

**Proposed Substantial Amendment to the
State Consolidated Plan for the
2010 Community Development Block Grant Program**



On May 28, 2009 the Wyoming Business Council approved the following concept for a substantial amendment to the state's Consolidated Plan. It follows many of the goals and objectives identified in the WBC Business Plan which was adopted March 2009.

- **2010 Program Year for CDBG (which begins January 1, 2010) Pages 2-16**
Amend Community Development Block Grant (CDBG) Consolidated Plan to make changes to existing programs, add a loan program for private licensed child care operators and child care centers

2010 Program Year for CDBG (which begins January 1, 2010)

1. Executive Summary The Community Development Block Grant Program (CDBG) is a federally funded pass through grant program from the U.S. Department of Housing and Urban Development (HUD). The Wyoming Business Council administers the program. Wyoming has received an annual funding allocation ranging from a low of \$2.2 million to a high of \$3.75 million. Wyoming is given broad authority to design and structure a program that meets the community and economic development needs of Wyoming communities; however, any project funded with CDBG funds must meet one of three HUD imposed national objectives:

- Benefit to low and moderate income persons.
- Elimination of slums and blight.
- Projects which meet an urgent community development need that pose a serious and immediate threat to the health or welfare of the community.

2. Five Year Consolidated Plan for Housing and Community Development. The State of Wyoming is working under Five Year Consolidated Plan (January 1, 2008-December 31, 2012). The purpose of the Consolidated Plan is to provide a collaborative process whereby the State establishes a unified five year vision for housing and community development actions and a one year Action Plan for each of the five years. The plan consolidates the application requirements for four Community Planning and Development formula programs (listed with the lead state organization):

- Community Development Block Grant (WBC)
- Home Investment Partnerships Program “HOME” (Wyoming Community Development Authority)
- Emergency Shelter Grants, “ESG” (Department of Health, Community Services Office)
- Housing Opportunities for Persons with AIDS, “HOPWA” (Department of Health)

Within the last year, two new programs have been added as substantial amendments to the comprehensive plan:

- Neighborhood Stabilization Program “NSP” (WCDA)
- Homelessness Prevention and Rapid Re-housing Program (WBC)

3. Funding It is estimated that the Wyoming will receive \$3,200,000 for the 2010 program year. Of this amount, it is anticipated that, following the administrative and technical assistance set-asides, funding will be utilized to support the CDBG competitive grant program as modified according to the following recommendations. Further, a new micro-enterprise assistance program will be

created to provide small loans for child care operators. The State will exercise its option to reserve one percent (1%) of its CDBG funds to provide training and technical assistance to CDBG applicants and grantees. Approximately \$700,000 will be administered by the Wyoming Community Development Authority (WCDA) for housing related infrastructure projects.

CDBG Program Summary (Estimate)			
2010 Estimated Grant Year			3,200,000
Allocations			
Administrative Allowance (3% of Total Allocation + \$100,000)	196,000		6%
WCDA Housing Grant	700,000		22%
Community Development and Economic Development Grants	2,304,000		72%
Totals	3,200,000		100%
Administrative Cap (No more than 20% allocation for admin or planning)	3,200,000	20%	\$ 640,000
Planning Grant Allocation			\$ 415,000
Administration			\$ 196,000
Balance for Subgrantee Administration or other Planning			\$ 29,000

4. WBC Competitive Grants

- a. **Community Development Projects:** Community Development grant applications are evaluated based on the need and urgency of an identified problem, as well as integrated effort. Criteria for these three components include the clarity of problem identification, the quality of need documentation, and the type, number and amounts of matches. Community Development projects do not have a required match; however, projects are ranked against each other, within project categories, and the integrated efforts of a community constituted a portion of the total 275 ranking points. The goals are to: improve the condition of low and moderate income groups, especially vulnerable to adverse economic or social conditions; improve community infrastructure by eliminating health, safety, and welfare problems; and allow each local government to determine their own serious problem and to be competitive with all other applicants.

