

# **STATE OF ALABAMA** **PY2017 CDBG ACTION PLAN**

The following policies will govern Alabama's CDBG program:

1. Let applicants compete fairly for funds to address essential community facility needs.
2. Let communities compete equally for their varying community development needs.
3. Ensure that communities in the State can compete for funds on an equitable basis.
4. Allow for equitable competition by allowing, where feasible, small cities, large cities, and counties to compete in their respective categories.
5. Facilitate funding of important economic development projects in a timely manner.
6. Encourage communities to plan for community conservation and development.
7. Give additional consideration to those communities who commit to do the most to help themselves, taking into account their level of resources.
8. Give consideration to the community's ability to maintain CDBG improvements.
9. Make funding decisions, to the extent feasible, that aid local and regional plans.
10. Ensure that all grants are managed in a timely and effective manner.

## **PY2017 CDBG Fund Allocation**

<u>Total Allocated to Alabama</u>	<u>\$21,398,440</u>
County Fund	2,686,200
Large City Fund	4,884,000
Small City Fund	5,638,187
Economic Development Fund	4,395,600
Planning Fund	122,100
Community Enhancement Fund	2,930,400
State Administration	527,969
State Technical Assistance	213,984

### **NOTES:**

1. The stated allocation amount is the amount that ADECA anticipates receiving from HUD under the respective fiscal year's federal budget; however, this amount can change due to the award of supplemental allocation(s) as and when determined by HUD. Upon receipt of the final annual allocation amount, ADECA will adjust the distribution of funds up or down by approximately the same percentage; the exception being the distribution of "State Administration" funds which will conform to HUD's rule. ADECA will also update the Annual Plan to reflect ADECA's actual fiscal year allocation.
2. For valid reasons, the ADECA Director may modify or altogether eliminate allocations in order to maintain program integrity. In such case(s), ADECA will follow the necessary citizen participation process.

3. Balances in any Fund will be used to either fund the Black Belt Region Projects or transfer to any other Fund at the discretion of the ADECA Director. Such transfers will not count towards the five percent (5%) threshold established in the State's Citizen Participation Plan.
4. Balances in the State's Technical Assistance Fund and the State's Administration Fund for any year may be transferred to the Recaptured Fund at the discretion of the ADECA Director. Such transfers will not count towards the five percent (5%) threshold established in the State's Citizen Participation Plan. Also, the State Technical Assistance Fund may be used for State Administration.
5. All recaptured funds (other than Program Income as defined by regulations) will be placed in the Recaptured Fund. Any funds awarded via a Governor's/ADECA Director's award letter which are rescinded due to a grantee's failure to satisfy a condition in the State's Letter of Conditional Commitment, or a grantee's inability to implement the project as approved, may be considered Recaptured Funds if a significant amount of time has lapsed. Likewise, any funds returned by grantees due to cost under-run will be considered Recaptured Funds. This does not include funds returned as the result of an ED Float Loan; please see the section on ED Float Loans for a description of how the return of those funds will be managed. Persons interested in the amount of Recaptured Fund money available may inquire to ADECA in writing for this information.
6. Approximately \$165,000 in Program Income is expected to be available during the course of this program year (PY2017). The exact amount will depend on the rate of pay-off, defaults, and early settlements, but the money will generally be used to fund economic development projects. Persons interested in the amount of ED Funds and Program Income available may inquire to ADECA in writing for this information. If the State's Letter of Credit is used by HUD to make payments on Section 108 Loan Guarantees, then the State will utilize Program Income, Recaptured Funds, and other available Funds to ensure that all commitments from the State are met. Recaptured Funds, Program Income, and other Funds may also be used to pay-off, make payments on, or provide credit toward Section 108 Loan Guarantee projects and/or ED Float Loan projects.
7. Reallocated funds from HUD will be assigned to the most appropriate Fund by the ADECA Director and distributed in accordance with the methodology described in this One-Year Annual Action Plan.
8. The State recognizes the applicant's right to retain Program Income within acceptable limits to the extent that the income is applied to continue the activity from which such income was derived, or for other CDBG eligible activities.
9. From time to time, areas declared a disaster by the President will be addressed by a separate Disaster Program for the purposes of disaster relief, long-term recovery, and mitigation.\*  
\*Nothing in this Action Plan will limit the eligibility of an applicant or activities to be addressed by the CDBG Disaster Program, to the extent such eligibility and activities are permitted by the HUD Disaster Rule. Similarly, any activities funded by the CDBG Disaster Grant will not limit the applicant's ability to apply for a grant under this Action Plan, to the extent the applicant is otherwise eligible under this Action Plan.

## **METHODS OF ALLOCATION**

The State of Alabama's PY2017 Community Development Block Grant (CDBG) money will be allocated as shown on the preceding pages and as described below. The application submission dates for these funds will be announced during the CDBG workshops or through other appropriate widely distributed public notifications.

Each activity funded with CDBG funds must address at least one of the three National Objectives of the CDBG program. These objectives are:

1. To benefit low and moderate income persons, of which at least 51% must be from low and moderate income households, except for single family housing activities which must benefit 100% low and moderate income households;
2. Aid in the prevention or elimination of slums and blight; or,
3. Meet other urgent community needs posing a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

In addition to meeting at least one of the three National Objectives listed above, activities must meet one of the following three performance goals:

1. Create suitable living environments,
2. Provide decent affordable housing, or
3. Create economic opportunities.

Further, activities must demonstrate the ability to achieve or improve one or more of the following outcomes:

1. Improve availability or accessibility of units or services,
2. Improve affordability of housing or other services, and/or
3. Improve sustainability by promoting viable communities.

