

**New York State**  
COMMUNITY DEVELOPMENT BLOCK  
GRANT PROGRAM

Economic Development &  
Small Business Assistance

**PROGRAM GUIDELINES**



**Homes and  
Community Renewal**

OFFICE OF COMMUNITY RENEWAL

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## **I. INTRODUCTION & BACKGROUND**

NYS Community Development Block Grant Program (NYS CDBG) is a federally-funded program that provides financial resources to assist in the development of viable communities by providing decent housing and a suitable living environment by expanding economic opportunities, principally for persons of low and moderate income. The Office of Community Renewal administers NYS CDBG funds for non-entitlement communities which are generally cities, towns and villages with populations under 50,000 and counties with populations under 200,000. There are approximately 1,300 eligible communities (units of local government) statewide.

New York State must ensure that not less than 70% of its CDBG funds are used for activities that benefit low-and moderate-income (LMI) persons (at or below 80% of median). This is achieved by granting maximum feasible priority to activities that meet one of the following federal National Objectives: benefit low- and moderate-income persons or families; or aid in the prevention or elimination of slums or blight; or meet an urgent community development need.

The NYS CDBG Economic Development programs achieve the National Objective by providing job and economic opportunities for persons from LMI families. NYS CDBG Economic Development programs provide funds to eligible local governments to assist qualifying businesses who undertake activities resulting in the creation or retention of job opportunities for persons from LMI families. Beginning May 1, 2015, the CDBG Economic Development and Small Business Assistance Applications will be available through an Open Round process in the Consolidated Funding Application (CFA) portal found here: <https://apps.cio.ny.gov/apps/cfa/>. Funding decisions are based, in part on the following: severity of need; public benefit; project or program feasibility; sustainability of activity outcomes; reasonableness of costs; consistency with the REDC's Strategic Plan; extent to which the activity complements other local, state, or federal programs; and public support for these locally-driven projects or programs.

## **II. ELIGIBLE APPLICANTS**

Eligible applicants are non-entitlement units of general local government (village, city, town or county), excluding metropolitan cities, urban counties and Indian Tribes that are designated entitlement communities. Non-entitlement areas are defined as cities, towns and villages with populations of less than 50,000, except those designated principal cities of Metropolitan Statistical Areas, and counties with populations of less than 200,000. The NYS CDBG program does not provide direct financial assistance to businesses.

Eligible applicants must apply on behalf of the business seeking NYS CDBG funds. The Office of Community Renewal (OCR) makes awards directly to the applicant community and does not provide direct financial assistance to businesses.

## **III. PROGRAM OBJECTIVE & FUNDING CATEGORIES**

Under the NYS CDBG Economic Development program there are two categories of funding activities:

1. Economic Development
2. Small Business

Economic Development and Small Business activities provide funds to local governments to support economic development projects that involve the creation or retention of permanent jobs, at least 51% of which must benefit LMI persons. In calculating employment opportunities to be used for determining the percentage of jobs that benefit LMI persons, the following applies:

- Part-time jobs must be converted to full-time equivalents (FTE). An FTE job is any combination of two or more part-time jobs that, when combined together, constitute the equivalent of a job of at least 40 hours per week.;
- Only permanent jobs count; temporary jobs may not be included;
- Seasonal jobs are considered to be permanent if the season is long enough for the job to be considered as the employee's principal occupation; and
- Jobs indirectly created or retained by an assisted activity are not eligible to be counted.

#### IV. ELIGIBLE ACTIVITIES

- 1) **Economic Development:** Funding is typically provided to eligible communities for traditional economic development activities such as business attraction, expansion, and retention projects to provide financial assistance to businesses for an identified CDBG eligible activity which will result in the creation or retention of permanent, private sector job opportunities principally for persons from low-and moderate-income families.
  
- 2) **Small Business Assistance:** Provides resources to eligible communities to foster small business development as a vehicle for sustainable economic development and growth while providing job opportunities for persons from LMI families. For the purpose of this program, a small business is defined as a commercial enterprise that is independently owned, operated, and controlled, and has twenty-five (25) or fewer full-time equivalent employees at the time of application.

Eligible activities include providing assistance to businesses that are involved in sectors of manufacturing, warehousing and distribution, agri-business, high technology, research and development and traditional and innovative small business endeavors. Market driven businesses (i.e. restaurant, retail) will be considered when that business is an integral part of a community's revitalization efforts.

#### V. ELIGIBLE USES OF FUNDS

Eligible uses of NYS CDBG Economic Development funds include: acquisition of real property; financing of machinery, furniture, fixtures and equipment; building construction and renovation; working capital; inventory; and employee training expenses. Use of CDBG funds toward construction and renovation costs are subject to Davis Bacon Wage Rate requirements. This includes the cost of equipment that requires installation as well as the purchase of materials used for construction activities. Funds awarded under the NYS CDBG Small Business program may not be used for new construction activity.

