



# ECONOMIC DEVELOPMENT

## FUNDING

**\$750,000**

## MATCH

**50%**

of the total  
project cost

## APPLICATION DEADLINE

**Accepted  
Year-Round**

## QUALIFY

- ✓ Must notify Commerce 10 days prior to submitting an application
- ✓ Create/Retain low- and moderate-income jobs

## TABLE OF CONTENTS

### Part 1: Program Requirements

1.0 Kansas Community Development Block Grant Program .....	3
2.0 Eligible Applicants .....	3
3.0 National Objective/Beneficiaries .....	3
4.0 Eligible Activities .....	4
5.0 Maximum Funding .....	4
6.0 Leverage / Matching Funds .....	4
7.0 Business Finance Non-Retail/Local Service.....	5
7.1 Business Finance Retail/Local Service.....	5
8.0 Infrastructure Improvements Non-Retail/Local Service .....	6
8.1 Infrastructure Improvements Retail/Local Service.....	6
9.0 Project Start Date.....	7
10.0 Davis-Bacon Wage Rates .....	7
11.0 Environmental Review Process.....	7
12.0 Real Property Acquisition .....	7
13.0 Eminent Domain.....	8
14.0 Application Process.....	8
15.0 Evaluation of Economic Development Projects.....	8
16.0 Administrative Capacity.....	8
16.1 Grant Administrators .....	9
16.2 Administrative Costs.....	9
17.0 Job Piracy – State .....	9
17.1 Job Piracy – Federal.....	10
18.0 Citizen Participation/Public Hearings.....	10
19.0 Program Income.....	11
20.0 Local Revolving Loan Fund .....	11
21.0 Failure, Default, Restructuring .....	11
22.0 Gap Financing .....	12
23.0 Local Government Responsibilities.....	12

## Part 2: Application Instructions

24.0 Application Submittal .....	12
24.1 Technical Assistance .....	12
24.2 Notice of Intent to File Application .....	12
24.3 Confidentiality.....	13
24.0 Threshold Requirements.....	13
26.0 Application Review.....	13
26.1 Evaluation of Regular Economic Development Applications .....	13
26.2 Project/Financial Feasibility (90 Points Maximum) .....	14
26.3 Per Capita Job Creation/Retention (5 Points Maximum).....	14
26.4 Project Leverage (5 Points Maximum) .....	15
27.0 Application Appeal .....	15
28.0 Summary of Application Contents .....	16
29.0 Instructions for Standard Application Forms .....	17
30.0 Guidance for Non-Standard Application Material .....	21
30.1 Business Submittal Documents (when applicable) .....	21
30.2 All Business Financials and Personal Financials .....	22
 Addendum 1 - Guide to Firm Financial Commitment Letters .....	 23
Addendum 2 - Outline of Business Letter of Commitment.....	24
 Appendix A - HUD Section 8 Assisted Housing Income Data .....	 25
Appendix B - HUD Disclosure Requirements .....	25
Appendix C - Local Citizen Participation/Public Hearing Notice.....	30
Appendix D - Applicable Laws and Regulations .....	31
Appendix E - Business Plan Guidelines .....	31

# ECONOMIC DEVELOPMENT

## Part 1: Program Requirements

### 1.0 Kansas Community Development Block Grant Program

The Community Development Block Grant (CDBG) program is funded by an annual Congressional appropriation through the U. S. Department of Housing and Urban Development (HUD). As outlined in the federal statute, the purpose of the program is to develop viable communities by providing decent housing, suitable living environments and expanding economic opportunities, principally for persons of low and moderate incomes.

### 2.0 Eligible Applicants/Grantee

All incorporated cities or counties in Kansas that do not receive an annual CDBG entitlement allocation from HUD are eligible to apply to the Kansas CDBG program. Successful applicants are called Grantees. (The following communities receive entitlements and are ineligible to participate in the state program: Kansas City, Lawrence, Leavenworth, Manhattan, Overland Park, Shawnee, Topeka, Wichita, and all of Johnson County.) The business operation assisted by the CDBG funding must also be in a non-entitlement area of the state.

Under the Economic Development category, a private for-profit business or an agricultural cooperative participates with a city or county in the application process. (Under the Infrastructure category, two business entities may participate in the application and grant. See Sections 8.0 and 8.1 for details.) The city or county, however, is the legal applicant. The private for-profit business or cooperative must provide financial information and a business plan as part of the application process. If the application is approved, the funds are channeled through the local governmental unit to the entity involved. Similarly, loan payments pass through the city/county to the state or to a specially created local revolving loan fund.

For the 2024 program, a city or county will be deemed ineligible if it has an open CDBG project that needed a time extension, or the open project has exceeded the original contract end date.

### 3.0 National Objective/Beneficiaries

By federal statute, economic development projects must meet the national objective of principally benefiting low- and moderate-income (LMI) persons. The beneficiaries of the project are defined as the employees who are hired or whose jobs are retained because of the CDBG assistance. At least 51 percent of the beneficiaries (employees) being hired or retained must meet HUD's LMI standard. This standard is based on median family income for each county or metropolitan area.

Job creation refers to the business entity's (and affiliates) net increase in its permanent labor force in Kansas on a full-time equivalent (FTE) basis. A job is converted into FTE status by dividing 40 into the number hours worked during the week. The grantee must document that at least 51 percent of the jobs will be held by, or made available to, LMI persons. Moving existing jobs from one Kansas community to another, or from one company to another, does not qualify as job creation.

Job retention refers to those jobs (on an FTE basis) that would be lost if the business fails to receive assistance from the CDBG program. Prior to the application deadline, the employer must notify those jobholders whose positions are at risk.

The assisted business will have 24 months to create or retain the LMI jobs set forth in the application and to achieve the LMI Jobs national objective.



If the project fails to meet the HUD national objective of principally benefiting low- and moderate- income (LMI) persons, the whole amount of the grant will become due and payable. In the event of project failure, the grantee will then issue a notice to the business demanding full payment. If the business does not comply on a timely basis, the grantee will undertake legal proceedings against the business. The State will help, if appropriate, in any legal proceedings. The grantee is the conduit for the payments but is not responsible for a shortfall that may ensue.

#### **4.0 Eligible Activities**

Business Finance projects can fund acquiring, constructing, reconstructing, rehabilitating, or installing commercial or industrial buildings, structures, and other real property. The funding could also assist the business with grants, loans, loan guarantees, lease payments, machinery, equipment, inventory, payroll, and technical assistance (not requiring Davis Bacon wages).

Infrastructure Improvement projects can fund public works facilities and improvements including infrastructure projects such as off-site water, sewer, roads, drainage, railroad spurs, and other types of public facilities or improvements.

Applications may combine business finance and infrastructure improvement activities. CDBG funds may not be used for bailouts or financial restructuring.

#### **5.0 Maximum Funding**

The funding ceiling for an application under the regular program are held to the aggregate standard of the public benefit test of \$35,000 per job created or retained with a maximum of \$750,000. The minimum amount of CDBG funds that can be applied for is \$25,000. A company or its affiliates may receive assistance from more than one project in the program year, but the total assistance must not exceed \$750,000 in the program year. In addition to the annual funding ceiling, there is a cumulative limit on assistance of \$1.5 million per community that a company may receive from all the components of the CDBG Economic Development program.

#### **6.0 Leverage / Matching Funds**

Leverage or matching funds consist of non-CDBG resources injected into the project by the grantee, business entity, its creditors, and its investors after environmental clearance and release of funds.

The minimum match level is \$0.50 of non-CDBG funds for every \$1 of CDBG funds. Matching funds can come from private or public sources. The application must document that the various sources of matching funds are firmly committed. Some common examples of matching funds are as follows: bank loans, industrial revenue bonds, owners' equity, contributions from local government and loans or grants from local or regional Economic Development entities.

Resources injected into the project prior to environmental clearance and release of funds will not qualify as match. Expected cash flow from future operations does not qualify as match. Loan principal payments will not count as matching funds on infrastructure projects. Conversion of existing debt to equity or the write-down of debt will not qualify as match.

For non-cash items to qualify as leverage, the value must be established by an independent qualified source such as an appraiser, broker, or dealer. Non-cash items include land, buildings, equipment, supplies, raw materials, patents, licensing agreements or marketing agreements. Lease payments will be limited to 24 months, and the owner of the property subject to the lease must be independent from and not have a financial interest in the business entity being assisted by the CDBG funds. Payments for the use of intangible assets, i.e., licensing agreements or patent agreements, will also be limited to 24 months and the intangible asset(s) must be owned by an entity that is independent from and does not have a financial interest in the business receiving assistance from the project. The cost of moving equipment, supplies, raw materials, and inventory to the site of the project may be counted as leverage if the move takes place after the award date and close of the environmental comment periods.