The Categories of Funds from which PY2017 CDBG monies will be allocated are as follows:

### **COUNTY FUND**

This Fund is a reservation of money for county governments to be awarded on a competitive basis. Eligible applicants are all counties, except Jefferson and Mobile, which meet eligibility requirements listed under Thresholds.

### **LARGE CITY FUND**

This Fund is a reservation of money for the State's larger municipalities to be awarded on a competitive basis. Eligible applicants are all non-entitlement cities with a 2010 Census population of 3,001 or more that are not members of the Jefferson or Mobile County consortiums, and which meet eligibility requirements listed under Thresholds.

## **SMALL CITY FUND**

This Fund is for the State's small cities/towns to be awarded on a competitive basis. Eligible applicants are all cities or towns with a 2010 Census population of 3,000 or less that are not members of the Jefferson or Mobile County consortiums, and which meet eligibility requirements listed under Thresholds.

## **ECONOMIC DEVELOPMENT FUND (ED FUND)**

This Fund is to assist activities necessary for economic development projects. Economic development projects are those based on job creation or retention. These funds will be allocated on a continual basis. Applications may be submitted anytime during the program year. Eligible applicants are all non-entitlement local governments that meet eligibility requirements listed under Thresholds.

## **SECTION 108 LOAN GUARANTEES**

This Fund provides an opportunity for communities to seek, through the Secretary of HUD, loan guarantees for the purpose of financing economic development activities as permitted in Title I of the Housing and Community Development Act of 1974, as amended. The State will not obligate for loan guarantees more than \$10 Million per project, nor more than the HUD-established limit per year. In those instances where there is an exceptional economic impact, then a waiver of the \$10 Million per project ceiling may be granted. The State may use the ED Fund, the Recaptured Fund, Program Income, or other funds to provide credit toward and/or make payments on Section 108 Loan Guarantee projects.

## **PLANNING FUND**

This Fund's monies will be awarded to those local governments who demonstrate the need for local planning. Eligible applicants are all non-entitlement local governments that meet the eligibility requirements listed under Thresholds.

## **COMMUNITY ENHANCEMENT FUND**

This Fund is a reservation of money to provide funding for eligible CDBG activities which communities consider important to enhance the quality of life for area/community residents. Eligible applicants are non-entitlement local governments who meet applicable thresholds.

## **RECAPTURED FUND**

This Fund will consist of any funds returned to the State or deobligated due to cost underruns or grantees' failure to satisfy corrections during the program year, except Program Income as defined by applicable regulations. The ADECA Director, at his or her discretion, will use an appropriate amount of Recaptured Fund to fund the Black Belt Region Projects as well as assist eligible and fundable projects from any of the Fund categories listed above. The Recaptured Fund may also be used to meet State commitments caused by Section 108 Loan Guarantee underpayments or

nonpayment of ED Float Loans. Money from the Recaptured Fund will be awarded based on the criteria applicable to each individual Fund. It is estimated that the State will receive approximately \$500,000 for this year.

In addition to the above, the Recaptured Fund may also be used to amend grants from any prior or current year grant when warranted by the circumstances presented to ADECA in the grantee's amendment request. Such amendments may cause the original grant to exceed formerly applicable grant ceilings if necessary to satisfactorily address project needs and National Objectives. Factors to be considered when evaluating such requests are: (1) positive impact (on low and moderate income persons or other National Objectives) to be expected if the amendment is approved, versus negative impact if the amendment is not approved; (2) efforts of grantee to address circumstances requiring amendment before requesting an amendment from ADECA; (3) economic distress of grantee as presented in the amendment request; and (4) other extenuating or unusual circumstances which may have caused the request.

### **BLACK BELT REGION PROJECTS**

This Fund category is designed to assist projects in the twelve counties of the Black Belt Region of the State. These counties include Bullock, Choctaw, Dallas, Greene, Hale, Lowndes, Macon, Marengo, Pickens, Perry, Sumter and Wilcox. An appropriate amount based on need and availability of funds will be made available from the Recaptured Fund and other transfers, including transfer of balances from Funds listed above that are either not required or are not sufficient to fund an entire project or the majority of the projects applied for within those Fund categories.

No separate applications will be required for the Black Belt Region Projects. Instead, the unsuccessful applications received from the twelve Black Belt counties, including communities within those counties, for all other Funds will be considered under the Black Belt Region Projects. Award considerations for Black Belt Region Projects will no longer be constrained by rating of these projects under individual Funds. The award of Black Belt Region Projects will be based primarily upon the impact these projects will have on the community and the region. The State will exercise necessary discretion to allow alteration of designs and grant requests to maximize the benefit for the region.

### **URGENT NEED PROJECTS**

An eligible community may apply for funding to address urgent needs resulting from occurrence of recent events (generally not older than 18 months) such as storms and flooding posing a serious and immediate threat to the health or welfare of the community. Such urgent need projects will not be subject to particular grant ceilings, timing, match requirements, or other limitations, and the ADECA Director will exercise full discretion by transferring available funds in different Fund categories. These projects will be considered as special Fund category projects.

