

**Community Development Block Program
2011 Guidelines**

**Small Business &
Entrepreneurial Assistance
Grant Program**
for
Local Government and Business Partnerships



**NC Department of Commerce
Community Investment and Assistance**

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Small Business & Entrepreneurial Assistance Grant Program



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Please note that the SBEA Grant Agreement consists of the SBEA program guidelines, approved applications, including the certifications, maps, schedules and other submissions in the application, any subsequent amendments to the Grant Agreement, the approved application, and funding approval.

Small Business & Entrepreneurial Assistance Grant Program



I. INTRODUCTION

Community Development Block Grant (CDBG) funds are made available annually through the U. S. Department of Housing and Urban Development (HUD) to the State of North Carolina for the State Community Development Block Grant (CDBG) program. Now in year four, North Carolina began the Small Business & Entrepreneurial Assistance (SBEA) demonstration program under the State CDBG program in 2007.

Under the SBEA grant program, \$2.9 million in funding is available to eligible local governments to assist existing, small businesses and entrepreneurs to expand their businesses and create jobs, and establish outreach efforts to market available forms of economic development technical assistance that would foster an entrepreneurial environment within the community. These guidelines will assist local governments in applying for State CDBG funds under the SBEA category. **Small businesses are not eligible to apply for direct funding under the SBEA program. Only eligible local governments may apply for SBEA funds.**

The North Carolina Department of Commerce (NCDOC) has administrative responsibility for the CDBG program under both the Community Investment and Assistance (CI) and the Commerce Finance Center (CFC). This SBEA program is being administered by CI. State rules related to the CDBG program are found in North Carolina Administrative Code 4 NCAC 19L.

Purpose

The primary purpose of the SBEA program is to provide funding to local governments to jumpstart growth of existing small businesses, thus creating new jobs or retaining existing jobs (Note: Job retention is very narrowly defined by HUD and job retention projects must meet HUD's criteria). This assistance must lead to the creation or retention of jobs primarily benefiting low- and moderate-income (LMI) persons. The proposed project must also include a plan for creating an entrepreneurial environment in the community, one that would support and sustain continued economic development and job creation even after funding for this program has been expended.

The SBEA program was designed to benefit LMI persons through job creation or retention. Funding eligibility is contingent upon the creation or retention of permanent, full-time jobs, at least 70% of which must be made available to persons earning 80 percent or less of the median income for the area within the previous 12 months. (For purposes of the CDBG program, LMI family income eligibility is determined from data published annually for the HUD Section 8 housing program.) To review the FY 2011 Income Limits for North Carolina, visit <http://www.huduser.org/datasets/il.html>.

Eligible Applicants

In North Carolina, all counties except for Mecklenburg, Wake and Cumberland (all urban counties) and all municipalities except for 23 entitlement communities are eligible to apply

for State CDBG funding. The entitlement communities, which receive CDBG program funds directly from HUD, include Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, Raleigh, Rocky Mount, Salisbury, Wilmington and Winston-Salem. The Town of Holly Springs in Wake County and the Town of Linden in Cumberland County continue to be eligible for State CDBG funds, because they opted to participate in the State's program instead of their county's program.

Counties (and their municipalities) that are designated as 2010 Tier 1 counties and/or 21st Century Communities should identify themselves as such in the application. They will receive an additional 50 points during application scoring for either of these designations.

Tier 1 counties: The eligible Tier 1 counties include Alexander, Alleghany, Anson, Beaufort, Bertie, Bladen, Burke, Caldwell, Camden, Caswell, Chowan, Clay, Cleveland, Columbus, Edgecombe, Gates, Graham, Greene, Halifax, Hertford, Hyde, Jones, Lenoir, Martin, Mitchell, Montgomery, Northampton, Richmond, Robeson, Rockingham, Rutherford, Scotland, Surry, Tyrrell, Vance, Warren, Washington, Wayne, and Wilkes.

21st Century Communities: The 21st Century Communities encompasses the counties of Alexander, Camden, Clay, Cleveland, Jones, Nash, Pamlico, Scotland, and Stokes.

Use of an Experienced CDBG Administrator

The local government applicant must have the capacity to administer the proposed project with either its own CDBG-experienced staff or the assistance of an experienced CDBG administrator (e.g., CDBG-experienced consultant, Council of Government, non-profit). "Experienced" means someone who has administered more than one CDBG project. All applicants must also meet basic performance requirements for prior CDBG grants.