## **7.0 Business Finance – Non-Retail/Local Service**

For the purposes of this section, non-retail/local service businesses include, but is not limited to, the following:

- Manufacturing, refining, processing, or assembly facilities,
- Warehouse or distribution centers,
- Value-added agricultural operations,
- National or regional headquarters,
- Call Centers,
- Destination tourist attractions,
- Data processing, computer programming, or webhosting.

Non-Retail Business Finance loan projects will bear a fixed interest rate of three (3.0) percent below prime, subject to a minimum rate of three and one half (3.5) percent. The term of the loan varies with the type of assets being financed: working capital 1-5 years, machinery and equipment 1-10 years and land and building 1-15 years. If the project involves more than one asset class, the term will be based on a weighted average of the terms associated with asset classes involved in the project.

A moratorium on principal is available for up to 18 months of the loan term. The moratorium occurs at the beginning of the loan term. Interest will be charged on the loan balance during the moratorium period. 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. The starting point for the moratorium is the contract signing date.

If the project finishes by the end of the 24-month contract period without any issues, delays, etc., a 25 percent discount will be applied to the principal portion of the loan at the time of project close-out.

## **7.1 Business Finance - Retail/Local Service**

Retail/Local Service Business Finance loan projects can assist businesses serving the local community with goods and/or services. 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.

The interest rate for a Retail/Local Service Business Finance loan projects will bear a fixed interest rate of the prime rate, with a minimum rate of three and a half (3.5) percent. The term of the loan varies with the type of assets being financed: working capital 1-5 years, machinery and equipment 1-10 years and land and building 1-15 years. If the project involves more than one asset class, the term will be based on a weighted average of the terms associated with asset classes involved in the project.

A moratorium on principal is available for up to 18 months of the loan term. The moratorium occurs at the beginning of the loan term. Interest will be charged on the loan balance during the moratorium period. 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. The starting point for the moratorium is the contract signing date.

If the project finishes by the end of the 24-month contract period without any issues, delays, etc., a 25 percent discount will be applied to the principal portion of the loan at the time of project close-out.

## **8.0 Infrastructure Improvements – Non-Retail/Local Service**

To qualify for treatment as an infrastructure activity under the CDBG Economic Development program, the improvements must be owned by a public entity, a regulated utility, a common carrier, or enable other adjacent businesses or the community at large to significantly benefit from the CDBG-funded investment.

Two business entities may jointly participate with the local government in an infrastructure project. An amount equal to 25 percent of the grant will be paid back by the business or businesses benefiting from the infrastructure improvements over a 10-year period at an interest rate of zero (0.0) percent. This payment stream will be funded by a special assessment placed on the assisted business's real property by the grantee. The grantee will then remit these funds to the State's CDBG Economic Development Revolving Loan Fund.

If the cost of the infrastructure improvement is less than \$10,000 per permanent FTE job created or retained, the national objective is determined by taking into consideration only the jobs created or retained by those businesses for which the project was principally undertaken.

If the cost of the infrastructure improvement is more than \$10,000 per permanent FTE job created or retained, the national objective is determined by aggregating all jobs created or retained by all businesses that benefit from the project from the date the funds are awarded to the date one year after the physical completion of the infrastructure improvement. This calculation would also have to include any residential beneficiaries of the infrastructure project.

## **8.1 Infrastructure Improvements – Retail/Local Service**

To qualify for treatment as an infrastructure activity under the CDBG Economic Development program, the improvements must be owned by a public entity, a regulated utility, a common carrier, or enable other adjacent businesses or the community at large to significantly benefit from the CDBG-funded investment.

Two business entities may jointly participate with the local government in an infrastructure project. The payback responsibility, which is implemented through a special assessment, would be shared by the two companies in the same proportion as the pledged jobs.

An amount equal to 50 percent of the grant will be paid back by the business or businesses benefiting from the infrastructure improvements over a 10-year period at an interest rate of zero (0.0) percent. This payment stream will be funded by a special assessment placed on the assisted business's real property by the grantee. The grantee will then remit these funds to the State's CDBG Economic Development Revolving Loan Fund.

If the cost of the infrastructure improvement is less than \$10,000 per permanent FTE job created or retained, the national objective is determined by taking into consideration only the jobs created or retained by those businesses for which the project was principally undertaken.

If the cost of the infrastructure improvement is more than \$10,000 per permanent FTE job created or retained, the national objective is determined by aggregating all jobs created or retained by all businesses that benefit from the project from the date the funds are awarded to the date one year after the physical completion of the infrastructure improvement. This calculation would also have to include any residential beneficiaries of the infrastructure project.

## **9.0 Project Start Date**

Construction or other project activities may not begin until after the Award Letter is signed and the Request for Release of Funds is approved by the State. Project activities include all elements that together cause the creation or retention of jobs, not just those activities funded by the CDBG program.

## **10.0 Davis-Bacon Wage Rates**

If CDBG funds are utilized in site preparation, construction or renovation of a building, the construction workers and mechanics must be paid the prevailing (Davis-Bacon) wage rates, as determined by the U.S. Department of Labor. If the application is funded, the grantee will have to consult with Commerce to obtain wage rate determinations as applicable. Construction of water, sewer, electric and gas lines with CDBG funds also require the use of Davis-Bacon wage rates unless the work is done by city or county employees. Commerce must be contacted concerning the applicability of Davis-Bacon wage rates.

Davis Bacon requirements are triggered when construction work over \$2,000 is financed in whole or in part with CDBG funds.

## **11.0 Environmental Review Process**

CDBG-funded projects require an environmental review process under the National Environment Policy Act of 1969 and HUD's implementing regulations, 24 CFR Part 58. This process is the responsibility of the local governmental unit. (The whole project is subject to environmental review.) The project consists of all activities that are required to create or retain the jobs, not just the activities or budget line items funded with CDBG money. In most cases, the environmental review process includes notification of various regulatory agencies, publication of findings, a seven-day or 15-day local comment period and a 15-day state comment period. Construction or other activities that would have an adverse environmental impact, or limit the choice of reasonable alternatives, whether funded by private or public sources, cannot begin until the Governor's Award Letter is signed, and the Request for Release of Funds is approved.

Cities or counties applying for Economic Development funding must complete an environmental review of the project, and submit the Request for Release of Funds certificate, and the supporting documentation to Commerce within 30 days after the application submittal date. Failure to submit this material within 30 days may result in the application being awarded later than scheduled.

## **12.0 Real Property Acquisition**

If the project involves the purchase of land or buildings, the property transactions must follow the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. This law is commonly referred to as the Uniform Act. The Uniform Act applies regardless of whether federal grant funds are being utilized for the actual property transaction. The use of CDBG funds in any part of the project triggers the application of the Uniform Act.

### 13.0 Eminent Domain

Executive Order 13406, which was signed June 23, 2006, prohibits the use of eminent domain in CDBG-funded projects that primarily benefit private entities and involve the transfer of property to private parties, other than telecommunications or transportation common carriers. Therefore, local units of government should avoid use of eminent domain in an economic development project if they are anticipating the use of CDBG funds in the project.

SELECTION CRITERIA MATRIX	MAXIMUM
1. Project/Financial Feasibility	90
2. Per Capita Job Creation/Retention	5
3. Project Match	5
<b>TOTAL</b>	<b>100 Points</b>

### 14.0 Application Process

For the 2024 program year, Commerce will accept applications from January 29, 2024, through December 2, 2024. Awards will usually be announced within 60 days of the application submittal. Construction, whether funded from private or public sources, may not begin until after the Award Letter is signed, and the Request for Release of Funds is approved.

Commerce will utilize a formal system to evaluate, rank and select projects for funding. The point system will award points for the following factors:

### 15.0 Evaluation of Economic Development Projects

The federal statute provides general guidelines to assist the state in the evaluation and selection of Economic Development projects. (See The Housing and Community Development Act of 1974, as Amended: Section 105(c) (1)(E).) The guidelines are as follows:

1. Project costs are reasonable.
2. To the extent practical, reasonable financial support has been committed for such activities from non-federal sources prior to the disbursement of federal funds.
3. To the extent practical, any grant amounts to be provided for such activities do not substantially reduce the amount of non-federal financial support for the activity.
4. Such activities are financially feasible.
5. To the extent practical, such activities provide not more than a reasonable rate of return on investment to the owner.
6. To the extent practical, grant amounts used for the costs of such activities are disbursed on a pro rata basis with the amounts of other sources.

The purpose of the guidelines is to assure that the amount of assistance provided with CDBG funds is appropriate.

### 16.0 Administrative Capacity

To maintain eligibility for the 2024 program, communities that have received grants in the past must have demonstrated to the state the capacity to administer their CDBG projects in an effective and timely manner.



Communities that have never received a CDBG award from the state will be presumed to have administrative capacity, until they demonstrate otherwise.

