

CITY OF DETROIT
OFFICE OF CONTRACTING AND PROCUREMENT
REQUEST FOR PROPOSALS – ON BEHALF OF THE HOUSING AND REVITALIZATION
DEPARTMENT

**Program Administrator for the Motor City Match (MCM) Small Business and Microenterprise
Technical Assistance and Grant Program**

<u>ADVERTISEMENT DATE</u>	March 31, 2021
<u>PRE-PROPOSAL CONFERENCE</u>	April 16, 2021 at 10:00 AM
<u>PROPOSAL DUE DATE</u>	April 30, 2021 at 10:00 AM

<u>PUBLIC RECORDING</u>	Electronically via Oracle
	To be held via Zoom on May 03, 2021, at 3:00 PM.
	Please visit the Housing and Revitalization Department Website for information on the Public Recording zoom link: https://detroitmi.gov/departments/housing-and-revitalization-department/public-notice

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INTRODUCTION

The City of Detroit Housing and Revitalization Department (HRD) and the Jobs and Economy Team through the Office of Contracting and Procurement (OCP) is seeking proposals from interested and qualified non-profit organizations with expertise and understanding in administering a Small Business and Microenterprise Development program for the City of Detroit.

- If a contract is awarded as a result of this Request for Proposal (RFP), it will be a contract negotiated based upon the City's CDBG Subrecipient Contract.
- The successful respondent will be required to obtain approved clearances and affidavits (and insurances) from the Income Tax Division, Revenue Collections Division, and Civil Rights Inclusion and Opportunity Department prior to City Council's approval of a contract. Approved clearances and insurance are not required when submitting a response to this RFP but will be required of the successful respondent prior to OCP submitting a recommendation to City Council for approval.
- The City expressly reserves the right to modify, add, or delete, any item(s) from the proposal it deems necessary prior to the issuance of an award.
- The term of performance for this contract will be for one year (estimated to begin July 1, 2021, with the awards being made as soon as September 2021) with an option to extend for an additional year. The subrecipient will have 90 days from the end of the contract to submit final invoicing, reporting, and records as requested by HRD.
- The City of Detroit is supporting this effort annually with General Fund dollars. In addition to this, the City of Detroit reserves the right to add additional funding from the Department of Housing and Urban Development (HUD) - Community Development Block Grant (CDBG). Any contract awarded will be contingent upon available funding from HUD and the City. The estimated budget for the MCM program is approximately \$4MM.
- The Subrecipient and HRD will work directly with the Office of Development and Grants (ODG) to secure additional financial support from foundations, and other local donors to make grants available to businesses.
- Any funds awarded will be paid to the successful proposer on a reimbursement basis upon submittal of satisfactory documentation of eligible expenses. **Please note, the CDBG program is a reimbursement only program.** As such, the successful proposer will need to be able to demonstrate appropriate cash on hand.

PROGRAM BACKGROUND

Support of small businesses and entrepreneurs is an integral part of the City of Detroit's approach to its community and economic development strategy and is a key tenet in the administration's approach to creating a more equitable City. Small businesses not only create new jobs, but they provide goods and services within the City, amenities that are located in close proximity to neighborhoods that are walkable for surrounding residents, increase personal income for households, and generate tax revenue to the local economy. With the right strategy, leadership team, business practices, and access to capital and technical assistance, micro-entrepreneurs and

small businesses have the potential to be a driving force, over time, in closing both the income and wealth gap of people of color in the City.

Since its inception in 2015, the Motor City Match program has served as a catalyst to the Detroit small-business community, assisting in the evolution of a small-business ecosystem designed specifically to serve Detroit small businesses and microenterprises. The Motor City Match program has provided over 1,300 awards to businesses and entrepreneurs in Detroit with access to technical assistance starting with training & workshops and business plan development, to more specialized assistance such as real estate services, legal assistance, website development, pre-construction assistance, and more. In addition, cash grants up to \$100,000 from philanthropic partners were made available to Detroit business owners to assist with gaps in start-up or expansion expenses.