Conflict of Interest

Per 24 CFR Part 570.489 (h), the following people or their immediate family members shall not have any direct or indirect financial interest in any contract, subcontract or the proceeds thereof for work to be performed in connection with the grant during their tenure or for one year thereafter: 1) employees or agents of the recipient who exercise any function or responsibility for the CDBG project, and 2) officials of the recipient including members of the governing body. The applicant will be asked to determine if a potential conflict exists. Questions regarding this item are in the program application. Please note that subrecipients must comply with these regulations as well.

Program Contact

Applicants are encouraged to contact CI early in a project's development. Questions relating to CDBG projects should be directed to the SBEA Program Manager:

Richard C. Fuqua
Community Investment and Assistance
NC Department of Commerce
Telephone: (919) 571-4900, extension 271
e-mail: rfuqua@nccommerce.com

II. GRANT LIMITS, LOCATION, ELIGIBLE ACTIVITIES AND CRITERIA

Grant Limits

CDBG SBEA grants are limited to a maximum of \$250,000 and a minimum of \$150,000. CDBG funded planning and administration activities are limited to 15% of the total project budget and this includes \$5,000 to be used to create and nurture an entrepreneurial environment within the community.

Location

Businesses assisted through this program must be located in the jurisdiction of eligible local governments. If a proposed project is located within the jurisdiction of more than one unit of local government, only one unit may apply for a CDBG grant. Regional proposals or those involving several local governments may be allowed on a case-by-case basis. If a regional program is approved, one local government must serve as the lead applicant. Projects that are located or proposed within the extraterritorial area of a designated entitlement municipality will require approval/agreement on the part of that municipality.

Eligible Projects and Cost per Job Limits

A local government applicant must propose a project in conjunction with one or more existing, small businesses that undertakes specific CDBG eligible activities that result in the creation of permanent, full-time jobs within the community. A job is considered full-time if the employee works at least 1,600 hours per year.

For purposes of this grant program, an existing business is one that has been in operation (and employing at least one full-time employee) within the community applying for the grant for at least two years and that has 100 or fewer employees.

CDBG funding will not be made available to projects that assist companies who transfer jobs within the state unless the company is expanding into the new area by adding a branch, affiliate, or subsidiary while maintaining employment levels in the old area. **NOTE: Jobs that are transferred from other facilities will not be counted toward the job creation commitment.**

Proposed projects are subject to CDBG cost per job limits and the limit for this project is \$25,000 per job or less. For example, a \$250,000 grant must result in the creation of at least 10 new jobs [$\$250,000 \text{ grant total} / \$25,000 \text{ per job} = 10 \text{ jobs created}$]. At least 70% of the jobs must go to LMI persons. In other words, out of 10 jobs, 7 must go to LMI persons.

Projects creating or retaining jobs that pay higher wages will be given preference over low-paying jobs. Employers who offer qualifying health insurance for all full-time positions at the establishment and pay at least 50% of employee premiums are preferred.

Required Link between an Eligible Activity and Job Creation or Retention

An eligible activity or activities under this grant category must directly link to the creation or retention of jobs for LMI persons.

Applicants must explain how the proposed funded activity will create and/or retain the number of proposed jobs. The following are examples of activities that may be allowed, depending on how the overall project is structured.

Examples of eligible activities may include:

- Infrastructure improvements (e.g., water, sewer, roads, broadband);
- Purchase of land;
- Construction of a building or other improvements;
- Renovation of an existing building to accommodate the business;
- Construction of tenant improvements/finishes;
- Leasing space in or purchasing an existing building;
- Purchasing capital equipment; and
- Providing job training that can be linked to specific jobs at a specific firm.

Examples of ineligible activities include:

- Revolving loan funds;
- Microenterprise grant or loans;
- Incubator projects for start-up businesses;
- Debt restructuring;
- Job training that can't be linked to a specific job at a specific firm; and
- Ineligible activities at 24 CFR 570.207 and .209

Justification for Job Retention

Project eligibility may be based on the retention of jobs if the applicant and the company can provide clear and objective evidence that the jobs would be lost without CDBG assistance. Severity of need, such as threat of closure, may be evidenced by documentation such as notices from state or local health authorities, public announcements, and letters to employees, or relevant financial records. This documentation must be included in application package. In addition, the company must survey all current employees to verify that at least 70% are LMI persons. A current employee list and a summary of survey results must be included with the application.