## **JOINT PROJECTS**

The PY2017 program allows two or more communities to jointly carry out activities to address their mutual needs. The following elements will serve as a guide in the eligibility and determination of such joint projects:

1. A project will not be considered as a joint project when the benefits accruing to additional jurisdiction(s) are purely of a secondary nature or account for less than 30 percent of the total project beneficiaries. In such cases, the additional jurisdiction(s) will not be subject to the applicable Thresholds.
2. A project applying for a single grant will be considered a joint project if two or more communities benefit from a project and each accounts for 30 or more percent of the beneficiaries. In such cases, the total beneficiaries as well as beneficiaries in each community must meet the National Objective, and the community with 50 or more percent beneficiaries will be subject to applicable State Thresholds and restrictions. In addition, each community with 30 or more percent beneficiaries must meet separate citizen participation requirements, assess housing and community needs of low and moderate income persons, and must become a party to a Memorandum of Understanding that delineates appropriate responsibilities.
3. A joint project may seek a multi-grant ceiling if benefits for each community are sufficiently significant to qualify as a separate grant. Such projects will be filed under the joint names of participating jurisdictions and each community will be separately subject to the State Threshold requirements. For such projects, each community must meet separate citizen participation requirements, assess housing and community development needs of low and moderate income persons, and become a party to a Memorandum of Understanding that delineates appropriate responsibilities. For the purposes of grant administration, the State will permit one participating community to serve as lead applicant.

The State will use a common sense approach to review and rate joint projects to ensure that the State's intent to maximize efficiency is realized and that the impact from such projects materializes. Applicants proposing joint projects seeking multi-grant ceilings must review their projects with the State prior to submittal.

## **STATE ADMINISTRATION/PLANNING**

The State Administration is a reservation of money for effective management of the CDBG program by the State, and these funds will be matched on a dollar for dollar basis, except for the \$100,000 that does not have to be matched.

## **STATE TECHNICAL ASSISTANCE FUND**

This Fund is a reservation of money for the provision of technical assistance to the communities of Alabama for effective participation in the State's CDBG program, to increase local capacities,

and for other eligible purposes. The State Technical Assistance Fund may also be used for the State Administration.

**GRANT CEILINGS AND MINIMUMS**

The figures stated below establish general ceilings and minimums on the grant amounts that may be requested per Fund. Consideration in the award of grants will be given to the size of the community requesting funds and to the requirements of the proposed project. An applicant must recognize that requesting the maximum grant amount allowable will not always be appropriate.

<b><u>FUND</u></b>	<b><u>CEILING/MINIMUM</u></b>
County Fund	\$350,000 Ceiling
Large City Fund	\$450,000 Ceiling
Small City Fund	\$350,000 Ceiling
Community Enhancement Fund	\$250,000 Ceiling/\$50,000 Minimum
Planning Fund	\$40,000 Ceiling
Section 108 Loan Guarantees	\$10,000,000 Maximum

<b><u>Economic Development Fund</u></b>	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>
ED Grants	\$50,000	\$200,000
ED Incubator	\$50,000	\$250,000
ED Loans	\$50,000	\$250,000
ED Float Loans	\$1,000,000	\$10,000,000

**NOTE:**

These ceilings are subject to HUD’s actual CDBG allocation to the State of Alabama. At the discretion of the ADECA Director, these ceilings may be modified in order to maintain program integrity.

**THRESHOLDS**

The following thresholds will apply to communities seeking to apply for PY2017 CDBG funds:

1. Cities and Counties with an open PY2014 Economic Development Fund or earlier grant funded in calendar year 2014 or earlier as of the application submission deadline date, and/or an open PY2014 Planning Fund grant funded in calendar year 2014 or earlier as of March 31, 2017, will sit-out for all Funds except for the Economic Development Fund.
2. Cities and Counties with an open grant (except Economic Development Fund or Planning Fund) from any Fund as of March 31, 2017, will sit out for all Funds except for the Economic Development Fund.
3. Cities and Counties that have applied unsuccessfully for an eligible project three consecutive years will receive an additional consideration.

4. Cities and Counties eligible to apply for Competitive Funds (the County Fund, Large City Fund, and Small City Fund) and the Community Enhancement Fund will be limited to only one application from either one of these Funds.
5. A unit of government may not apply if it has an unresolved audit finding involving disallowed costs as the result of a determination made by a private audit, an ADECA financial review, or an ADECA CDBG staff monitoring review. A waiver may be provided in cases where the ADECA Director has reviewed a grantee's proposed response and has determined that repayments due to the State are secured by an appropriate security instrument, stream of income, or other adequate measures.
6. A unit of government may not apply if it owes the State or Federal government money as the result of determinations made by a private audit, or as the result of determinations made by an ADECA financial review, or an ADECA CDBG staff monitoring review. A waiver may be provided in cases where the ADECA Director has determined that repayments due to the State are secured by an appropriate security instrument, stream of income, or other adequate measures.
7. A proposed project must stand alone to serve the proposed beneficiaries without the need for additional funds that are not shown in the application, unless the other necessary funds are known of and verifiable by the State. Any other funds shown in the application must be verifiable by the State.
8. Applicants must demonstrate the ability to maintain any facilities funded under the CDBG Program.
9. An applicant must not have been deemed by the State to lack capacity to carry out a CDBG project.
10. An applicant's regular program must benefit at least 51 percent (51%) low and moderate income persons or qualify under the Area Benefit under the HUD rule, unless it is a housing rehabilitation program - in which case the beneficiaries must be 100 percent low and moderate income, or if it is a project that addresses slum and blight - in which case it must meet the slum and blight National Objective.
11. Applications for the Planning Fund must present thorough evidence showing how the activity will address one of the National Objectives applicable to planning grants.