The City of Detroit is now looking for proposals that will determine how the Motor City Match program will continue to operate in its second phase of serving Detroit Small Business and Microenterprises.

The Motor City Match program is a competitive grant program for Detroit entrepreneurs, new and existing Detroit small businesses, and businesses looking to expand to Detroit. The City of Detroit is looking for proposals from organizations that can provide technical assistance **and** grant awards to these groups throughout the program year.

Technical Assistance includes but is not limited to business plan development, website development, financial management assistance, marketing, human resources, and real estate assistance.

Grants are provided to businesses who cannot access any or all of the financing needed to open and are meant to bridge financial gaps faced by business owners. Businesses will be chosen based on selection criteria, underwriting, and an ability to leverage other sources of financing.

The applicant should be specific in their response as to what services they are proposing to provide. The applicant may also propose to select both kinds of assistance.

To use CDBG funding, the Motor City Match program will serve two (2) types of businesses, each under their own program, as defined by HUD:

1. Small Businesses (those with 6+ employees including the owner), and
2. Microenterprises (5 or fewer employees including the owner)

It is expected that the awarded subrecipient has an understanding of CDBG rules and regulations (and associated documentation) governing the eligibility and expenditure of funds or is willing to hire additional staff that will possess the requisite knowledge of CDBG rules and regulations. For the City to reimburse payments and awards made by the subrecipient, the subrecipient will need to demonstrate that each business has met a CDBG National Objective and will need to provide

the appropriate documentation. The expectation is that this program will be qualified under the HUD Low/Mod Income (LMI) National Objective. This National Objective includes several categories such as LMI Area Benefit, LMI Limited Clientele, and LMI Job Creation/Retention. See the Motor City Match Qualification Flowchart Appendix F.

Small Businesses

Small businesses receiving awards through the Motor City Match program will be qualified as either LMI Area Benefit or LMI Jobs Creation/Retention. Please see CDBG Rules and Regulations for additional information and reporting requirements. A summary of these reporting requirements and definitions has been included in Appendix C.

Microenterprises

Microenterprises receiving awards through the Motor City Match program will be qualified as LMI Limited Clientele (if the owner is LMI), LMI Area Benefit, or LMI Jobs. Please see CDBG Rules and Regulations for additional information and reporting requirements. A summary of these reporting requirements and definitions has been included in Appendix C.

Awardees receiving CDBG funding will need to be Detroit-based businesses per IRS definition and provide a list of all employees and their annual incomes.

The Motor City Match Program will offer awardees one of two types of support:

1. Technical Assistance to pay for any of the following eligible activities:
 - a. Business plan creation
 - b. Accounting and financial planning assistance
 - c. Creation of digital/online content
 - d. Marketing
 - e. Legal expertise
 - f. HR assistance
 - g. Real estate assistance
2. Business grants to pay for any of the following eligible activities:
 - a. Inventory purchases
 - b. Building assessments
 - c. Signed/sealed construction drawings
 - d. Interior build-outs
 - e. Micro-loans up to \$1k available to businesses who can demonstrate that they are LMI and is a City of Detroit resident
 - f. Other capital needs

Please note that the list above reflects only those activities eligible using CDBG funding. Should there be other activities deemed necessary to meet the program objectives, these are welcomed but must be funded using separate, unrestricted sources of funding. Eligible activities can also be

funded through separate, unrestricted sources of funding, as the applicant sees fit. It is important to note that if CDBG funding is put toward an activity and the activity fails to meet a National Objective, the activity must then be funded with another type of unrestricted funding (i.e., general funds or philanthropic funds). Please keep this in mind when drafting your proposed budget.