### **16.1 Grant Administrators**

Applicants may select the administrator before the grant award is awarded. If CDBG funds are used for Administration, the applicant must follow CDBG procurement policy in hiring an administrator. The contract with the administrator must be contingent on the award of the grant.

One of the key aspects of the administration of a CDBG Economic Development project is to secure and perfect the proper lien position for the collateral on the CDBG loan. Commerce's attorney can advise and assist the grant administrator and the grantee on the filing of the UCC Financial Statement with the appropriate authority.

### **16.2 Administrative Costs**

Under the regular Economic Development program, reasonable grant administration costs are eligible CDBG expenditures up to 10 percent of the award or \$25,000, whichever is the lesser amount.

The grant administration funds will not require repayment on a Business Finance project since they will be used by the city or county to handle administrative responsibilities associated with the project. However, the administrative funds are part of the CDBG award and reduce the loan amount available to the business or the amount of infrastructure improvements.

Costs associated with the preparation of an application are ineligible under all circumstances.

### **17.0 Job Piracy – State**

Under this program assistance will not be provided for projects intended to facilitate the relocation of industrial or commercial plants or facilities within Kansas, unless the Kansas Secretary of Commerce finds such relocation does not significantly and adversely impact the level of employment or the economic base of the community from which such industrial or commercial plant or facility is to be relocated. Moves within a community will not be subject to this provision.

To fulfill this requirement, Commerce will require the city or county where the original site is located to submit evidence that the move of the business from the community will not have a serious negative impact on the community. This includes, but is not limited to, a certified copy of the governing body's minutes or resolution stating that:

1. The relocation will not have a significant economic effect on the community; or
2. The community cannot provide similar facilities and/or conditions offered by the community where the business is proposing to locate.

Even if the Secretary of Commerce issues a finding that the relocation would have no significant impact, the movement of jobs itself would not constitute job creation. (See Section 4.0 for the definition of job creation/job retention.)

## **17.1 Job Piracy – Federal**

The Housing and Community Development Act was amended in 1998 to prohibit the use of CDBG funds to assist directly in the relocation of any industrial or commercial facility from one area to another area if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs. HUD published an interim rule in the Federal Register to interpret and implement this provision. It became effective Feb. 21, 2006.

According to the rule, CDBG funds may not be used to directly assist a business, including a business expansion, in the relocation of a plant, facility or operation from one labor market area (LMA) to another LMA if the relocation is likely to result in a significant loss of jobs in the LMA from which the relocation occurs. For the purposes of this rule, direct assistance to the business includes the provision of utilities, roads, rail spurs, and site preparation. Job loss would be considered significant if the number of jobs lost would be greater than or equal to one-tenth of one percent (0.1%) of the total number of jobs in the labor force. However, in all cases, a loss of 500 or more jobs would be considered significant. Also, a loss of 25 or fewer jobs would not constitute a significant job loss. The new rule also places a time limit of three years on the anti-piracy requirement, i.e., a job will be relocated if positions are eliminated at an existing operation within three years after the provision of CDBG assistance for a new operation with a similar product line.

If applicable, documentation shall be obtained from the company prior to application submittal as to whether their move to Kansas will trigger the criteria of the above policy.

## **18.0 Citizen Participation/Public Hearings**

The local government must demonstrate that reasonable efforts to ensure involvement of citizens or citizen organizations throughout all stages of the program shall be, or have been, undertaken. Two (2) public hearings must take place regarding an Economic Development project.

The first public hearing is to inform the citizens of the proposed project activities, its location, the cost, and beneficiaries before submitting the grant application to the state. The citizens must be able to propose alternative projects and provide comments to the governing body of the applicant.

The second public hearing is held at the conclusion of the project prior to close-out to inform citizens of the project's successful or unsuccessful completion and to obtain input on the grantee's performance.

Notices of these public hearings must be published in a local newspaper having general circulation in the community. The 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) but no more than 20 days before the hearing. The public hearing must be conducted by the applicant's governing body.

## 19.0 Program Income

In HUD terminology, program income refers to funds generated from a CDBG-funded project. More specifically, it includes the following:

1. Payments of principal and interest on loans made using CDBG funds;
2. Proceeds from the disposition by sale or long-term lease of real property, machinery, equipment, inventory or other assets purchased with CDBG funds;
3. Income from the temporary use or leasing of properties acquired with CDBG funds;
4. Interest earned on program income pending disposition of such income.

It is important to note that program income does not include interest earned on CDBG funds advanced to the grantee by Commerce. Such interest will be remitted to the U.S. Treasury through Commerce.

Under the regular Economic Development program, program income is channeled through the grantee to either the state or a specially created local revolving loan fund. The requirements for setting up a local fund are stringent.

## 20.0 Local Revolving Loan Fund

A local Revolving Loan Fund is a fund specially created by the grantee to handle program income and to re-loan the funds that meet all the federal and state CDBG requirements. For the state to approve the establishment of a RLF, the project must attain the national objective, meet its job creation/job retention targets within the two-year performance period and be current on the CDBG loan. All program income generated from projects awarded by the state after January 1, 1989, must meet the “same activity” and “reasonable time” provisions. “Same activity” is defined as another loan to the same business from which the program income was generated. “Reasonable time” is defined as another loan made within three months of the time when principal payments were scheduled to begin on the original loan. Program income on projects prior to this date must meet all federal requirements and follow guidelines consistent with the respective program year.

Local RLF’s must submit semi-annual reports to Commerce. All funds retain their identity as CDBG program income in perpetuity, regardless of the number of times they are loaned and repaid. All CDBG requirements remain in effect.

A city or county applicant for any Economic Development project will be required to use any unused balance of their local CDBG Revolving Loan funds, excluding Micro-loan funds, for any project for which state funds are being sought.

## 21.0 Failure, Default, Restructuring

If the business fails to meet the national objective of benefiting at least 51 percent LMI persons, the state will require immediate repayment of the CDBG loan. If the national objective is met but the job target is not attained, the state may require a prorated portion of the loan to be paid immediately.

If the company defaults on the loan, the grantee has the responsibility to undertake collection efforts to recover as much money as possible. This includes liquidating assets and pursuing personal guarantors. However, the grantee is not responsible for the shortfall that results when the liquidation of assets and the claim against the guarantors generate less money than the loan balance. Loan restructuring or change in ownership requires the approval of the local grantee as well as the state.

## **22.0 Gap Financing**

The CDBG program functions as a source of gap financing. Therefore, the application should include evidence that other avenues of funding, private and public have been explored. The level of CDBG assistance should represent the minimum amount needed to make the project feasible. CDBG funding should not be used to reduce other funding sources in the project.

## **23.0 Local Government/Grantee Responsibilities**

As an applicant and grantee, the local governmental unit has several key responsibilities. It must hold a public hearing before applying. The governing body must authorize the chief elected official to submit the application. The applicant must perform an environmental review of the project within the required timeframe. Grant administration must be performed by an administrator. Even though the grantee contracts with an administrator, the grantee is fully responsible for compliance and performance.

The grantee is responsible for recording and perfecting a security interest in the collateral as set forth in the loan agreement. The grantee must promptly file UCC financial statements and renew them every five years until the loan is extinguished. If real property is being used as collateral, the grantee must file a mortgage with the register of deeds of the county in which the land is located. The grantee is responsible for receiving loan repayments and transmitting them to the state. In the event of default or failure to achieve a national objective, the grantee must undertake reasonable collection efforts.

## **Part 2: Application Instructions**

### **24.0 Application Submittal**

#### **2024 Application Deadlines:**

Open window January 29, 2024 – December 2, 2024

Applications will be reviewed within a 60-day period.

The online application can be found at [www.kansascommerce.gov/CDBG](http://www.kansascommerce.gov/CDBG)

### **24.1 Technical Assistance**

Communities, regional development organizations, certified development corporations, and businesses may request information about the program requirements and ask for advice on how to structure a project to make it appropriate for the CDBG program. Application workshops are also provided. Technical assistance can take the form of telephone calls, faxes, office visits or site visits with community and business officials. As time permits, the Economic Development Specialist can also informally review application drafts and give guidance on possible improvements. If an application is turned down, the Economic Development Specialist will be available to discuss deficiencies in the application and give advice on how to revise the application for re-submittal.

For further information and assistance, contact the CDBG Economic Development Specialist at (785) 480-8072

### **24.2 Notice of Intent to File an Application**

All applicants for Economic Development funds must notify Commerce 10 days prior to applying for funding. The notification may be in the form of a telephone call, e-mail, fax, or written correspondence.



### **24.3 Confidentiality**

State law and federal regulations allows certain information of a personal nature to be exempted from public disclosure. This includes such proprietary information as: financial statements and financial projections, business plan, customer lists, supplier lists, distribution channels, product designs, management resumes and personal financial data (K.S.A. 45-215).

