

## **Section Five: Economic Development Priority**

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Foster the competitiveness of Nebraska's business and industrial sector—and as a result—assist in the economic development of Nebraska's communities and people.



## Strategies, Objectives & Measurements

### **The Outcome Statement related to the Economic Development Priority for Job Creation and Retention Activities is:**

The State of Nebraska will improve availability/accessibility for the purpose of providing creating economic opportunity through investments in economic development projects for job creation and retention activities.

### **The 2009 Outcome Indicators for Job Creation and Retention Activities include:**

- 200 jobs will be created or retained.
- Of those 200 jobs created or retained, a minimum of 51% of the jobs will be designated for LMI persons.

### **The Outcome Statement related to the Economic Development Priority for Business Assisted Activities is:**

The State of Nebraska will improve availability/accessibility for the purpose of providing creating economic opportunity through investments in economic development projects by assisting businesses for the purpose of job creation/retention.

### **The 2009 Outcome Indicators for Business Assisted Activities include:**

- 10 businesses will receive grant or loan assistance through federal funding.
- Assistance will be provided to 600 micro-enterprises and other smaller entrepreneurial enterprises per year.

### **The Two five-year strategies developed to meet the Economic Development priority are:**

- **Promote, through investment of CDBG funds (and available Nebraska incentive funds and credits), the retention and expansion of existing businesses in Nebraska, and the startup of new businesses in Nebraska, and the immigration of out-of-state businesses relocating or expanding into Nebraska.**
- **Provide entrepreneurial assistance to microenterprises and other small entrepreneurial enterprises in Nebraska, through investment of CDBG funds.**

### **Background**

The primary objective of this priority is to develop viable communities and counties by expanding economic opportunities, principally for low- to moderate-income (LMI) persons. The state CDBG objective of the Economic Development category is to support businesses that

expand the state's economic base and create quality jobs for persons in the low-and moderate-income levels.

The following is a report on the activities the state plans to undertake during the next year to target economic development activities for CDBG funds. The CDBG allocations for economic development are structured around economic and business development. Resources must be addressed to serious problems affecting the local economic base. These include loss of population in most counties and the differences in income in the metro and non-metro areas.

### **The Economic Development Commission and CDBG Advisory Committee**

CDBG strategies result from more than 15 years of consultation with local communities and public comment. The selection criteria and priorities outlined in the Economic Development section of this Action Plan also were developed with advice of the Nebraska Economic Development Commission, as well as the CDBG Program Advisory Committee. Priorities and strategies support the state's anti-poverty strategy of creating jobs with livable wages, and are directed toward both workers and employers. The efforts for workers include assuring that education, job training, and skill development programs adequately prepare them for the jobs that are available. The business efforts include providing economic assistance, tax credits, and loans that attract new firms; retain/expand existing firms - especially businesses that hire low and moderate income people; and assistance for new businesses and entrepreneurs.

Set up by state statute, the Nebraska Economic Development Commission provides leadership and advice to DED to strengthen Nebraska's position in the global economy. The Commission consists of nine voting members (three each from Nebraska's three congressional districts) and the DED director (as non-voting member).

The CDBG Program Advisory Committee, created in 1986, regularly consults with DED regarding the state's CDBG Program. The committee helps determine community development objectives, state priorities, and fund distribution guidelines. The Nebraska Economic Development Commission upon recommendation of DED appoints committee members.

### **Actions for the 2009 Program Year**

Objectives and measurable actions planned between July 1, 2009 and June 30, 2010, for the two strategies are listed below:

#### **Strategy One:**

**Promote, through investment of CDBG funds (and available Nebraska incentive funds and credits), the retention and expansion of existing businesses in Nebraska, and the startup of new businesses in Nebraska, and the immigration of out-of-state businesses relocating or expanding into Nebraska.**

**Objective #1:** Utilizing a non-subjective, criteria-based application/selection process, to fund quality projects for eligible businesses through the use of CDBG:

- loans to businesses for a variety of business purposes.
- public facilities (infrastructure) grants to applicant communities, where a business agrees to locate or expand premised on the infrastructure improvements.
- job training grants to businesses.

- loans or conditional grants for development of so-called "spec buildings" and "spec industrial parks".
- short term interim financing.
- Performance Measurement
  - The investment of approximately \$5 million in CDBG funds in business development projects.
  - Leveraging \$100 million of investments in such projects by other sources.
  - The creation or retention of 200 jobs, of whom a minimum of 51% will be low to moderate income individuals.

**Objective #2:** Provide for investments in effective and affordable tourist attractions (for profit or nonprofit, public or private) in quality communities that will result in visitor spending, generate jobs, and promote long-term economic development.

- Performance Measurement
  - The investment of approximately \$150,000 in CDBG funds in tourism development projects.
  - Leveraging \$75,000 million of investments in such projects by other sources.
  - The creation or retention of 4 jobs, of whom a minimum of 51% will be low to moderate income individuals.

**Strategy Two:**

**Provide entrepreneurial assistance to microenterprises and other small entrepreneurial enterprises in Nebraska, through investment of CDBG funds.**

**Objective#1:** The investment of CDBG funds provided to intermediary service/assistance providers—utilizing such intermediaries to provide the following to microenterprises and other small entrepreneurial enterprises in Nebraska:

- business plan development assistance
- entrepreneurial management training
- accounting and finance training and assistance
- sales and marketing training and assistance
- business incubators
- loans
- Performance Measurement
  - Provide entrepreneurial assistance to 600 microenterprises and other such smaller, entrepreneurial enterprises in Nebraska resulting in the creation of at least 10 jobs, 51% of which must benefit LMI persons.