THRESHOLD REQUIREMENTS

Proposals not meeting the basic eligibility requirements listed below will be eliminated from consideration. At a minimum, all applicant organizations must document the following for threshold eligibility:

- 1. Minimum Experience:** Proposals will only be accepted from those firms demonstrating a minimum of two (2) years of experience providing the services requested in this RFP for projects of similar scope and size (applies to lead entity only if applying as a team). Applicants must be able to demonstrate an understanding of the Detroit small business ecosystem, including current organizations that serve the Detroit small-business and microenterprise community, their mission, and the resources they provide.
- 2. Partnerships:** Applicants must have an established relationship with local financial institutions that provide small business funding such as CDFI's (unless the applicant is a financial organization themselves). At least one (1) letter of support from the financial institution is required.
- 3. Non-Profit Status:** Applicant must have a designated non-profit status prior to applying. Proof from the organization that it is a tax-exempt non-profit organization, i.e. IRS 501(c)(3) or equivalent tax-exempt status, authorized to do business in the State of Michigan.
- 4. Proof of at least 2 years of operation:** Applicants must have been an existing organization for at least two (2) years prior to submission of this RFP. Dates of incorporation MUST be provided as well as dates of programs related to this RFP administered by the applicant. Please submit annual reports of the organization describing program accomplishments.
- 5. Organization Board:** Must have at least a five (5) member board, which meets bi-annually. Board must be functioning and representative of the Detroit community /neighborhoods. Names and addresses of board members must be provided in the application and be reflective of the organization's charter.
- 6. Must not have any unresolved government audit and monitoring problems:** Applicant cannot have unresolved government audit or monitoring problems such as the City of Detroit or HUD monitoring findings or Audit findings as documented Super Circular 2 CFR Part 200 from the federal Office of Management and Budget. In addition, the applicant cannot have unresolved federal, state, or City of Detroit tax issues. Agencies that spend \$750,000 or more in federal funds in a given year must meet federal financial auditing requirements.

7. **Most recent fiscal year cash flow statement:** Including all applicant statements, financial reports, and financial audits or 990s within the past two (2) years.
8. **Signed Certification Form:** The original and all copies must be signed by an authorized representative of the applicant organization. An authorized signer is an officer of the Board, Executive Director, or other person designated by the Board of Directors to submit the proposal on its behalf.
9. **Michigan Annual Non-Profit Report:** Must provide the report as an attachment.
10. **Proof of Operating Cash on Hand:** Demonstrated Cash on Hand (i.e. bank statements, letter of credit, notarized award, etc.) of at least \$375,000.
11. **Insurance Requirements: The applicant must have the capacity to be insured per the City of Detroit requirements.**
12. **In order to be considered for funding, a proposal must receive a minimum of 80 points.**
13. **CDBG Compliance Plan:** Provide a plan on how the organization plans to comply with CDBG regulations and ensure ongoing capacity and operational excellence as it relates to compliance.

EVALUATION CRITERIA

All proposals received by the deadline of April 30, 2021, that meet the minimum threshold requirements will be reviewed and ranked by a proposal evaluation committee that includes representatives from HRD and other relevant City departments. All applicants will go through a selection and ranking process. Proposals must meet all of the CDBG eligibility requirements to be considered for funding.

Proposals passing threshold criteria review will be ranked and scored on a 100-point scale, with 0 being the lowest and 100 being the highest score. Proposals must score at least 80 points to be recommended for funding. Proposals will be ranked according to score and recommended for funding in rank order:

Criteria	Total Available Points
Application Basics	10
Program Implementation	40
Cost Analysis and Detailed Project Budget	35
Experience and Qualifications	15
TOTAL POINTS	100

SECTION 1: APPLICATION BASICS (10 POINTS)

To be considered responsive, each proposal must, at a minimum, present and/or respond to the following RFP sections in their entirety. All pages of the submission must be numbered, excluding exhibits, drawings, and other supplemental information which may be added as attachments. The instructions contained in this RFP must be strictly followed. Accuracy and completeness are essential.