**NOTES:**

1. Where eligibility for any grant is subject to close-out of earlier grants, acceptable closeout documents which require no changes must have been received by ADECA by March 31, 2017 for the grant to be considered closed-out. State policies concerning funds retained for administrative/engineering costs will be considered when determining grant closeout dates.



2. Grants funded by special HUD allocations for programs such as disasters, neighborhood stabilization (NSP), or recovery (CDBG-R) will not prohibit jurisdictions from applying for PY2017 CDBG funds.
3. For any issue or subject not addressed in this PY2017 One-Year Annual Action Plan, or in the case of conflicting issues, the ADECA Director will make a final ruling based on the precedents, established practices, or otherwise what is in the best interest of the State. In rare cases, the ADECA Director may provide a waiver from these Thresholds if specific situations merit granting such a waiver.

**APPLICATIONS FOR COUNTY, LARGE CITY, AND SMALL CITY FUNDS**  
**COMPETITIVE PROCESS**

CDBG funds allocated to the County Fund, Large City Fund, and Small City Fund, also known as Competitive Funds, will be distributed through a competitive grant application process. Eligible communities may submit one competitive application, and the competitive application may contain one or more activities that are designed to address single or multiple needs. The project may take a comprehensive scope designed to revitalize an identified project area, may be a stand-alone activity to address a specific need, or may undertake two or more activities in a general project area that together enhance the scope of the project by way of cost efficiency, project visibility, public welfare, or other reasons.

The aim of the competitive process is to compare all applications in the same funding category to each other within the framework of criteria set up to judge the merits of community development activities. This entails assigning points based on how well an application addresses each rating criterion. To ensure that the competitive process is fair and even-handed, all applications must be submitted by a specific cut-off date, and no changes may be made in the application after it has been submitted to the State. The State may request clarification of the proposal that in no way affects the substance of the application, or the State may require minor project modifications in the interest of enhancing the scope and/or impact of the project activities.

**Criteria for Rating Competitive Grants**

All counties, large cities, and small cities will compete for the Competitive Funds from a respective Fund category, i.e., County Fund, Large City Fund, or Small City Fund. All grant applications will be rated for a maximum score of 200 points. Applications will be awarded funds in order of decreasing score until funds in a given Fund category are exhausted. The rating criteria for scoring applications will be as follows:

<b><u>Rating Criteria</u></b>	<b><u>Points</u></b>
Nature of Benefits	130
Local Match	20
Cost/Benefit Ratio	<u>50</u>
Total	200

## Explanation of Rating Criteria

### Nature of Benefits

The following four evaluation elements will be used to determine points under the Nature of Benefits rating criteria. The PY2017 CDBG Application Manual will provide additional details for meeting the reporting and documentation requirements of these broad evaluation elements.

- a. Needs Assessment – This is an assessment of community-wide needs associated with housing and essential community development facilities, including the needs of low and moderate income households.
- b. Project Development – This is a description of the need(s) to be addressed, the process used to identify the need(s), and the activities that would best address the need(s), including alternatives considered.
- c. Impact – This is a qualitative and quantitative description of project impact in addressing the needs of the project area and/or the community, including the number of beneficiaries, low and moderate income beneficiaries, directness of benefit, urgency or criticalness, secondary benefits, and life expectancy of improvements.
- d. Other Considerations – This is a consideration of the adequacy of utility rates, operations and maintenance capacity, local participation, local capacity to implement a CDBG project, distress factors, cost efficiencies, utilization of innovative approaches, past efforts, or other relevant factors not previously discussed.

### Local Match

Up to 20 points will be available for communities providing a local match. Points will be awarded based on the percent of local funds divided by the total amount of requested CDBG dollars. Two points will be awarded for a one percent match, 4 points will be awarded for a two percent match, up to 20 points awarded for a ten percent match. In a jurisdiction determined by the 2010 Census to have 1,000 or less persons, no match will be required, and the full 20 points will be awarded in this Fund category.

### Cost/Benefit Ratio

This is the measure of the project's cost per beneficiary, and the scoring will be based on a comparison of (i) the applicant's cost per beneficiary for each activity to (ii) the base level ratio. A base level ratio of \$4,000 for all public facilities, \$8,500 for housing, and \$14,500 for relocation has been established by ADECA. Applicants with ratios at or below these levels for each activity will receive maximum points for these activities. For projects with more than one substantial activity, the point score will be based on the weighted average of the activity cost of all proposed substantial activities. The cost beneficiary ratio will be computed based only on the amount of requested CDBG dollars.

The rating forms that will be used to score Competitive Fund (County Fund, Large City Fund, and Small City Fund) applications will be publicly available at the CDBG Application Workshop. All eligible cities and counties will be notified about the date, time, and location of the CDBG Application Workshop.