Creation and Nurturing of an Entrepreneurial Environment Requirement

The second component of the SBEA project is to create and nurture an entrepreneurial environment within the community. Through this grant program, funds are available for activities that will equip project team members and community and business leaders to take deliberate steps to create an environment in which small businesses/ entrepreneurs can flourish.

The intent of these funds is to build a knowledge base within the project team and the governing body of the community through training and the development of skills. The funds may be used to obtain training and plan for activities leading to the development of an entrepreneurial environment. For example, the funds could be used to attend

entrepreneurial training, survey entrepreneurs within the community or hold meetings to identify the needs of local entrepreneurs, provide coordination, or otherwise aid in the creation of an environment that fosters entrepreneurship.

Five thousand dollars (\$5,000) of each grant **must** be used to create and nurture an entrepreneurial environment. The activities that fund and are associated with creating an entrepreneurial environment fall under the project's planning budget. If the CDBG application is funded, up to \$3,500 of documented application costs may be reimbursed to the grantee from the planning budget. In total, up to \$8,500 is allowed from the planning budget. Project funds for planning + administration may not exceed 15% of the total project request. Planning and administration funds may not be subtracted out from the total grant amount when meeting the cost/job requirement.

Eligible Activities

Examples of eligible activities may include:

- Planning for an entrepreneurial environment;
- Training of the project team and community and business leaders to learn about methods and tools for creating an entrepreneurial environment;
- Coordinating meetings to identify needs of entrepreneurs;
- Sponsoring events to market local entrepreneurs/businesses.

Examples of ineligible activities include:

- Outsourcing the development of a general strategic plan or feasibility study for the community;
- Payment of salary for anyone other than the grant administrator.

Ineligible Projects

CDBG funding will not be available to projects that propose to assist companies that are in bankruptcy.

HUD regulations specifically prohibit the following:

1. General promotion of a community as a whole (as opposed to specific areas and programs);
2. Assistance to professional sports teams including automobile racing teams;
3. Assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to be derived by users or members clearly outweighs the employment or other benefits to LMI persons;
4. Acquisition of land where no specific proposed use has been identified;
5. Assistance to a for-profit business while that business or any other business owned by the same person(s) or entity is the subject of unresolved findings of noncompliance relating to previous CDBG assistance provided by the recipient;
6. Projects that do not create/retain jobs for low and moderate income persons; and
7. Transfer of jobs from one labor market area (LMA) to another that results in a significant loss of employment in the LMA with the job loss.

Selection & Evaluation Criteria

Applications will be reviewed against criteria which are designed to reward projects that implement broader economic development efforts and build upon prior planning and entrepreneurial development activity in the community.

The SBEA selection criteria are as follows:	<u>Score</u>
Appropriateness and Feasibility of Business Activities	300
Appropriateness of Plan for Creating an Entrepreneurial Environment	300
Local Commitment and Community Partnerships	200
Timely and Effective Public Participation	100
Grant Administration Capacity and Past Performance	100
<u>Distressed Community Designation</u>	<u>50</u>
Total Points	1000/1050

Proposals that have the following characteristics will receive preference:

- Provides a comprehensive approach to serve local entrepreneurs and to create a supportive environment for them.
- Supports a comprehensive economic development strategy that has support from the community.
- Shows that the businesses assisted will continue to stimulate economic development within the community after the grant has ended.
- Introduces the members of the community who would be working together to ensure that this project is successful.
- Explains how the project would result in jobs for LMI persons.
- Identifies capable project administrators.
- Provides matching funds.
- Promotes place-based economics.

HUD Performance Measures

HUD has established economic development outcomes and objectives. All SBEA projects must meet the following objective and outcome:

Objective: Creating Economic Opportunities

Outcome: Economic development activities that focus primarily on improving the availability/accessibility of jobs for residents



III. APPLICATION and AWARD PROCESS

SBEA funds will be awarded to local governments through a competitive application process. Project awards will be announced approximately 60 business days from the application deadline of April 30, 2012. Project timelines should not exceed 30 months once funds have been obligated. All applicants should contact the SBEA Program Manager prior to submitting an application to discuss the eligibility of their project.