1. Proposal Cover Sheet
2. Table of Contents
3. Signature Page (form attached)
4. Statement of Submission - please include, at a minimum, the following information and/or documentation:
 - a. A statement to the effect that your proposal is in response to this RFP;
 - b. A brief description of your organization, including team members/partners included in your response, as well as Federal Identification Number(s), the age of the organization(s);
 - c. The location of the organizations place of business, and if different, the location(s) of the place of performance for the contract;
 - d. A commitment to perform the requested work in accordance with the requirements outlined in this RFP;
 - e. The name and contact information of the organization's manager who will be in charge of this contract.
5. Describe the mission, history of the organization, related or similar program administration/management experience, and population served.
6. Provide details on the organization's work and/or program management in the areas of small business development, microenterprise development, entrepreneurship, or similar areas.
7. Discuss the capacity of the organization to serve as the Program Administrator for the Motor City Match program. This should include:
 - a. Identifying and selecting service providers to be subcontracted in compliance with the goals and objectives of this program;
 - b. Onboard, manage contracts, and coordinate work of providers;
 - c. Assist in underwriting for technical assistance for small businesses and microenterprises;
 - d. Document and track CDBG eligible activities and national objectives;
 - e. Monitor contracts and measure the performance of subcontracted service providers.
8. Identify any projects in which the organization's contract was terminated for any reason.
9. Identify any claims or lawsuits that have been brought against the organization as a result of any services provided in the last five (5) years.

SECTION 2: PROGRAM IMPLEMENTATION (40 POINTS)

1. Include a program internal staffing structure and organizational chart
2. Include a draft set of Program policies and procedures for the Motor City Match program that includes the following:
 - a. Eligibility requirements
 - b. Award schedule
 - c. List the number of proposed awardees per announcement
 - d. List the maximum award amount for Technical Assistance
 - e. List the maximum award amount for Business Grants
 - f. Include the selection criteria for awardees
 - g. List out the award types and amount will be determined
 - h. Include the standards that will be used to determine project viability and feasibility. **These must include a minimum of the following criteria (see Appendix D that goes into additional detail on the minimum underwriting criteria as determined by HUD):**
 - i. Describe the method for determining that all costs are reasonable;
 - ii. Ensure that all sources of project financing are committed;
 - iii. That to the extent practicable, CDBG funds are not substituted for non-Federal financial support;
 - iv. Describe the method that determines if the project is financially feasible;
 - v. That to the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project.
3. Detail the Project Management System – how will awardees and activities be tracked at the time of assistance until completion?
4. Include the Outreach & Marketing Plan that will be used for the Motor City Match Program
5. Detail the Compliance Plan – how will the organization ensure compliance with CDBG regulations?

SECTION 3: COST ANALYSIS AND DETAILED PROJECT BUDGET (35 POINTS)

1. Detail the total # of businesses expected
2. Detail the total # of businesses expected to open in Strategic Neighborhood Fund areas (see attached map)
3. How many low-to moderate-income Detroiters' are planned to be served?¹ Please describe.
4. How many Detroit businesses are planned to provide new goods and services to low-to moderate-income areas?² Please describe.

¹ Low-to moderate income is determined on an annual basis by HUD

² Low-to moderate income areas as defined by HUD

5. How many Detroit businesses are planned to continue providing goods and services to low-to moderate-income areas?³ Please describe.
6. How many new jobs will be created for low-to moderate-income people?⁴ Please list and describe.
7. List and describe the total dollars spent annually (also include Project Budget):
 - a. Public (CDBG)
 - b. Public (other)
 - c. Private (philanthropic)

An itemized budget is required for this proposal; an example is attached for reference in Appendix B. A budget should be developed expecting funding sources of \$4MM (July 01, 2021 – June 30, 2022). CDBG funding will not exceed more than \$1.5MM of the \$4MM budget.

All activities must comply with the Uniform Administrative Guidelines Cost Principles located at 2 CFR Part 200.

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

No costs incurred under 24 CFR 570.206 – Program Administrative Costs will be allowable under this contract. However, Activity Delivery costs are eligible and are defined as all costs associated with direct delivery of the program. Program Delivery for the Motor City Match Program cannot exceed more than 25% of the overall budget and must be tied to businesses meeting HUD national objectives.

Applicants must either provide a federally approved indirect cost rate plan or a cost allocation plan (to be approved by HRD) at the time of application for indirect costs to be considered.