### **25.0 Threshold Requirements**

If an application fails to include or properly address the “threshold requirements,” the application will not be advanced to the review committee until all deficiencies are corrected.

The “threshold” items are as follows:

1. The application is submitted on time in the manner required.
2. The activity must be eligible under the Economic Development set-aside.
3. The applicant must be eligible and have administrative capacity.
4. The application must meet the LMI Jobs national objective.
5. The private for-profit business or cooperative association must be eligible to participate, and its commitment must be documented.
6. Match requirements must be met.
7. The number of jobs/beneficiaries must be adequate to justify the amount of the request.
8. The citizen participation requirement must be met.
9. Letters of commitment from the various funding sources must be included.
10. The required certifications and assurances must be attached.
11. The project must be scheduled for completion within the required timeframe.
12. The CDBG disclosure report must be included.
13. Standard forms must be used.
14. The application must be signed by the chief elected official.
15. The piracy issue must be resolved where applicable.
16. The application must contain a resolution approving submission of the grant, signed by the chief elected official.
17. The business plan and financial data must be included.
18. The Residential Anti-displacement and Relocation Assistance Plan Certification must be included.
19. Demographic information on the community must be provided.
20. A map of the project must be included.

### **26.0 Application Review**

All applications that meet the “threshold requirements” listed above will be referred to the review committee for extensive analysis and review. The members of the review committee are composed of Economic Development finance specialists from the Department of Commerce.

#### **26.1 Evaluation of Regular Economic Development Applications**

Applications under the regular Economic Development program will be evaluated using a formal point system. Funding decisions will usually be announced within 60 days of the application submittal.

## 26.2 Project/Financial Feasibility (90 Points Maximum)

Project/Financial Feasibility is the ability of a proposed project to fulfill its financial and programmatic objectives as outlined in the application documents. These objectives include the following: creation or retention of permanent jobs, meeting the national objective of principally benefiting LMI persons, repaying the CDBG loan and fulfilling all other financial obligations involved in the project.

Points will be awarded based on the presentation of material relevant to the project and its objectives. This includes, but is not limited to, the following:

Sources and Uses of Funds	Letters of Commitment
Past Financial Data	Customer Base and Suppliers
Future Financial Projections	Distribution Channels
Strength of Management Team	Business Plan
Ownership and Affiliations	Market Studies
Collateral	Ability to Raise Equity

The management team should have competence in product design, production, marketing, and finance.

## 26.3 Per Capita Job Creation/Retention (5 Points Maximum)

Points will be calculated and awarded based on the number of jobs created or retained per capita relative to the average of this measure for all projects awarded in the 2022 and 2023 regular Economic Development competition. Applicants that equal the computed average for the prior two years will receive 2.5 points on this factor. Applicants that exceed this average will receive more than 2.5 points; those that fall below this average will receive less than 2.5 points. The maximum number of points on this factor is 5. The point formula is a linear equation that can be expressed as follows:

Points = 2.5 (x), where x is the ratio of the applicant's job per capita figure to the computed average for 2022 and 2023.

The following are examples of some specific point calculations on this factor:

2.0 X 2022-23 Avg.	5.00 points
1.5 X 2022-23 Avg.	3.75 points
1.0 X 2022-23 Avg.	2.50 points
0.5 X 2022-23 Avg.	1.25 points
0.25 X 2022-23 Avg.	0.625 points
0.0 X 2022-23 Avg.	0 points

For the 2024 program, the points will be awarded based on the average of the projects awarded in 2022 and 2023.

## 26.4 Project Leverage (5 Points Maximum)

Points for leverage are calculated and awarded based on the ratio of non-CDBG funds to CDBG funds in the project. To be included in the calculations, the non-CDBG funds must qualify as leverage (see Section 15.0). The minimum of non-CDBG/CDBG funds ratio is 0.5/1. Projects receive points for exceeding the minimum requirement up to a maximum of 5 points, which is achieved at a ratio of 4.5/1.

The point formula can be expressed as a linear equation as follows:

$$\text{Points} = -0.625 + 1.25 (\text{non CDBG \$}/\text{CDBG \$})$$

The following are examples of some specific point calculations on this factor:

4.5/1	5.00 points
3.5/1	3.75 points
2.5/1	2.50 points
1.5/1	1.25 points
1.0/1	0.625 points
0.5/1	0 points

The point award for leverage is designed to be a simple calculation that takes the numbers directly off the application summary page. However, if the review team disqualifies any components of the leverage, the point assignment will be based on the adjusted numbers.

## 27.0 Application Appeal

An unsuccessful applicant may meet with the CDBG staff for review of the application. When an applicant appeals a rating score, the following procedures will be followed.

1. An appeal will be allowed only based on a numerical miscalculation.
2. An unsuccessful applicant has 30 days after receiving notification that its application has been turned down to submit a written appeal to the Director of the Community Development Division, Kansas Department of Commerce. The written appeal must be supported by a resolution from the applicant's governing body and signed by its chief elected official.
3. The Division Director shall answer the appeal in writing within 20 days.
4. The applicant may appeal the Division Director's decision by making a written appeal to the Secretary of Commerce within 30 days of the written decision of the Division Director. The Secretary shall answer the appeal request within 10 working days. The Secretary's decision is final.

## 28.0 Summary of Application Content

1. Application Summary Form
2. Affidavit of Public Hearing Notice \*
3. Statement of Assurances and Certifications
4. Project Administration and Reuse of CDBG Funds
5. Project Low- and Moderate-Income Benefit Form (Jobs Created)
6. Project Low- and Moderate-Income Benefit Form (Jobs Retained)
  - a. Employee Certification Forms
  - b. Employee Notification, if applicable
7. Project Business Description Form, or equivalent
8. Project's Need for CDBG Assistance
9. Project Source and Use Form
10. Itemized Summation of Expenditures
11. Aging of Accounts Receivable and Payable
12. List of Obligations
13. Management Resumes
14. Personal Financial Statement(s)
15. Business Financial Statements and Projections
16. Business Plan
17. CDBG Disclosure Report
18. Resolution Authorizing Submission of Application
19. Attachments and Supporting Documentation
  - a. Itemized Summation Form must be supported by cost breakdowns with estimates and appraisals, if appropriate
  - b. Financial commitment and denial letters
  - c. Company commitment letter
  - d. Letters of support, particularly from customers including transaction volumes
  - e. Customers and suppliers
20. Demographic Information for Civil Rights Compliance
21. Residential Anti-Displacement and Relocation Assistance Plan certification
22. Maps of project
23. Project spending acknowledgement

**\*The total project funding and CDBG amount requested must match what appears in the public hearing notice.**



## 29.0 Instructions for Standard Application Forms

### A. Application Summary Form

The Application Summary Form should be the first page of all applications. The form contains a summary of pertinent information about the CDBG application. The summary form must also contain the signature of the chief elected official of the local government (Mayor or Chairman of the Board of County Commissioners).

#### Instructions:

1. **Applicant:** Include the legal name of applicant (city or county), along with the complete mailing address and telephone number of the applicant. The mailing address should be the location for all official correspondence regarding the application and possible grant award. The county in which the applicant is located must also be indicated.
2. **Local Contact Person:** Provide the name, title, and telephone number of the local contact person. Questions or concerns about the application will be addressed to this person. The chief elected official will be the sole contact in the case of non-award.
3. **Project Type:** Indicate the project type by checking the appropriate category or categories.
4. **Citizen Participation:** To verify that the citizen participation requirements have been met, indicate the newspaper of general circulation in the area in which the public hearing notice was published. Also indicate the date the notice was published and the date of the public hearing. The affidavit of publication must be included with the application.
5. **Proposed Description:** Applicant should provide a brief description of the proposed project. It should include the business name and its major product or products.
6. **Proposed Funding:** All sources of project funding should be provided. The first three lines of this section should indicate the amount of the CDBG funds requested for the project. The following lines (a-d) should indicate all other sources of funding and include the source of funds, the contact person, the telephone number, and the amount of funds being provided. The applicant should also provide a subtotal of all other funding sources and the total project funds in the space provided (see e and f).
7. **Project Benefit:** The applicant must identify the total number of jobs committed to be created/retained, the number of LMI jobs committed to be created/retained and calculate the percentage of LMI jobs created/retained by dividing the number of LMI jobs by the total number of jobs. As an additional note, jobs to be retained will only be counted if the applicant provides evidence that the jobs will be lost if the project is not funded. As an example, retained jobs could be counted if there was substantial evidence that the business entity would be forced to close if CDBG funds could not be obtained for the project. Examples would be letters to employees notifying them that continuation of their job is contingent upon the business receiving the outside funding or of a newspaper notice that a given number of jobs with the company will be eliminated or the business will close its doors unless funding is obtained.
8. **Project Beginning and Ending Dates:** Indicate the beginning and ending dates for the project and the number of month's duration. Important: Project duration is limited to 24 months for the regular program.
9. **HUD Disclosure Report:** If the applicant is applying for more than \$200,000 of CDBG or other HUD funds, the entire form must be completed. If this CDBG request plus other HUD funded projects or applications are less than \$200,000, only the first part of the report must be included. (See Appendix B for details.)
10. The applicant must provide the name of its State Representative, State Senator, and U.S. Representative.
11. The chief elected official (Mayor or Chairman of the Board of County Commissioners) must sign the Application Summary form and certify that the applicant will comply with all applicable state and federal laws relating to the CDBG program. The chief elected official (Mayor or Chairman of the Board of County Commissioners) must sign the Resolutions of Submission of the Application.