1. **Public infrastructure grants (\$300,000 maximum awards)** includes projects such as water and sewer lines, streets, curb, gutter and storm drainage, and water supply and storage.

2. **Access for the disabled grants (\$300,000 maximum awards)** - projects designed to make public buildings, such as town halls and county courthouses, accessible to the handicapped.
 3. **Community facility projects grants (\$300,000 maximum awards)** - Facilities such as senior centers, centers for developmentally disabled children and adults, medical and mental health clinics, youth centers, neighborhood facilities, child care centers, health facilities, fire stations, and other facilities designed to assist special needs clientele.
- b. **Economic Development Projects.** To provide for the creation and retention of permanent primary jobs that are above the current average wage, and aid in the diversification of the Wyoming economy. Encourage the leveraging of public and private economic development dollars through the incentive of money available through the CDBG Program. Funds are available annually for each of the eight economic development component grant/loan categories.
1. **Infrastructure Grants (\$300,000 maximum award)** - The purpose of infrastructure is to provide public improvements, such as the extension of roads and water and sewer lines, to sites for the benefit of a specific business.
 2. **Downtown Development Grant (\$300,000 maximum award)** – Downtown development grants target CDBG assistance to the downtown area. Generally, this includes assistance for public facilities, rehabilitation of commercial buildings, historic preservation, land acquisition, and site clearance.
 3. **Planning Grant (\$25,000 maximum award, 25% cash match required)** - Planning grants are available to local governments and non-profit businesses to perform feasibility studies related to economic and community development.
 4. **Technical Assistance Grant (\$7,500 maximum award)** Technical assistance grants are designed to assist for-profit businesses conduct product planning and research.
 5. **Convertible Loan (Maximum \$150,000 per loan)** Convertible loans are available to for profit businesses that create new jobs. A portion of the loan is converted to a grant for each new job created. The amount converted is \$500 per job.
 6. **Job Training Grant (\$100,000 per job grant)**- Job training grants help businesses with employee training costs, such as instructor salaries, training materials and tuition.
 7. **Business Economic Development Float and Section 108 Loan (\$350,000 to \$1,500,000 awards)** - Loan used for property purchase, construction costs, marketing or working capital.

4. Current CDBG Performance Goals HUD’s office of Community Planning and Development (CPD) has established an Outcome Performance Measurement System. The CPD Performance Measurement System utilized a specific set of objectives and outcomes that are to be used to report the outcome of each eligible activity in the HUD Integrated Disbursement and Information System (IDIS). Each activity will correspond to one objective and one outcome. Currently, the Community Development and Economic Development programs administered by the WBC use the following outcomes and objectives.

Current WBC Administered CDBG Program 5 Year Objectives/Outcomes				
		Objectives		
		Availability/Acessibility	Affordability	Sustainability
Outcomes	Decent Housing			Planning Grants
	Suitable Living Environment	Public Facilities Grants	Public Facilities Grants	Public Infrastructure
	Economic Opportunity	Infrastructure Grants	Downtown Development Grants	Planning Grants

Current WBC Administered CDBG Program 5 Year Objectives/Outcomes							
		Objectives					
		Availability/Acessibility		Affordability		Sustainability	
		Performance Indicators	Expected Number	Performance Indicators	Expected Number	Performance Indicators	Expected Number
Outcomes	Decent Housing						
	Suitable Living Environment	Number of persons benefiting from enhanced access to new or existing services	2,716 Annually	Number of persons benefiting from enhanced access to new or existing services	702 Annually	Number of households benefiting from Public Infrastructure	241 Annually
	Economic Opportunity	Number of jobs created through infrastructure improvements	18 Annually	Number of jobs created through Downtown Development Grants	8 Annually	Number of potential jobs identified in Planning Grants	Unknown

Recommendation 7. The WBC recommends a “Substantial Amendment” to the State’s 5 Year Consolidated Plan and 2010 Annual Action Plan. The WBC would reserve the right to revise funding amounts, when relatively minor, without a formal amendment to this Plan. (See next page for a specific breakdown of activities.)