All costs incurred by the Program Administrator are submitted on a reimbursement basis ONLY and must be approved by HRD. Applicants must be able to demonstrate at least \$375,000 as proof of operating cash on hand or working capital. To demonstrate cash on hand, applicants must show their most recent bank statement, letter of credit, or notarized award notice from a reputable organization. To be eligible, any operating cash funds or in-kind resources demonstrated must be directed toward the provision of CDBG eligible activities during the period of the contract. Applicant must submit most recent fiscal year cash flow statement and if available, recent audit.

³ Low-to moderate income areas as defined by HUD

⁴ Low-to moderate income jobs as defined by HUD

SECTION 4: EXPERIENCE AND QUALIFICATIONS (15 POINTS)

Applicants to this RFP can include a lead organization with team member subject matter experts, however, the lead agency (applicant) will be responsible for all of the contractual requirements. The City of Detroit encourages applicants to develop a team of entities that can serve small businesses and microenterprises at all stages of business development, including CDFI's who can provide access to financing. Detroit-based entities and minority and/or women-owned entities are encouraged to apply. Please provide a detailed response on how the applicant meets the following criteria.

1. Proposals will only be accepted from those firms demonstrating a minimum of two (2) years of experience providing the services requested in this RFP for projects of similar scope and size.
2. Applicants must demonstrate an understanding of the Detroit small business ecosystem, including current organizations that serve the Detroit small-business community, their mission, and the resources they provide.
3. Applicants must have an established relationship with local financial institutions that provide small business funding such as CDFI's (unless the applicant is a financial organization themselves).
4. Applicants must include all resumes for staff proposed to work on the program, what their role will be, and a summary of their experience.
5. Applicants must provide job descriptions of current position vacancies with timelines of when those vacancies will be filled.

If applying as a team, information on experience for each entity must also be provided.

APPENDIX A
FUNDING AND ELIGIBILITY REQUIREMENTS

All funding for CDBG Special Economic Development Activities and Microenterprise Activities must be a Department of Housing and Urban Development (HUD) Eligible CDBG Activity and meet a National Objective for Low-to Moderate Income Persons (LMI) (please see 24 CFR 570.201 and 570.208).

The following activities are allowable for the Motor City Match Program:

Small Business Development Program:

Economic Development: Technical Assistance [24 CFR Part 570.203(b), IDIS Matrix Code 18B]

Please note that activities under this program must comply with 24 CFR Part 570.209 regarding “Guidelines for evaluating and selecting economic development projects” as well as Appendix A to Part 570 guidelines as applicable and necessary.

Microenterprise Program:

Microenterprise Assistance [24 CFR Part 570.201(o)(ii), IDIS Matrix Code 18C]

The following National Objectives are allowable for the Motor City Match Program:

Small Business Development Program:

Low-to Moderate Income Area (LMA) – Businesses must exchange goods and services in a predominantly residential neighborhood in Detroit, where 51% or more of the people in the service delivery area are LMI persons.

Low-to Moderate Income Jobs (LMJ) – Requires a written agreement with the business owner, must create new FTE’s where 51% or more of those jobs are provided or made available to Low-to Moderate Income Persons.

Microenterprise Program:

Low-to Moderate Income Area (LMA) - Businesses must exchange goods and services in a predominantly residential neighborhood in Detroit, where 51% or more of the people in the service delivery area are LMI persons.

Low-to Moderate Income Business Owner (LMC) – Applicants must be income qualified at the time of application and be at or below 80% of the Area Median Income (AMI) as determined by HUD annually.

In addition, applicants should be familiar with HUD’s Economic Development Toolkit found at: <https://www.hudexchange.info/resource/2376/cdbg-economic-development-toolkit/>

APPENDIX B
EXAMPLE BUDGET

Expenses	CDBG	General Fund	Other Funding Sources*	Total Program Costs
ADMINISTRATION & PERSONNEL				
Staffing (FTE's) (Name of each FTE, Role and Salary)				
Fringe (health insurance, life insurance, etc..)				
Subcontractors				
Program Marketing & Events, Website, etc...				
BUSINESS TECHNICAL ASSISTANCE				
Microenterprises				
Small-Businesses				
BUSINESS GRANTS				
Microenterprises				
Small-Businesses				

APPENDIX C

Motor City Match Reporting Requirements

This form is not meant to take the place of HUD CDBG rules and regulations on the eligibility and expenditure of CDBG funding.