## **B. Project Administration**

This form provides information on the applicant's prior experience in administering CDBG Economic Development projects.

### **Instructions:**

1. Fill in the table as indicated for ALL previous CDBG Economic Development grants. The Grant ID Number should include the two-digit year of the grant award, the type of grant (IN = infrastructure, BF = business financing, FI = business finance and infrastructure) and the two-digit project number. Percent complete should indicate the project's current stage of completion. Other columns in the table are self-explanatory.
2. Include any explanation the applicant feels is appropriate for projects listed in the table in which problems were encountered. Please limit this explanatory material to the space provided.
3. Name any party, except regular employees of the applicant, who helped prepare the application.
4. Does the applicant expect to handle its own grant administration, or will it contract with an outside party?

## **C. Project Low- and Moderate-Income Benefit Form**

Separate Low- and Moderate-Income Benefit forms will have to be submitted for the group of "Jobs Created" and for the group of "Jobs Retained." The words "Not Applicable" should be written across either of these forms that are inappropriate.

### **Instructions:**

1. Job Title/Classification: The Applicant should provide a brief job title or classification for the jobs that will be created or retained during this project, e.g., welders, assemblers, maintenance supervisors and shipping clerks.
2. Number of Jobs Created/Retained: For each job title/classification, indicate the number of jobs that will be created or retained on a full-time equivalent basis. Based on a 40-hour workweek, jobs are converted into FTE status by dividing the number of hours worked by 40: For example, a job that provided 30 hours of work would be listed as .75 FTE ( $30/40 = 0.75$ ).
3. Number of Jobs Counted as LMI: Provide the number of jobs included in Column 3 which are to be counted as jobs for low- and moderate-income individuals (see Section 4.0 and Appendix A).
4. Salary Level: Indicate the entry level hourly wage or salary for each job classification listed in the first column. This can be expressed as an annual salary or an hourly wage as appropriate.

**NOTE:** All applicants retaining jobs must provide Employee Certification Forms verifying that LMI requirements are met for the retained jobs (a sample form is included in this booklet in the Forms Section after the NDC Format Financials). Such applicants must also clearly and objectively demonstrate that without CDBG assistance, the jobs would be lost. Examples of acceptable evidence are: (a) the issuance of a public notice that a given number of jobs will be eliminated or that the business will close if a grant is not received or (b) the notification of employees who would be affected in the event the grant is not awarded.

## **D. Project Business Description Form**

The information to be provided on the Project Business Description Form should describe the employment and operating history of the participating private entity, which employs or will employ, a direct beneficiary of the CDBG project as claimed in this application.

**Instructions:**

1. **Name of Business:** Enter name, address, phone and contact person of the entity receiving assistance or benefit from the project described in the application. Also provide the North American Industry Classification System code that best represents the business.
2. **Legal Structure:** Indicate whether the entity is a sole proprietorship, general or limited partnership, limited liability company, C corporation or S corporation.
3. **Business Ownership:** List all owners that have a five percent or greater interest in the firm, and their respective ownership percentages.
4. **Business Management:** Identify key management personnel by name and position held.
5. **Business and Professional Affiliations:** Identify any subsidiary or parent relationships the private entity may have with other businesses or corporations. Include any professional organization or society that may show the management's knowledge of the industry.
6. **Business History:** Provide a brief description of the company's history and how it has changed over time.
7. **Operation and Product Line:** Indicate whether the business is a manufacturing, service, wholesale, developer, or other type of operation and briefly describe the range of products produced or distributed or services provided. Describe any new product lines to be added, if any, because of this project.
8. **Markets:** Address generally the geographical market(s) in which the company is positioning itself, (e.g., market size and expected market share).
9. **Employment History:** Indicate the number of full-time equivalent employees working in each of the most recent 12 months, and the average monthly employment during that period.

**E. Project's Need for CDBG Assistance**

This form provides the applicant the opportunity to describe why the project needs CDBG funds. If the business owners' personal financial statements suggest available assets exist, explain fully why CDBG funds must be used instead of the personal assets.

**Instructions:**

1. **Business Financing:** Applications for business finance should include answers to the five questions on the form with supporting documentation. Attach additional sheets as necessary.
2. **Public Infrastructure:** Infrastructure applications should answer the three questions on the infrastructure form. Attach additional sheets as necessary.
3. **Combined:** If the application combines business finance and infrastructure, both forms should be completed.

**F. Project Source and Use Form**

The Project Source and Use Form summarizes project funding sources and explicitly identifies how each activity will be financed. A given activity may be paid for with more than one funding source, but those sources and the individual amount committed must be explicitly identified.

**Instructions:**

1. **CDBG Amount Requested:** Enter the amount of CDBG funds requested for this project by the three major categories: Business Finance, Infrastructure and Administration. For Business Finance indicate the interest rate, term, collateral and the CDBG lien position on the collateral. A principal moratorium of up to 18 months is available on business finance loans. This would be included in the term of the loan.
2. **Other Sources of Funds:** List the sources of funds which will leverage the CDBG funds such as those from the city, bank, business entity or other private or public sources (including program income). Also include the amount, interest rate, term, collateral, and lien position for each source. Only those funding sources for which commitment letters are included as attachments will be counted in the application. (See Addendum: Guide to Firm Commitment Letters.)
3. **Total Project Funding:** Enter the amount listed under numbers 1 and 2 above.
4. **Uses of Funds:** List separately for each use of funds, the total cost of each use and the amount to be paid for by each source; list the totals at the bottom of each column. Totals should match the amounts listed in numbers 1, 2 and 3.

The uses of machinery and equipment should be separated. Working capital should be divided between payroll, inventory and other. The "Other" category should be used for project expenditures that are not logically contained in any of the other line items.

**G. Itemized Summation of Expenditures Form**

List specific expenditures within each category shown on the Project Sources and Use Form.

For example: e.      Machinery and equipment

1.	Bench Press	\$15,000.00
2.	Drill Press	\$ 9,000.00

No single item with a value of less than \$5,000 should be listed separately. Such items should be aggregated in another category. If necessary, an attached detailed listing should be provided.

If the project involves a need for working capital, provide a detailed explanation and breakdown of the need and use of these funds. Documentation must be included which illustrates how the dollar amount needed in each working capital sub-category (e.g., inventory, payroll) was determined.

**H. Aging of Accounts Receivable and Payable**

Accounts Receivable should be broken down by period: under 30 days, 30-59 days, 60-89 days, 90-119 days, and 120 days and over. The total should equal the number on the most recent balance sheet. The percentages should total to 100 percent. If the company's accounting system tracks receivables with different time-period breaks, the form may be modified to reflect the company's normal periods.

Accounts Payable should be presented in the same fashion as Accounts Receivable.



## **I. List of Obligations**

List of Existing Obligations: List all long-term leases, notes, loans, and mortgages payable by the business and its corresponding collateral and payment terms. Do not include trade credit unless it has been converted into a note payable. This information should correspond to data found on the balance sheet.

List of Proposed Obligations: List all the new financial obligations that will arise if the application is funded and the project becomes operational. For multi-plant organizations, the proposed obligations listed here should be limited to the proposed obligations of the new project.

## **J. Management and Owners Resume**

The application should contain information on the professional experience of the management and ownership team. This includes all owners that hold a 20 percent or greater financial interest in the company.

## **K. Personal Financial Statements Credit Check Permission and Personal Guarantees**

All persons that have a 20 percent or greater stake in the company must submit a personal financial statement. Except for corporate entities with large assets and equity, an application will normally require personal guarantees for all owners of 20 percent or more. All persons meeting the above criteria will be required to give written permission for a credit check. (See “Authorization for Credit Check” form.)

