineligible or that do not meet a national objective.