The proposed project or program will be reviewed and evaluated for, but not limited to:

- Eligibility of activities, National Objective and overall program compliance,
- Project feasibility and to ensure business owner and community have the capacity to perform,
- Reasonableness of project costs,
- Commitment of all other funding sources, and
- Assurance that CDBG funds are not being substituted for non-federal funds and that CDBG funds do not over-subsidized private investment or provide undue enrichment.
- Consistency with the NYS HCR Investment Strategy and compliance with the Smart Growth Public Infrastructure Act.
- Project selection shall take into consideration the recommendation of the relevant regional economic development council or the Commissioner's determination that the proposed project aligns with the regional strategic priorities of the respective region.

OCR will use the guidelines that meet the requirements set forth in 24 CFR 570.482(e) and Appendix A to Part 570. The purpose is to select economic development projects which are financially viable and make the most effective use of NYS CDBG funds.

#### VI. GUIDELINES, REQUIREMENTS AND LIMITATIONS

##### 1) Economic Development program

- a. Maximum award amount of \$750,000 (minimum \$100,000).
- b. NYS CDBG can fund up to 40% of a total project cost, not to exceed maximum award amount.
- c. Projects must result in the creation or retention of at least one permanent, FTE job for every \$15,000 of NYS CDBG funds awarded.
- d. NYS CDBG funds should be used as gap funding to induce project completion.

## 2) Small Business Assistance program

- a. Award amounts of \$25,000 to \$100,000 for assistance to individual business.
- b. Projects must result in the creation or retention of at least one FTE job per \$25,000 of CDBG funds provided.
- c. NYS CDBG can fund up to 40% of a total project cost.
- d. Minimum of 20% owner equity contribution to the project is required\*.
- e. \*To induce sustainable, green projects the equity contribution may be lowered to a minimum of 10% if the activity is certified by the community and OCR as a NYS CDBG Green project.

The maximum awards are not intended to serve as a target figure for requests for assistance. The amount of CDBG assistance should be based on need and CDBG funds should not be used to reduce the amount of non-federal financial support for the project. The equity requirement must be provided as cash and must not be associated with debt of any kind.

A minimum of fifty-one percent (51%) of the jobs that are created or retained as a result of an economic development award must be either held by and/or made available to persons from low- and moderate-income (LMI) households.

“taken (held) by” - A job is considered to be taken by a LMI person if, at the time their employment starts, that person is a member of a family whose income falls at or below the applicable Section 8 Income Limits. (Reference <https://www.huduser.gov/portal/datasets/il.html>

- for the most current income limits.) In the instance of retention, a job must be either held by LMI persons at the time CDBG assistance is provided and/or expected to turn over to LMI persons within two years.
- “available to” - A job is considered to be made available to a LMI person if the position does not require special skills acquired from substantial training or work experience, and education beyond high school is not a prerequisite to employment. Also, the assisted business must take actions to ensure that LMI persons receive first consideration for filling such jobs.

### Special Rules for Retained Jobs:

In order to consider jobs retained as a result of CDBG assistance, there must be clear and objective evidence that permanent jobs will be lost without CDBG assistance. For these purposes, “clear and objective” evidence that jobs will be lost would include:

- evidence that the business has issued a notice to affected employees or made a public announcement to that effect, or
- analysis of relevant financial records which clearly and convincingly shows that the business is likely to have to cut back employment in the near future without the planned intervention.

To meet the LMI jobs standard, 51% or more of the retained jobs must be either:

- known to be held by LMI persons at the time CDBG assistance is provided and/or
- jobs not known to be held by LMI persons, but which can be reasonably expected to “turn over” to LMI persons within two years. (This would involve the grant recipient and the business being assisted taking actions to ensure that such a job, upon turnover, will be either taken by or made available to a LMI person in a manner similar to that pertaining to a newly created job, as discussed above.)

Applicants should only apply for the amount of funding that can be fully expended and the type of activities that can be completed within the specified project completion period of twenty-four (24) months. Applicants should not proceed with a project that cannot be completed within the specified timeframe or with the assumption that an extension of the project deadline will be considered.

## VII. APPLICATION PROCESS

The Open Round application involves a two-step process. First, an applicant must complete a preliminary application called the Pre-Submission Form. The applicant will choose within the application whether to apply for the Economic Development or Small business program. The Pre-Submission Form will be reviewed by the Office of Community Renewal. Once the applicant clicks 'Submit' within the Pre-Submission part of the application, the applicant will receive one of three notifications via email:

- **Accept-** The Pre-Submission has been approved and the applicant can proceed to the full application within the CFA Portal. An Invitation to Apply will be sent to the applicant via the CFA system. An applicant must complete the full application in the CFA portal within 60 days of the invitation to apply.
- **Reject-** The Pre-Submission form has not been approved. The applicant will not be able to proceed to the full application within the CFA Portal. An Invitation to Apply will not be sent.
- **Needs More Information-** OCR has determined that additional information is required before the application can be approved and an Invitation to Apply sent.

For all of the above, OCR staff will be in contact with the applicant to discuss the next steps.