## **Economic Development Funding Category**

### **Objective**

The objective of the Nebraska Department of Economic Development ("Department" or "DED") for the Community Development Block Grant ("CDBG") Economic Development ("ED") category is to assist businesses which expand the state's economic base and which create quality jobs principally benefiting employees in the low-to-moderate ("LMI") income levels.

### **Eligible Applicants**

Eligible applicants include every Nebraska incorporated municipality under 50,000 population; and every Nebraska county.

### **Eligible Businesses**

Not all businesses are eligible to be benefited businesses under the Department's CDBG ED program. Refer to the discussion of eligible (and ineligible) businesses below.

### **Eligible Activities**

Generally, eligible activities include:

- loans to for-profit businesses (through the applicant community) for a variety of business purposes
- public facilities (infrastructure) projects undertaken by applicant communities for economic development purposes, where a benefiting business agrees to locate or expand premises on the infrastructure improvements and agrees to create jobs for LMI persons
- job training grants to for-profit businesses (through the applicant community)
- entrepreneurial development grants
- speculative building projects or speculative industrial park prospects, in the form of conditional grants to applicant communities (or to qualifying non-profit development organizations) for such projects; and planning for such projects when undertaken by a nonprofit development organization
- short-term interim financing program

### **Compliance with CDBG National Objective Requirements**

All project activities must meet one of three national objectives of the CDBG program. The three national objectives are:

- benefiting low-to-moderate (LMI) income persons
- aiding in the prevention or elimination of slums or blight
- meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to health or welfare of the community and other financial resources are not available to meet such needs

In the CDBG ED category portion of the CDBG program of the Department, nearly all, if not all, projects in a given program year are funded through meeting the first national objective cited above, namely, benefiting low-to-moderate income persons. In turn, that LMI benefit is demonstrated in nearly all projects through job creation, job retention, or both job creation and job retention, by a benefited business. Such job creation or job retention must involve the employment of persons, the majority (51% or more) of whom are LMI persons.

### **Maximum Amounts of Awards**

~~\$500,000~~ \$1,000,000 will be used as a guideline for an award for any one project under the CDBG ED category, further limited by maximums of \$250,000 for any one job training grant and \$250,000 for any one speculative building project. ~~\$750,000~~ \$1,000,000 will be used as a guideline for an award for any one speculative industrial park project under the CDBG ED category.

### **Amount of ~~Direct Financial Advantage~~ Loan Forgiveness Flowing Through to a Benefited Business**

~~The aggregate amount of forgiveness to a benefited business not locating in a DED-funded speculative building or speculative industrial park from CDBG ED category awards is \$250,000 with the exception of speculative buildings where no more than \$150,000 may be forgiven.~~

The aggregate amount of forgiveness to a benefited business ~~locating in a DED-funded speculative building or speculative industrial park~~ from the CDBG ED category may be an amount up to the total award, and will be determined by DED. The benefited business can only receive ~~direct financial advantage~~ loan forgiveness if the job creation requirement can be met for both the speculative activity assistance and the additional direct assistance. Any loan repayments will be made to DED and none of the award is available to be forgiven by, or repaid to, the local government without approval by DED.

### **Application Timing and Process**

With the exception of Speculative Data Sites\*, applications for CDBG ED awards are accepted and considered on an open cycle. The process of application review involves consideration and recommendation by: the Project Review Committee; followed by the Department Director, followed by the office of the Governor. The Department will send a formal Notice of Approval Letter to an applicant community receiving application approval.

The review process by the Department Project Review Committee is based on the individual and collective judgments of Committee members, in consultation with other Department staff as necessary, applying an objective scoring process based on various criteria. A group/consensus decision is reached evaluating the merits of each application and deciding whether to fund, and if positively determined, at what level of funding.

### **Matching Requirements**

All CDBG ED category projects require a minimum 1:1 match of CDBG funds with funds from other (non-CDBG) sources. Put another way, CDBG funds can be no more than 50% of the total project cost. In addition to achieving the match as described above, Speculative Industrial Park Projects – Data Centers as described below can achieve their match using the following costs as well: DED approved costs associated with the infrastructure development of the site, and DED approved marketing costs associated with the promotion of the site.

**\*Speculative Industrial Parks – Data Centers / Pre-application Timing and Process**

DED has identified a narrow window of opportunity to develop Speculative Industrial Parks focused on attracting Data Centers to Nebraska. A pre-application process that begins in January 2009 will be used to identify communities that have the necessary features to develop a Speculative Industrial Park primarily for a Data Center. These projects still must then complete the full application discussed further in this section.

Speculative Industrial Parks – Data Centers must submit and successfully complete the pre-application process for this specific type of project to be eligible for CDBG funding in 2009.