General Monthly Requirements

- Documentation of businesses that received assistance
 - o Name
 - o Address
 - o Number of Employees (including the owner)
 - o Industry
- Amounts awarded/drawn per business
- Monthly total of program delivery costs
- Staff time associated with assistance delivery

Additional Business Documentation Requirements

- Business is qualifying as Low-Moderate Income (LMI) Microenterprise
 - o Owners Income
- Business is qualifying as Non-LMI Microenterprise
 - o Owners Income
 - o Job creation/retention information (see required documentation for small business job creation/retention below)
 - o Written agreement to hire/retain LMI persons
- Business is qualifying as Small Business (Area Benefit)
 - o Documentation of the defined service area boundary
 - o Documentation on the primarily residential characteristic of the service area
 - o Documentation that at least 51% of the defined service area is LMI
 - o Documentation that business is located in an NRSA (if applicable)
- Business is qualifying as Small Business (Job Creation/Retention)
 - o Written agreement to hire/retain LMI persons
 - o Created job held by LMI
 - Title and description of job
 - Name and income status of the person who filled each position
 - Full-time equivalency status of the job
 - o Created job made available but not taken by LMI
 - Title and description of job
 - Full-time equivalency status of the job
 - Prerequisite for the job, skills/education, business commitments to provide needed training
 - How first consideration was given to LMI persons, record name of persons interviewed and date of interview and income status of persons interviewed
 - o Retained jobs that would otherwise be lost
 - Listing of job title of permanent jobs retained

- Jobs that are known to be held by LMI persons at the time of assistance
- Specific evidence that jobs would be lost without CDBG assistance
- Full-time equivalency status of each job
- Family size/annual income of each jobholder

*Income determination can be made by self-certification, presumption by address, or other criteria (see HUD CDBG guidelines).

APPENDIX D
CDBG – Underwriting Guidelines

- (1)** that project costs are reasonable;
- (2)** that all sources of project financing are committed;
- (3)** that to the extent practicable, CDBG funds are not substituted for non-Federal financial support;
- (4)** that the project is financially feasible;
- (5)** that to the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
- (6)** that to the extent practicable, CDBG funds are disbursed on a pro-rata basis with other finances provided to the project.

1. Project costs are reasonable.

i. Reviewing costs for reasonableness is important. It will help the recipient avoid providing either too much or too little CDBG assistance for the proposed project. Therefore, it is suggested that the grantee obtain a breakdown of all project costs and that each cost element making up the project be reviewed for reasonableness. The amount of time and resources the recipient expends evaluating the reasonableness of a cost element should be commensurate with its cost. For example, it would be appropriate for an experienced reviewer looking at a cost element of less than \$10,000 to judge the reasonableness of that cost based upon his or her knowledge and common sense. For a cost element in excess of \$10,000, it would be more appropriate for the reviewer to compare the cost element with a third-party, fair-market price quotation for that cost element. Third-party price quotations may also be used by a reviewer to help determine the reasonableness of cost elements below \$10,000 when the reviewer evaluates projects infrequently or if the reviewer is less experienced in cost estimations. If a recipient does not use third-party price quotations to verify cost elements, then the recipient would need to conduct its own cost analysis using appropriate cost estimating manuals or services.

ii. The recipient should pay particular attention to any cost element of the project that will be carried out through a non-arms-length transaction. A non-arms-length transaction occurs when the entity implementing the CDBG assisted activity procures goods or services from itself or from another party with whom there is a financial interest or family relationship. If abused, non-arms-length transactions misrepresent the true cost of the project.