The Open Round process for CDBG Economic Development and Small Business Assistance does not share the CFA deadline. Open Round applications may be submitted throughout the year. A CFA request for CDBG Economic Development or Small Business Assistance cannot include requests for other funding sources within the same application.

The following steps summarize the Open Round and Pre-Submission process for NYS CDBG Economic Development projects:

1. **Citizen Participation:** Applicants must hold at least one (1) public hearing prior to the submission of the CDBG application for the purpose of obtaining citizens' views and responding to proposals and questions. The application must be made available to the public for inspection at the municipal office(s). Applicants must meet the citizen participation requirements at 24 CFR 570.486 and NYS Homes and Community Renewal's Citizen Participation Plan as amended, which require Applicants to follow a citizen participation plan. Prior to submitting a CDBG application, Applicants must issue a public hearing notice and hold one public hearing (one in each jurisdiction of a joint application) allowing for citizen feedback on the community and economic development needs of the applicant community and any proposed project(s). When issuing the notice and holding the public hearing, please note the following:
  - All hearings must also be conducted in accordance with the New York State Open Meetings Law
  - The municipality must provide a minimum seven (7) day period between the publication of the hearing notice and the hearing itself. Note that the date of publication is day "zero"
  - The hearing notice must be conspicuously posted in one or more public locations at least seventy-two (72) hours prior to the actual hearing. This may also be accomplished by posting to the municipal website
  - The hearing must be conducted by a quorum of the legislative body of the municipality only, not by a sub recipient, department or arm of the applicant
  - The notice for the hearing must specifically mention the municipality's intent to apply for NYS CDBG funds and the current program year, and indicate the name of the business to be assisted, if known
  - The notice must identify all activities that the Applicant may be applying for during current program year, which may include Housing, Public Infrastructure/Facilities, Economic Development, Microenterprise or Community Planning
  - Public hearings must be held in a location accessible to persons with disabilities and/or provide reasonable accommodations to allow all interested parties to participate
  - The municipal resolution authorizing the public hearing, the hearing notice, affidavit of publication, list of attendees, hearing minutes, and evidence of conspicuous public posting must be included as an attachment to the application

A copy of the application must be available for public inspection at the municipal office(s) **Public hearings must**

be held in the same calendar year in which the application is submitted. Exceptions may be made for projects under board consideration in January. In those cases, OCR will accept hearings held in December of the previous year.

After award a recipient of CDBG funds must hold a second public hearing to report project accomplishments, following the same guidelines provided above. For more information on citizen participation requirements, refer to Chapter 8 of the CDBG Grant Administration Manual at <https://hcr.ny.gov/community-development-block-grant-economic-development-program>

2. **Submission of Applications:** Applications are project-based. Applicants will answer threshold questions to determine whether their project may be eligible for funding and from what funding source(s). Because some funding sources are only available to certain categories of project sponsors—such as municipalities, nonprofits, or businesses—two sponsors undertaking similar projects may qualify for different funding sources.
3. **The Office of Community Renewal Review:** Applications will undergo due diligence and technical review by the Office of Community Renewal (OCR). OCR will undertake a comprehensive review of the application to determine compliance with federal, state, and program regulations, policies, and statutes.

### OCR Scoring Criteria

Applications are reviewed based on the following factors:

- Meeting HUD underwriting requirements
- Efforts to Affirmatively Further Fair Housing
- Severity of need
- Extent to which activity resolves identified need
- Capacity to complete activities in a timely & effective manner
- Public benefit and support for the proposed activity
- Project feasibility & schedule
- Leveraging and availability of other resources
- Reasonableness of project costs, including program delivery & administration
- CDBG and administrative performance history, if any
- Extent to which activity complements other federal, state, & local programs

HCR staff shall generally apply the criteria noted above when awarding funding for applications received through the Consolidated Funding Application Portal. In addition to the criteria noted above, HCR shall have the discretion to consider additional factors in determining the relative merits of projects.

4. **Post Award:** If funding is approved by the HTFC, the Recipient must undertake the following prior to the disbursement of funds.
  - Participate in a Program Implementation Conference Call arranged by OCR Economic Development staff. All parties involved in the implementation of the project or program must participate.
  - Execute the grant agreement and set up a non-interest bearing bank account specifically for the deposit and disbursement of NYS CDBG funds.
  - Conduct an environmental review of the project and complete the environmental review record. Refer to Chapter 2 of the CDBG Grant Administration Manual at <https://hcr.ny.gov/community-development-block-grant-economic-development-program> for additional information on the environmental requirements.
  - Submit an Administration Plan prior to the first request for funds

\* Additional economic development funds may be available for projects that may meet the New York State priorities for economic development and are consistent with federal, state, and program regulations, policies, and statutes.

We strongly recommend that you refer to the NYS CDBG Grant Administration Manual: <https://hcr.ny.gov/community-development-block-grant-economic-development-program> for additional program guideline details and statutory requirements. We also encourage you to contact us directly for information related any of the NYS CDBG Economic Development activities at (518) 474-2057 or visit our website at [www.hcr.ny.gov](http://www.hcr.ny.gov).