Proposed CDBG Program Summary 2010 (estimate)		
2010 Grant Year (Estimate)		3,200,000
Allocations		
State Administrative Allowance (3% of Total Allocation + \$100,000)	\$196,000	6%
Planning Grants	\$400,000	13%
Program Administrative Costs	\$44,000	1%
Technical Assistance Set Aside (1% of Total Allocation)	\$32,000	1%
WCDA Housing Grant	\$700,000	22%
Community Development Grants	\$1,000,000	31%
Economic Development	\$828,000	26%
Totals	\$3,200,000	100%

Proposed CDBG Program Summary 2010 (estimate)					
Project Types	Categories	Initial Allocation	Maximum Award	Current Maximum	Performance
Community Development	Community Facilities	\$1,000,000	\$500,000	\$300,000	3,400 People
	Handicapped Accessibility		\$300,000	\$300,000	
	Public Infrastructure		\$500,000	\$300,000	241 Households
Economic Development	Downtown Development	\$656,000	\$500,000	\$300,000	1 Site cleared of blight
	ED Infrastructure		\$500,000	\$300,000	18 jobs created
	Child Care Loan Program	\$150,000	\$15,000 loans for home providers; \$50,000 loans for centers	New Program	15 jobs created
	Non-Profit Capacity Bldg Grants to specific non-profits	\$22,000	\$7,500 grants	Expansion of current TA program	100 people benefiting through increased service
Planning Grants	Community Development Plans	\$400,000	\$50,000 (Community Plans)	\$25,000	4 plans of each type
	Housing Plans		\$20,000 (Housing Plans)		
	Site Plans and Feasibility Studies		\$15,000 (Site Plans and Feasibility Studies)		
Technical Assistance	Provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities.	\$32,000	1% of Allocation	Same	

Recommendation 7A. The WBC recommends increasing the maximum grant awards for Public Infrastructure Grants, Public Facility Grants, Economic Development Infrastructure Grants and Downtown Development Grants from \$300,000 to \$500,000.

Discussion: Maximum grant amounts have not been adjusted since the beginning of the WBC's administration of the program. Higher grant awards may attract quality projects that are otherwise achievable with current grant maximums. Also, some CDBG grants have stalled because of escalating construction costs. Several communities cannot always find more money to put into the project and they are delayed, thus affecting the WBC's timely disbursement of federal funds. Also, as BRC and CFP decrease maximum grant awards, CDBG can help bridge the gap.

Recommendation 7B. The WBC recommends changing the maximum cost per job for Economic Development grants from \$20,000 per job to \$35,000 per job.

Discussion: HUD allows a maximum of \$50,000 per job for a particular project; however, a state's average cost per job in aggregate cannot exceed \$35,000. Currently, WBC's maximum cost per job is \$20,000. A \$300,000 grant currently must create at least 15 jobs made available to low and moderate income people. With the proposed ratio of \$35,000/job, a \$300,000 grant would have to create 8.5 full time positions. With increased maximum awards, a \$500,000 grant would have to create 14 jobs. This change may qualify more projects.

Recommendation 7C. The WBC recommends creating different tiers of planning grants with differing maximum awards and matches:

- Community Development and Economic Development plans, \$50,000 maximum award with 20% required match. Preference will be given to communities with current plans seven years old or older. Plans shall incorporate community development and housing needs, including the needs of low to moderate income individuals. Plans shall also integrate housing and transportation decisions and other ways to facilitate improvements in local zoning and land use policy and practice.
- Housing plans, assessments or development codes which will benefit low and moderate income people, \$20,000 maximum award with a 25% cash match

- Feasibility studies and site specific development studies that may create job opportunities for low and moderate income people or otherwise benefit low and moderate income people, \$15,000 maximum award with a 25% cash match.