### **APPLICATIONS FOR THE COMMUNITY ENHANCEMENT FUND**

The purpose of the Community Enhancement Fund is to allow the State the flexibility to fund important projects through an evaluation and review process. This Fund can be used to provide funding for eligible activities that communities consider important to enhance the community in a manner that is beyond providing for the more basic and essential needs, or for any other eligible CDBG activity. Examples of activities include facilities for fire protection, emergency 911 telephone service, senior centers, boys and girls clubs, recreational facilities, removal of architectural barriers, historic preservation, downtown/neighborhood revitalization, and community centers. Eligible applicants for the fund are all non-entitlement local governments who meet applicable Thresholds. Applications for this Fund must be submitted by the announced cut-off date.

### **Criteria for Rating Community Enhancement Grants**

The Community Enhancement Fund grant applications will be reviewed by ADECA CDBG staff for compliance with a National Objective and eligibility Thresholds. The applications will be reviewed for factors that include:

1. Assessment of need for project
2. Importance of activity to community
3. Clarity of benefit to low and moderate income persons or limited clientele
4. Community involvement/efforts or joining of two or more communities to address common needs
5. Project description
6. Financial feasibility
7. Cost reasonableness
8. Capacity for operation and maintenance
9. Local match
10. Past efforts

Special consideration will be given to projects that effectively demonstrate community involvement/efforts in the design, implementation, and promotion of the project. Consideration will also be given to projects where two or more eligible applicants jointly propose to carry out activities to address their mutual needs. Depending on the nature of the needs and the type and extent of beneficiaries, a separate grant ceiling may be permitted. Funding and implementation of such joint projects will be subject to HUD rules.

The ADECA CDBG staff evaluation will be used to guide the selection of the projects, although the ADECA Director may vary from the ADECA CDBG staff evaluation when a particularly

strong need is perceived. The ADECA CDBG staff evaluation will consist of two independent reviews comprised of a 0-5 point scoring scale, wherein a score of “0 points” indicates that the project is ineligible for one or more reasons, a score of “1 point” indicates a weak project, and a score of “5 points” indicates a very strong project.

A grant ceiling amount of \$250,000 and a minimum grant amount of \$50,000 have been established for the Community Enhancement Fund. The ADECA Director may waive either of these limits.

The Community Enhancement Fund will require a specific local match equal to or exceeding 10 percent of the amount of CDBG funds requested in the application. In a jurisdiction determined by the 2010 Census to have 1,000 or less persons, no match will be required if the applicant lacks the financial capacity to provide the match.

Community Enhancement Fund projects will be awarded based on the total highest score in decreasing order until the Fund’s monies are depleted. When funds are not available to fund all projects with similar scores, the ADECA CDBG Staff’s site evaluation will determine the project(s) to be funded.

### **APPLICATIONS FOR THE PLANNING FUND**

The purpose of the Planning Fund is to assist communities having a need for comprehensive or other planning. Eligible plans include comprehensive plans, elements of comprehensive plans, downtown revitalization plans, eligible components of regional studies, or other strategies and studies important to sound and effective community growth and development. The ceiling for these grants will be \$40,000 with a provision for a waiver, although applications requesting smaller amounts will be viewed more favorably unless a very substantial need or opportunity is demonstrated. A cash match of 20 percent of the project cost will be required. However, for jurisdictions of 1,000 or less population (as determined by the 2010 Census), the match may be waived when the applicant lacks the financial capacity. Applications will be considered on a continual basis until the cut-off date.

#### **Evaluation Considerations**

The Planning Fund grant awards will be made based on the following evaluation considerations:

1. How the proposed project will contribute to principally benefiting low and moderate income persons, or how the proposed project will contribute to aiding in the prevention of slums and blight.
2. The need and urgency of planning activities proposed. The State reserves the authority to not fund a project if the need or urgency is not clearly demonstrated, and if the amount requested is not appropriate for the plan or the size of the planning area involved.
3. How the proposed project will contribute to the development of a planning process which will serve as a guide for orderly and/or consistent growth and community development.

4. How the proposed project will aid in, or contribute to, the involvement or creation of various community groups, advisory councils, planning/zoning districts, redevelopment authorities, etc., in the ongoing planning process.
5. The amount of funds requested relative to the size of the community, the complexity of the proposed elements, and the final product. This consideration will be particularly important where larger grant requests are involved.
6. The community's prior year grants received, as well as implementation of prior planning efforts.

### **APPLICATIONS FOR THE ECONOMIC DEVELOPMENT FUND**

The purpose of the Economic Development Fund (ED Fund) is to allow the State to fund activities necessary to take advantage of economic development opportunities that would result in the creation or retention of jobs. In addition to PY2017 money allocated for the ED Fund, approximately \$165,000 is expected in Program Income from earlier loans that will be available for funding of ED Fund projects or for making payments on Section 108 Loans Guarantees. Also, ED Float Loans will be covered in this section, since ED Float Loans will be used only for economic development. However, funds used for short-term grants, or ED Float Loans, will come from all categories of grants. The ED Fund projects will be funded under the following four distinct categories: (1) ED Grants, (2) ED Incubator Projects, (3) ED Loans, and (4) ED Float Loans.