Pre-application available for submission – December 20, 2008

Pre-application due – January 22, 2009

DED site reviews conducted – no later than February 27, 2009

DED announces up to 8 potential sites for Site Locator to review (see pre-application selection criteria)– no later than April 20, 2009

DED identified Professional Data Center Site Locator Consultant to conduct site reviews - no later than May 31, 2009

DED announces up to 4 selected projects to submit a full application – no later than May 31, 2009

DED Environmental Review Consultant conducts Environmental Assessment for selected communities – no later than August 1, 2009

**Pre-Application Decision-making Criteria for Speculative Industrial Park – Data Centers.**

These criteria are only to be used in the pre-application evaluation process. Based on the availability of funding, only those projects scoring the highest will be selected to submit a full application.

**For projects without an existing building:**

- **Site Requirements** **30 points possible for this component**
  - 20 – 75+ acres → 30 points possible
    - 0 points = 20 acres or less
    - 10 points = 21-50 acres
    - 20 points = 51-69 acres
    - 30 points = 70 acres or more

**For projects with an existing building:**

- **Building Requirements** **30 points possible for this component**
  - “Hardened building” 10 points possible
    - 0 points = many windows and not block or poured concrete structure
    - 5 points = minimal windows OR a block or poured concrete structure

- 10 points = minimal windows AND a block or poured concrete structure
- Ceiling height 10 points possible
  - 0 points = 12 feet high or less
  - 5 points = more than 12 feet high up to 15 feet high
  - 10 points = more than 15 feet high
- Square footage 10 points possible
  - 0 points = Less than 20,000 square feet of useable space
  - 5 points = 20,000 to 25,000 square feet of useable space
  - 10 points = more than 25,000 square feet of useable space

**For All projects:**

**Site Requirements**

**265 points possible for this component**

- Potential fiber providers 50 points possible
  - 0 points = one potential fiber provider
  - 20 points = two to three potential fiber providers
  - 50 points = three or more potential fiber providers
- Water and sewer availability 50 points possible
  - 0 points = Water and/or sewer must be extended to the project site
  - 20 points = water and sewer available at the project site
  - 50 points = No water and sewer upgrades or extension necessary
- Electric capacity 50 points possible
  - 0 points = electric power capacity meets minimum standards
  - 20 points = electric power capacity exceeds minimum standards
  - 50 points = electric power capacity exceeds minimum standards and provider can access an alternate source in the case of a power outage
- Community commitment to marketing the site 10 points possible
  - 0 points = community has not undertaken a similar marketing effort previously
  - 5 points = community has invested in a similar marketing effort previously
  - 10 points = community has adequate dedicated funds available for marketing costs
- Proximity to an active rail line 20 points possible
  - 0 points = One mile or less from an active rail line
  - 10 points = more than one mile up to two miles from an active rail line
  - 20 points = more than two miles from an active rail line
- Proximity to an airport 20 points possible
  - Note: site must not be in a flight path
  - 0 points = One mile or less/more than 30 miles from an airport
  - 10 points = more than one mile up to three miles from an airport
  - 20 points = more than three miles from an airport
- Proximity to an Interstate 20 points possible
  - 0 points = One mile or less/more than 120 miles from an Interstate
  - 10 points = more than one mile up to two miles from an Interstate
  - 20 points = more than two miles from an Interstate

- Proximity to a major gas line 20 points possible
    - 0 points = One mile or less from a major gas line
    - 10 points = more than one mile up to three miles from a major gas line
    - 20 points = more than three miles from a major gas line
  
  - Proximity to a 500 year flood plain 20 points possible
    - Note: site must not be in 100 year flood plain
    - 0 points = 1000 feet or less from a 500 year flood plain
    - 10 points = more than 1000 feet and up to 3000 feet from a 500 year flood plain
    - 20 points = more than 3000 feet from a 500 year flood plain
  
  - Proximity to residential areas 5 points possible
    - 0 points = One mile or less from a residential area
    - 3 points = more than one mile up to three miles from a residential area
    - 5 points = more than three miles from a residential area
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**Total (Pre-application for speculative industrial parks – Data Centers)→ 295 points possible for total of all components**

### **Application Underwriting Guidelines**

The Housing and Community Development Act (HCDA) and HUD's CDBG regulations outline basic project "underwriting" guidelines/standards so that state programs administering federal CDBG funds will achieve the federal objectives of the CDBG program. The underwriting standards—the decision-making criteria—used in the Nebraska CDBG ED category are designed to address these federal guidelines.

### **The federal CDBG guidelines, as applied by the Department, may be summarized as follows:**

1. Project costs must be reasonable, not excessive, and must be supported by cost analyses. Transactions must be carried out through arms-length transactions, not insider arrangements.
2. All proposed sources of financing necessary to carry out the project must be committed. This ensures that time and effort is not wasted on assessing proposals, or awarding funds to projects, that are not in a position to proceed to project completion within a reasonable time. To fulfill this requirement, the Department requires a written verification affirming the various funding parties' intentions to make funds available, and, depending on the nature of the funding party, a showing of their capacity to actually provide such funds.
3. To the extent practicable, CDBG funds are not to be substituted for other funds. This standard requires a financial underwriting analysis of the project. The level of analysis will vary with the nature and complexity of the project. Since projects in this category provide financing for for-profit businesses, appropriate levels of private source financing (e.g., bank loans) are expected to be present, and equity participation in the project must be sufficient given the financial capacity of those owning the enterprise.
4. Financial feasibility of the project. The public benefit expected from the investment of CDBG funds is the creation and maintenance of LMI jobs. That benefit will not materialize if the project is not financially feasible.
5. Avoidance of providing an unreasonable return on investment to the owner of the project. The availability of non-interest bearing loans and forgivable loans to for-profit businesses presents a potential for this to occur which must be addressed in analyzing, and in judging the merits of, each project.
6. To the extent practicable, CDBG funds should be disbursed on a pro rata basis with other project funding sources. CDBG money should not be the first money into a project, but rather should flow into a project in proportion to other project funding sources.

