

INTRODUCTION

Montana's Community Development Block Grant – Economic Development (CDBG-ED) Program is designed to stimulate economic development activity by assisting **Montana's** private sector to create or retain jobs for low and moderate-income (LMI) persons. The program assists businesses by making fixed-rate financing available to them at reasonable interest rates and by providing public improvements in support of economic development activities. CDBG-ED provides flexibility in interest rates and loan terms to complement conventional business financing and other State and Federal business financing programs. CDBG-ED funding can provide payment deferments, lower payments in the first year, and interest-only payments. CDBG-ED funds are used in situations where a funding gap exists and alternative sources of public and private financing are not adequate.

ELIGIBLE APPLICANTS

Eligible applicants for CDBG-ED funds are limited to **Montana's Local Governments** (towns, cities, and counties) except the cities of Billings, Great Falls and Missoula, which receive their own CDBG entitlement funds annually. Indian tribes are also ineligible to apply, since there is a separate Indian CDBG Program. Businesses must work with their local government to apply for CDBG-ED funds on their behalf.

ELIGIBLE ACTIVITIES

•Loans to Businesses: Activities include loans to businesses for acquisition, construction, installation, or rehabilitation of commercial and industrial buildings, facilities, equipment, or working capital.

•Customized Employee Training: Employee training is a stand-alone project activity allowing up to a maximum of \$400,000 in grant funding per local government in a program year for new and expanding businesses creating additional jobs. The intent is to assist businesses in providing needed

skills and better-paying jobs for their workers. The goal is to facilitate the growth of companies in Montana, increase wages for trained workers, increase employee productivity, and assist in skill development. Preference is given to training that focuses on developing transferable skills in emerging industries such as information and advanced technology, health services, value-added agriculture and communications. Funding may also be distributed to a qualified educational or nonprofit training entity that provides job training targeted to developing specific employee skills needed by an aggregate of companies. The maximum grant amount to a for-profit business or non-profit organization is \$5,000 for each trained employee.

•Technical Assistance Grants: Funds have been made available for the preparation of plans, studies, analyses, or research related to economic development. Technical assistance grants are also used for nonprofit community development corporations to provide technical assistance, rural outreach, and training in relation to business counseling and lending activity in support of economic development statewide.

•Business Infrastructure Projects: CDBG-ED funds may be used to build infrastructure such as water, sewer, streets or sidewalks in support of businesses. The businesses must be identified at the time the application is submitted. Applications that propose public improvements as assistance to businesses will be reviewed with similar procedures as for loans to for-profit businesses and must include a complete business plan, financial package, hiring and training plan for each business being assisted, and must meet the same threshold requirements, demonstrate viability, and meet all other appropriate requirements contained in the Guidelines.

INELIGIBLE ACTIVITIES

- a. More than \$25,000 in CDBG-ED funds per job created or retained,
- b. General community promotion,
- c. Assistance to professional sports teams,

- d. Assistance to privately-owned recreational facilities,
- e. Acquisition of land with no specific proposed use,
- f. Assistance to businesses such as hotels, motels and retail operations except under mitigating circumstances.

CREATING A REVOLVING LOAN FUND

Local governments typically use CDBG-ED funds to make loans to for-profit businesses. The local government can keep the loan repayments from the business if the local government demonstrates to the Department that it has the capacity to administer a local revolving loan fund (RLF). The Department will need to approve the local government's program income plan, which provides for the management of the local RLF. The local RLF can then relend these funds to other community businesses.

APPLICATION PROCEDURES

Applications are accepted on a continuous basis as long as funding is available for each program year. The maximum amount available to each community is \$400,000. The maximum amount available to consolidated governments is \$800,000. Up to 8% of the total CDBG-ED funding is allowed for local government administrative expenses, with not less than 92% committed to the project. Businesses relocating to a new Montana community must make prior commitments to move their facility or operations three months before the application is submitted. The Department will accept a full application based primarily on a favorable preliminary review of the business plan and financial statements of the business. Department staff and a loan review committee review the project application and make a recommendation to the Director, who makes the final decision.

Grantees and businesses should be aware that **it will take at least two or more months after the decision to award funds has been made before the business will actually receive any funds.**

Thresholds:

- a. Maximum of \$25,000 CDBG-ED funds per job
- b. Maximum of \$5,000 CDBG-ED funds per employee for employee training
- c. Minimum of 51% jobs to benefit LMI persons
- d. Minimum of 1:1 matching funds

Other Requirements:

- a. Two public hearings
- b. Detailed business plan
- c. Current & 3 years projected financial statements
- d. Hiring and training plan
- e. Project budget with proposed "sources & uses"

GENERAL LOAN POLICIES

The interest rate for the 2009 Program is **5.0%**. Security positions are negotiated and can be subordinate to other lenders. Loan terms will be set based on uses of funds and cash flow projections. Limited deferrals of payments are possible depending on cash flow needs.

APPLICATION ASSISTANCE

CDBG-ED Program staff maintains copies of application guidelines and other materials designed to aid application preparation. Sample program income plans, Program Income/RLF Manual, and other documents are available.

Regional Development Officers (RDO) with the Business Resources Division must prescreen any potential CDBG-ED project. Each RDO will assist in packaging the proposal and provide follow-up assistance to the businesses.

The RDO will work with the Department's loan review committee, local development organization and community officials, and the business, if it appears the project has benefit to the community and will create jobs. Contact the following RDO in your region:

- Tod Kasten (East) (406) 485-3374
- Randy Hanson (North Central) (406) 262-9579
- Al Jones (South Central) (406) 655-1696

- Terry Dimock (South West) (406) 841-2737
- Charlie Wright (North West) (406) 532-3222

PROGRAM CONTACTS

For further information and assistance regarding this economic development financing resource, contact:

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CDBG-ED Program materials and application guidelines available online at:

http://businessresources.mt.gov/BRD_CDBG.asp

UPON REQUEST, THIS PUBLICATION WILL BE AVAILABLE IN AN ALTERNATIVE ACCESSIBLE FORMAT



2009

*Community Development Block
Grant Economic Development
Program*



**MONTANA WEST ECONOMIC
DEVELOPMENT**

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