The eligible ED Fund projects will be generally funded in the order they are received, regardless of the Fund category under which they fall. Eligible applicants for ED Grants, ED Loans, and ED Float Loans are all non-entitlement local governments, provided other applicable thresholds are met. The applicable grant ceilings and minimums for ED Fund projects will be as cited earlier in the section on grant ceilings. The rules and requirements which will govern ED Grants, ED Loans, and ED Float Loans are spelled out under respective headings in the following paragraphs.

#### **ED GRANTS**

Eligible applicants may apply for ED Grants to provide land, facilities, and infrastructure such as water lines, sewer lines, rail spurs, docks, cranes, access roads, etc., to facilitate creation and/or retention of jobs by a new or existing business. The eligible applicants may also apply for grants to assist a public, private, nonprofit, or such other entity including a business in support of an economic development project that will result in the creation of jobs, including jobs for unemployed, under-employed, and recipients of welfare assistance. The State will exercise maximum flexibility and maximum controls in considering activities that will have a direct and significant impact on the creation of jobs. The assistance to public, private, or any such entity may be in the form of a grant, a loan, or a deferred payment loan, and may pay for activities eligible under the CDBG Program including day care and related facilities, transportation, and operations. A grant ceiling of \$200,000 and a floor of \$50,000 will apply. Applications may be submitted anytime during the program period, and applications will be funded on an "as needed" basis. The State will maintain the right to deny funding of any application during the program period,

depending on the quality of the project or the results of past projects, or on considerations such as labor supply, wage levels, environmental effects, etc. The State may waive the \$200,000 grant ceiling if the merit of the project shows a significant long-term economic benefit for the State.

In rare and exceptional cases, the State may award an ED Grant using ED Fund, Recaptured Fund, Program Income, or other Funds in support of Section 108 Loan Guarantee projects. ED Grants may be used toward loan payments, debt retirement, and other eligible purposes. The amount and appropriateness of ED Grants may take into consideration factors such as the size of the project, magnitude of local support, overall impact, and unique features associated with the project. Projects involving ED Grants will be governed by Section 108 Loan Guarantee requirements, and may be granted exemptions from the Threshold requirements.

The Threshold requirements for ED Grants are listed below. These Thresholds are in addition to overall Thresholds listed earlier in this PY2017 One-Year Annual Action Plan.

### **Thresholds**

1. The proposed activities must be associated with the location of a new business or an expansion of an existing business generally creating 15 or more jobs. Projects proposing job retention will generally not qualify for ED Grants unless, in the opinion of the State, significant job losses will have a long-term detrimental effect on the community and low and moderate income people. For projects involving job creation or retention without a capital expansion, the State may disregard such expansion requirement if, in the opinion of the State, significant economic impact and benefit to low and moderate income persons merit such a decision.
2. The applicant must have a commitment from the business to create and/or retain the jobs as described in the application.
3. The project must generally fall in the SIC Code 20 through 39, or consist of major warehousing or distribution centers, or such other activities having a prospect of significant economic impact.
4. At least 51 percent of the project's beneficiaries specified in the application must be persons of low and moderate income.
5. The project must include a local match of at least 20 percent of the amount requested in the ED Grant application. This amount may be eliminated for projects when the applicant's population, as determined by the 2010 Census, was 1,000 or less, and the applicant lacks the financial capacity to provide the match. Under extremely extenuating circumstances, the ADECA Director may provide a waiver to the local match requirement.
6. The proposed project must not involve intrastate relocation of a business, except when such relocation may have been necessitated due to inadequacies associated with the existing location and a move to a new location will result in a greater number of jobs, subject to 24 CFR Part 570 prohibition on the use of CDBG assistance for job-pirating activities.

7. ED Grants will not be made in cases where construction of the private facility has already started prior to the grant award date or the earliest possible date of Release of Environmental Conditions by ADECA. If such start is unavoidable, a waiver may be granted if a request is made to ADECA to do so prior to the start of any construction activity at the project site.

### **Evaluation Criteria**

Applications for ED Grants will be considered on a continual basis. Such applications will be reviewed for conformance with the Thresholds, and the funding decision will be guided by the following factors:

1. Importance of the proposed activities to the location or expansion of a business
2. Number and certainty of proposed jobs
3. Proposed local match
4. Scope of a new business or expanding business, i.e., products, product markets, current or projected employment and payroll, labor skills required
5. Urgency of proposed activities
6. Importance of the project to further welfare reform objectives

### **ED INCUBATOR PROJECTS**

The State will provide assistance to eligible communities from the ED Fund to support ED Incubator Projects that will commit to create new jobs. For the purposes of the State program, an “Incubator” is “a building and program operated either by a private entity, a nonprofit organization, or a unit of local government for the primary purpose of aiding fledgling businesses in their efforts to survive and grow during the first 3 to 5 years of existence. Such aid may come in the form of subsidized floor space, equipment, professional services, or other assistance viewed as appropriate by the State.” Eligible applicants may apply for ED Incubator Project grants anytime during the program period. A grant ceiling of \$250,000 will apply. The State will maintain the right to deny funding of any ED Incubator Project, depending on the quality and/or certainty of the proposal.

### **Thresholds**

Threshold requirements listed earlier in this PY2017 One-Year Annual Action Plan will apply to all ED Incubator Projects.