2. *Commitment of all project sources of financing.* The recipient should review all projected sources of financing necessary to carry out the economic development project. This is to ensure that time and effort are not wasted on assessing a proposal that is not able to proceed. To the extent practicable, prior to the commitment of CDBG funds to the project, the recipient should verify that: sufficient sources of funds have been identified to finance the project; all participating parties providing those funds have affirmed their intention to make the funds available; and the participating parties have the financial capacity to provide the funds.

3. *Avoid substitution of CDBG funds for non-Federal financial support.*

i. The recipient should review the economic development project to ensure that, to the extent practicable, CDBG funds will not be used to substantially reduce the amount of non-Federal financial support for the activity. This will help the recipient to make the most efficient use of its CDBG funds for economic development. To reach this determination, the recipient's reviewer would conduct a financial underwriting analysis of the project, including reviews of appropriate projections of revenues, expenses, debt service, and returns on equity investments in the project. The extent of this review should be appropriate for the size and complexity of the project and should use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

ii. Because of the high cost of underwriting and processing loans, many private financial lenders do not finance commercial projects that are less than \$100,000. A recipient should familiarize itself with the lending practices of the financial institutions in its community. If the project's total cost would normally fall within the range that financial institutions participate in, then the recipient should normally determine the following:

A. *Private debt financing* - whether or not the participating private, for-profit business (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participate in the project; and

B. *Equity participation* - whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the entrepreneur(s) to make additional financial investments.

iii. If the recipient is assisting a microenterprise owned by a low- or moderate-income person(s), in conducting its review under this paragraph, the recipient might only need to determine that non-Federal sources of financing are not available (at terms appropriate for such financing) in the community to serve the low- or moderate-income entrepreneur.

4. *Financial feasibility of the project.* i. The public benefit a grantee expects to derive from the CDBG assisted project (the subject of separate regulatory standards) will not materialize if the project is not financially feasible. To determine if there is a reasonable chance for the project's success, the recipient should evaluate the financial viability of the project. A project would be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, projections of revenue, project expenses, and debt service (including repayment of the CDBG assistance if appropriate) were determined to be realistic and met the project's break-even point (which is generally the point at which all revenues are equal to all expenses). Generally speaking, an economic development project that does not reach this break-even point over time is not financially feasible. The following should be noted in this regard:

A. some projects make provisions for a negative cash flow in the early years of the project while space is being leased up or sales volume built up, but the project's projections should take these factors into account and provide sources of financing for such negative cash flow; and

B. it is expected that a financially viable project will also project sufficient revenues to provide a reasonable return on equity investment. The recipient should carefully examine any project that is not economically able to provide a reasonable return on equity investment. Under such circumstances, a business may be overstating its real equity investment (actual costs of the project may be overstated as well), or it may be overstating some of the project's operating expenses in the expectation that the difference will be taken out as profits, or the business may be overly pessimistic in its market share and revenue projections and has downplayed its profits.

ii. In addition to the financial underwriting reviews carried out earlier, the recipient should evaluate the experience and capacity of the assisted business owners to manage an assisted business to achieve the projections. Based upon its analysis of these factors, the recipient should identify those elements, if any, that pose the greatest risks contributing to the project's lack of financial feasibility.