Applicants must recognize that CDBG ED funds are limited and not all applications are equally meritorious when viewed from the Department's state-wide perspective.

### **Application Decision-making Criteria.**

The Department's Project Review Committee considers the following criteria, and uses the following scoring spectrum, when evaluating whether an application meets the minimum threshold requirement. A project scoring less than 25 points does not meet the minimum threshold for further consideration by the Project Review Committee. Scoring 25 points is a necessary condition for further consideration, but is a minimum threshold only and is not solely determinative of a favorable recommendation by the Project Review Committee for awarding CDBG funds based on the application.

• **CDBG \$ Utilization** → **35 points possible for this component**

○ CDBG \$ invested per job created/retained → 20 points possible

- 0 points = \$35,000 or more
- 4 points = \$30,000 to <\$35,000
- 8 points = \$25,000 to <\$30,000
- 12 points = \$20,000 to <\$25,000
- 16 points = \$15,000 to <\$20,000
- 20 points = <\$15,000

○ CDBG \$ compared to total project \$ (as %) → 10 points possible

- 0 points = 50%
- 2 points = 33% to <50%
- 6 points = 20% to <33%
- 10 points = <20%

○ Aggregate wages (and benefits) paid to employees in created jobs within one year compared to CDBG \$ invested (as %) → 5 points possible

- 0 points = 100% or less
- 2 points = >100% to <125%
- 5 points = 125% or more

○ **Community Impact and Investment** → **30 points possible for this component**

○ Location of community as more economically distressed than others, based on three broad location sectors → 20 points possible

- 5 points = larger community locations:  
Beatrice, Columbus, Fremont, Grand Island, Hastings, Kearney, Norfolk, North Platte, Scottsbluff/Gering, South Sioux City, Douglas County, Lancaster County, and Sarpy County
- 10 points = not one of the larger community locations, but in the Interstate-80 corridor
- 20 points = rural (encompassing all locations not within the two location sectors above)

○ Due to the nature of Speculative Buildings and Speculative Industrial Parks, 10 points are being awarded to these projects as other factors cannot be determined at this time → 10 points possible

○ **Business Factors** → **40 points possible for this component**

○ Owners' equity in project → 12 points possible

- 0 points = 10% or less
- 4 points = >10% to 20%
- 8 points = >20% to 33%
- 12 points = >33%

○ Loan collateral, and loan guarantees → 6 points possible

- 0 points = unsecured, or a junior lien position offering little realizable value
- 1-5 points = for the spectrum in between

- 6 points = reasonably secured as to collateral value and liquidity, with guarantees in existence
  - Established business, or start-up venture→ 6 points possible
    - 0 points = start-up venture with all the usual risks of failure
    - 3 points = established business, but with negative trends
    - 6 points = established business with positive trends
  - Documentation of \$ commitments by all other project \$ sources→ 4 points possible
  - Duration of commitment to maintaining the created/retained jobs→ 2 points possible
    - 0 points = committing to maintaining only for the minimum required by the Department's guidelines
    - 2 points = committing to substantially more than the minimum
  - Targeted Industry→ 10 points possible
  - **Economic Development Certified Community**→ **5 points possible for this component**
  - If the applicant community is qualified as an Economic Development Certified Community, 5 bonus points are given→ 5 points possible
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- **Total Project**→ **110 points possible for total of all components**
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**Eligible and Ineligible Businesses.**

Not all businesses are eligible to be benefited businesses under the Department's CDBG ED program.

For a business to be eligible to be a benefited business under the Department's CDBG ED program, it must:

- meet the definitional criteria to be a "qualified business" as that term is defined in the Nebraska Advantage Act, as that Act exists at the time an eligibility determination is made under these guidelines;

**and also,**

- meet any additional eligibility criteria, and not be ineligible by reason of the exclusions, in these guidelines.

**Nebraska Advantage Act Criteria.**

As a basic narrative for these guidelines, the following listing summarizes the categories of businesses considered to be considered a "qualified business" under the Nebraska Advantage Act. The statutory text (and regulatory interpretations thereof by the Department of Revenue) will prevail in the event of an interpretive conflict with these guidelines. "Qualified businesses" are those engaged in any one (or combination) of the following:

- Research and development
- Manufacturing
- Data processing
- Telecommunications
- Insurance
- Financial Services
- Distribution
- Storage
- Transportation
- Headquarters (administrative)
- Targeted export services (75% of sales outside Nebraska or to the U.S. Government: software development; computer systems design; product testing services, guidance or surveillance systems; technology licensing)

### **Additional CDBG ED Guidelines Criteria and Ineligibility Exclusions**

- The business must pay all employees at the project location in Nebraska at a rate of no less than \$9.00 per hour, as well as provide appropriate employee benefits, for the duration of the project job maintenance period (which period will be established as part of the MOU for the project).
- Non-profit businesses/organizations are ineligible.
- Businesses that derive any revenues from gaming are ineligible.
- Production agriculture enterprises are ineligible. These are excluded because they lack the necessary CDBG ED program guideline requirement that there must exist extra levels of substantial and separately identifiable value-added processing being performed by employees of the production agriculture enterprise—beyond those tasks and activities of production, harvesting, and marketing normally associated with traditional agricultural production commodities. Examples of such ineligible enterprises (when they lack the extra value-added component) include: grain farming, livestock raising, raising of poultry or the production of eggs, the production of milk, fruit or nut orchards, vegetable farming including hydroponics vegetable production, and aquacultural facilities.
- Trucking enterprises, which lack the requisite storage, warehousing, or distribution extra components which would distinguish them from the usual so-called "rolling stock" enterprises, are ineligible.