## **L. Start of Project Spending Acknowledgment**

Project funds, both public and private, are subject to environmental review under the National Environmental Policy Act of 1969, and HUD regulations (24 CFR Part 58) that implement the Act for CDBG projects. Expenditure of project funds, private or public, before the environmental clearance is approved by Commerce will cause the grant of CDBG funds to be rescinded. To communicate the importance of the environmental review process, an authorized representative of the business is required to sign a statement that indicates that he (she) understands that expenditure of project funds should not occur before the approval of the environmental clearance. (See “Start of Project Spending Acknowledgment” form.)

## **30.0 Guidance for Non-Standard Application Material**

To verify the Threshold, Impact and Feasibility Factors in the application, the applicant must submit supporting documentation as appropriate. Please refer to these documents in the narrative sections of the application for reference purposes.

## **30.1 Business Submittal Documents (when applicable)**

1. Business Letter of Commitment (see Addendum 2 for suggested outline).
2. Start of Project Spending Acknowledgment (see Section L above).
3. Firm written commitments from each lender and investor, or other source of project funding (see Addendum 1 for guidance).
4. If land and/or buildings are being acquired, provide copies of purchase options or agreements that provide evidence the property can be acquired at the cost indicated in the application. Required appraisals that document the purchase price based on the fair market value of the property being acquired should remain on file with the applicant. A summation of the findings of that appraisal should be submitted in letter form from the appraiser. All acquisitions must follow the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (Uniform Act).

5. If a building is being constructed or renovated, provide copies of the written cost estimate from a reliable contractor(s) or architect(s). Attach one copy of the plans and/or specifications to the original application. If the borrower intends to be his/her own general contractor, they must provide a third-party cost verification from an architect or contractor. As a reminder, construction may require the payment of Davis-Bacon wage rates as provided by the U.S. Department of Labor.
6. If the project involves the acquisition of new machinery and equipment, attach a copy of the written cost estimate from the reliable vender(s) who can provide the machinery and equipment. If moving and installation costs are involved beyond the purchase price, obtain written estimates, and attach a copy.
7. If the project involves infrastructure improvement, attach copies of written engineering estimates; briefly justify cost reasonableness.
8. Applicants are required to submit one copy of the map of their jurisdiction that includes the project area. Applicants must provide a map showing the location within the community of the project area that includes major highways and roads within the applicant's jurisdiction and should be on an accurate scale. The applicant should ensure that the map is consistent with information provided in the project description in the application.
9. Applicants must provide the names/addresses/phone numbers/contact persons for at least five customers and three suppliers.
10. Properly completed Employee Certification Forms for all retained jobs being claimed and evidence that retained employees have been notified of their status.
11. A formal business plan is required. (See Appendix E for Business Plan Guidelines that would be helpful for small businesses.)
12. Other required documentation as is necessary to support information supplied in the application.

### **30.2 All Business Financials and Personal Financials**

To demonstrate the ability to repay the CDBG loan and create or retain jobs, the borrower must submit financial information that indicates the company can generate cash flow more than debt service on the proposed loan or other assistance.

An established business must provide financial statements for the three most recent fiscal years and projected financial statements for the next three years. This includes the Profit and Loss Statement, Cash Flow Statement, and the Balance Sheet. Audited financial statements are preferred. If not available, the business should present its financial data using the NDC format, or something comparable. The NDC forms are located at the back of the forms section.

A new business with less than three (3) years of operating experience must provide historical data as available. It must also provide the same projections as an established business (see above).

For closely held companies, personal financial statements of all major principals owning a 20 percent or greater share in the business participating in the application are required. Indicate in the business Letter of Commitment the principal's willingness to personally guarantee the loan. Usually, all owners with a 20 percent or greater ownership percentage will be required to provide personal guarantees. If the project involves a limited partnership, submit the personal financial statements of the general partner or the corporate financials if the general partner is a corporation. Credit checks will be run on all persons that own 20 percent or more of the company.

Documentation submitted to Commerce for an application should also include footnote disclosure, explanation of all transactions between the company and owners, lawsuits and other information that would have a significant bearing on a lender's evaluation of company financial statements.

## **Addendum 1**

### **Guide to Firm Financial Commitment Letters and Documentation**

There are a variety of funding sources that can be used to achieve the matching requirement. The most common sources are bank loans, revenue bonds, equity injection, loans from public sector revolving funds and contributions from local government or Economic Development entities. To count as match, there must be a firm commitment in place for these funding sources.

#### **Bank Financing**

The commitment letter should indicate that the loan has been approved by the individuals or committee that has the authority to make such a loan. The letter should contain a specific dollar amount, interest rate, term, and collateral. It should also outline any conditions for making the loan. It is acceptable to make the loan contingent on CDBG funding. If a line of credit is being used as match, it must be quantifiable as a percentage of accounts receivable, inventory or equipment.

#### **Revenue Bonds**

A firm commitment to use revenue bonds in the project should include the following elements:

1. An executed inducement resolution indicating the governing body's willingness to issue bonds;
2. A letter from bond counsel that verifies that the issuer has authority to issue tax exempt bonds for the project;
3. A letter from the investment bank indicating that it will handle the bond issue. It should indicate the amount of the issue, term, the expected interest rate, and the collateral.

#### **Equity Injections**

The commitment letter should contain the amount, the timing of the investment, ownership rights or any conditions on making the investment. It may be contingent on CDBG funding. If the equity injection is coming from a private individual, partnership or a closely held company, the investor must provide a current personal, partnership or corporate financial statement indicating the capacity to make the investment.

#### **Public Sector Loans**

The commitment letter should indicate that the loan has been approved by the individuals or committee that has the authority to make such a loan. The letter should contain a specific dollar amount, interest rate, term, and collateral. It should also outline any conditions for making the loan. It is acceptable to make the loan contingent on CDBG funding.

#### **Contributions from Local Government or Economic Development Entities**

The commitment letter should clearly indicate what is being contributed to the project. It should also indicate any performance measures that must be met to avoid repayment. A local government commitment letter should be signed by the mayor, city manager or chairman of the county commission. If an Economic Development entity is aiding the project, the letter should be signed by the entity's chief executive or board chairman.

## Addendum 2

### Outline of Business Letter of Commitment

The Business Letter of Commitment should be no longer than one and one-half to two pages and should be signed by the chief executive officer of the company. The purpose of the letter is to acknowledge and to verify the information presented in the grant application and to verify that the project will go forward if the CDBG grant is approved. The letter in no way intends to legally bind the business to any action. The applicant (city or county) may wish to help the borrower to write the letter. The borrower's letter should include the following information:

#### 1. Overview Summary (One Paragraph)

Describe the project (plant expansion, open a business, etc.)  
Mention the total project cost  
Mention the total jobs to be created or retained  
Mention the total dollar amount of leverage that will occur if the CDBG grant is approved

#### 2. Use of Funds (Two Paragraphs)

In paragraph one, describe the total use of funds in the project in summary form as follows:

Acquire Land/Building	\$ _____
Construct/Renovate Building	\$ _____
Acquire Machinery and Equipment	\$ _____
Other	\$ _____
Total Project Cost	\$ _____

In the second paragraph, list the documents that are separately attached verifying the use of funds (e.g., purchase options, appraisals, cost estimates, etc.).

#### 3. Sources of Funds (Three Paragraphs)

In the first paragraph, describe the sources of financing that are committed to the project. List each source and state the amount, rate, term, repayment schedule and collateral of each source. End the paragraph mentioning which commitment letters are attached to the application.

In the second paragraph, describe the amount of equity or down payment that the company or its principals are providing. Briefly describe why the borrower or the principals cannot or will not provide additional funds from their own sources (satisfactory reasons include the need to reserve cash for working capital, the exhaustion of resources, an inadequate rate of return, etc.).

In the final paragraph, describe the CDBG loan that is being requested including amount, rate, term (including any moratorium on principal), the repayment schedule and collateral offered including personal guarantees if appropriate.

#### 4. Financial Feasibility and Capability (One Paragraph)

In this paragraph the borrower should verify that he/she is confident the project will be successful. Comment on the capability of the contractor who will construct the project (if appropriate). Indicate why market feasibility exists. Refer to the expertise and financial capacity of the borrowing company. End the paragraph by mentioning the financial documents which are attached which verify financial capacity (historical financials, personal financials, projections, etc.).





## 5. Meeting Program Objectives (One Paragraph)

In this paragraph, the borrower would verify the job impact of this project by mentioning:

- The total jobs to be created
- The number of jobs which will be available to low- and moderate-income persons

Documentation (as described in the “Attachments and Supporting Documents” section of these guidelines) of the company’s willingness to use Job Services, WIA or other jobs training programs must be provided prior to execution of a grant agreement between the local government and the state.