Discussion: Currently there is a “one-size-fits-all” planning grant program with maximum awards of \$25,000. Plans funded under this category range from community land use studies to redevelopment studies of specific sites. For large scale land use and community development plans, \$25,000 may not be sufficient even with a local match. The WBC Business Plan calls for increased planning, and the preference will be given to communities with outdated land use plans.

Note: There is a limit, imposed by federal statute, on the percentage of funds which may be used for planning purposes.

Recommendation 7D. The WBC recommends a \$22,000 set-aside for competitive grants for non-profits planning activities. Individual grant awards will not exceed \$7,500 and can be used for organizational and strategic planning, organizational structure and program design, evaluation, cultural diversity issues, marketing/communications; leadership development, strategic partnerships and collaborations. Preference will be given to projects involving non-profits that serve low and moderate income communities, clients or will create jobs made available to non-profit.

Discussion: Assistance to non-profits has flowed out of the WBC Business Plan strategy: Currently, there is a CDBG Technical Assistance program providing \$7,500 grants to for-profit businesses to assist in their marketing, business planning, feasibility studies, and prototype development. This recommendation would expand the current Technical Assistance Program.

Recommendation 7D. The WBC recommends using 1% of the state’s allocation, as allowable by the CDBG regulations, to provide technical assistance to public or non-profit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities. This assistance is not considered a planning cost. This \$32,000 set-aside will be matched by other private funds and used to assist the creation of a successful statewide nonprofit association that:

- Provides leadership development for the nonprofit sector
- Promotes best practices
- Enhances consultant resources

- Promotes volunteerism
- Builds nonprofit capacity
- Provides business assistance to nonprofits

Recommendation 7E. The WBC recommends creating a pool of \$150,000 for CDBG Child Care Facility Loan Program for non-profit and for profit child care operators to improve their facilities, increase their capacity, and create jobs. The Child Care Facility Loan Program will be a project of the WBC administered by the Wyoming Women's Business Center under contract. For the 2010 Program Year, the WBC will set aside a one-time amount of \$150,000. If the program is successful, the WBC may contribute more funds at a later date. If it is not successful, the remaining loan funds will be redistributed to other CDBG activities. The following is a conceptual framework.

- **Mission.** The Mission of the CDBG Child Care Facility loan program is to provide low-interest loans to licensed child care providers or those who need facility upgrades in order to become licensed.
- **Purpose.** The Purposes of the CDBG Child Care Facility Loan Program is to create jobs for low and moderate income people, expand child care capacity, increase the number of licensed providers, and alleviate greater workforce and economic development constraints posed by the lack of available child care.
- **Target borrowers.** Low and moderate income child care providers will be targets for loans. Additionally, loans can be made to other child care providers if there will be new jobs made available to low and moderate income people. Loans can be made to:
 - Private for-profit or non-profit provider
 - A family home that is a licensed facility
 - A provider moving to a new facility
 - Any provider that is licensed or to a provider to use the loan funds to meet licensing requirements

Priority shall be given to eligible applicants that:

- Will increase the capacity of the facility to accommodate infants and toddlers
- Increase capacity to provide child care during non-traditional hours, if that is a local need
- Demonstrate a commitment to improving the quality of care and the training opportunities for staff
- Have attended the Department of Workforce Services' Business and Quality Training or business counseling through the Wyoming Small Business Development Center
- Provide scholarships or sliding scales for low and moderate income families