### **Eligible Activities and Forms of CDBG Assistance.**

Activities eligible for assistance under the CDBG ED guidelines are primarily (but not exclusively) authorized in Sections 105(a)(14, 15, 17) of the HCDA. All activities must meet the eligibility requirements, and avoid the prohibitions, in the HCDA and in the CDBG regulations. The forms of assistance available in the CDBG ED category are:

- Loans to businesses. The provision of "direct" assistance to eligible, private, for-profit businesses to carry out an economic development project. The assistance is not (and cannot be by the provisions of the HCDA and the CDBG regulations) provided directly to

the business from the Department, but rather is passed through the applicant governmental unit. The assistance will be in the form of a loan from the applicant governmental unit to the business. Such loans may be used by the business for almost any legitimate business purpose. Examples of permitted uses include: purchasing land; constructing a building; renovating an existing building; purchasing machinery and equipment; purchasing inventory; and meeting working capital needs. Unless a compelling case, involving extraordinary circumstances, can be made by the applicant and the benefited business—refinancing/financial restructurings/"bail-outs" of existing debt are not favored by the Department as an appropriate use of CDBG funds.

- Loans to businesses may be either low-interest or non-interest bearing, depending on: interest rate market conditions; the particular facts and circumstances of the business and the CDBG application; and the decision regarding loan terms (interest rate being among such loan terms) made by the entity which will be ultimately receiving loan repayments made by the business (which may be the applicant governmental unit, or the Department, or both in some instances).
- Loan amortizations are to require monthly payments.
- Other terms of the loan (such as appropriate loan maturity, payment deferrals, and collateral requirements) vary from project to project and will be subjects of negotiation among the parties.
- Maximum allowed maturities are:
  - 15 years for real estate loans
  - 7 years for machinery/equipment loans
  - 5 years for working capital loans
- Maximum time for deferral of the initial loan payment is one year from note inception. Such payment deferrals are not the norm.
- ~~Forgiveness of loans. All, or a portion, of the first \$250,000 of such loans may be forgiven, depending on the decision of the applicant community and (in the instance of deciding to forgive) if the Department concurs with such decision to forgive. The aggregate amount of forgiveness to a benefited business from the CDBG ED category may be an amount up to the total award, and will be determined by DED.~~
  - ~~The decision to forgive—or not—and if so, how much of this first \$250,000 to forgive—initially rests with the applicant community—but Department concurrence is required when the community's decision involves forgiving the loan (all, or a portion). The Department's concurrence is required to ensure compliance with HUD CDBG underwriting guidelines which prohibit the benefiting business, or its principals, from being unduly enriched or from receiving an unreasonably high rate of return on their investment, as a result of such CDBG loan forgiveness.~~
  - ~~Of course, The repayments of the loan are CDBG program income, and the funds are subject to the program income requirements (explained elsewhere in these guidelines) and continue to be subject to CDBG requirements.~~
  - ~~Loan forgiveness is conditional, and for a benefiting business to have its loan achieve the status of being unconditionally forgiven, the benefiting business must completely fulfill the requirements of the project (as they will be outlined in the MOU), particularly including meeting the national objective for the project.~~
- ~~If the amount of the CDBG loan for the project is more than \$250,000 such "excess" amount (over the first \$250,000 is not forgivable at all, and must be repaid by the~~

business, and when such repayments are generated they must be timely returned by the community to the Department (as CDBG program income).

- Public facilities (infrastructure) construction or improvement projects, undertaken for economic development purposes. CDBG funds in these instances are granted directly to the community. In such projects, a business benefiting from the infrastructure project (e.g., from street construction to the proposed site of the business) agrees to locate or expand in the applicant community premised on the infrastructure project, and agrees to create jobs principally benefiting LMI persons (and to maintain those jobs).
  - The public facilities project must be essential to the business, and have a direct nexus to the business activities conducted by the business.
  - Typical examples of such public facilities include street construction, street improvements, water supply system improvements, sewer system improvements, and flood and drainage system improvements.
  - Communities should note that any costs for "oversizing" the project to meet community needs beyond the essential needs of the benefited business must be exclusively paid by the community, and such costs borne for "oversizing" will not count toward the required minimum 1:1 community match of CDBG funds.
  - Because the CDBG award in these projects is a grant directly to the community, the matching funds in these projects must come from the community itself and be invested directly into the project costs. Other "matching" which may be done by the business in its location/expansion, e.g., building a new plant, does not serve to fulfill the match requirement in this public facilities component of the CDBG ED program.
  - Even though the CDBG funds in these projects do not flow through to directly benefit the business, the business is benefited—is advantaged—by the project, and the granting of the CDBG funds to the community in the first place is premised upon the business' agreement to locate/expand and to create and maintain jobs thereby. Consequently, the business is required to agree (in the MOU for the project):
    - to carry out the location/expansion of its business facility.
    - to create and maintain jobs having the required LMI benefit.
    - to repay to the community the amount of the CDBG funds awarded to the community and invested in the public facilities project should the business fail to meet the requirements of the MOU.
    - to provide in the application and periodically into the future (for the duration of the job maintenance period) financial information to allow an evaluation of the condition of the business, the likelihood of achieving the job creation and job maintenance requirements; and the business' capacity to repay to the community the amount of the CDBG funds awarded should the business fail to meet the requirements of the MOU.
- Job training grants to eligible private for-profit businesses. The basic rationale of this component of the program is to use CDBG ED funds in assisting the business in meeting the well-recognized "on-the-job" training costs associated with hiring new employees.
  - These grants are only available for newly created jobs, not for retaining jobs.