## 6. Readiness and Intent to Proceed (One Paragraph)

In this last paragraph, the borrower should certify that the project is ready to go and will go forward if the CDBG loan is approved. In this paragraph, state the following:

- Anticipated start and completion dates
- That permits, licenses and zoning clearance have been obtained or can be obtained without legislative action (e.g., a zoning waiver, etc.)
- That the borrower is willing to abide by all CDBG regulations
- That the borrower knows of no reason why the project cannot go forward immediately
- That the borrower intends to proceed immediately upon approval of the CDBG loan

## APPENDIX A

### HUD Section 8 Assisted Housing Income Data

The latest HUD income limits can be found at the Kansas Department of Commerce website: [KansasCommerce.gov/CDBG](https://www.kansascommerce.gov/CDBG).

## APPENDIX B

### Disclosure Requirements

On March 16, 1991, HUD published in the Federal Register a final rule entitled, “Accountability in the Provision of HUD Assistance.” This rule was amended on January 16, 1992. This final rule implements Section 102 of the HUD Reform Act of 1989. Section 102 contains provisions to ensure greater accountability and integrity in the way in which HUD assistance is made available.

Subpart C of Section 102 applies to Commerce administered CDBG program. Subpart C requires certain applicants for CDBG assistance to make several disclosures. Since Subpart C applies to all CDBG applications that are submitted after March 16, 1992, all applicants will be required to submit a Disclosure Report with the applications. It is hoped that the following provides a general understanding of the disclosure requirements. Please review this material and the attached Disclosure Form and Instructions carefully. If you have any questions, please contact the Department of Commerce at (785) 296-3004, TTY (785) 296-3490.

Subpart C of 24 CFR Part 12 requires applicants for state-administered CDBG funds to make several disclosures if they meet a dollar threshold for the receipt of certain covered assistance.



## Who Must Make the Disclosures?

Full Disclosure Reports must be made by the following:

- Any applicant applying for more than \$200,000 of CDBG funds.
- Any applicant applying for less than \$200,000 of CDBG funds but has received or could receive other covered assistance when added to the CDBG funds exceeds \$200,000.

An applicant is applying for CDBG funds amounting to \$200,000 or less, and will not be receiving other covered assistance, is not required to make full disclosures but must complete and submit Part I of the Disclosure Report with its application.

## Guidance Regarding Disclosures

Applicants must submit an initial Disclosure Report with their CDBG applications. Those applicants required to submit full initial reports must also submit updated reports as required by Section B below.

### A. Initial Reports

Applicants required to submit full initial reports must disclose the following:

1. Other government assistance (federal, state, and/or local) that is to be used in conjunction with the CDBG project.
2. The pecuniary interest of any developer, contractor, or consultant involved in the application for CDBG assistance or in the planning, development, or implementation of the CDBG project.
3. The pecuniary interest of any other person in the project that exceeds \$50,000 or 10 percent, whichever is lower, of the CDBG assistance applied for.
4. The sources of all funds to be used in the project (including those sources identified for Number 1 above) and the uses to which these funds are to be placed.

### B. Update Reports

After the submission of CDBG applications, those applicants/grantees that are required to submit full initial reports are required to submit updated Disclosure Reports at any time any of the following occurs:

1. The applicant/grantee discovers that information was omitted from its initial report or last update report.
2. Additional persons or entities can be identified as interested parties. These are persons or entities that did not have a pecuniary interest when the initial or last update report was submitted, but who can now be identified as having a pecuniary interest that is required to be reported.
3. There is an increase in the amount of pecuniary interest of a person or entity identified in the last report, if this increased pecuniary interest is more than \$50,000 or 10 percent (whichever is lower) of the pecuniary interest (for that person or entity) listed in the initial or last update report.
4. There is a change in other government assistance from that which was provided in the last report. An updated report must be submitted if the total amount of other assistance reported in the initial or last update report has increased by \$250,000 or 10 percent (whichever is lower).
5. There is a change in the source and/or use of funds from that which was provided in the initial or last update report that exceeds the amount of all previously disclosed sources and/or uses of funds by \$250,000 or 10 percent (whichever is lower).

*Grantees must constantly monitor their projects to ensure that an updated Disclosure Report is submitted within 30 days of any change meeting one of the five criteria discussed above. Updated reports are required until the project is closed out.*



# Applicant/Recipient Disclosure/Update Report

U.S. Department of Housing  
and Urban Development

OMB Approval No. 2510-0011 (exp. 9/30/2013)

**Instructions.** (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 2.)

## Applicant/Recipient Information

Indicate whether this is an Initial Report ☐ or an Update Report ☐

1. Applicant/Recipient Name, Address, and Phone (include area code):

2. Social Security Number or  
Employer ID Number:

3. HUD Program Name

4. Amount of HUD Assistance  
Requested/Received

5. State the name and location (street address, City and State) of the project or activity:

## Part I Threshold Determinations

1. Are you applying for assistance for a specific project or activity? These terms do not include formula grants, such as public housing operating subsidy or CDBG block grants. (For further information see 24 CFR Sec. 4.3).

☐ Yes ☐ No

2. Have you received or do you expect to receive assistance within the jurisdiction of the Department (HUD), involving the project or activity in this application, in excess of \$200,000 during this fiscal year (Oct. 1 - Sep. 30)? For further information, see 24 CFR Sec. 4.9

☐ Yes ☐ No.

If you answered "No" to either question 1 or 2, **Stop!** You do not need to complete the remainder of this form.  
**However,** you must sign the certification at the end of the report.

## Part II Other Government Assistance Provided or Requested / Expected Sources and Use of Funds.

Such assistance includes, but is not limited to, any grant, loan, subsidy, guarantee, insurance, payment, credit, or tax benefit.

Department/State/Local Agency Name and Address	Type of Assistance	Amount Requested/Provided	Expected Uses of the Funds

(Note: Use Additional pages if necessary.)

## Part III Interested Parties. You must disclose:

1. All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
2. any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

Alphabetical list of all persons with a reportable financial interest in the project or activity (For individuals, give the last name first)	Social Security No. or Employee ID No.	Type of Participation in Project/Activity	Financial Interest in Project/Activity (\$ and %)

(Note: Use Additional pages if necessary.)

## Certification

**Warning:** If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosures of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I certify that this information is true and complete.

Signature:

Date: (mm/dd/yyyy)

X

**Public reporting burden** for this collection of information is estimated to average 2.0 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

**Privacy Act Statement.** Except for Social Security Numbers (SSNs) and Employer Identification Numbers (EINs), the Department of Housing and Urban Development (HUD) is authorized to collect all the information required by this form under section 102 of the Department of Housing and Urban Development Reform Act of 1989, 42 U.S.C. 3531. Disclosure of SSNs and EINs is voluntary. HUD is authorized to collect this information under the Housing and Community Development Act of 1987 42 U.S.C. 3543 (a). The SSN or EIN is used as a unique identifier. The information you provide will enable HUD to carry out its responsibilities under Sections 102(b), (c), and (d) of the Department of Housing and Urban Development Reform Act of 1989, Pub. L. 101-235, approved December 15, 1989. These provisions will help ensure greater accountability and integrity in the provision of certain types of assistance administered by HUD. They will also help ensure that HUD assistance for a specific housing project under Section 102(d) is not more than is necessary to make the project feasible after taking account of other government assistance. HUD will make available to the public all applicant disclosure reports for five years in the case of applications for competitive assistance, and for generally three years in the case of other applications. Update reports will be made available along with the disclosure reports, but in no case for a period generally less than three years. All reports, both initial reports and update reports, will be made available in accordance with the Freedom of Information Act (5 U.S.C. §552) and HUD's implementing regulations at 24 CFR Part 15. HUD will use the information in evaluating individual assistance applications and in performing internal administrative analyses to assist in the management of specific HUD programs. The information will also be used in making the determination under Section 102(d) whether HUD assistance for a specific housing project is more than is necessary to make the project feasible after taking account of other government assistance. You must provide all the required information. Failure to provide any required information may delay the processing of your application, and may result in sanctions and penalties, including imposition of the administrative and civil money penalties specified under 24 CFR §4.38.

**Note:** This form only covers assistance made available by the Department. States and units of general local government that carry out responsibilities under Sections 102(b) and (c) of the Reform Act must develop their own procedures for complying with the Act.

## Instructions

### Overview.

#### A. Coverage. You must complete this report if:

- (1) You are applying for assistance from HUD for a specific project or activity and you have received, or expect to receive, assistance from HUD in excess of \$200,000 during the fiscal year;
- (2) You are updating a prior report as discussed below; or
- (3) You are submitting an application for assistance to an entity other than HUD, a State or local government if the application is required by statute or regulation to be submitted to HUD for approval or for any other purpose.

#### B. Update reports (filed by "Recipients" of HUD Assistance):

**General.** All recipients of covered assistance must submit update reports to the Department to reflect substantial changes to the initial applicant disclosure reports.