- Food or nutrition programs
 - **Loan funds.** Loan funds can assist new and existing child care facilities and operations in their expansion, start-up, or for improvements related to health and safety. Funds can be used to upgrade/improve:
 - Kitchens to meet licensing standards
 - Air conditioning and heating systems or installation to meet licensing standards
 - Natural lighting to meet licensing standards
 - Roofs
 - Plumbing including additional toilets and sinks to meet licensing standards or to increase capacity to serve more children, especially infants and toddlers
 - Electrical upgrades to meet licensing standards
 - Installation of renovation of egress windows to meet licensing standards
 - Playground equipment
 - Security systems, smoke alarms, and fire alarms
 - Accommodations to serve children with special needs or to comply with the American with Disabilities Act
 - Interior reconstruction to expand capacity to meet licensing standards
 - Improvement made to comply with
- Loan funds cannot be used for:
- Day-to-day operating costs such as salaries, rent, and food purchases
 - Working capital to cover shortfalls or delays in payments from families, government agencies, or other funding sources
 - Training expenses (although there is a CDBG Job Training program that can be used for child care related training)
 - Vehicle or vehicle transportation expenses
 - Repayment of loans or reimbursement of previously incurred expenses
- **Loan administration.** Loans will be vetted, approved, and serviced through a contract with the Wyoming Women's Business Center (WWBC). The Wyoming Women's Business Center works throughout the State of Wyoming helping small business owners realize their dream of entrepreneurship. WWBC has made a total of 63 loans to small businesses throughout the state for a total amount of \$436,191 since 2001. The WWBC has watched clients grow and prosper to repay 43 of those notes totaling over \$302,952 in paid off loans. To date the WWBC has only charged off six loans, two of which were to one client for a loss of \$15,626.

The WWBC currently has 14 open loans on their books with an outstanding principal balance of \$70,762 as of April 30, 2009. Seven loans are in various stages of default; however WWBC feels six of the seven are collectable at or near their outstanding balances. One loan with an outstanding balance of \$2,093 is in process of writing off the balance and turning it over for collection. WWBC has six new loan requests in different phases of application for total new money of \$57,000. WWBC expects to approve and close two of these loan applications during May 2009.

The WWBC will be required to have a Loan Review Committee examine each request, verify low and moderate income levels, establish the adequacy of the business plan, equity, and proposed source of repayment. The Review Committee shall be comprised of representatives including, but not limited to, the WWBC, WBC staff, lending institutions, shall meet with the prospective borrowers. The Wyoming Women's Business Center also partners with the Small Business Development Center, the UW Market Research Center, Manufacturing-Works, and the SBIR program. Responsibilities of the WWBC will be:

- Application Development
- Pre-loan technical assistance
- Loan Review
- Payments
- Collections
- Marketing
- Quarterly Reports to the WBC
- **WBC Responsibilities.** The WWBC will be primarily responsible for marketing of the program with assistance from the Wyoming Business Council. The WBC shall be responsible for monitoring projects with respect to federal requirements, including lead based paint, and job verification. All providers receiving loans will be included in WBC reports posted on line. Those reports will include performance in creating jobs. The WBC will be responsible for all reporting to HUD.
- **Credit.** The WWBC will order and analyze personal credit reports on all principal owners of the business. Applicants must demonstrate responsible behavior according to their individual credit reports. Recent bankruptcy, numerous collection items and lateness, liens, and/or judgments will not be accepted and may be reason alone for not extending credit.

- **Collateral.** Applicants are expected to demonstrate a commitment to their business. The WWBC will require all child care facility loan borrowers to secure loans with business collateral and will require personal guarantees from all principals with greater than 10% interest in the business. Specific collateral requirements will vary in each circumstance. If equipment is to be purchased, then that will be part of the collateral. Real estate be used as collateral (business or personal) and the appraisal and title insurance fees will be charged up front.
- **Cash Flow Coverage.** WWBC will undertake a full cash flow analysis to determine if, on a historical basis, the applicant can undertake the loan with adequate net cash-flow coverage. As part of this analysis, WWBC will request up to three years of historic financial statements and up to three years of projected cash flow statements. If the applicant is unable to meet this historic cash-flow test, the WWBC may consider pro-forma financial information with a higher net coverage requirement.
- **Equity and Management.** The WWBC will consider the use of the business owner's own capital as commitment to the business and as a positive indication of business stability. As such, equity contributions will be viewed favorably by WWBC and may allow applications with borderline deficiencies in personal credit to be extended a loan. This equity contribution, particularly when coupled with long-term commitment to the business, may override all but recent (within past two years) bankruptcies, collections, late payments and liens.
- **Collections** The WWBC recognizes that maintaining a relationship with its borrowers is key to timely loan repayments. WWBC and WBC shall incorporate periodic site visits into the management of each loan. These calls and site visits will increase if a borrower is more than 30 days past due in its payments on the loan. Submission of annual financial statements will be required during the term of the loan.
- **Job Creation Requirements** Child care operators will be required to become licensed if they are not already licensed. Each full time equivalent position in a newly licensed operation will be counted as a new job. Licensed child care operators will be required to create a full time equivalent position for every \$35,000 of loan funds borrowed. Providers will be required to have thorough business plans. Preference will be given to providers who have attended business training, such as offered by the Department of Workforce Services Quality Counts Program or counseling with the Small Business Development Center. Providers shall work to improve the quality of their curriculum and staff training in accordance with quality indicators as they are created by the Wyoming Early Childhood Partnership.
- **Loan amounts and rates**
 - Fixed term loans for family child care in homes