- The grants are conditional upon the business satisfying the requirements of CDBG regulations, and upon the business meeting its obligations as established in the MOU for the project. When the requirements and obligations are fully satisfied by the business, the grants are classified as unconditional and the business then has no further obligations to the Department.
- Those new jobs eligible for reimbursement under the grant award will be identified in the MOU for the project. All jobs are not necessarily eligible for reimbursement.
- Reimbursement of wages to the company is fundamentally based upon particular positions/jobs, as contrasted with the particular employees filling those positions/jobs. To illustrate this point, if an employee who has been filling a position, leaves the employ of the business, and his/her position is filled (replaced) by another existing employee, or by a new employee, this is fundamentally just continuing to fill the position, even though a different employee is involved. This distinction is made because neither a new "batch" of reimbursement money, nor a new "batch" of six-months of training time, is available for that position simply because a different employee fills that position—the previous "batches" of reimbursement money and training time, already associated with that position, simply continue.
- These job training grants are paid to the benefited business (through the applicant community), as reimbursements for wages paid by the business. Reimbursements mean after the fact of payment of the wages by the business to the affected employees. These reimbursements (and the project award from the beginning) are subject to the following amount limitations:
  - There is an absolute \$250,000 maximum award.
  - There is an absolute \$10,000 per job maximum award.
  - There will be established as part of the project award an aggregate limit for the entire project. Such aggregate limit is usually less than the \$250,000 absolute maximum mentioned above. Typically, this aggregate limit is simply the arithmetic product of the number of jobs agreed to be created for which training funds are being supplied—multiplied by—the "per job" limit for the project (explained just below).
  - There will be established as part of the project award a "per job" fixed dollar limit (applicable to each job for which job training funds are reimbursed), such limit applied no matter what the wages paid to an affected employee may be. The amount of this "per job" limit is heavily influenced by the most basic limitation—the 50% of the employee's wages for six months/1,040 hours—limit. In no event may the "per job" limit exceed the absolute \$10,000 per job maximum mentioned earlier.
  - The most basic limit is that the business will not be reimbursed for more than 50% of the particular employee's wages paid for the first six months/1,040 hours of employment.
- These job training grants require the business to:
  - Create jobs, and do so before the end of a "ramp-up" period.
  - (if the business is an existing business with employees) agree (via the MOU) to a baseline number for the number of present positions/jobs, above which baseline the created jobs will be considered to in fact have been created, and for which baseline the business will have an additional job maintenance responsibility (see below).

- Achieve the CDBG LMI national objective by having at least 51% of **all** positions created (not just 51% of the minimum number of positions required to be created) be held by LMI persons.
  - Pay all employees at the business (not just the job training grant related employees) at the minimum rate set forth in the Eligibility Criteria for eligible businesses found elsewhere in these guidelines.
  - Maintain the created jobs for 24 months beginning with the date of hire for each respective job.
  - Maintain the agreed baseline of employment for 24 months beginning with the Notice of Approval for the project.
  - Satisfy all other project requirements as set forth in the MOU for the project.
- Entrepreneur development projects. This eligible activity and form of assistance is to provide assistance to entrepreneurial endeavors and small business enterprises, through applicant communities directly providing (or using sub-contracting intermediary service provider organizations to provide) the following:
  - business plan development assistance
  - entrepreneurial management training
  - accounting and finance training and assistance
  - sales and marketing training and assistance
  - business incubators
  - loans

or any combination of such listed items, to microenterprises and other small entrepreneurial enterprises in Nebraska. This form of assistance does not provide loans or grants directly from the Department to the assisted businesses.

To initiate the process of applying for CDBG funding for a project of this type, the applicant community should initially submit a letter describing the proposed project in fairly broad strokes, but addressing the various factors and circumstances listed immediately below. Representatives from the Department will review this initial letter to determine basic eligibility and to initially assess the viability and likely impact of the proposal.