Application. Two complete applications with original Chief Elected Official signatures in both may be submitted by mail, overnight delivery or in person, but they must be **physically received** (not postmarked) by the Community Investment and Assistance by **5:00 PM, April 30, 2012.**

<p>If using US Postal Service, mail to: Ms. Vickie L. Miller, Director Community Investment and Assistance 4313 Mail Service Center Raleigh, NC 27699-4313</p>	<p>If using UPS, FedEx, Other, or in-person, deliver to: Community Investment and Assistance Anderson Plaza 100 E. Six Forks Road, 2nd Floor Raleigh, NC 27609</p>
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Applications will be reviewed for consistency with general CDBG and specific program requirements. All eligible applications will be rated and evaluated using the selection and evaluation criteria discussed earlier. If additional information or clarification is needed, CI staff will contact the applicant and request the information. This request could be made in writing by mail or e-mail, by phone, or, if necessary, CI may request an in-person meeting with the applicant.

After receiving, reviewing, and rating the applications, CI will recommend the projects to the Secretary of Commerce for final approval. The Secretary of Commerce will notify members of the General Assembly representing the selected applicants. Award letters will be mailed to the grantees after all members of the General Assembly are contacted by the Department of Commerce.

All other applicants will be notified that their request for funding is no longer being considered.

Public Hearings. Two public hearings are required to be held by the unit of local government during the application process. Both hearings must be advertised in a newspaper having general circulation in the area. The timing of the hearing notices must follow CDBG regulatory requirements, including publication not less than 10 days or more than 25 days before the date of the hearing.

The first public hearing should be held at the beginning of the application process. The notice should provide enough information about the project(s) to allow citizens to be able to provide input.

The second public hearing should be held after the application is drafted but prior to its submission to CI. The second public notice must contain the following information:

- a description of the proposed project(s) including the proposed location;
- name of beneficiary company(ies);
- activities to be carried out;
- the number of jobs to be created and/or retained;
- amount of funding request;
- the total cost of activities;
- the percentage of total cost of the project that will be financed with CDBG funds; and
- the dollar amount of CDBG funds for the project(s).

Please note that the SBEA Grant Agreement consists of the SBEA program guidelines, approved applications, including the certifications, maps, schedules and other submissions in the application, any subsequent amendments to the Grant Agreement, the approved application, and funding approval.



IV. APPLICATION REQUIREMENTS

This section is intended as a summary of information contained in the application. It is not exhaustive, but designed to highlight program requirements. The following, if applicable, must be provided as a part of the application:

Local Government

- The applicant unit of local government must pass a resolution authorizing the CDBG application.
- The applicant must identify members of the project development team and indicate whether local staff or a contract administrator will be responsible for administration of the project. The administrator must have experience administering more than one CDBG project.
- If the applicant unit expects funding from other resources, such proposed assistance must be described in sufficient detail to show its impact on the proposed CDBG project. If the other funding is approved or anticipated during the project period, it should be included in the CDBG Source and Use and Budget forms. Commitment letters of all funding sources must be submitted to CI with the final application.
- All applications, regardless of amount requested, will include a Disclosure Report. Such report will include all interested parties, public and private entities and individuals, with any financial interest greater than \$50,000 or 10% of the CDBG funds requested, whichever is lower. The report will also show any sources and uses of funds for the project that are not identified in the application's Source and Use form.
- If the application is to assist with publicly owned infrastructure, a professional engineer's report must be provided to attest to the geography, project and system alternatives, sizing and reasonableness of cost for service required that directly relate to the company and the jobs proposed.
- A local public facilities assessment policy to recover the costs from CDBG assisted projects must be included in all applications for infrastructure funding. It should set appropriate fee structures and provide that at least 50% of income derived from users for up to five years will be returned to CI as program income. No assessments may be made against properties owned or occupied by LMI persons. (See page 16 for additional information.)
- A request for a U. S. Department of Labor Wage decision must be submitted with the application for projects proposing construction activities greater than \$2,000.
- Documentation of the status of the applicant's Section 504 self-evaluation, fair housing, citizen participation, Section 3, and residential and anti-displacement plans should be provided.