### **Evaluation Criteria**

Factors to be considered in evaluating the worthiness of ED Incubator Project proposals will include:

1. Criteria or system to be set up by an “Incubator” program to assure that 51 percent of the beneficiaries of the program are low and moderate income persons.
2. Desirability of “Incubator” site
  - a. Proximity to a metropolitan area or other center of economic activity
  - b. Accessibility of jurisdiction
  - c. Accessibility of site

- d. Quality and suitability of structure or proposed structure
- e. Level of infrastructure serving site
- 3. Evidence of Local Support
  - a. Financial
  - b. Professional
  - c. Other
- 4. Feasibility of Program
  - a. Clarity of Program
  - b. Certainty that program will be carried out for specific period
  - c. Background and credentials of personnel in program
  - d. Nature of program

## **ED LOANS**

Eligible applicants may apply for ED Loans anytime during the program period to make loans to private businesses for locating or expanding in the community and creating or retaining jobs for low and moderate income persons. ED Loans can be used for purchasing land, buildings and equipment, site improvements, construction or renovation of buildings, operating capital, or any other CDBG-eligible activity. A reasonable percentage of an ED Loan project may be a grant to cover administrative costs. Deferred payment loans will have a write-off provision. ED Loans made from the Revolving Loan Fund will be governed by the same requirements as ED Loans made from the ED Fund. ED Funds used by communities to make ED Loans to private businesses will have a payback requirement. The determination as to the local government's disposition of the proceeds of repayment of loans will generally be made at the time an ED Loan is funded. As required by Section 104(j) of the Housing and Community Development Act of 1974, as amended, the State will, as part of all application reviews, recognize the applicant's right to retain Program Income to the extent such income is applied to continue the activity from which such income was derived. The repayments may be allowable to the regional commissions/councils to be used for similar purposes if they are determined to be nonprofit organizations serving the development needs of the communities in non-entitlement areas. A grant ceiling of \$250,000 will apply to applications requesting ED Loans, although there is a waiver provision. The State will maintain the right to deny funding of any application or activity during the program period, depending on the quality of the loan, the appropriateness of the proposed project, or the capacity of the community to undertake such a project. Threshold requirements for ED Loans are listed as follows, and are in addition to overall Thresholds listed earlier in this PY2017 One-Year Annual Action Plan.

## **Thresholds**

1. The proposed activities generally must be associated with an economic development project creating and/or retaining permanent jobs.
2. The proposed project must not involve intrastate relocation of a business, except when such relocation may have been necessitated due to inadequacies associated with the existing location and a move to a new location will result in a greater number of jobs.



3. The applicant must have a commitment from the business to create or retain jobs.
4. Beneficiaries of ED Fund projects must be at least 51 percent low and moderate income persons.

### **Evaluation Criteria**

Applications for ED Loans will be considered on a continual basis. Each application will be reviewed for conformance with the Thresholds and other regulatory requirements. The following factors will be considered in making funding decisions:

1. CDBG dollars per permanent job
2. Leverage ratio (private dollars as compared to CDBG dollars)
3. The actual number of permanent jobs to be created or retained
4. Potential for spin-off benefits
5. Job diversification
6. Loan pay-back/collateral

### **ED FLOAT LOANS**

ED Float Loans are short-term loans which will be made out of appropriated, but unexpended, CDBG program funds (such funds may be from any fiscal year) that may have been allocated to specific program activities. The purpose of ED Float Loans is to allow the State to fund activities necessary to take advantage of economic development opportunities which will principally benefit low and moderate income persons. ED Float Loan funds used for short-term loans will come from all Fund categories of grants. A reasonable amount of Program Income or Recaptured Funds may be used to provide a grant to administer an ED Float Loan. As ED Float Loans are repaid, the repayment of principal will be used to restore all Funds from which the monies initially came, while the interest will generally be used to increase the State's CDBG ED Fund. As is indicated above under the Section on ED Loans, the State will recognize the local government's right to retain Program Income when such income is to be applied to continue the activity from which the income was derived. The amount of funds available for the ED Float Loan program will be determined by careful monitoring of the fund flow needs of the CDBG program. Because the State recognizes that the ED Float Loan program entails some risk, each request will be analyzed on the basis of the need of grants previously funded. ED Float Loans will be made only after it has been determined, to the maximum extent possible, that the amount and term of any ED Float Loan will not commit the State's letter of credit balance to the degree that other previously-funded grants are delayed or jeopardized. ED Float Loans may come from more than one year's funds with the amount from one year being less than the minimum. Eligible applicants for ED Float Loans are all non-entitlement local governments that meet eligibility Thresholds listed previously herein this PY2017 One-Year Annual Action Plan.

The ED Float Loan program will be governed by the following requirements:

## **Program Objective**

A primary objective of the ED Float Loan program is to expand economic opportunities, principally for persons of low and moderate income. Normally, the program will be used only to aid in the creation of new jobs and on projects where there is likely to be a substantial economic development impact. In exceptional circumstances the ED Float Loan program may be used to help retain jobs. Of the jobs to be created or retained, at least 51 percent must be occupied by or made available to low and moderate income persons. If ED Float Loans are made in order to retain jobs, the applicant must clearly demonstrate that without CDBG assistance the jobs would be lost.