The factors and circumstances of the proposed entrepreneur development project to be addressed in the applicant's initially submitted letter are:

- the mechanism(s) the applicant will use to provide the entrepreneurial assistance
- the types of entrepreneurial assistance which will be offered
- a description of the geographically targeted service area for the project
- a description of organizations already existing in the targeted service area which provide entrepreneurial assistance services; and how the project will not duplicate the services provided by such organizations
- a description of how the project will target and benefit low-to-moderate income (LMI) entrepreneurs, and the project's anticipated impact on such LMI entrepreneurs

- a description of the basic work plan for the project for the one-to-two year period to be covered by the project award
- a basic budget for the project, showing project costs and showing the source(s) of matching non-CDBG funds

If the project is eligible, appears to be viable based on this preliminary information, and considered to be of sufficient impact to warrant the investment of CDBG funds, the applicant community will then be contacted by a representative of the Department to further discuss the project and the process of proceeding with additional application information assembly. The normal application/review/criteria assessment/approval process described earlier in these Guidelines is then applied to these types of projects.

- Speculative buildings projects/speculative industrial park projects. This eligible activity and form of assistance provides loans or conditional grants to applicant communities for the development of so-called "spec buildings" or "spec industrial parks". These "spec" improvements must then be later occupied by a qualifying business which must agree to create sufficient jobs which principally benefit low-to-moderate income (LMI) persons, in order to fulfill the required CDBG national objective. If this CDBG national objective is not fulfilled, the loan or conditional grant made to the applicant community by the Department must be repaid by the applicant community to the Department. \$250,000 is the maximum level of assistance for a spec building project. As a guideline, \$750,000 \$1,000,000 is the maximum level of assistance for a speculative industrial park project. ~~The aggregate maximum the Department would award for all projects of this type for any one program year is \$5,000,000.~~

These projects bear much more than normal risk to the applicant community (almost by definition since they are speculative as to the occupancy of the building or park by a qualifying business which can generate sufficient LMI qualifying jobs). As a consequence, a careful and sober assessment of the project and of its likely success will be made all along in the process of application. And because of this risk, the Department requires that there be consultation, involvement, and coordination with Department staff at all phases of the application, from the very beginning. This is not an endeavor where the applicant community is invited to simply develop and submit an application, on its own, and await an answer from the Department.

Regarding the "speculative park" project: Site selection and pre-development costs may be part of an initial phase in these projects, and funding may be provided for these activities. These activities do not need to meet a national objective on their own (provided they are undertaken in conjunction with other eligible CDBG activities), and these "speculative parks" must later be occupied by a qualifying business which must agree to create sufficient jobs which principally benefit low-to-moderate income (LMI) persons, in order to fulfill the required CDBG national objective (low-to-moderate jobs "LMJ"). If this CDBG national objective is not fulfilled, the loan or conditional grant made to the applicant community by the Department must be repaid to the Department by the applicant community.

The application requirements, underwriting guidelines, and decision-making criteria generally described in these Guidelines are all applied to these "spec" projects.

Project specifics and required application information are found in supplementary explanatory materials not part of these Guidelines.

- **Short-term Interim Financing.** This program provides short-term or interim financing for projects that create or retain employment opportunities, prevent or eliminate blight or accomplish other federal and state community development objectives. Financing may be used for construction or improvement of public works; purchase, construction rehabilitation or other improvement of land, buildings facilities, machinery and equipment, fixtures and appurtenances or other projects undertaken by a proprietary or nonprofit organization; assistance for otherwise eligible projects or programs.

Applications are accepted at any time and are processed, reviewed and considered on a first-come, first-served basis. DED makes funding decisions following receipt of a complete application and to the extent funds are available. Awards may not exceed \$15 million. Selection is based on the following threshold criteria: evidence of local capacity to administer the funds; acceptable performance in the administration of prior state or federal grants; feasibility the project will be completed with funds requested (the applicant must identify other funding sources and the terms of assistance); evidence the project will be completed within 30 months of the grant award date; an irrevocable letter of credit or equivalent security instrument from a lender; commitment of permanent financing for the project.

If an application satisfies all threshold criteria, it is evaluated on the following:

- Does CDBG participation leverage substantial local financial participation?
- Is the cost of CDBG short-term funds per person benefited reasonable?
- Is the need for CDBG assistance reasonable?
- Does the public benefit substantially exceed the value of assistance (measured by the present value of assistance to the direct and indirect wages and aggregate payroll lost, dislocation and potential absorption of workers and loss of economic activity)?

## **Economic Development Category - Tourism Development**

### **A. Tourism Development– State Objective:**

The state CDBG objective of the Tourism Development Initiative is to provide for investments in effective and affordable tourist attraction facilities to quality communities that are investing in long-term development. This provides a sound basis for assisting tourist attraction projects that have attracted significant financial support and are likely to have long-term positive impacts on their local and regional economies. Tourist attraction projects that serve the needs of both a regional economy and local community economy are a key element in satisfying the state objective.

### **B. How and What Projects may be assisted**

#### **Distribution of Tourism Development Funds:**

DED will award grants under Tourism Development to eligible local governments to carry out tourism development projects, defined as tourist attractions (for profit or nonprofit, public or private) that are expected to draw 2,500 visits or more from origins of at least 100 miles away. Tourism attractions are sites and facilities that draw visitors from a distance because of their scenic, historic, cultural, scientific and/or recreational attributes. Tourist attraction projects also serve and provide facilities that service community activities along with regional activities. The projects focus on meeting and improving multi-faceted facilities for assisting in economic development at the local, regional, and statewide level. Tourist attractions meeting the national and state CDBG objectives, which are given priority include:

- Historic restoration, rehabilitation and preservation;
- Scientific and educational interpretive sites and facilities, such as, on-site heritage living/work environments, cultural awareness centers and scientific educational centers;
- Heritage, historical, and cultural recreational sites and facilities; and
- Supporting activities for the removal of materials and architectural barriers that restrict the mobility and accessibility to existing sites/facilities for elderly and severely disabled persons.