Project Company

- Information on the structure and history of the business and current/future business plans, including a current business plan.
- Financial statements, covering the most recent three full years, and projections for the next two years. Social Security numbers included on statements and documents should be blacked out prior to submitting them to CI. **NOTE: All documentation and financial statements will become public record upon submission.**
- Documentation showing numbers and types of jobs to be created or retained during the grant award. A **Legally Binding Commitment** form containing this information must be executed.
- Documentation that the proposed jobs are not being relocated from an industrial or commercial plant, facility, or operation owned or operated by the company in another labor market area as defined by the U.S. Bureau of Labor Statistics (BLS).
- Agreement to screen or have screened by the Employment Security Commission (ESC) job applicants for LMI and protected class status as required by the CDBG program.
- Agreement to submit to the applicant's project administrator employment reports with sufficient detail to determine jobs created and LMI status at least quarterly.
- Agreement that recapture of grant funds will be triggered if a local government or business subsequently fails to comply with the terms of the agreement.

Application Review

Proposed projects will be reviewed against HUD guidelines for CDBG project costs and financial requirements. Specifically, HUD underwriting objectives are to ensure that:

1. project costs are reasonable;
2. all sources of project financing are committed;
3. to the extent practicable, CDBG funds are not substituted for non-federal financial support;
4. the project is financially feasible; and
5. CDBG funds will be dispersed on a pro-rata basis with other project finances.

V. COMPLIANCE REQUIREMENTS

Per the Housing and Community Development Act of 1974, as amended, the CDBG program has certain federal and state requirements that must be met. Local government project administrators should be familiar with the Act, along with rules published in the Federal Register of November 9, 1992 under 24 CFR Part 570. NC Administrative Code requirements of 4 NCAC Subchapter 19L (NC Community Development Block Grant Program) must also be met.

The following list is intended to provide local government and business CDBG program participants with a brief list of basic compliance areas that must be addressed.

- A. **Citizen Participation.** Applicants must certify in their application that they are following a written citizen participation plan that provides for access to information and participation in all stages of the project. This includes proper advertising of public hearings in the **non-legal** section of a newspaper with general circulation in the area, and timely access to meetings, information, and records related to the project. In addition to a minimum of two public hearings before submitting a final application, a third hearing is required prior to the formal close out of a grant after completion of all project activities.
- B. **National Objectives.** All CDBG-funded activities must meet one of the three national objectives of the program: 1) benefiting low-and moderate-income persons, 2) preventing or eliminating blight, or 3) meeting other community development needs having a particular urgency. SBEA projects must be designed to meet the CDBG national program objective of benefit to LMI persons. ***This project requires that at least 70% of jobs created or retained must be provided to persons with prior low and moderate family income status based on annual HUD Section 8 income data.*** Job creation numbers and prior LMI status must be documented by the local government grantee. Such documentation is monitored prior to closing a grant, and the documentation must be continued until the grant is closed or until an agreed date or time is determined between the state and the grantee.
- C. **Equal Opportunity.** Applicants are required to insure that CDBG aided projects comply with equal opportunity and nondiscrimination laws and that people in protected categories are not excluded from project participation.
- E. **Section 504 of the Rehabilitation Act of 1973.** The local government applicant must complete a Self-Evaluation plan and Transition Plan (if required) as required by Section 504 to insure that it does not discriminate by reason of a person's disability.
- G. **Assessment Policy (Infrastructure projects).** HUD has requirements for projects involving local public infrastructure (e.g., water, sewer, or roads) when funding is based on job creation or retention. Users of the infrastructure during the project period and for three years after project completion must pay for a portion of the cost of the improvement. The assessment fees collected are considered program income. A local assessment policy with appropriate fee structures must be determined at the time a project application is prepared. At least 50% of the program income derived from additional users for the two-year project period plus three years will be returned to DOC for use in a fund to assist other projects. CDBG rules require that such assessments not be made against properties owned or occupied by low and moderate-income persons.
- J. **Anti-displacement and Relocation Assistance Plan.** A plan for residential anti-displacement and relocation must be documented or submitted with the application.
- K. **Davis-Bacon and Related Labor Acts.** Construction contracts financed whole or in part with CDBG funds must comply with Davis-Bacon and Related Acts (DBRA). Local government grantees are responsible for enforcement of the DBRA requirements, such as on-site interview of workers, review of contractor's payrolls, and conducting a pre-

construction conference. Construction contracts in excess of \$2,000 "financed in whole or in part..." with CDBG program funds require specific minimum wage levels.