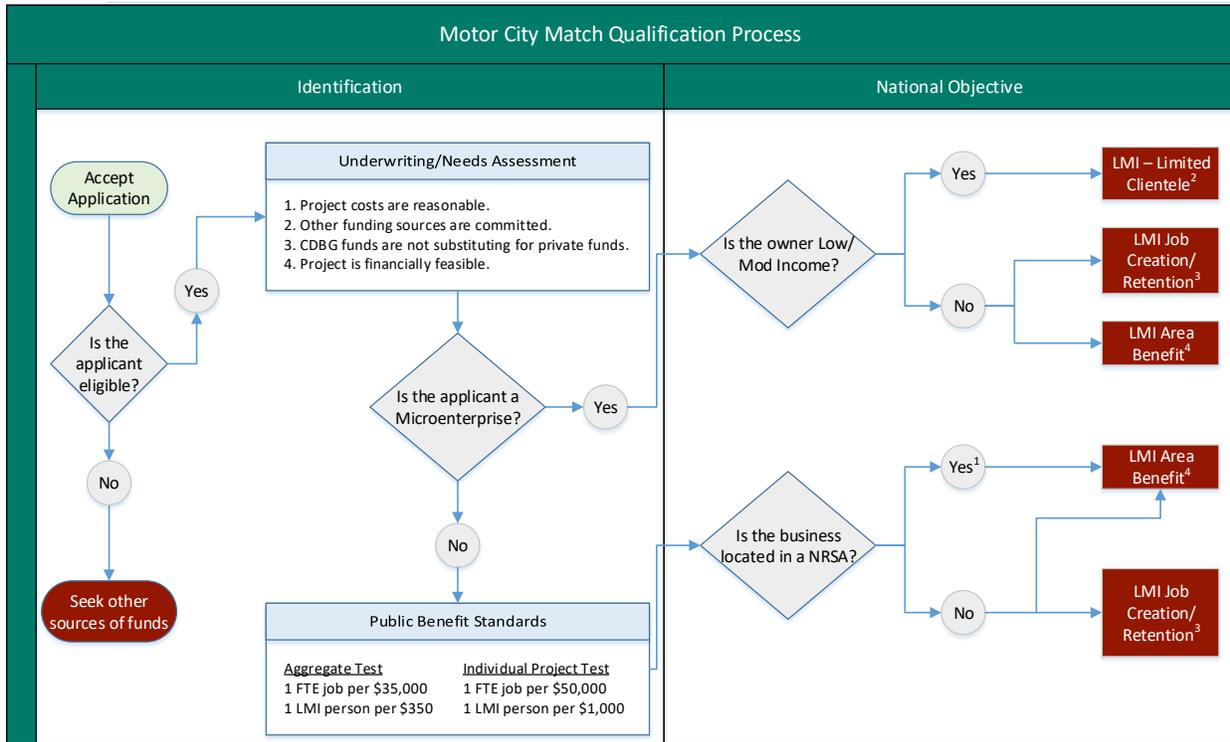
5. *Return on equity investment.* To the extent practicable, the CDBG assisted activity should provide not more than a reasonable return on investment to the owner of the assisted activity. This will help ensure that the grantee is able to maximize the use of its CDBG funds for its economic development objectives. However, care should also be taken to avoid the situation where the owner is likely to receive too small a return on his/her investment so that his/her motivation remains high to pursue the business with vigor. The amount, type, and terms of the CDBG assistance should be adjusted to allow the owner a reasonable return on his/her investment given industry rates of return for that investment, local conditions, and the risk of the project.

6. *Disbursement of CDBG funds on a pro-rata basis.* To the extent practicable, CDBG funds used to finance economic development activities should be disbursed on a pro-rata basis with other funding sources. Recipients should be guided by the principle of not placing CDBG funds at significantly greater risk than non-CDBG funds. This will help avoid the situation where it is learned that a problem has developed that will block the completion of the project, even though all or most of the CDBG funds going into the project have already been expended. When this happens, a recipient may be put in a position of having to provide additional financing to complete the project or watch the potential loss of its funds if the project is not able to be completed. When the recipient determines that it is not practicable to disburse CDBG funds on a pro-rata basis, the recipient should consider taking other steps to safeguard CDBG funds in the event of a default, such as insisting on securitizing assets of the project.

APPENDIX F Motor City Match Qualification Process



CITY OF DETROIT
OFFICE OF THE Mayor
HOUSING AND REVITALIZATION DEPARTMENT



1. Economic development activities carried out in a NRSA are exempt from the aggregate public benefit standards. Standards for individual projects still apply.
2. LMI Limited Clientele - 51% of the direct beneficiaries will be LMI persons (category is also available for Low/Mod owned Microenterprises).
3. LMI Jobs Creation/Retention- Permanent jobs will be created/retained, of which 51% or more are made available or held by LMI persons.
4. LMI Area Benefit – Activity will benefit an area where 51% of more of residents are LMI.