Ineligible activities (sites, attractions, and establishments) which serve more often as tourism support facilities, other than attractions, which include: eating and drinking establishments, commercial lodging accommodations, gasoline stations, commercial rest areas, and gift shops.

### **C. Grant Amount and Matching/Leverage**

Maximum grant is \$200,000 and the minimum is \$50,000 per community/unincorporated county. There is \$200,000 targeted for use in the Tourism category (not a reservation of funds).

All CDBG TD category projects require a minimum 1:1 match of CDBG funds with funds from other (non-CDBG) sources. CDBG funds can be no more than 50% of the total project cost. At a maximum, no more than one-half of the total project match may be in-kind source contributions. And at a minimum, at least one-half of the total project match must be non-CDBG cash contributions. General administration activities require no matching funds.

## **D. Threshold and Review Criteria for Submitting Letter of Intent and Applications**

### **Tourism Development /Applicant Submission and Grantee Selection:**

Eligible local governments may individually or jointly apply and receive more than one grant per year in the Tourism Development.

Applications for CDBG TD awarded are accepted and considered on an open cycle. Tourism Development applications will be accepted beginning May 9, 2009. Applications will be submitted as prescribed in the Tourism Development application guidelines.

Threshold requirements must be met prior to review. Applications will not be considered and returned if the following threshold requirements are not met:

- applicant is eligible;
- activities are eligible and comply with national CDBG objectives and state CDBG priorities;
- applicant has no significant, unresolved audit finding;
- applicant has no legal actions underway that may significantly impact its capacity;
- applicant is following a detailed citizen participation plan and anti-displacement plan; and
- applicant has adopted authorizing participation resolution.
- applicant must have addressed and cleared all compliance problems (i.e. Davis-Bacon, acquisition, fair housing, etc.), if any, from past awards and have responses accepted by DED;
- applicant is current with all reporting requirements (semiannual status reports, closeout reports, audit reports, notification of annual audit reports, etc.)

Tourism Development applicants meeting threshold requirements are reviewed by DED according to the Selection Criteria Matrix. When more than one application is under review, those ranking highest in competitive order shall be selected for funding subject to the amount of funds available for each priority. Otherwise, an applicant under individual review will be scored according to the selection criteria and must meet the minimum threshold for consideration for approval.

Applications recommended for approval through these processes will be presented to DED's director and to the office of the Governor for grant award. The DED director has the authority to ask for reconsideration of recommended project awards to assure compliance with the submission and selection criteria. The Department will send a formal Notice of Approval letter to the applicant community receiving application approval.

**Tourism Development - Selection Criteria Matrix**

The matrix on this page delineates each selection criterion as a numerical score applied to the Tourism Development Initiative. The minimum total threshold score is 500 points (including no criterion with 0 points scored). Each selection criterion includes a separate minimum threshold score for qualifying the application. All selection criterion will be scored in five point increments with all scored criterion divisible by five. Each selection criterion shall be scored on a scale. See chart below.

(1)	(2)	(3)	(4)	(5)	
FINANCIAL	IMPACT	SUSTAIN- ABILITY	BENEFIT	READINESS	TOTAL
150	240	240	220	150	1000

**Financial Support-** the level of financial support (public and/or private) already committed to the project will be compared to other applicants with: 0-50 below average – lack of cash on hand or committed; average; 51-100 average – a solid commitment of cash that meets match requirements; and 101-150 above average – cash on deposit or otherwise secured that meets match requirements. (Maximum 150 points with a minimum threshold of 50 points)

**Project Impact-** the project’s potential for long-term positive impacts on local and regional economies will be compared to other applicants with: 0-80 below average –minimal impact on area support facilities and other attractions; 81-160 average – some impact provided on area support facilities and other attractions; and 161-240 above average – a strong impact on area support facilities and other attractions. (Maximum 240 points with a minimum threshold of 81 points)

**Sustainability-** the project’s potential for being a long-term operation will be compared to other applicants with: 0-80 below average –serious shortages in personnel budget, a plan to effectively operate, and ability to maintain facility for a long time; 81-160 average – some lack in personnel, budget, and/or plan to effectively manage, operate, and maintain the facility for a long time; and 161-240 above average – personnel, budget, and plan are in place to effectively manage, operate, and maintain the facility for a long period of time. (Maximum 240 points with a minimum threshold of 81 points)

**Benefit -** how the project will benefit the region’s and state’s existing tourism industry will be compared to other applicants with: 0-74 below average – no or minimal benefit identified in the application; 75-149 average – project provides some uniqueness to state’s inventory of attractions, and 150-220 above average – project is a distinct/unique attraction that is not repeated in region or state. (Maximum 220 points with a minimum threshold of 75 points)

**Readiness -** the project’s readiness to proceed, complete construction, and open within two years of the project award date will be compared to other applicants with: 0-50 below average – no demonstrated timeline or unsure of when ready to open the project to the public; 51-100 average – some doubt as to ability to complete project in a timely manner; and 101-150 above average – plans, land, and financing for operations ensure readiness to open within two years or sooner. (Maximum 150 points with a minimum threshold of 51 points)