L. Lead-Based Paint Hazards. Projects involving rehabilitation of residential structures require compliance with the federal Lead-Based Paint Hazard Reduction Act of 1992 and the "Lead-Based Paint Hazard Reduction Guidelines" issued November 1, 1993 by CI. While residential structures are not likely to be involved with most SBEA projects, local government grantees are advised to determine state and county health requirements if there is any rehabilitation or demolition of structures that are likely to have lead-based paint present.

M. Reporting. Recipients must submit written quarterly progress reports to CI. In addition to providing an update on the status of project activities, jobs created, and financial expenditures, CI will expect participants to share their success stories with CI. CI requests copies of all published press articles, TV coverage, scheduled ribbon cuttings, and other events and milestones. Periodic photographs should document project stages, training, events and successes.

An Annual Performance Report (APR) is due at the close of each calendar year and an annual financial audit of the CDBG program is due at the close of each fiscal year in which at least \$25,000 in CDBG funds were received. The audit may be performed in conjunction with the regular independent audit of the recipient and will contain an examination of all financial aspects of the CDBG program as well as a review of the procedures and documentation supporting the recipient's compliance with applicable statutes and regulations. A Final Performance Report and audit will be required prior to grant closeout.

N. Monitoring. CI will monitor the project through mechanisms, including review of quarterly and annual reports received from the grant recipient, through phone/email/letter correspondence, through receipt of all published press articles about the project as provided to CI by the local government, and through on-site monitoring visits.

CI staff will notify the grantee at least 10 days before on-site monitoring visits and will provide copies of monitoring forms to be used. Any performance findings or administrative concerns resulting from the monitoring review must be mutually resolved before a grant can be formally closed.

O. Demonstration Program Participation. By participating in this CDBG grant program, grant recipients agree to be a part of a state-wide demonstration/pilot program. As a part of such a demonstration program, CI will expect participants to share their success stories with CI and with other program participants throughout the program. CI requests copies of all published press articles, TV coverage, scheduled ribbon cuttings, and other events and milestones. Periodic photographs should document project stages, training, events and successes.

P. Conflict of Interest. The following people or their immediate family members shall not have any direct or indirect financial interest in any contract, subcontract or the proceeds thereof for work to be performed in connection with the grant during their tenure or for

one year thereafter: (1) employees or agents of the recipient who exercise any function or responsibility for the Community Development Block Grant (CDBG), and (2) officials of the recipient including members of the governing body. Consult with Community Investment and Assistance Staff regarding conflict of interest questions or North Carolina Community Development Block Grant Program Regulations (4NCAC 19L.Section.0914).

Q. Financial Management Requirements. CI will monitor the grantee to determine compliance with the financial management requirements. In particular, the review will determine if records are maintained in compliance with 24 CFR Part 85, OMB Circular A-87 and other State of North Carolina requirements. This monitoring is performed through desktop audit and at each on-site visit. Typically, ledgers, invoices, canceled checks, bank statements and requisitions are reviewed to see that the grantee has an adequate system of financial management. CI staff may also make specific requests to review information or documentation relating to financial management of a grant.

Modified Compliance Requirements

In 2011, CI has modified its compliance requirements in the following categories:

Environmental Review: Recipients of CDBG funds are required to comply with the requirements of the National Environmental Policy Act of 1969 (NEPA) found at 24 CFR Part 58 and the NC State Environmental Policies Act and complete an Environmental Review Record (ERR). In 2011, this will be a post award requirement. Do not submit ERR with the application. Please follow procedures outlined in the technical assistance handbook. Copies of the ERR can be secured from CI and/or on the North Carolina Department of Commerce website, under Community Development Block Grant, Forms and Publications, Environmental Review Record [<http://www.nccommerce.com/communitydevelopment/investment-assistance/forms-resources/compliance-plans-and-templates/environmental-review-process>]. Once the ERR is received, CI will review for completeness. CI Compliance Staff should be contacted concerning questions with the environmental review process.