- \$1,000 - \$35,000.
 - Fixed rate loans at 3%
 - Terms generally do not exceed eight years
 - Application and annual fees will assist with administrative costs
- Fixed term loans for centers
 - \$1,000 - \$125,000.
 - Fixed rate loans at 3%
 - Terms generally do not exceed eight years;
 - Administrative fees
 - Application and annual fees will assist with administrative costs
- **Conversion of loans to grants.** If the newly created jobs are still in existence within three years of the completion of the improvements, then 50% of the original loan amount will convert to a grant.
- **Revolving loans.** Principal and interest payments will be used by the Wyoming Women’s business Center for continued lending to child care operators.
- **Leverage.** The Wyoming Women’s Business Center has access to other financing options such as SBA allowing for larger packages than allowable with only CDBG funds.

Discussion: This loan program could have broad impact for Wyoming’s providers including financial resources not otherwise available. Financial options, as well as business technical assistance for child care providers, can keep them in business and help new businesses start. By helping these existing small businesses, the state can increase the viability, capacity and quality of child care services. Although the Wyoming Business Council has granted several millions in infrastructure funding for child care facilities, the program cannot assist the great number of existing providers because of constitutional prohibitions against granting or loaning funds to private entities. The CDBG Child Care Facility Loan Program will provide an important financial tool for existing providers which will not necessitate large infrastructure grants. Local banks and lending institutes can partner with the Women’s Business Center, thereby reducing their risk. Community lenders will be able to expand the number of loans and services to child care providers; offer financing on a larger scale; spread the risk on loans; and finance business that provide essential services to their communities—quality child care.

Recommendation 7F The WBC recommends adopting the following Annual Action Plan based on the above changes.

Proposed 2010 Objectives/Outcomes							
		Objectives					
		Availability/Accessibility		Affordability		Sustainability	
		Performance Indicators	Expected Number	Performance Indicators	Expected Number	Performance Indicators	Expected Number
Outcomes	Decent Housing	Number of housing plans and studies	4 Annually				
	Suitable Living Environment	Number of persons benefiting from enhanced access to new or existing facilities	3,400 Annually			Number of households benefiting from Public Infrastructure	241 Annually
		Number of sites cleared of blight	1 Annually			Number of community and economic development plans addressing these Objectives and Outcomes	4 Annually
	Economic Opportunity	Number of jobs created through infrastructure improvements	18 Annually			Number of potential jobs identified in site specific development plans or feasibility studies	8 Annually
		Number of jobs created through Child Care Loan Program	15 Annually			Number low and moderate income people benefiting from increased non-profit capacity	100 Annually

Implementation for Action 7:

- *June 2009 Public meetings scheduled June 22-June 25 (Rock Springs, Riverton, Cody, and Gillette)*
- *June 30 Compressed video public hearing*
- *Public comments compiled, reviewed and staff recommends changes to the plan and rules*
- *September 2009, WBC adopts plan and rule changes*
- *November 2009 Substantial Amendment submitted to HUD for approval*
- *January 2010 Program Year begins (funds received in about April 2010)*