### Line-by-Line Instructions.

#### Applicant/Recipient Information.

All applicants for HUD competitive assistance, must complete the information required in blocks 1-5 of form HUD-2880:

1. Enter the full name, address, city, State, zip code, and telephone number (including area code) of the applicant/recipient. Where the applicant/recipient is an individual, the last name, first name, and middle initial must be entered.
2. Entry of the applicant/recipient's SSN or EIN, as appropriate, is optional.
3. Applicants enter the HUD program name under which the assistance is being requested.
4. Applicants enter the amount of HUD assistance that is being requested. Recipients enter the amount of HUD assistance that has been provided and to which the update report relates. The amounts are those stated in the application or award documentation. **NOTE:** In the case of assistance that is provided pursuant to contract over a period of time (such as project-based assistance under section 8 of the United States Housing Act of 1937), the amount of assistance to be reported includes all amounts that are to be provided over the term of the contract, irrespective of when they are to be received.
5. Applicants enter the name and full address of the project or activity for which the HUD assistance is sought. Recipients enter the name and full address of the HUD-assisted project or activity to which the update report relates. The most appropriate government identifying number must be used (e.g., RFP No.; IFB No.; grant announcement No.; or contract, grant, or loan No.) Include prefixes.

### Part I. Threshold Determinations - Applicants Only

Part I contains information to help the applicant determine whether the remainder of the form must be completed. **Recipients filing Update Reports should not complete this Part.**

If the answer to **either** questions 1 or 2 is No, the applicant need not complete Parts II and III of the report, but must sign the certification at the end of the form.

### Part II. Other Government Assistance and Expected Sources and Uses of Funds.

**A. Other Government Assistance.** This Part is to be completed by both applicants and recipients for assistance and recipients filing update reports. Applicants and recipients must report any other government assistance involved in the project or activity for which assistance is sought. Applicants and recipients must report any other government assistance involved in the project or activity. Other government assistance is defined in note 4 on the last page. For purposes of this definition, other government assistance is expected to be made available if, based on an assessment of all the circumstances involved, there are reasonable grounds to anticipate that the assistance will be forthcoming.

Both applicant and recipient disclosures must include all other government assistance involved with the HUD assistance, as well as any other government assistance that was made available before the request, but that has continuing vitality at the time of the request. Examples of this latter category include tax credits that provide for a number of years of tax benefits, and grant assistance that continues to benefit the project at the time of the assistance request.

The following information must be provided:

1. Enter the name and address, city, State, and zip code of the government agency making the assistance available.
2. State the type of other government assistance (e.g., loan, grant, loan insurance).
3. Enter the dollar amount of the other government assistance that is, or is expected to be, made available with respect to the project or activities for which the HUD assistance is sought (applicants) or has been provided (recipients).
4. Uses of funds. Each reportable use of funds must clearly identify the purpose to which they are to be put. Reasonable aggregations may be used, such as "total structure" to include a number of structural costs, such as roof, elevators, exterior masonry, etc.

**B. Non-Government Assistance.** Note that the applicant and recipient disclosure report must specify all expected sources and uses of funds - both from HUD **and any other source** - that have been or are to be, made available for the project or activity. Non-government sources of



funds typically include (but are not limited to) foundations and private contributors.

### Part III. Interested Parties.

This Part is to be completed by both applicants and recipients filing update reports. Applicants must provide information on:

1. All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
2. any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

**Note:** A financial interest means any financial involvement in the project or activity, including (but not limited to) situations in which an individual or entity has an equity interest in the project or activity, shares in any profit on resale or any distribution of surplus cash or other assets of the project or activity, or receives compensation for any goods or services provided in connection with the project or activity. Residency of an individual in housing for which assistance is being sought is not, by itself, considered a covered financial interest.

The information required below must be provided.

1. Enter the full names and addresses. If the person is an entity, the listing must include the full name and address of the entity as well as the CEO. Please list all names alphabetically.
2. Entry of the Social Security Number (SSN) or Employee Identification Number (EIN), as appropriate, for each person listed is optional.
3. Enter the type of participation in the project or activity for each person listed: i.e., the person's specific role in the project (e.g., contractor, consultant, planner, investor).
4. Enter the financial interest in the project or activity for each person listed. The interest must be expressed both as a dollar amount and as a percentage of the amount of the HUD assistance involved.

**Note** that if any of the source/use information required by this report has been provided elsewhere in this application package, the applicant need

not repeat the information, but need only refer to the form and location to incorporate it into this report. (It is likely that some of the information required by this report has been provided on SF 424A, and on various budget forms accompanying the application.) If this report requires information beyond that provided elsewhere in the application package, the applicant must include in this report all the additional information required.

Recipients must submit an update report for any change in previously disclosed sources and uses of funds as provided in Section I.D.5., above.

#### Notes:

1. All citations are to 24 CFR Part 4, which was published in the Federal Register. [April 1, 1996, at 63 Fed. Reg. 14448.]
2. Assistance means any contract, grant, loan, cooperative agreement, or other form of assistance, including the insurance or guarantee of a loan or mortgage, that is provided with respect to a specific project or activity under a program administered by the Department. The term does not include contracts, such as procurements contracts, that are subject to the Fed. Acquisition Regulation (FAR) (48 CFR Chapter 1).
3. See 24 CFR §4.9 for detailed guidance on how the threshold is calculated.
4. "Other government assistance" is defined to include any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance from the Federal government (other than that requested from HUD in the application), a State, or a unit of general local government, or any agency or instrumentality thereof, that is, or is expected to be made, available with respect to the project or activities for which the assistance is sought.
5. For the purpose of this form and 24 CFR Part 4, "person" means an individual (including a consultant, lobbyist, or lawyer); corporation; company; association; authority; firm; partnership; society; State, unit of general local government, or other government entity, or agency thereof (including a public housing agency); Indian tribe; and any other organization or group of people.

## Commerce Responsibilities

Commerce is prohibited from contracting CDBG funds to a local government applicant until that applicant has submitted a Disclosure Report.

Commerce must make all initial and updated Disclosure Reports available to the public for five years. Commerce will notify the public that it retains applicant/grantee Disclosure Reports for the state-administered CDBG program and provide information on how the public may obtain access to this material.

## APPENDIX C

### Local Citizen Participation/Public Hearing Notice

Local government applicants are required to meet citizen participation requirements each year prior to submission of an application to Commerce.

The applicant must hold one (1) legal public hearing for each application submitted during the program year. If an application is re-submitted within the same program year, it is not necessary to hold another public hearing, unless there are material changes in the application. Material changes would include such things as the amount of funds requested, job targets, location, or activities. The purpose of the public hearing is to allow citizens to express their opinions of the proposed project. The local governing body should consider these comments before final submission of the application.

Applicants must provide adequate notice of the public hearing in a timely manner, accessible and understandable to all citizens. **Notices shall be published in a local newspaper having general circulation in the community.**

Each notice shall 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) but no more than 20 days before the date of the hearing. Public hearings must be conducted by the applicant governing body.

The hearing must be held at a time and location convenient to potential or actual beneficiaries, with accommodations for persons with disabilities. Public hearings shall be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate.

A hearing must be held to address **the specific project application** that will be submitted. The notice **must contain a description of the proposed project, proposed project location, job target, activities to be carried out and total estimated cost of activities.** The notice must include the grant amount requested and the total project cost. The application grant amount may not exceed the amount shown in the notice.

The local government should consider any comments or views on the proposed application before submission to the state.

The following public hearing notice is a sample that may be used by the applicant. Notices failing to include the information specifically required in the instructions above may not meet the threshold requirements of public participation.

**NOTE: If funded, a second public hearing must be held prior to close-out to allow public comment on grant performance.**



---

## Sample Public Hearing Notice

### Economic Development Applications

The City/County of \_\_\_\_\_ will hold a public hearing on (day), (date), at (time), in the (location), for the purpose of considering an application to be submitted to the Kansas Department of Commerce for Small Cities Community Development Block Grant funds under the Economic Development category. A specific project application to be discussed is (type of business and proposed location with address). The funds will be used to (list of activities) and will create or retain \_\_\_\_\_ jobs. The estimated project cost is \$\_\_\_\_\_ of which \$\_\_\_\_\_ will be requested from the CDBG program. Other project proposals introduced at the hearing will be considered. Oral and written comments will be recorded and become a part of (City/County) CDBG Citizen Participation Plan.

Reasonable accommodations will be made available to persons with disabilities. Requests should be submitted to \_\_\_\_\_ by (date).

---

### Appendix D

Applicable Laws and Regulations

[CLICK HERE](#)

### Appendix E

Business Plan Guidelines

[CLICK HERE](#)

More Questions?

**CONTACT THE CDBG TEAM**



CDBG@ks.gov



kansascommerce.gov/cdbg



785-296-3481



1000 SW Jackson St,  
Suite 100  
Topeka, Kansas 66612



**KANSAS**  
COMMERCE