24 CFR Part 58 (Environmental Regulations) require certain notices to be prepared and published by the local government applicant. This procedure is described in 24 CFR 58.40-47 and requires certain time periods to be allowed for public comment. CI must receive evidence of the publication of these notices as well as a Request for Release of Funds and Environmental Certification. Upon CI determination that the public comment periods have elapsed, CI will issue a letter approving the release of funds. **No CDBG funds for non-administrative activities will be released prior to the date of issuance of the letter approving the release of funds.**

Fair Housing: Recipients of CDBG funds will be required to comply with fair housing and non-discrimination laws and regulations. Applicants should consult Section .1001 of the CDBG administrative rules for further information on equal opportunity requirements. Applicants will be required to submit a fair housing plan for the municipality and or county. Applicants with 10,000 persons or more will be required to complete an Analysis to Impediments to Fair Housing Choice Study. For each year that a CDBG project is active, a

recipient must describe the actions it will take in the areas of enforcement, education and removal of barriers and impediments to affirmatively further fair housing. For guidance for developing a Fair Housing Plan, grantees will refer to CI Bulletin 10-25 and the Implementation Notebook.

Language Access Plan (LAP): As recipients of federal financial assistance, grantees have an obligation to reduce language barriers that can preclude meaningful access by Limited English Proficient (LEP) persons to important government programs, services, and activities. Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000(d) and its implementing regulations require that recipients take responsible steps to ensure meaningful access by LEP persons. Applicants will be required to submit a Language Access Plan using the approved recommended template from CI. The plan will be submitted for municipality and or county using the thresholds established by CI. The plan will address the LAP policy, translation of required vital documents, and requirements for citizen participation.

Local Economic Benefit (Section 3): Section 3 of the Housing and Urban Development Act of 1968, as amended, contains requirements governing programs providing direct financial assistance to public recipients and related contractors (or subcontractors).

For each year that a CDBG project is active, the recipient must describe a strategy whereby opportunities in employment and procurement arising out of a CDBG assisted project are identified and made available to low income residents within the county to the greatest extent feasible. This strategy must include (1) identification of training and technical assistance resources to prepare low income residents for employment and procurement opportunities, (2) attempts to reach the numerical targets for new hires set forth in the Section 3 regulation, which applies to recipients receiving \$200,000 or more in non-administrative line items expended for construction contracts and (3) education of low-income residents within the CDBG assisted area about the components and opportunities of the program. Once applicants are awarded funds, recipients will be required to submit a Section 3 plan using the approved CI template. In addition, applicants will be required to coordinate additional activities as it relates to Section 3 with the CI Compliance Office.

Procurement: The grantee must have a written Procurement Policy that meets the requirements specified in 24 CFR 85.36. The procurement procedures must reflect applicable State and local laws should promote free and open competition, and describe efforts to encourage minority and female owned businesses to submit bids/proposals. Grantees must contract for the procurement of goods, services, and construction projects including design services. CDBG grantees must enter procurement solicitation for any contract over \$25,000 in the Statewide Interactive Purchasing System (IPS) as well as provide the information to the CI Compliance Office. All notices must be posted in IPS at least three days before the procurement process begins.

The local government only must set-up in IPS to post solicitation documents electronically. The process takes 15 minutes. The local government should contact Ms. Peggy Crawley, N C Department of Administration at (919) 807-4502 or peggy.crawley@doa.nc.gov for information.

The use of IPS will be added to the program compliance monitoring process. Grantees must also ensure compliance with 24 CFR 85.36 Procurement Process in addition to the IPS requirement.

Program Amendments, Budget Amendments and Budget Revisions

In an Advisory Notice called “Application Amendment” dated January 25, 2010 and posted on the North Carolina Commerce website CI outlined the application amendment process. Additionally, in September 2010, CI released **Bulletin 10-3** which replaces Bulletin 96-2 which defines what constitutes a change from the approved application and requires prior approval by CI. The Bulletin also outlines the procedural requirements for submitting an amendment. When making any change to the approved application, grantees should contact the CI Grants Management Representative assigned to the grant and discuss the changes. Please note when changing activities, the environmental review may require an update. The Grants Management Representative will assist the grantee with the program amendment, budget amendment, and/or budget revision process.