## **Eligible Activities**

ED Float Loans can be used to finance any necessary activity, including acquisition, site preparation, new construction, renovation, purchase of machinery and equipment, working capital, refinancing, and other CDBG-eligible activities approved by the State.

## **Loan Amounts and Terms**

The minimum ED Float Loan amount shall be \$1 Million, and the maximum ED Float Loan amount shall be \$10 Million. These maximum and minimum loan amounts may be waived by the State when significant long-term economic benefits for low and moderate income persons are involved. The loan term will be for one year, and can be extended for one additional year. Interest earned on ED Float Loans will be treated as Program Income, and will be used for CDBG-eligible activities.

## **Evaluation Criteria**

Applications for ED Float Loans will be considered on a continual basis. However, due to the unique nature of the ED Float Loan program, the State intends to fund only a limited number of ED Float Loan projects. Prior to accepting any application, the State will require a thorough review of the project with the State. ED Float Loan funding decisions will be based on the following factors:

1. Conformance with the National Objective
2. Loan security, which security shall be in the form of an irrevocable letter of credit or such other security acceptable to the State
3. Number of jobs involved
4. Private investment
5. Unemployment/community distress
6. Job diversification
7. Indirect/spin-off benefits

## **SECTION 108 LOAN GUARANTEES**

The purpose of the Section 108 Loan Guarantee program is to provide communities with an opportunity to seek loan guarantees to finance economic development activities as permitted in Title I of the Housing and Community Development Act of 1974, as amended. Guarantees must be approved by the Secretary of HUD. The applicable ceiling is \$10 Million per project, with a waiver provision. No more than the HUD-established limit will be committed annually. Eligible applicants are all non-entitlement communities who meet the Thresholds listed earlier in this PY2017 One-Year Annual Action Plan, as well as those Thresholds listed below. For projects with significant economic impact, the State may use the ED Fund, Recaptured Fund, Program Income, or other Funds to grant an appropriate amount toward Section 108 Loan Guarantee payments and for debt retirement.

### **Thresholds**

1. The proposed activities generally must be associated with an economic development project creating and/or retaining permanent jobs.
2. The proposed project must not involve intrastate relocation of a business, except when such relocation may have been necessitated due to inadequacies associated with the existing location and a move to a new location will result in a greater number of jobs.
3. The applicant must have a commitment from the business to create or retain jobs and make private investment as described in the application. In those instances where a business has not yet been identified, the applicant must commit to create a certain number of jobs within a specified amount of time acceptable to the State.
4. Beneficiaries of Section 108 Loan Guarantee projects must be at least 51 percent low and moderate income persons.

### **Evaluation Criteria**

Applications for Section 108 Loan Guarantees will be considered on a continual basis, since opportunities for economic development may arise at any time. Section 108 Loan Guarantees will be evaluated in accordance with 24 CFR Part 570, the Section 108 Final Rule, along with consideration being given to the following:

1. Section 108 dollars per permanent job;
2. Actual number of jobs to be created or retained;
3. Potential for spin-off benefits.

## **ELIGIBLE ACTIVITIES**

Eligible activities under the State's CDBG program are all activities listed as eligible under the Housing and Community Development Act of 1974, as amended, including public service activities proposed separately or jointly with other non-service type activities.

## **ESTIMATED FUNDS FOR ACTIVITIES BENEFITING LOW AND MODERATE INCOME PERSONS**

The Housing and Community Development Act of 1974, as amended, requires that the State furnish its citizens with "the estimated amount (of funds) proposed to be used for activities that will benefit persons of low and moderate income." The State estimates that at least 80 percent of its PY2017 CDBG funds will be used for activities that primarily benefit low and moderate income persons. The remaining 20 percent of PY2017 CDBG funds are anticipated to be used for the prevention or elimination of slums and blight (such as the Planning Fund grants), and to assist communities with imminent threats to public health and safety when no other financial resources are available.

## **ALABAMA'S PLAN FOR MINIMIZING DISPLACEMENT FROM USE OF CDBG FUNDS**

The Housing and Community Development Act of 1974, as amended, requires that the State furnish citizens with its "plans for minimizing displacement of persons as a result of activities assisted with such funds and to assist persons actually displaced." The following four elements shall serve as the State of Alabama's "Plan for Minimizing Displacement for Programs Utilizing U.S. Department of Housing and Urban Development Funds."

1. **Minimizing Displacement:** The State will discourage applicants from designing programs that involve extensive displacement. Applicants should displace persons and businesses only when there is no reasonable alternative to accomplishing the purposes of their program. The State's rating system addresses the higher costs of programs which involve displacement by making more expensive solutions to problems less competitive.
2. **Persons Actually Displaced:** Applicants shall plan for the probability of displacement in program design by requesting sufficient funds to accommodate the costs of displacement. Grantees shall provide from CDBG, or their own resources, for the reasonable costs associated with all displacement necessary to carry out the purposes of the grantee's program.
3. **Local Plan for Grant Recipients:** The State of Alabama requires that that all localities applying HUD funds through the State certify that, "The City/County will minimize displacement of persons as a result of activities with CDBG funds and will assist persons actually displaced as a result of such activities." Further, upon funding, all recipients shall be required to keep a local Plan for Minimizing Displacement in the program files.
4. **Grievance Procedure:** The State will follow the grievance procedure identified in the Complaints section of the State's Citizen Participation Plan.